

**PRIVATE BANKING AND MONEY LAUNDERING:
A CASE STUDY OF OPPORTUNITIES AND
VULNERABILITIES**

HEARINGS
BEFORE THE
PERMANENT
SUBCOMMITTEE ON INVESTIGATIONS
OF THE
COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
ONE HUNDRED SIXTH CONGRESS
FIRST SESSION

NOVEMBER 9 AND 10, 1999

Printed for the use of the Committee on Governmental Affairs



U.S. GOVERNMENT PRINTING OFFICE

61-699 cc

WASHINGTON : 2000

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PRIVATE BANKING AND MONEY LAUNDERING: A CASE STUDY OF OPPORTUNITIES AND VULNERABILITIES

TUESDAY, NOVEMBER 9, 1999

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:03 a.m., in room SD-628, Dirksen Senate Office Building, Hon. Susan M. Collins, Chairman of the Subcommittee, presiding.

Present: Senators Collins, Cochran, Specter, and Levin.

Staff present: K. Lee Blalack, II, Chief Counsel and Staff Director; Mary D. Robertson, Chief Clerk; Kirk E. Walder, Investigator; Brian C. Jones, Investigator; Linda Gustitus, Minority Staff Director and Chief Counsel; Elise J. Bean, Minority Deputy Chief Counsel; Robert L. Roach, Counsel to the Minority; Claire Barnard, Detailee/HHS; Leo Wisniewski, Detailee/Secret Service; Carl Gold, Congressional Fellow; Robert Slama, Detailee/Secret Service; Regina Keskes, Intern; Ryan Blalack, Intern; Justin Tatham, Intern; Morgan Frankel, Senate Legal Counsel; Brian Benczkowski (Senator Domenici); Michael Loesch (Senator Cochran); Frank Brown (Senator Specter); Anne Bradford (Senator Thompson); Julie Vincent (Senator Voinovich); Nanci Langley (Senator Akaka); Marianne Upton (Senator Durbin) Jonathan Gill, GAO Detailee (Senator Lieberman); and Shelly O'Neill (Senator Akaka).

OPENING STATEMENT OF SENATOR COLLINS

Senator COLLINS. Good morning. This Subcommittee will come to order.

During the next 2 days, the Permanent Subcommittee on Investigations will examine the confidential, complex world of private banking and whether private banks are—by their very nature—particularly susceptible to money laundering. At the outset, I should note that this is not the first time that this Subcommittee has investigated money laundering. Our colleague, Senator Roth, in the mid-1980's, chaired a series of Subcommittee hearings which exposed how criminals used offshore banks to launder their dirty money. The Subcommittee's findings prompted passage of the Money Laundering Control Act of 1986, which defined money laundering as a freestanding criminal offense for the first time.

More recently, Congressman Leach in the House of Representatives has held a series of hearings on money laundering.

These hearings, which were initiated by the Ranking Minority Member, Senator Levin, are very timely. Our banking system's vulnerability to money laundering is once again a focal point of debate in the wake of recent disclosures that billions of dollars were siphoned out of Russia into accounts at the Bank of New York and, within a few days or even a few hours, rerouted to multiple accounts all over the world.

What happened at the Bank of New York, as well as the cases that we will highlight today, should be a cautionary tale for the rest of the banking industry, law enforcement, and Congress. We cannot allow the integrity of our banking system to be sullied by the dirty money that fuels the engine of criminal enterprises both here at home and abroad. Our banks must be vigilant in their efforts to detect and report criminal activity and avoid acting as conduits for money laundering. Stop money laundering, and you dry up much of the seed capital criminal organizations need for their operations.

Today's hearing will focus on one aspect of our banking system—private banking—that may be particularly attractive to criminals who want to launder money. Private banking is probably unfamiliar to most Americans since, by and large, private banks cater to extremely wealthy clients. Indeed, most of the private banks examined by the Subcommittee require their clients to deposit assets in excess of \$1 million. The banks charge their customers a fee for managing those assets and for providing the specialized services of the private banks.

Some of those services include traditional banking services such as checking and savings accounts. But private banks go far beyond providing routine banking services. They market themselves to clients by offering services to meet the special needs of the very wealthy, including providing investment guidance, estate planning, tax assistance, offshore accounts, and, in some cases, complicated schemes designed to ensure the confidentiality of financial transactions.

The private banker coordinates the management of the client's wealth and acts as the client's personal advocate to the rest of the bank. If a client needs to set up an offshore trust, for example, the private banker takes care of it. He serves as a liaison between the client and the bank's trust managers, investment specialists, and accountants. In short, private bankers are expected to provide personalized can-do service for their wealthy clientele.

Historically, private banking was a specialty business dominated by Swiss banks. In the last 30 years, however, large banks in the United States have aggressively pursued private banking business and sought to increase their market share. Private banking is profitable, competitive, and a growing business in the United States, and private banking services are now an established line of business in many American banks.

Private banks offer their wealthy clients not only first-class service but confidentiality as well. While the average passbook savings depositor at a community bank in Maine has very little, if any, need for Swiss bank accounts, some wealthy and prominent people seek the anonymity of the financial services offered by private

banks. And, it is fair to say that private banks sell secrecy to their customers.

The Subcommittee's investigation found that private banks routinely use code names for accounts, concentration accounts that disguise the movement of client funds, and offshore private investment corporations located in countries with strict secrecy laws—so strict, in fact, that there are criminal penalties in those jurisdictions for disclosing information about the client's account to banking regulators in the United States.

These private banking services—which are designed to ensure confidentiality for the client's account—present difficult oversight problems for banking regulators and even law enforcement. For instance, in one of the cases examined by the Subcommittee, the private bank opened special accounts for the client using the fictitious name “Bonaparte.”

The difficulties associated with identifying clients to account activity worsen when private banks use concentration accounts to transfer their clients' funds. In one case examined by the Subcommittee, the private banker's use of a concentration account, which commingles bank funds with client funds, cut off any paper trail for millions of dollars of wire transfers. The concentration account became the source of funds wired from Mexico, and investment accounts in Switzerland and London became the destination.

I want to emphasize that private banking is a legitimate business. There can be bona fide reasons why private banks offer products designed to ensure anonymity and confidentiality. The problem, however, is that what makes private banking appealing to legitimate customers also makes it particularly inviting to criminals.

The Subcommittee found that criminals can easily employ private banking services to move huge sums of money. In one of the cases examined by the Subcommittee involving Raul Salinas—the brother of the former President of Mexico—the General Accounting Office determined that private banking personnel at Citibank helped Mr. Salinas transfer between \$90 and \$100 million out of Mexico in a manner that “effectively disguised the funds' source and destination, thus breaking the funds' paper trail.”

Mr. Salinas received first class service from Citibank's private bank. My concern is that this gold-plated service included disguising the source, flow, and destination of funds that may have been the proceeds of the illegal activity.

Now, I want to emphasize that the Subcommittee has uncovered no evidence that Citibank or any other private bank knowingly helped Mr. Salinas or other criminals launder dirty money. We have, however, found that some private banks neglected their own internal procedures designed to detect and report suspicious activity as they are required to do by law.

For example, too often Citibank's private bank essentially paid lip service to its own procedures. Moreover, and even more troubling, it continued to do so even in the face of highly critical internal audits and warnings from banking regulators that there was a risk of exposure to money laundering.

One of the purposes of these hearings is to determine why those internal policies were neglected and why it took Citibank so long

to correct the problem. A second goal of these hearings is to examine whether our banking regulators have done and are doing enough to ensure that banks—especially private banks—take seriously their obligation to implement internal procedures designed to report potential money laundering. Finally, these hearings will examine whether Congress needs to do more to combat this problem.

At this time, I would like to call upon the distinguished Ranking Minority Member, Senator Levin, for his opening statement. Before doing so, however, I want to once again commend Senator Levin and his staff for the fine in-depth work that they have done on this investigation and for initiating these hearings.

Senator Levin.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Thank you, Madam Chairman.

Thirteen years ago, with the passage of the first money laundering statute in 1986, Congress made clear its desire not to allow U.S. banks to function as conduits for dirty money. Since that time, the world has experienced an enormous growth in the accumulation of wealth by individuals around the globe, and wealthy individuals have turned in growing numbers to a category of banking called “private banking” as the mechanism for managing their money.

Estimates are that \$500 billion to \$1 trillion of international criminal proceeds are moved internationally and deposited into bank accounts annually. It is estimated that half of that money comes to the United States.

Today we are looking at how private banking can provide management not only for legal money, but also for the wealth of international criminals and corrupt government officials.

Private banking is a very competitive and very profitable business, often bringing in a 20 to 25 percent return to a bank. Private bankers are marketers and promoters who are expected to attract wealthy clients to the bank. Once a person becomes a client of a private bank, the bank’s primary goal generally has been to service that client, and servicing a private bank client almost always means using services that are also the tools of money laundering: secret trusts, offshore accounts, secret name accounts, and shell companies called private investment corporations.

These private investment corporations, or PICs, are designed for the purpose of holding and hiding a person’s assets. The assets could be real property, money, stock, art, or other valuables. The nominal officers, trustees, and shareholders of these shell corporations are often themselves shell corporations controlled by the private bank.

The PIC then becomes the holder of the various bank and investment accounts, and the ownership of the private bank’s client is buried in the records of so-called secrecy jurisdictions, such as the Cayman Islands.

Private banks keep prepackaged PICs on the shelf, awaiting activation when a private bank client wants one. Shell companies in secrecy jurisdictions managed by shell corporations which serve as directors, officers, and shareholders—shells within shells within

shells, like Russian Matryoshka dolls, which in the end can become impenetrable to legal process.

Private bankers specialize in secrecy. Even if a client doesn't ask for secrecy, a private banker often encourages it. In the brochure for Citibank's Private Bank on their international trust services, in the table of contents, it lists the attractiveness of secrecy jurisdictions this way: "The Bahamas, the Cayman Islands, Jersey, and Switzerland, the best of all worlds."

This brochure also advertises the advantages of using a PIC. One advantage it lists is this one: "PIC assets are registered in the name of the PIC, and your ownership of the PIC need not appear in any public registry."

Secrecy is such a priority that private bankers have at times been told by their superiors not to keep any record in the United States disclosing who owns the offshore PIC established by the private bank.

One former private banker told us that he and his fellow bankers had to hide cheat sheets in their desks because they weren't allowed to keep names of the offshore accounts that they were managing. Since they couldn't remember the names and the numbers of all those accounts when they needed them, they would keep a secret list in their desks or with a secretary to help them remember. When the list was discovered, the banker was reprimanded.

American banks aren't allowed to maintain secret accounts in the United States that are not subject to legal process, so U.S. private bankers often establish secret accounts and secret corporations in countries that do allow them. Then they manage the money in those accounts and the assets in those corporations from their offices in the United States. In short, American banks help wealthy customers do abroad what the customer and the bank can't do in the United States under U.S. law.

Today we are looking at the Private Bank of Citibank. Citibank is the largest bank in the United States. It has one of the largest private bank operations. It has the most extensive global presence of all U.S. banks, and it has had a rogue gallery of private bank clients.

Citibank, for instance, has been private banker to Raul Salinas, brother of the former President of Mexico, now in prison in Mexico for murder and under investigation in Mexico for illicit enrichment; Asif Ali Zardari, husband of the former Prime Minister of Pakistan, now in prison in Pakistan for kickbacks and under indictment in Switzerland for money laundering; Omar Bongo, President of Gabon, and subject of a French criminal investigation into bribery; sons of General Sani Abacha, former military leader of Nigeria, one of whom is now in prison in Nigeria on charges of murder and under investigation in Switzerland and Nigeria for money laundering; and Jaime Lusinchi, the former President of Venezuela, indicted for money laundering in Venezuela.

Other private banks have similar accounts. The Bankers Trust counsel, when describing one of its clients, told our staff words to the effect that "these are bad people." Well if the bank thinks they are bad people, why are they accepting them as customers of the private bank?

In the Bankers Trust case, it appears that the bank did know its client. But what it knew was that the client was bad, and it continued to do business with him.

Today we are going to look at some of the cases in greater detail to learn how these individuals became clients of Citibank, what efforts Citibank made to implement its due diligence policies and ascertain the source of the client's wealth, and what Citibank did to help disguise the client's accounts.

America cannot have it both ways. We cannot condemn corruption abroad, be it officials taking bribes or looting their treasuries, and then tolerate American banks making profits off that corruption.

Private banking has a legitimate function, but it has too often been used to manage dirty money. We must end the use of private banking by the criminals and by the corrupt.

I want to thank our Chairman for her support of these hearings and this investigation, and her staff for their hard work in helping to bring these about. And I particularly want to thank my Minority staff for their work, which can only be described as Herculean.

Thank you, Madam Chairman.

[The prepared opening statement of Senator Levin follows:]

PREPARED OPENING STATEMENT OF SENATOR LEVIN

Thirteen years ago, with the passage of the first money laundering statute, Congress made clear its desire not to allow U.S. banks to function as conduits for dirty money. This Subcommittee, through a series of hearings and reports in the 1980's on money laundering and off-shore secrecy jurisdictions, contributed significantly to the enactment of that law. Money laundering is now a Federal crime and our banks and financial institutions are required by law to establish and implement anti-money laundering programs.

Since that time the world has experienced an enormous growth in the accumulation of wealth by individuals around the globe, and wealthy individuals have turned in growing numbers to a category of banking called "private banking" as the mechanism for managing their money.

Raymond Baker, a Guest Scholar in Economic Studies at Brookings and a witness at tomorrow's hearing, estimates that \$500 billion to \$1 trillion of international criminal proceeds and hundreds of millions of dollars from tax evasion are moved internationally and deposited into bank accounts annually. He estimates that half of this money comes to the United States. Today we are looking at how private banking can provide management not only for legal money but also for the wealth of international criminals and corrupt government officials.

We need to first understand what private banking is. Most private banks are a bank within a larger bank, distinguished by the size of the accounts they hold and the presence of a one-on-one private banker or relationship manager assigned to manage the assets of each client. To open an account in a private bank, prospective clients—and we estimate that there are over 200,000 private bank clients at U.S. banks today—must deposit a substantial sum, usually \$1 million or more. In return for this deposit, the private bank assigns a private banker to act as a liaison between the client and the bank and to facilitate the client's use of a wide range of services offered by the bank. The client pays either a flat fee, a fee based on a percentage of the assets under management or both.

Private banking is a very competitive and very profitable business, often bringing in a 20 to 25 percent return to a bank. Private bankers are marketers and promoters who are expected to attract wealthy clients to the bank. Once a person becomes a client of a private bank, the bank's primary goal is to service that client, and servicing a client almost always means using services that are also the tools of money laundering—secret trusts, offshore accounts, secret name accounts, and shell companies called private investment corporations.

These private investment corporations or PICs are designed for the purpose of holding—and hiding—one person's assets. The assets can be real property, money, stock, art or other valuables. The nominal officers, trustees, and shareholders of

these shell corporations are, in turn, often shell corporations controlled by the private bank. The PIC then becomes the holder of the various bank and investment accounts, and the ownership of the private bank's client is buried in the records of so-called secrecy jurisdictions, such as the Cayman Islands. Private banks keep pre-packaged PICs "on-the-shelf," awaiting activation when a private bank client wants one. They have shell companies in secrecy jurisdictions managed by shell corporations which serve as directors, officers and shareholders. There are shells within shells within shells—like Russian Matyoshka Dolls—which in the end can become impenetrable to legal process.

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"PIC assets are registered in the name of the PIC and your ownership of the PIC need not appear in any public registry."

Secrecy is such a priority that private bankers are often told by their superiors not to keep any record in the United States disclosing who owns the offshore PICs established by the private bank. One former private banker told us he and his fellow bankers had to hide cheat sheets in their desks, because they weren't allowed to keep names of the offshore accounts they were managing. Since they couldn't remember the names and numbers of all those accounts when they needed them, they would keep a secret list in their desks or with a secretary to help them remember. When the list was discovered, the banker was reprimanded.

Secrecy is so important that private bankers sometimes speak in code to each other in phone calls across the Atlantic to disguise the beneficial owner of the account they are talking about, so other bank employees won't know the beneficial owners of the very accounts they are working on. One private banker in Citicorp London had worked for years on the Salinas account and never knew Raul Salinas was the beneficial owner. Raul Salinas was always referred to by a code, CC2, or the name of his PIC, Trocca, Ltd. The private banker said she was surprised when she learned Raul Salinas owned one of her accounts.

American banks aren't allowed to maintain secret accounts in the United States, so U.S. private bankers establish secret accounts and secret corporations in countries that do allow them. Then they manage those accounts from their offices in the United States. In short, American banks help wealthy customers do abroad what the customer and the bank can't do within the boundaries of the United States.

Today we are looking at the private bank of Citibank. It is the largest bank in the United States, and it has one of the largest private bank operations. It has the most extensive global presence of all U.S. banks, and it has had a rogues' gallery of private bank clients. Citibank has been private banker to:

- Raul Salinas, brother to the former President of Mexico; now in prison in Mexico for murder and under investigation in Mexico for illicit enrichment;
- Asif Ali Zardari, husband to the former Prime Minister of Pakistan; now in prison in Pakistan for kickbacks and under indictment in Switzerland for money laundering;
- Omar Bongo, President of Gabon; subject of a French criminal investigation into bribery;
- sons of General Sani Abacha, former military leader of Nigeria; one of whom is now in prison in Nigeria on charges of murder and under investigation in Switzerland and Nigeria for money laundering;
- Jaime Lusinchi, former President of Venezuela; charged with misappropriation of government funds;
- two daughters of Radon Suharto, former President of Indonesia who has been alleged to have looted billions of dollars from Indonesia;
- and, it appears General Albert Stroessner, former President of Paraguay and notorious for decades for a dictatorship based on terror and profiteering.

And these are just the clients we know.

Other banks have similar accounts. The legal counsel for Bankers Trust private bank asked the Subcommittee not to make public any information about an account of a certain Latin American client because the private banker was concerned that the banker's life would be in danger if the information were revealed. The Bankers Trust counsel, when describing one of its clients, told our staff words to the effect

that, "These are bad people." If the bank thinks they're "bad people," why are they accepting them as customers of the private bank? In the Bankers Trust case it appears the bank does know its client; but what it knows is that its client is "bad."

Today we're going to look at some of these cases in greater detail to learn how these individuals became clients of Citibank, what effort Citibank made to implement its due diligence policies and ascertain the source of the client's wealth, and what Citibank did to help disguise the clients' accounts.

No one is suggesting that private banking is an improper banking activity or that banks should not be making a profit on the services they offer their clients. As several of Citibank's top managers said to us, the question is how you conduct private banking in an "honorable" way.

The key factor to banking in an "honorable way" is the exercise of due diligence in learning who a client is and the source of the client's wealth and then taking appropriate action. This is a fundamental requirement for a strong anti-money laundering program.

America can't have it both ways. We can't condemn corruption abroad, be it officials taking bribes or looting their treasuries, and then tolerate American banks making fortunes off that corruption.

The Federal Reserve, the Office of the Comptroller of the Currency, the State Department, and the General Accounting Office all have concluded that private banking is vulnerable to money laundering. We will ask today's witnesses, private bankers from Citibank, about some specific cases showing us how and why that's true. At tomorrow's hearing we will look at generic private banking practices, the role of the Federal regulators, and the significance of private banking in the global movement of money.

Private banking has a legitimate function, but it has too often been used to manage dirty money. We must end the use of private banking by the criminals and the corrupt.

I thank the Chairman for her support for these hearings and her staff for their hard work in helping us to bring these about. I also thank my Minority staff for their excellent work.

Senator COLLINS. Senator Specter, we are pleased to have you here with us today, and I would call upon you for any opening remarks you might have.

OPENING STATEMENT OF SENATOR SPECTER

Senator SPECTER. Well, thank you very much, Madam Chairwoman. I shall be brief.

First, I compliment you for scheduling these hearings in the tradition of this very important Subcommittee, and I compliment Senator Levin for the extraordinary Minority report, some 63 pages, and I have not seen hearings start with such a comprehensive analysis in advance. It gets these hearings off to a running start.

They are certainly extremely important because money laundering is instrumental on drug trafficking and organized crime, and they are also extremely important from the point of view that the United States is making very substantial financial contributions to many countries where individuals have access to U.S. funds for their own private purposes.

The information about money laundering on Russian officials suggests a direct conduit for the very substantial funds which the United States is advancing to Russia, and with the Salinas case in Mexico, the bailout, while you can't trace the specific dollars, there is a very strong inference that U.S. taxpayers' dollars are going into private pockets aided and abetted by these private banks.

Where you have provisions such as Dubai law that the bank is not required to know the beneficial owner but only the signatory party, it is just an open invitation to the kind of secrecy which both Senator Collins and Senator Levin have outlined here.

As Senator Levin identifies it, shells within shells, it is the quintessential shell game. And I believe on the basis of what is of record and in this Minority report, there is very substantial evidence at this time of wrongdoing. And these hearings will give the public notice as to what is going on and, I think, set the stage for some very important remedial action.

My Subcommittee on Labor, Health, Human Services is going to be negotiating with White House officials a little later this morning, so I am going to have to study the record as opposed to being here. But I wanted to come and commend what you are doing here today and give you my support. Thank you.

Senator COLLINS. Thank you very much.

Senator Cochran, we are also delighted to have you with us today.

OPENING STATEMENT OF SENATOR COCHRAN

Senator COCHRAN. Thank you very much, Madam Chairman.

Our Subcommittee staff has done an enormous amount of work to obtain information about the effectiveness of U.S. laws and regulations to combat money laundering. I look forward to hearing the report of our staff and to the consideration of the results of this investigation and the issues that have been raised by the staff in this important review.

Thank you very much.

Senator COLLINS. Thank you.

Due to time constraints, the Subcommittee was unable to invite all the parties affected by this issue to present oral testimony. We have received a written statement from the General Accounting Office. We expect to receive one from Stuart Eizenstat, Treasury Deputy Secretary, as well as from other interested officials. The hearing record will remain open for 14 days for the inclusion of such statements, and the ones we have received, without objection, will be included in the printed hearing record.¹

At this time I would like to welcome our first panel of witnesses. We have with us two members of the Subcommittee's Minority staff who will present an overview of the Subcommittee's investigation of the private banking industry and its vulnerabilities to money laundering. We will first hear from Robert Roach, who is the Minority Counsel. Mr. Roach will be followed by Elise Bean, who is the Deputy Chief Counsel.

Pursuant to Rule VI, all witnesses who testify must be sworn in, so at this point, I would ask that you stand. Do you swear that the testimony you are about to give to the Subcommittee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. ROACH. I do.

Ms. BEAN. I do.

Senator COLLINS. Thank you.

Mr. Roach, you may proceed. As you know better than most witnesses who appear before us, we ask that you limit your oral testimony to no more than 10 minutes.

Mr. ROACH. I will watch for the light.

¹ The three GAO statements appear as Exhibits 21–23 in the Appendix on pages 159–197.

**TESTIMONY OF ROBERT L. ROACH, COUNSEL TO THE
MINORITY, PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**

Mr. ROACH. Senator Collins, Senator Levin, and Members of the Subcommittee, good morning. We appreciate the opportunity to appear before the Subcommittee today to summarize the staff investigation to date into the private banking industry and its vulnerability to money laundering.

Private banks provide financial services to wealthy individuals who usually must deposit \$1 million or more to open an account. All U.S. banks are required by law to have an active anti-money laundering program. Regulators and banks have interpreted this requirement to include due diligence reviews of bank clients and their transactions, including understanding the source of large deposits into a client's account, and reporting any suspicious activity.

This responsibility with respect to private banking is significantly greater than retail accounts because clients have high net worth, transactions routinely involve large amounts of funds often crossing international jurisdictions, and private bankers become personally involved with clients and in-house advocates for their interests.

We have prepared a report which describes the private banking industry in the United States, explains why certain private banking features and services increase money-laundering opportunities, and details four case histories taken from the Citibank Private Bank illustrating a number of anti-money-laundering issues. We ask that that report be made part of the record.¹

Senator COLLINS. Without objection.

Mr. ROACH. In the interest of time, our oral presentation will be limited to three case histories to be reviewed at today's hearing: Raul Salinas; El Hadj Omar Bongo, President of Gabon; and the sons of General Sani Abacha, former military leader of Nigeria.

First, the Raul Salinas case. Citibank's management of the Salinas account raises three major issues: Lack of due diligence, the bank's willingness to satisfy a client's demand for extreme secrecy, and the tension that exists between a bank's desire to please its clients and its legal obligation to combat money laundering.

First, secrecy. The private bank, through the direction of Amy Elliott, private banker to Mr. Salinas, established a shell company for Mr. Salinas with layers of disguised ownership. It permitted a third party using an alias to deposit funds into the accounts, and it moved the funds out of Mexico through a Citibank concentration account that aided in the obfuscation of the audit trail.

Cititrust in the Cayman Islands activated a Cayman Island shell corporation called a PIC, or private investment corporation, called Trocca, Ltd., to serve as the owner of record for the Salinas private bank accounts. We tried to provide somewhat of a graphic description of how Trocca, Ltd. was structured.²

Cititrust used three Panamanian shell companies to function as Trocca's Board of Directors. Cititrust also used three Cayman Is-

¹The Minority Staff Report entitled "Private Banking and Money Laundering: A Case Study of Opportunities and Vulnerabilities," appears in the Appendix on page 872.

²See Exhibit No. 1 which appears in the Appendix on page 111.

land shell companies to serve as Trocca's officers and principal shareholders.

Cititrust controls all six of these shell companies and routinely uses them to function as directors and officers of PICs that it makes available to private clients.

Later, Citibank established a trust, identified only by a number, to serve as the owner of Trocca, Ltd. Raul Salinas was the secret beneficiary of the trust.

The result of this elaborate structure was that the Salinas name did not appear anywhere on Trocca's incorporation papers.

The Trocca, Ltd. accounts were established in London and Switzerland. The private bank did not disclose the identity of Trocca's owner to any private bank personnel other than the personnel who administered the company and personnel required by Swiss law to know the beneficial owner. And Ms. Elliott, who knew Mr. Salinas was a client, did not know the name of his shell corporation. The private bank did not use Mr. Salinas' name in bank communications, but instead referred to him as "Confidential Client No. 2," or "CC-2."

To accommodate Mr. Salinas' desire to conceal the fact that he was moving money out of Mexico, Ms. Elliott introduced Mr. Salinas' then-fiancee Paulina Castanon as Patricia Rios to a service officer at the Mexico City branch of Citibank. Operating under that alias, Ms. Castanon would deliver cashiers checks to the branch where they would be converted into dollars and wired into a concentration account in New York.

The concentration account is a business account established by Citibank to hold funds from various destinations prior to depositing them into the proper accounts. Transferring funds through this account enables a client's name and account number to be removed from the transaction, thereby clouding the audit trail. From there, the money would be transferred to the Trocca, Ltd. accounts in London and Switzerland.¹

Between October 1992 and October 1994, more than \$67 million was moved from Mexico to New York and then on to London and Switzerland by way of this system.²

Second, lack of due diligence. A private bank is obligated by law to take steps to ensure that it does not facilitate money laundering. All bankers are required to conduct due diligence on clients in opening and managing accounts. However, the private bank accepted Mr. Salinas as a client without any specific review of his background and without determining the source of funds that would be deposited into his account.

Ms. Elliott acknowledged to us that she relied on the verbal reference provided by Carlos Hank Rhon, a long-time private bank client, and her general knowledge of the reputation and wealth of the Salinas family. She acknowledged that she did not investigate Mr. Salinas' employment, financial background, or assets, despite Citibank's written policy to obtain all relevant client information and account documentation in writing. In fact, in 1995, after Mr.

¹See Exhibit No. 2 which appears in the Appendix on page 112.

²See Exhibit No. 3 which appears in the Appendix on page 113.

Salinas was arrested, Ms. Elliott reviewed the Salinas profile, and it was blank.

The failure to perform due diligence when opening the Salinas accounts was compounded when Mr. Salinas began depositing tens of millions of dollars into Trocca's offshore accounts. In just 2 years, Mr. Salinas deposited an aggregate of \$67 million, well over the \$15 to \$20 million that Ms. Elliott had projected in 1992. Yet no one questioned Mr. Salinas about the origin of these funds. Far from inquiring about the sources of the funds, Ms. Elliott wrote to her colleagues in June 1993 that the Salinas account "is turning into an exciting, profitable one for us all. Many thanks for making me look good."

After Mr. Salinas was arrested, Mrs. Salinas told Ms. Elliott that some of the funds had come from other individuals.

When questioned about his lack of intervention in this matter, Mr. Misan, then the private bank's Mexico country head and Ms. Elliott's superior, stated that when he took his position as Mexico country head, his superiors in the bank, Mr. Figueiredo and Mr. Montero, informed him that there were some accounts that he should not supervise. Mr. Misan told us that he did not supervise the Salinas accounts as a result of that directive.

Finally, the desire to please the client versus responsibilities under the law. After Mr. Salinas was arrested, Hubertus Rukavina, the head of Citibank Private Bank at the time, suggested that the Salinas accounts in London be transferred back to Switzerland because they would be afforded more secrecy there.

Also, according to Mrs. Salinas, Ms. Elliott advised her that it might be wise to move the Trocca, Ltd. account out of Citibank because it might be more difficult for Mexican authorities to obtain account information from a non-U.S. bank.

After Mr. Salinas' arrest in February 1995, private bank attorneys and officials had restricted the activities in the Trocca, Ltd. account, put it under the control of the legal department, made a decision to terminate the relationship, and secured repayment of an outstanding loan because they were concerned that the bank's funds would be at risk if a government froze the assets in the accounts. Yet no criminal referral form was filed until 6 months later, after Mrs. Salinas was arrested. And that referral made no mention of the Trocca, Ltd. accounts, even though it was Trocca, Ltd. that held almost all of the clients' assets and was the account that was the subject of all the actions Citibank took 6 months earlier.

It is one thing for a private bank to provide reasonable levels of confidentiality. It is another for a private bank to provide the means for an individual to deposit tens of millions of dollars in Swiss accounts in ways that even an auditor would find difficult to detect.

When products and services are structured to satisfy a client's demand for secrecy, they become much more vulnerable to money laundering.

Now my colleague, Ms. Bean, will address the two other cases. Thank you.

**TESTIMONY OF ELISE J. BEAN, DEPUTY CHIEF COUNSEL TO
THE MINORITY, PERMANENT SUBCOMMITTEE ON INVESTIGATIONS**

Ms. BEAN. The second case history involves El Hadj Omar Bongo, the President of Gabon for the past 30 years and a long-time private bank client of Citibank. The Bongo accounts also raise due diligence and secrecy issues, including the extent to which a private bank should service personal accounts belonging to a senior government official when government funds appear to be a major source of large deposits into the official's personal accounts.

The Bongo relationship includes consumer and private bank accounts in Gabon, London, New York, Paris, and Switzerland. The largest accounts are held in the name of Tendin Investments, a Bahamian PIC established by Citibank for President Bongo in 1985. Over 14 years, the Tendin accounts have held more than \$130 million. The private bank has also issued President Bongo loans exceeding \$50 million, secured by his deposits.

Citibank has accommodated President Bongo's desire for secrecy through using code names, setting up PICs in secrecy jurisdictions, using special credit arrangements, and opening a special name account for him in New York called simply "OS."

These and other arrangements kept knowledge of the Bongo accounts within a small circle in the private bank until a 1996 inquiry by the Federal Reserve. The Federal Reserve became concerned about how little information Citibank had about the source of funds in the Bongo accounts. The client profile in August 1996 contained only this explanation of President Bongo's background: "Head of State for over 25 years. . . . Self-made as a result of position. Country is oil producer."

The private banker who managed the account, Alain Ober, his immediate supervisor at the time, Sal Mollica, and a division head, Edward Montero, have all acknowledged that this client profile was wholly inadequate.

The Federal Reserve became so concerned about the Bongo accounts that in February 1997 it asked Citibank's regular bank examiner, the Office of the Comptroller of the Currency, or OCC, to take a closer look. The OCC was given a revised client profile which stated that the President's funds were "created as a result of [his] position and connection to French oil companies."

Like the Federal Reserve, the OCC found no documentation explaining how the President's position led to the funds in his personal account or what oil interests produced them. The OCC also found that the source of over \$20 million in deposits made in 1997, the largest deposits to the Bongo accounts in 10 years, was unexplained.

When the OCC examiner pressed Citibank for specific documentation of the source of the funds in the Bongo accounts, Mr. Ober wrote an April 1997 memorandum which his superiors gave to the OCC. It identified just one source for the Bongo funds: The Gabon budget.

The memo stated that in 1995 the Gabon budget authorized \$111 million for President Bongo's use, and similar amounts were set aside in 1996 and 1997. The OCC examiner told the Subcommittee staff that he accepted the memo as a sufficient explanation for the

funds in President Bongo's personal accounts, because he assumed President Bongo had "carte blanche authority" over his government's funds. He did not attempt to double-check the information.

The Subcommittee staff did double-check the information with Gabon budget experts from the IMF and the World Bank. They were unanimous in their rejection of the Citibank memo, explaining that no Gabon budget during the 1990's had set aside funds for the President's personal use.

The Gabon budget experts indicated that anyone attempting to verify the budget items could easily have determined that the 1995 Gabon budget did not authorize a \$111 million set-aside for the President's personal use and that such a set-aside was plainly contrary to Gabon's budget policy. The IMF also noted, however, that Gabon was spending money in ways not specified in its official budget and that \$62 million of these "extrabudgetary expenditures" in 1997 and 1998 had caused the IMF to cut off further loans to the country pending an independent review of its spending.

At the same time Citibank was preparing the April 1997 memo for the OCC, a new set of red flags went up about the Bongo accounts. Articles began appearing in major papers raising questions about President Bongo's role in an unfolding scandal involving bribes paid to government officials by the French oil company, Elf Aquitaine, and its subsidiary, Elf Gabon. Among other allegations, the articles reported that two Swiss bank accounts containing millions of dollars in allegedly improper payments by Elf had been frozen by Swiss authorities at the request of French criminal investigators. These accounts, a PIC and a special name account at banks other than Citibank, were both linked to President Bongo.

Mr. Ober told the Subcommittee staff that he was aware of the press articles and the allegations against President Bongo, but did not attempt to find out more and did not discuss the matter with his supervisors. After his interview, however, Citibank provided a copy of an e-mail dated April 28, 1997, in which the private bank's African marketing head, Christopher Rogers, urged Mr. Ober and others not to make judgments based on the press reports and to "be extremely careful about sharing such information with regulatory authorities because we can't answer for it."

On August 6, 1997, *Le Monde*, a major French newspaper, reported that a Swiss prosecutor had declared in open court that President Bongo was "the head of an association of criminals."

Two months later, in October 1997, President Bongo's accounts came up for formal review as part of the private bank's annual examination of its public figure accounts. The papers prepared for this review state in the entry for President Bongo "newspaper reports 4/1997 claim he has accepted bribes from ELF-Aquitaine."

But the decision made in October 1997 was to leave the accounts open. This decision was made despite the private bank's awareness of the criminal probe and the Swiss court orders freezing bank accounts linked to President Bongo. In addition, apparently no one connected with the 1997 review asked Mr. Ober to explain or document the source of the \$20 million in 1997 deposits even though they were the largest deposits into the Bongo accounts in 10 years.

In addition to these due diligence issues, the Bongo case history raises an issue unique to private banks managing personal ac-

counts for senior government officials with influence over bank operations.

The Private Bank's legal counsel informed Federal regulators that in the summer of 1996, Citibank considered terminating the relationship with President Bongo, but did not, because it was concerned for the safety of its bank personnel in Gabon. As late as November 1998, when Citibank was again considering terminating the Bongo accounts, their top manager in Africa, Mr. Rogers, wrote the following warning about closing the Bongo accounts:

"We ought to insure that we face this issue and its possible implications with our eyes wide open. Whatever internal considerations we satisfy, the marketing fallout is likely to be serious. . . . [President Bongo's] family and friends extend far. . . . The impact on [the Private Bank's] marketing in Francophone, Africa will be serious."

In January 1999, the Private Bank decided to close the accounts. As of October 1999, however, millions of dollars are still in the Bongo accounts, which are not expected to close completely until sometime in the year 2000.

The third case history involves Mohammed, Ibrahim, and Abba Sani Abacha, three sons of General Sani Abacha, former military leader of Nigeria from 1993 until his death in 1998. General Abacha has been widely condemned as responsible for one of the most corrupt and brutal regimes in Africa. During his regime, the State Department and Citibank identified Nigeria as a high-risk country for money laundering.

General Abacha's sons, Mohammed and Ibrahim, first became clients of Citibank Private Bank in 1988. They began by opening accounts in London and later opened accounts in New York. Over time they required, and the Private Bank agreed to provide, a number of secrecy measures, including three special name accounts, an offshore shell corporation, and the use of two sets of codes to refer to funds transfers. The London accounts held as much as \$60 million at one time. The New York accounts generally stayed under \$2 million, but in one 6-month period saw deposits and withdrawals of almost \$47 million.

A few weeks after General Abacha's death in June 1998, and the initiation of a Nigerian Government investigation into bank accounts held by him, his family and associates, the General's wife was stopped at a Lagos airport with 38 suitcases full of cash, and his son was found with \$100 million in cash. These and other funds were seized by the Government of Nigeria.

Mr. Ober, one of the private bankers managing the Abacha accounts, told the Subcommittee that he was aware of these events, but did not discuss them with his colleagues or supervisors. Mr. Ober also told the Subcommittee staff that he had stopped traveling to Nigeria due to the corruption there.

In September 1998, while the Nigerian Government investigation was ongoing, the Abacha sons made an urgent request to Citibank to transfer \$39 million out of their London accounts. The funds were then in a time deposit that would not mature until the end of September, and which, if the deposits were withdrawn prematurely, would result in a hefty penalty. The Abacha sons asked,

and the Private Bank agreed, to approve an overdraft, a loan in the amount of \$39 million, which the sons used to immediately transfer their funds to Swiss banks and elsewhere. Citibank then satisfied the loan when the time deposit matured 2 weeks later. In this way Citibank assisted the Abacha sons in moving \$39 million out of their Citibank accounts in the face of an ongoing Nigerian Government investigation into their funds, without even incurring a financial penalty.

The primary private banker in London who opened and managed the accounts was Michael Matthews; in New York it was Alain Ober. Both Mr. Matthews and Mr. Ober were required to perform due diligence reviews of the Abacha sons prior to accepting them as clients and while managing their accounts. Mr. Ober has indicated, however, that he was unaware for 3 years, from 1993 until 1996, that the sons' father had become the military leader of Nigeria, until a Citibank colleague mentioned it to him by chance in January 1996. The documents suggest that Mr. Matthews was also uninformed of General Abacha's status.

Beginning in 1996, large additional deposits were made to the London accounts. The funds almost tripled from \$18 million to \$60 million. The account documentation contains little information about the source of these new funds.

At the same time the funds were increasing, the client profiles for the London accounts twice failed reviews by Citibank quality assurance personnel. A review conducted in June 1997 found the London client profile deficient in every category tested, from source of wealth, to business background, to source of funds used to open the account. A 1998 review states: "Lack of detail in Source of Wealth on these profiles. . . . [A]greed to pass [quality assurance review] on basis that we are exiting these relationships."

In New York, no client profiles were provided for the accounts during 1994 and 1995, when \$47 million passed through the accounts in a 6-month period. Mr. Ober told the Subcommittee staff he could not recall the source of the \$47 million, and no account documentation explains the sudden influx in funds.

Sometime in the first quarter of 1999, the Private Bank decided to close the accounts. None of the persons interviewed provided a specific rationale. Before the accounts were actually closed, a London Court issued an order in a civil suit in March 1999, freezing all funds in Citibank's London office related to General Abacha and his family. In October 1999, the Swiss Government issued an order freezing all Swiss bank accounts related to General Abacha, his family and certain associates. Citibank has told us, however, it has no Abacha-related accounts in Switzerland. The Swiss have also, at the request of the Nigerian Government, opened an investigation into money laundering.

In conclusion, like the Salinas and Bongo case histories, the Abacha sons' accounts raise issues of due diligence, secrecy and anti-money laundering controls. The private banker handling the accounts in New York was unaware for 3 years that his clients were the sons of the Nigerian dictator, never discussed press reports that one of the account holders was caught with \$100 million in cash amid allegations of corruption, never asked questions about a 6-month influx of \$47 million. His London counterparts helped

the sons move \$39 million to other banks in September 1998, amid a Nigerian Government investigation. Altogether, the Private Bank allowed these accounts to operate for 10 years with few questions asked.

These case histories are three of hundreds of public figure accounts at Citibank Private Bank. On paper, they were supposed to be subject to the highest level of scrutiny provided by the Private Bank. In practice, the public figure accounts reviewed by the Subcommittee staff were characterized more by customer deference than due diligence.

Thank you very much. We are happy to answer questions.

Senator COLLINS. I want to thank you both for your excellent and very detailed testimony.

We are now in the middle of a series of votes, and I am going to suggest that we recess the hearing for 15 minutes. Whoever gets back first will reconvene the hearing, so you can be assured we will be quick.

Senator LEVIN. Madam Chairman, could I just note the presence of Maxine Waters, Congresswoman from California, who has been a pioneer in the area of anti-money laundering. She has got a very important bill and initiative in the House of Representatives, and it is going to help us a great deal in our thought processes and analysis, and I want to just note her presence here.

Senator COLLINS. We welcome the Congresswoman to the hearing, and again, I want to add my thanks to that of Senator Levin for her work in this important area.

The Subcommittee will be recessed upon the call of the Chair.

[Recess.]

Senator COLLINS. The Subcommittee will come to order.

Pursuant to Rule 14 of the Permanent Subcommittee on Investigations Rules of Procedure, Citibank has requested, through its counsel, that a series of questions be directed to the two staff witnesses on its behalf.

After reviewing Citibank's request and the questions, I have decided to submit the questions for the record, and to require the staff to respond within 24 hours. The questions and the answers will be made public at the start of tomorrow's hearings.¹

I now would like to call upon Senator Levin to see if he has any questions for these witnesses.

Senator LEVIN. Madam Chairman, I did have some questions, but given the hour, I would be happy to pass on questions, ask some also for the record, whatever is your wish on that. Given the time though, perhaps we should move to the next panel.

Senator COLLINS. Thank you.

I again want to thank our two staff witnesses for their excellent testimony. I appreciate your hard work.

Our next panel of witnesses will please come forward: Amy Elliott, who is a private banker for Citicorp, and Albert Misan, the Mexico Country Head for Citibank's Private Bank.

Ms. Elliott has been with Citibank's Private Bank in New York for 16 years and was a private banker for Raul Salinas and his

¹ See Exhibit No. 25 which appears in the Appendix on page 204.

wife. Ms. Elliott will testify about her involvement with Mr. Salinas' Private Bank account.

Mr. Misan began his career with Citibank in 1972, and in 1985 he was posted to Mexico City, where he first became involved with private banking. Mr. Misan was the Country Head in Mexico for Citibank's Private Bank, and was Ms. Elliott's supervisor.

Pursuant to Rule 6, all witnesses are required to be sworn in. I would ask that you stand and raise your right hand.

Do you swear that the testimony you are about to give to the Subcommittee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Ms. ELLIOTT. I do.

Mr. MISAN. I do.

Senator COLLINS. Thank you. We would ask that you limit your oral testimony to 10 minutes. Your written testimony will, however, be printed in the record in its entirety, and Ms. Elliott, I would ask that you proceed.

**TESTIMONY OF AMY C. ELLIOTT,¹ VICE PRESIDENT, CITIBANK
PRIVATE BANK, NEW YORK, NEW YORK**

Ms. ELLIOTT. Good morning, Madam Chairman, Senator Levin, Members of the Permanent Subcommittee on Investigations.

My name is Amy Elliott. I work at Citibank's Private Bank, and have been an employee of the bank for the last 32 years.

This hearing will explore how banks might be vulnerable to money laundering and what banks can do to avoid unknowingly accepting money from drug dealers and other criminals. I view this as a very important topic. I share the Subcommittee's concern about money laundering, and I appreciate my responsibilities in this matter as a citizen and my fiduciary responsibility.

As a banker I have always tried to be alert to the risks of money laundering and to the possibility that a client might be trying to deposit tainted money.

Before discussing Mr. Salinas' account, I would like to provide a little personal background. I was not born in the United States. I was born in Cuba, and emigrated alone to this country in 1961, when I was 17 years old. My parents were not able to leave Cuba until a few years later. My grandparents were never able to leave Cuba, and their property and wealth were confiscated by the Castro Government. When I came to America, I ended up in Nebraska, where I went to college.

I joined Citibank in 1967 and worked in a variety of positions until 1983, when I joined the Private Bank. In 1992, when Raul Salinas became a client of Citibank and I became his relationship manager, I was the Mexico Team Leader in New York.

When I first met Raul Salinas in early 1992, his brother, Carlos Salinas, was the President of Mexico. President Salinas was a hero, both in his own country and abroad. President Salinas was a Harvard-educated reformer who had pledged to revive Mexico's economy, combat drug dealing, and stamp out corruption. He was a guest of President Bush at the White House, and both Presidents Bush and Clinton worked with him in passing NAFTA to increase

¹ The prepared statement of Ms. Elliott appears in the Appendix on page 940.

trade between Mexico and the United States. In Mexico in the early 1990's the Salinas' were known as an old, distinguished family that had wealth going back generations. By 1992, I had been working with Mexican clients for about 8 years, and my clients spoke glowingly about the Salinas family.

Raul Salinas was referred to me by one of our most valued clients, who personally brought him to the bank in New York. At the time, the referring client had maintained accounts at Citibank for at least 10 years, and I had been managing those accounts for almost 4 years. Long before referring Raul Salinas to Citibank, the client had told me that he had been close friends with Raul Salinas since childhood, and that he had worked with him on business projects.

My supervisor in New York and I met with them and discussed the possibility of Mr. Salinas opening an account. Mr. Salinas confirmed to us at that time some of the background information the referring client had previously given me. Mr. Salinas requested that his accounts be structured in the same manner as the accounts of the client who referred him to the bank. Mr. Salinas established a personal investment company, or PIC, to hold his investments, and the shares of that corporation were owned by a trust. This was a very standard account structure in the international private banking industry, including Citibank. Such an account structure provides for confidentiality and also allows for efficient tax and estate planning. Many wealthy Mexicans have a heightened sensitivity to confidentiality of financial information because they are frequently the targets of kidnappings and other violent crimes in their country.

Mr. Salinas initially deposited \$2 million, money in fact that was being returned to him by the referring client as a result of a joint venture that had not gone through. In mid-1993, Mr. Salinas started to deposit larger amounts of money at Citibank. By this time I believed that his wealth had grown from a number of sources. First, I believed he had sold his construction company. Second, I knew that Mr. Salinas was a member of one of Mexico's wealthy families, and in Mexico children often receive their inheritance—or patrimonio—while their parents are still alive. Third, I knew that the Mexican stock market had done very well, and I believed that his investments and the patrimonio had grown considerably. Fourth, Mr. Salinas married Paulina Castanon in June 1993, and I learned that she had received a substantial divorce settlement from a prior marriage.

For all these reasons, I felt completely comfortable accepting his additional deposits in mid-1993 and thereafter. Mr. Salinas' deposits also made sense because Citibank's investment managers had done a good job investing the money he had deposited with us up to that point. It is for this reason that he had decided to deposit a larger percentage of his total assets with Citibank. The activity in the account never appeared suspicious to me at any time; in fact, quite the opposite. It seemed entirely consistent with what I knew about Raul Salinas and his family.

The public's perception of the Salinas name today, however, is very different than it was when I first met Raul Salinas. In 1992, when I accepted Raul Salinas as a client of Citibank, there were

simply no questions about the integrity of Raul Salinas or the Salinas' family name. Now, Carlos Salinas is in self-imposed exile. After he left office at the end of 1994, his successor devalued the peso, and that was the beginning of the end of his sterling reputation.

There is more context. The account relationship with Raul Salinas was one of seven or eight that I personally managed. Today the spotlight shines on this account, but at the time, however, Raul Salinas' account was not the largest, not the most profitable, and not the most important account I managed. In fact, it was one of the smallest accounts and one of the least active. As large as the amounts seem to us in personal terms, they were not unusual in the context of the wealthy Mexican businesspeople who are clients of the Private Banks.

Finally, Mr. Salinas' decision to transfer money out of Mexico and from Mexican pesos and into U.S. dollars in 1993—which was the year before the Mexican Presidential election—is exactly what many other wealthy Mexicans, including my clients, were doing at the time. This is, sadly, a tradition in Mexico because of the political and economic instability that occurs in that country around Presidential elections. The value of the peso and the Mexican stock market usually drop preceding Presidential elections. And there seems to be a fear that with political transition, one could suddenly find oneself under enormous political attack. So there were large amounts of money leaving Mexico in the 1993–1994 time frame, including the funds of Raul Salinas. That, in the context of Mexican politics, was not surprising, and it was certainly not illegal; rather, it was prudent and happened like clockwork every Presidential election year.

Of course, this idea is quite foreign to many Americans, who since birth have enjoyed living in this very stable country of ours.

It is easy to ignore the context I have described and instead to focus on isolated details in this matter and make them seem questionable. The world in which I operated as a relationship manager in the early 1990's was different from the private banking environment today. Procedures, technologies and safeguards are very different today at Citibank. Today, more than 7 years later, given all the changes that have taken place at the bank and in the regulatory and legal environments, there is much more I would be required to do to accept a new private banking client such as Raul Salinas.

I am ready to answer your questions. I only ask you, with all due respect, to keep in mind the broader picture I have described as you frame your inquiry to me.

Thank you.

Senator COLLINS. Mr. Misan.

**ALBERT MISAN,¹ VICE PRESIDENT, CITIBANK PRIVATE BANK,
NEW YORK, NEW YORK**

Mr. MISAN. Senator Collins, Senator Levin, Members of the Subcommittee, and members of the Subcommittee staff, good morning.

¹The prepared statement of Mr. Misan appears in the Appendix on page 946.

My name is Albert Misan, and I have been a banker for almost all my professional life.

I was born in 1949 in Alexandria, Egypt. Being of Jewish descent, my family was under tremendous pressures, and after the Suez War of 1956, my family left—felt compelled to leave Egypt. Half of my family emigrated to Australia, while the other half, including my immediate family went to Rio de Janeiro, Brazil. My father had a successful career in the shipping business in Egypt, but he was forced to give it up and surrender all of our assets when we left Egypt.

When we arrived in Brazil we therefore had no money, and none of us spoke the language. Fortunately, my father was able to get a job working at a private British elementary school, where my siblings and I attended for free. I got a scholarship at an American High School in Brazil, and later I was able to get a partial scholarship to attend a university in the United States. In order to pay for college, during the summers I got my union card with the AFL-CIO and worked as a union laborer.

I graduated from college in 1972 and returned to Rio, where I got a job in the Human Resources Department of Citibank. I successfully completed the training program, and in 1974, I was promoted to work for the Consumer Bank, working on accounts of high net worth individuals. In 1977, I was transferred to the Corporate Bank, where I was first an account manager, and later a supervisor in Citibank's Sao Paulo office.

In 1983, I got my first opportunity to work in New York when I was asked to join the Citibank team that was working on the restructuring of the Brazilian debt. I worked on this project through 1985, when I was named the head of the Corporate Bank in Ecuador. In 1987, I was transferred to the Corporate Bank in Mexico.

In early 1988, I was asked to join the Private Bank, and my first assignment was to establish what was referred as the "onshore" presence of the Private Bank in Mexico. At the outset I was virtually alone, but by the end of the first year I had hired a professional staff which included four private bankers. In 1990, there were seven bankers reporting to me in Mexico City, and at about that time I was given responsibility for the private banking offices in San Diego, Los Angeles, and Houston. In 1992, I was named the Mexico country head, and in that capacity was placed in charge of the Private Bank's Mexico business within the Western Hemisphere Division, including the business managed out of New York.

I was not a private banker in the sense that I was not responsible for managing any particular relationship. Although I did meet with customers on occasion, my principal responsibilities were administrative. My immediate supervisor, during the early 1990's, was Reynaldo Figueiredo, who was headquartered in New York. Mr. Figueiredo, in turn, reported directly to G. Edward Montero, who was until recently the Private Bank's Division Executive in charge of the Western Hemisphere. My colleague, Amy Elliott, was the head of the Mexico team in New York and a senior private banker. I continued to be the country head for the Private Bank in Mexico until 1996, when I moved to New York to manage the Private Bank's investment advisory business for the Western Hemisphere. My responsibilities have expanded over time, and now

include the Private Bank's onshore local currency investment business throughout Latin America.

As I indicated in the outset of my statement, I have been a banker for virtually all my professional life. Bankers are, by and large, conscientious by nature and conservative by training and inclination. When I started in banking, one of the fundamentals of the business was knowing one's customers. At that point, the reasons for doing so were principally credit driven. If you loaned money to an individual or a company, you wanted to be able to have a degree of confidence that the loan would be repaid. Everything you could learn about your client added to your ability to evaluate credit risk. If you know your customer, the risk of doing business with the customer declines materially.

Over time, reasons why it was important to know one's customer became more evident, for example, to adequately address suitability issues which relate to insuring that a customer's risk profile matches the investment selected by the customer's portfolio. Another reason that emerged, was the growing awareness that a bank had to be vigilant against the possibility that its customers might be engaged in money laundering. The focus in this regard was at first principally on cash transactions, but the component of "know-your-customer" that focused on anti-money laundering procedures was clearly taking root.

At the same time in the early 1990's, management began emphasizing the importance not only of a banker knowing his or her customer, but that there be adequate documentation of that knowledge. From a management perspective—and I was a manager—this "know-your-customer" effort introduced a new issue. How do you get relationship managers, who are first and foremost interested in marketing efforts, to spend valuable time filling out forms? Furthermore, for some, the documentation appeared superfluous since the information that was being recorded was already known to the private banker in question, and therefore, readily available when necessary. We had always expected our private bankers to be, in effect, walking sources of "know-your-customer" information, but we were now taking a further step and requiring that the information be memorialized. Unfortunately, it took longer to bring the know-your-customer documentation to the levels we wanted. The documentation of know-your-customer was a difficult task, as many of our clients had been with the bank for a long time, some for 40 or 50 years. At times it was difficult for a new private banker to go back to these longstanding clients and ask them a series of detailed financial questions. We did so, but it took longer than we anticipated to get all our questions answered.

Since the outset, our private bankers were conscientious of money laundering. Their awareness and sensitivity to these issues has grown over time as we strove to constantly raise the bar, and today it has become a routine part of their thought processes when dealing with clients.

In closing, I would like to emphasize that in 1999, Citibank Private Banking has evolved from what it was in the early and mid-1990's, and that the Private Bank's current policies have tightened the procedures and systems to insure significant improvement on the overall operation of the Private Bank.

At this point I have completed my prepared remarks and would be pleased to take questions from the Subcommittee. Thank you.

Senator COLLINS. Thank you for your statement.

Ms. Elliott, in 1994 you testified at a trial in which money laundering charges had been brought against a Citibank private banker, and at the trial you described at length Citibank guidelines that had been in effect in 1986, 1987, 1988, which focused on the importance of knowing your customer, knowing your client, and the very serious consequences that could ensue if a bank did business with a customer who turned out to be undesirable or to be involved in criminal activity.

In your testimony you were also very clear about the need for two written bank references because oral references were not sufficient. Yet the year before your testimony, you did not follow that process in opening accounts for Mr. Salinas.

Could you explain to us—and obviously, we are very aware of the bank's own internal requirements and the problems that could result if they were not followed—why you did not follow those standard procedures in opening the account for Mr. Salinas?

Ms. ELLIOTT. Yes, Madam Chairman. I did follow the bank's policy at the time. The bank's policy, at the time, required that we should get two references. They could either be from someone within the bank—another area of the bank—from another client or another personal source, and/or a financial reference, meaning from another bank. And it required two references.

The policy as well, however, allowed for waiving one or both of the references by one of the team leaders, and I was a team leader at the time. So in fact, I did. Raul Salinas was brought to the bank by Carlos Hank, who in fact brought him in, so it was not just a personal reference, it was a personal reference that was given in person. He came in and gave it to us, to me and my boss's boss at the time.

Senator COLLINS. According to your deposition, Citibank required written bank references. Did you have two written bank references before you opened the account?

Ms. ELLIOTT. I do not have the testimony in front of me, but I believe we required, if it is a bank reference, that it be written, versus just oral. If it is a bank reference, it must be written. In my case, the overall reference was given by a client. He came in, and it was not just given to me. I was in the presence of my boss's boss.

Senator COLLINS. I want to make sure I understand your testimony. Are you testifying that in opening up the Salinas accounts you followed all of Citibank's internal procedures for doing so?

Ms. ELLIOTT. I am.

Senator COLLINS. Ms. Elliott, you have also indicated that you were not concerned about the millions of dollars passing through the Salinas account because you were under the impression that Mr. Salinas' source of wealth derived from several different sources. You mentioned an incomplete business venture that was the source of his initial deposit; the sale of a construction company; his wife's divorce settlement. Did you ever know the name of Mr. Salinas' construction company or see any financial documentation of its sale?

Ms. ELLIOTT. No. At the time I was not required to do that, and this was not—I was not dealing with the construction company as a client. This relationship was—had now matured to a point where the client could have brought in his construction company as a client as well, and it did not seem material at the time.

Today I would be required to ask for annual reports. I would be required to go to the place. I would be required to visit it.

But Mr. Salinas mentioned it. Mr. Hank had told me about it before I ever met Mr. Salinas. He repeated it in the first meeting, and I felt comfortable that that was sufficient.

Senator COLLINS. Were you aware of Mr. Salinas' employment as a government official and what his reported salary was?

Ms. ELLIOTT. I was not at the time.

Senator COLLINS. How could you know that the money going through the account was legitimate, when in the Mexican press reports it was reported that Mr. Salinas had never earned more than \$190,000 per year?

Ms. ELLIOTT. I never read any of the Mexican press reports. Mr. Salinas was a member of a very prominent, wealthy family in Mexico. The Mexican elite is finite. There are five, six hundred families that are well known to be very wealthy, and the Salinas' are one of them. And quite frankly, had I known that he had a job and that he was getting X dollars, it would not necessarily have been terribly consequential to my entire knowledge of what I knew the Salinas family to be, and I believed that that was the source of wealth.

Senator COLLINS. Ms. Elliott, the GAO, in looking into the Salinas case, found that you waived bank references for Mr. Salinas and did not prepare a financial profile on him or request a waiver for the profile as then was required by Citibank's Know-Your-Customer policy. Is your testimony still that you followed all of Citibank's policies in opening the Salinas' accounts?

Ms. ELLIOTT. In the opening of the account, I did not. I should have and did not complete the CAMS profile. The CAMS system at the time was a system that was not a source of wealth system, but rather a system that talked about business background. While it is true that this is information that I had, it is also true that when he was arrested and I went to look at the CAMS screens, they were completely empty. I was mortified and dismayed, but it is absolutely true, they were completely empty.

Senator COLLINS. I am confused by your testimony, because I asked you that same question just a moment ago, and you said you did comply with all of Citibank's procedures and policies. Are you now conceding that you did not comply?

Ms. ELLIOTT. I apologize. I misunderstood. I thought that you had—were referring to the references, and I had complied with all the bank's policies. The bank as well required, however, that we complete the business background information we had into a system that was then called CAMS, and I failed to do that or failed to get it done.

Senator COLLINS. If Mr. Salinas had not been the brother of the President of Mexico, would you have been as willing to deviate from the standard policy?

Ms. ELLIOTT. His being the brother of the President of Mexico had nothing to do with how I treated Mr. Salinas. Mr. Salinas was not—was actually one of my smallest accounts. And I should have caused the CAMS screens to be completed and did not. And it is, and continues to be, my responsibility to get that done. Regarding the references and how I acted with Mr. Salinas, it was totally within policy and it had nothing to do with his being President Salinas' brother.

Senator COLLINS. One of the services that you provided for Mr. Salinas was locating a private investment company for him—or creating a private investment company, and then locating it in a secrecy jurisdiction; is that correct?

Ms. ELLIOTT. It is—Mr. Salinas had requested a structure that I would say—I am not certain, but I would say that at least 70 percent of our Mexican clients and most of our Latin American clients use. It was a standard structure within the International Private Bank, and he wanted the exact structure that Carlos Hank had, and Carlos Hank had a trust that held the shares of a corporation that was managed by Confidas which is our fiduciary subsidiary in Switzerland, and that is what I gave Mr. Salinas.

Senator COLLINS. Is there a tax benefit to using a PIC located in a secrecy jurisdiction versus a non-secrecy jurisdiction?

Ms. ELLIOTT. I am not well versed. There is a tax benefit to having your assets under a corporation because the corporation does not die, but I do not know—

Senator COLLINS. That is not my question. My question is: Is there some tax reason that the PIC would be located in a country that has very strict secrecy laws?

Ms. ELLIOTT. I cannot answer that question. I do not know.

Senator COLLINS. Is the primary purpose of using a private investment corporation to further insulate the beneficial or true owner from disclosure, even within the bank and to banking regulators, locating the PIC in a secrecy jurisdiction? Why is that done? Let us take as a premise that there is no tax advantage to doing so. So why would you set up the PIC in a country that is beyond the reach of bank regulators in the United States?

Ms. ELLIOTT. It is not set up so it is beyond the reach because I do not believe it is beyond the reach of banking regulators in the United States. It is a fact of life that some of these clients require confidentiality. It is a fact of life that these clients are subject to kidnapping and are subject to criminal acts, and it is a fact of life that this is what they have to deal with. And so, yes, they do want their information confidential.

Senator COLLINS. Senator Levin.

Senator LEVIN. If you could take the book of documents that appears in front of you, Ms. Elliott, you will see on page 11, the documentation policy. Do you see that?¹

Ms. ELLIOTT. Yes.

Senator LEVIN. That was issued on April 9, 1992, which was before the Salinas account was opened; is that correct?

Ms. ELLIOTT. I have never seen this document. If that is what it says.

¹ See Exhibit No. 4 which appears in the Appendix on page 114.

Senator LEVIN. You have never seen this document?

Ms. ELLIOTT. No.

Senator LEVIN. The memo by Mr. Montero on page 13?

Ms. ELLIOTT. Yes.

Senator LEVIN. It says "Over the years the Western Hemisphere has been successful in opening a growing number of very desirable target market accounts and extending a diverse product mix to the client base. However, the documentation requirements associated with the above have not always been complied with in a timely fashion. Given our commitment to strong compliance and our desire to enhance our control environment, as a rule, no new account should be opened without complete documentation."

That is not familiar to you?

Ms. ELLIOTT. No, this is. The memo, yes. I was referring to that page that you had.

Senator LEVIN. All right. Then let us talk about the memo. The memo has the same date, does it not, on page 13, April 9, 1992?

Ms. ELLIOTT. Correct.

Senator LEVIN. And it says there at the bottom of that page 13, that "I would like to reemphasize the importance of timely and complete documentation at the inception of a new relationship or account." Do you see that?

Ms. ELLIOTT. Yes.

Senator LEVIN. Do you see on the next page where it says: "New accounts should not be opened without complete documentation," at the top of page 14?

Ms. ELLIOTT. Correct.

Senator LEVIN. Now, if you look at the document at page 1,¹ you will see that this is the application of Mr. Salinas, and it is almost totally blank. But if you will look at page 2, where it says "Source of funds," there is a specific section there on source of funds. It says "Total amount of funds deposited to open these accounts," and "Source of these funds," and they are both blank; is that correct?

Ms. ELLIOTT. Source of funds, yes.

Senator LEVIN. Both blank?

Ms. ELLIOTT. Yes.

Senator LEVIN. You had just received the month before, had you not, this memo from Mr. Montero saying the documentation must be complete, and here you have got an application which is about 90 percent blank including the section on source; is that not correct?

Ms. ELLIOTT. Yes, Senator. If I may, there are two account applications. One begins in page 1 and one begins in page 3. The one that begins in page 3 is the one that I was completing in Mexico with Raul Salinas. The one that begins in page 1 was being completed simultaneously in New York by my assistant. "Source of funds" refers to where the initial deposit is coming from, and not source of wealth. That is what it means.

And at this point I did not know where the funds were coming from. He was going to—this was his personal account in New York. He told me he was going to transfer \$100,000 from a Mexican bank, but he did not know which one, so I did not know.

¹ See Exhibit No. 5 which appears in the Appendix on page 123.

Senator LEVIN. You had just received from Mr. Montero a statement that it is absolutely essential that documents be complete, and yet you want to look at the one that you are talking about on pages 3 and 4, you still have almost nothing on page 4, and if you want to look at the source of funds section and the one that you say you worked on on page 4, that is blank, including the first line which says, "Total amount of funds deposited to open these accounts," and then it says, "Source of these funds." Now, that was left blank; is that not correct?

Ms. ELLIOTT. That is correct.

Senator LEVIN. And that was left blank within a month after you got these strong instructions from the head of the—Mr. Montero, what was his position? He was above you, in any event, right?

Ms. ELLIOTT. Absolutely. He was—

Senator LEVIN. And you had very clear instructions, which you were familiar with, saying, "The documentation requirements have not always been complied with in a timely fashion, and as a rule, no new account should be opened without complete documentation. I would like to reemphasize the importance of timely and complete documentation at the inception of a new relationship." Despite all of that—and on the next page, which is I believe page 14, you will see at the top, "New accounts should not be opened without complete documentation." He said that three times in one document. And yet, the form that you worked with is blank, almost entirely in its second page, including on the source of funds; is that accurate?

Ms. ELLIOTT. Yes, sir.

Senator LEVIN. Now, is it not also accurate that there was another policy called Client Acceptance Policy, and this one, if you would turn to page 20.¹ There are some excerpts we are putting on a board here, but this is dated September 27, 1991, which is almost a year before this account was opened, or half a year. And this is also Mr. Montero, and if you look on page 21, it says, "As all of us know, the international private banking business has become increasingly complex over the past years. It is critical that we maintain the high standards that we have in place in regard to 'knowing our customer' and use the utmost diligence to screen prospective new clients."

And then it says, "The attached statement is a detailed description of divisional policies in respect to the opening of accounts. I expect that each and every one of us will be familiar with the contents and to conduct ourselves accordingly."

Were you familiar with that document, the Client Acceptance Policy?

Ms. ELLIOTT. Yes.

Senator LEVIN. If you look on the next page—and this is all before you opened the account. This is not something new that happened in the late 1990's. These are all policies of the bank, at least purported policies, that you were familiar with. If you look on page 22,¹ you will see in the third paragraph, "We only accept clients with integrity and good reputation." And then it says in 2(a) that, "a clear-eyed assessment"—and that is up on the board there for

¹ See Exhibit No. 6 which appears in the Appendix on page 127.

you—"a clear-eyed assessment of the integrity of the client, his business activities and source of funds at the acceptance stage and thereafter."

Now, did you know the source of his funds? Did you ask him the source of his funds? Let us put it that way.

Ms. ELLIOTT. Source of funds is where the money is coming from, and I knew two things. I knew that for his personal account the funds were going to be approximately \$100,000, and it was going to come from one of the Mexican banks. And he told me it was going to be either Bancomer or Banca Cremi. He did not know which one.

Senator LEVIN. All right. Now, when he deposited the money later on—

Ms. ELLIOTT. Excuse me?

Senator LEVIN. When he deposited the millions later on, because it says here, "and thereafter," did you know the source of those millions that he deposited later on?

Ms. ELLIOTT. I knew they were coming from Mexican Banks.

Senator LEVIN. But did you know the source of his funds, where he got the funds from?

Ms. ELLIOTT. I believed at the time, Senator, that we were talking about monies that were a combination of things—that the Mexican peso was believed to be devalued, and in fact it was; the Mexican stock market was believed to suffer some sort of deficit, and in fact it did; that clients were all doing the same thing at the same time; that they had—the Salinas' had investments in Telmex, a company that had doubled in price in about a year and a half; and he had just married Paulina Castanon. So it was not just one thing; in my mind were a number of different things, all of which made sense at the time.

Senator LEVIN. Did you also believe that he had sold a construction company?

Ms. ELLIOTT. I did.

Senator LEVIN. And did you know the name of the construction company?

Ms. ELLIOTT. I do not.

Senator LEVIN. Did you ask him?

Ms. ELLIOTT. I did not.

Senator LEVIN. Did you ask him how much he received from the construction company?

Ms. ELLIOTT. I did not, sir.

Senator LEVIN. Did you ask him about any projects that that alleged construction company had ever undertaken?

Ms. ELLIOTT. Carlos Hank told me that they had worked on a road together; the construction company was involved in infrastructure work.

Senator LEVIN. And did you ever ask your client what projects his alleged, purported construction company had ever worked on? Did you ever ask him, Mr. Salinas?

Ms. ELLIOTT. Well, Carlos Hank told me in front of him on that original meeting, and it—this was—I first met him in January 1992. He opened the accounts in May 1992. And when I met him in San Diego in April 1993—March or April 1993—he told me he had sold it, so I really did not have time.

Senator LEVIN. Did you ask him how much he sold it for?

Ms. ELLIOTT. I did not.

Senator LEVIN. Now, if you look on page 16, you have indicated in your testimony why it was that you did not seek a written reference from Mr. Hank.¹ And you indicated that that is only when it is another bank that makes the reference that it is in writing, but that Mr. Hank was telling you orally; is that correct?

Ms. ELLIOTT. In person.

Senator LEVIN. In person.

Ms. ELLIOTT. In person in front of my boss's boss.

Senator LEVIN. Right. Now, if you look at paragraph 3 of this, and this is still part of this documentation policy which you acknowledged receiving before you opened this account, and here is what paragraph 3 says: "Generally, references should not be accepted from another client, however, should the situation warrant, then a reference can be accepted provided the client had a relationship for over a year, we are satisfied with his business and potential and we have another positive reference on file."

Did you have another positive reference on file?

Ms. ELLIOTT. I did not. I felt that the reference I had was strong enough.

Senator LEVIN. But you did not have another reference on file?

Ms. ELLIOTT. I did not.

Senator LEVIN. And when you answered the Chairman's question about whether you complied with the policies of the bank, you said that you did relative to references, but in fact, you did not comply with that policy then, did you?

Ms. ELLIOTT. The policy, sir, allowed for a waiving of one reference—in fact, of both—by a team leader, and I was a team leader.

Senator LEVIN. All right. That will speak for itself, but you acknowledge you did not have another positive reference on file; that is correct?

Ms. ELLIOTT. That is correct.

Senator LEVIN. Finally—and this is, it seems to me, the key line in this requirement—"The reference"—we are now talking about Mr. Hank's reference—"must be in writing." Do you see that in front of you?

Ms. ELLIOTT. Yes.

Senator LEVIN. Was Hank's reference in writing?

Ms. ELLIOTT. No, it was not.

Senator LEVIN. So you did not comply with that policy either, did you?

Ms. ELLIOTT. Mr. Hank gave a personal reference. He came to the bank.

Senator LEVIN. I understand, but this says that the "reference must be in writing and approved by the Market Manager/Unit Head before acceptance." And my question is: You did not comply with that policy either, did you?

Ms. ELLIOTT. I believe I did.

Senator LEVIN. Did you have a written reference?

¹ See Exhibit No. 4 which appears in the Appendix on page 114.

Ms. ELLIOTT. No, I did not have a written reference, but the policy—in fact, I, as a team leader, could have waived them both. This is the first time that I had a reference that was given in person and in front of my boss's boss. The reason to have a written reference—

Senator LEVIN. Is there any exception in here for a reference orally in front of someone's boss? Does it not say, "The reference must be in writing and approved by the Market Manager/Unit Head?" Does it not say it must be in writing, is my question?

Ms. ELLIOTT. It does say that.

Senator LEVIN. And it was not in writing; is that correct?

Ms. ELLIOTT. That is correct.

Senator LEVIN. You did not comply then with that particular policy, did you?

Ms. ELLIOTT. I believe I did.

Senator LEVIN. Thank you.

Senator COLLINS. Mr. Misan, it is my understanding that from 1987 to 1996, that one of your responsibilities was to manage the Citibank Mexico office. Is that accurate?

Mr. MISAN. That is right. From 1988?

Senator COLLINS. From 1988 to 1996.

Mr. MISAN. Yes, ma'am.

Senator COLLINS. So this was during the period that the account for Mr. Salinas was opened. Did you approve the opening of that account?

Mr. MISAN. No, I did not, ma'am.

Senator COLLINS. Although you supervised Ms. Elliott, you did not know about some of the major accounts that she managed in a country for which you were ultimately the responsible manager; is that correct?

Mr. MISAN. That is correct, Senator. There were a few accounts who were managed out of New York, who chose to only communicate with New York, and for that reason, they were given that privacy.

Senator COLLINS. Were you advised by any of your superiors that certain of the clients in Mexico did not wish for Mexico-based bankers to have knowledge of their accounts, and that Mr. Salinas fell in that category?

Mr. MISAN. I was advised that there were some accounts that I would not be asked to oversee, and that they would be taken care of by my supervisors in New York, and, yes, I believe Mr. Salinas was one of them.

Senator COLLINS. Did that not make it difficult for you to carry out your responsibilities as the person ultimately responsible for the Mexican Citibank office?

Mr. MISAN. I believe that Mrs. Elliott was an experienced private banker. She also benefited from having the supervision in New York of my supervisor and his supervisor, so I believe that whenever necessary, those accounts were adequately covered.

Senator COLLINS. Were you required to authorize any transactions related to the Salinas account?

Mr. MISAN. At some point in the mid—or the second quarter of 1993, I believe, I signed on a couple of transfers that he made from Mexico as a member of the credit committee, yes.

Senator COLLINS. When you did so were you aware that the account was for Mr. Salinas or were you approving these transactions without knowing who the beneficial owner of the account was?

Mr. MISAN. I was informed that Mr. Salinas had an account around that time, and I believe I did know at the time the remittances were being made, yes.

Senator COLLINS. Mr. Misan, after Mr. Salinas was arrested, did you comment to Ms. Elliott that she should, "Lose any documents connected with the account?"

Mr. MISAN. I said that in a kidding manner. It was at the early stages of this. I did not mean it seriously.

Senator COLLINS. What direction did you give Ms. Elliott with regard to the account and the information related to it after Mr. Salinas was arrested?

Mr. MISAN. I told her that this account now should have the direct supervision of legal counsel, and that nothing should occur until legal counsel authorized it.

Senator COLLINS. Senator Levin.

Senator LEVIN. One of the responsibilities I believe that you had, Ms. Elliott, was to keep a client profile on a computer; is that correct?

Ms. ELLIOTT. That is correct.

Senator LEVIN. And in 1995, after Mr. Salinas was arrested, you then went back and made some changes in that client profile, did you not?

Ms. ELLIOTT. I, in fact, completed it after his arrest.

Senator LEVIN. You made some changes in the profile?

Ms. ELLIOTT. Correct.

Senator LEVIN. You added some things that were not there before the arrest; is that correct?

Ms. ELLIOTT. That is true.

Senator LEVIN. As a matter of fact, before he was arrested—if you will look on page 51 of your document book—is it not true that there was nothing in the client profile?¹

Ms. ELLIOTT. That is true.

Senator LEVIN. It was blank.

Ms. ELLIOTT. Yes, sir.

Senator LEVIN. Was that in keeping with your bank's rules?

Ms. ELLIOTT. Absolutely not. I thought it had been completed. I thought that we had gone back actually a year and a half before that, and it was not. I thought that we had completed every one of them. So when I went in and saw that it was blank, I do not know what to say. I still do not know why it is blank.

Senator LEVIN. OK. Now, back in September 1992, you had received a e-mail, had you not, from Mr. Figueiredo? Am I pronouncing his name correctly?

Ms. ELLIOTT. More or less, Figueiredo.

Senator LEVIN. From Mr. Figueiredo, who was Mr. Montero's assistant; is that correct?

Ms. ELLIOTT. He was the head of the marketing for all of Latin America under Ed Montero, yes.

¹ See Exhibit No. 7 which appears in the Appendix on page 133.

Senator LEVIN. And is it not true that you were then told that this profile, which is called a CAM—is that right?

Ms. ELLIOTT. Yes.

Senator LEVIN. It is the management policy that that profile or CAM be “used as the primary vehicle to store and document clients’ non-financial data,” and “Private Bankers be accountable for reviewing, at least once a year, such information relevant to their clients and ensure that it is as complete and updated as possible.” Now, that was September 1992. Had you gone back in any year between September 1992 and March 1, 1995 to look at that profile and to update it or to fill it in?

Ms. ELLIOTT. I believed I had, Senator. CAMS was an evolving system. It was first a system that basically was to record business background information, to have information that was non-financial about our clients. It then became a system that we used as a suitability vehicle. It was not a source of wealth system. And in fact, it was not until much later. It should have been completed, however, and I thought I had gone at least twice, and it was not until March 1 that I realized it had not been completed.

Senator LEVIN. So despite the instruction that yearly you go and look at that CAM, in fact, the CAM was left vacant or blank for 3 years; is that correct? From approximately September 1992 to March 1995, so about 2½ years, that was left blank, just the way you see it; is that correct?

Ms. ELLIOTT. That seems to be the case, yes.

Senator LEVIN. Now, Mr. Figueiredo went on to state the following: “I am also asking each Country Manager and/or Investment Center Manager to forward to my attention, no later than September 30, 1992, a consolidated plan covering their entire area of responsibility and indicating the schedule of their reviews, i.e. what Private Banker will be reviewed by whom and when. This exercise should take place once a year thereafter. I am taking this matter,” he said, “extremely seriously,”—these are his quotes, September 1992—“and I am asking you, in turn, to exercise your full managerial authority in getting this job done.”

Now, Mr. Misan, you were the country manager, as I understand it?

Mr. MISAN. Yes, sir.

Senator LEVIN. And, Ms. Elliott, you were the investment center head for New York.

Mr. Misan, first, you were supposed to provide a consolidated plan covering your entire area of responsibility and indicating a schedule of reviews—which private banker will be reviewed by whom and when. Did you provide that plan?

Mr. MISAN. Sir, I do not recall the specific plan referred to, so I really could not comment on it.

Senator LEVIN. You do not have any recollection of being told to file such a plan?

Mr. MISAN. No, I do not remember that.

Senator LEVIN. Well, then could you take—well, that is OK. The deadline for all accounts to be completed was June 30, 1993 in that e-mail. My question is: Did you do such a review, Mr. Misan?

Mr. MISAN. Sir, I recall at the time there was a lot of frustration regarding the filling out of these CAMS forms. It was as I said in

my opening statement, it was a very frustrating process because there was—it was like trying to recreate history. There were many clients who had been with the bank for many, many years, and there was an attempt at putting financial information, personal information of clients that now a new private banker may have been going to these long-established clients——

Senator LEVIN. I understand the complications. But despite that, your boss, in December 1993, Mr. Montero, who is head of the Western Division, sent another memo on the failure of bankers to update these client screens, with new timetables to have all client screens completed.¹ All clients with accounts over \$1 million had to be completed by December 31, 1993.

Here is what he said: “I have decided to simplify the policy and hold you, as the Manager, directly accountable for the adherence to policy by your staff. Year-end bonuses for each of you will be held for noncompletion of this assignment in the required time frame. You must attest to the satisfactory completion of the above [timetable] by December 31, [1993].”

You were one of the people, Mr. Misan, that that memo was directed to. Did you lose any bonus?

Mr. MISAN. No, sir, I did not.

Senator LEVIN. Did you carry out his direction with all of its complications? Did you do what he said you had to do, and did it include Mr. Salinas?

Mr. MISAN. Sir, I believe at the time I did what was expected of me to do. There were a number of private bankers who had filled out the forms, and to their best efforts believed that they had completed the forms as needed to be. We were having a problem in establishing a standard, and when we failed, unfortunately, it was because different private bankers had filled out the forms to what they believed was an appropriate standard. It was over time that the standard became clearer, and, therefore, we got, I think, the levels that we needed and I believe are there now.

Senator LEVIN. Final question. Did you ever check to see whether Amy Elliott had carried out the screen on Salinas?

Mr. MISAN. Sir, the only recollection I have of that is after, I believe, his arrest. I had been in New York, and at that time, I had seen the CAMS screen, yes.

Senator LEVIN. Not before? Not during that 2½-year period?

Mr. MISAN. I do not recall that, sir.

Senator LEVIN. Thank you.

Senator COLLINS. The hearing is now going to be recessed until 2:15 p.m.

I would ask Ms. Elliott and Mr. Misan to come back at that time. We do have a few additional questions for you.

We are in recess until 2:15 p.m.

[Whereupon, at 12:17 p.m., a luncheon recess was taken.]

AFTERNOON SESSION [2:18 p.m.]

Senator COLLINS. The Subcommittee will come to order.

At this time, we will resume questioning from Senator Levin for our witnesses.

¹ See Exhibit No. 9 which appears in the Appendix on page 136.

Senator LEVIN. Thank you, Madam Chairman.

Ms. Elliott, this morning, you noted that a strong factor in your assessment of clients was your knowledge of and familiarity with Mexican society, and from that, you knew all about the Salinas family and their reputation.

You told investigators that you had never heard of any allegations of impropriety surrounding Mr. Salinas until 1995 when he was alleged to have been involved in the murder of his former brother-in-law. The California newspaper, the *Sacramento Bee*, in August 1993, said the following relative to rumors of corruption besieging Mexico's president.¹ Part of the article reads as follows:

"Rumors—all publicly unsubstantiated—are flying in government circles and among the national press that members of the Salinas family, and possibly even Salinas himself, are taking advantage of the president's office to build massive personal fortunes. . . . According to some of the stories, Salinas' siblings are involved in a wide variety of unsavory business deals, peddling their influence, using other people as . . . fronts and generally throwing their weight around in their commercial dealings. Then there are the whispers that Salinas himself has a secret share in the country's telephone monopoly, which was sold off along with hundreds of government-owned businesses to private investors."

Given your knowledge of Mexican society as the basis for your approval of this account with Mr. Salinas and given the fact that your boss, Mr. Reed, told our staff that he personally heard from Mexican businessmen as early as 1993 about possible corruption involving Raul Salinas "inserting himself in local business deals inappropriately," how do you explain, since you base your approval of this account on your knowledge of the Mexican society and its wealthy people, that you would have heard nothing? Despite all of those rumors in 1993, and that even the CEO of your corporation heard those rumors in 1993, and yet you heard nothing—how do you explain that?

Ms. ELLIOTT. Senator, my knowledge of the Mexican society was one of the things on which I based my acceptance of the Raul Salinas account. I did travel to Mexico very frequently during the period, and I had never heard anything negative about Raul Salinas or the Salinas family.

Senator LEVIN. Ms. Elliott, the bank has provided us transcripts of phone conversations that took place the day after Mr. Salinas was arrested on February 28, 1995, and three times in those conversations, you made references to having talked to God.

I want to make sure you have copies of these.²

Ms. ELLIOTT. I do.

Senator LEVIN. You have copies?

Ms. ELLIOTT. Yes.

Senator LEVIN. In the first conversation, talking now to Pedro Homen and to Sarah Bevan, two other Citibank employees from

¹ See Exhibit No. 10 which appears in the Appendix on page 138.

² See Exhibit No. 11a. and 11b. which appear in the Appendix on pages 141 and 142.

Europe, you said the following: "You know what I mean?"¹ Now, this is the day after the arrest of Salinas. It is up on the board here for you. "You know what I mean? Um, but after the day is over, maybe I will feel different, I am sure I am going to be asked to speak to God, Okay?" Pedro Homen says, "I'm sure." Then, in that same conversation, you say, "I expect that I will have to go up to God and when I do I will let you guys know."

Later on that day, less than an hour later, you had another conversation in which you said the following: "Okay and we thank God that the guy close to God is comfortable as well." Then Sarah Bevan said, "His right-hand man is comfortable," and you said, "His right-hand man is comfortable? I love it."

Now, who was God in that conversation? Who are you referring to?

Ms. ELLIOTT. This conversation took place almost 5 years ago. I spoke to a ton of people that day, but if I can shed some light so that I can try to explain to you, sitting where I am sitting here today, I can say two things. When I feel like I have to speak to everyone in the world, today I would say I am going to have to speak to God. I had never had—at the time I had been in the bank 27 years—it was the first time I had to deal with a client having been arrested, for murder no less. And I knew that having to go and walk around the floor, I was going to be asked by just about everyone if it was true.

So, to me, sitting here today, I can only believe that that is what I meant then as well.

Senator LEVIN. Well, if God is the general public, as you say, the conversation does not make any sense. [Laughter.] Part of that conversation—and this is Sarah Bevan speaking—"Amy is OK. She has been in since 6:30. Obviously, she is speaking to everybody, God included, and she is speaking to the lawyer as well." You are saying you are not referring to a specific person?

Ms. ELLIOTT. I am saying I am not. I cannot speak to what Sarah Bevan or Pedro Homen—I don't know what they meant. I am saying that I am not.

Senator LEVIN. On another matter, the day after Mr. Salinas was arrested, you said the following: "Everybody was on board on this."² Later in the same conversation, you said, "I mean, this goes in the very, very top of the corporation this was known, Okay? On the very top." Then you said, "We are little pawns in this whole thing, Okay?" Who were you referring to when you said "this goes in the very top of the corporation this was known"? Who are you referring to at the very top of the corporation?

Ms. ELLIOTT. Bill Rhodes.

Senator LEVIN. When you said "We are little pawns in this whole thing . . .," what did you mean by that?

Ms. ELLIOTT. I am sitting four or five down from the chairman, and Bill Rhodes was and is the vice chairman of the bank. To me, that's pretty top.

Senator LEVIN. Thank you.

¹ See Exhibit No. 11a, which appears in the Appendix on page 141.

² See Exhibit No. 11b, which appears in the Appendix on page 142.

Senator COLLINS. Thank you for your testimony. You are excused, and we will now ask for the next panel of witnesses to come forward.

Our next witnesses are Alain Ober, who is the head of the African Unit for Citibank's Private Bank Office in New York, and G. Edward Montero, who serves as the Western Hemisphere Division Head for the Private Bank.

First, we will hear from Mr. Ober who has been with Citibank's Private Bank for 8 years. He has served as the private banker for President Bongo of Gabon and for Mohamed and Ibrahim Abacha, the sons of General Abacha, the former head of the State of Nigeria. Mr. Ober will testify about his handling of those accounts.

Mr. Montero has been an employee of Citibank for 34 years and has been with the Private Bank for 17 years. Pursuant to Rule 6, all witnesses who testify before the Subcommittee are required to be sworn.

Would you please raise your right hand. Do you swear that the testimony you are about to give to the Subcommittee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. OBER. Yes, I do.

Mr. MONTERO. I do.

Senator COLLINS. I would ask that you limit your oral testimony to 10 minutes. Your written testimony will be printed in the record in its entirety.

Mr. Ober, you may proceed first.

**TESTIMONY OF ALAIN OBER,¹ VICE PRESIDENT, CITIBANK
PRIVATE BANK, NEW YORK, NEW YORK**

Mr. OBER. Thank you, Senator.

I am Alain Ober. I have prepared a statement that I understand the Subcommittee has accepted as part of the record of this hearing, which I would like to briefly summarize.

I am originally from France, but I have lived in the United States since 1972, and I enjoy joint citizenship in France and in the United States.

I have worked for Citibank Private Bank as a relationship manager for African clients since 1991. I have been the Private Bank relationship manager for President Omar Bongo of Gabon since 1994, 9 years after he opened his principal New York accounts.

I also handled the New York Private Bank accounts of Ibrahim and Mohamed Sani Abacha, although I was not the relationship manager for those clients.

Although procedures for obtaining information about a customer's background and source of wealth have been in place since I have been with the Private Bank and I have always conducted myself in accordance with the prevailing standards, in the past few years, the bank has significantly strengthened procedures. Today, in addition to my supervisors who have always reviewed my customer profiles, my customer profiles are also independently reviewed by quality assurance personnel who are not part of the business unit. This has resulted in a significant increase in the

¹ The prepared statement of Mr. Ober appears in the Appendix on page 950.

amount and quality of documentation I must provide in connection with each of my clients.

In addition, the Private Bank has instituted a global system of transaction monitoring. As part of this procedure, client transactions are independently analyzed by an automated system which compares current transactions against historic trends and then flags any unusual activity for review by an independent transaction monitoring unit.

As the Subcommittee is aware, I have personally handled certain accounts of public figures. Such accounts sometimes have been hard to manage because of the difficulty in getting information about account transactions directly from the clients.

In June 1998, the Private Bank significantly revised its public figure policy, setting forth the bank's standards for accepting and maintaining accounts of politically prominent individuals and their families. Pursuant to the public figure policy, we do not target public figures as clients, and a new public figure client may be accepted only with approval of the Public Figure Review Committee which consists of the head of the Private Bank and other senior officials who do not have client-relations responsibilities.

Existing public figure accounts are reviewed annually by this committee. As a result of this process, the Private Bank has refused or terminated accounts for certain public figures.

I am pleased to answer any of your questions.

Senator COLLINS. Mr. Montero.

**TESTIMONY OF G. EDWARD MONTERO,¹ SENIOR EXECUTIVE,
CITIBANK PRIVATE BANK, NEW YORK, NEW YORK**

Mr. MONTERO. Thank you.

Good afternoon, Senator Collins, Senator Levin, and Members of the Permanent Subcommittee on Investigations. My name is Ed Montero, and I have spent my entire 34-year banking career at Citibank. I must say that I have always been extremely proud to be part of an organization with such strong leadership, integrity, and values.

I would not and could not have devoted such an important part of my life to Citibank if I had not believed this was so.

I began my career as a banker in the corporate bank and for the last 17 years have headed the Western Hemisphere Division of the Private Bank. This division focussed primarily on clients from Latin America and Canada, but at different times had varying responsibilities concerning other regions of the world.

Most recently, I became the Senior Executive for Client Relationships in July of this year. Since 1996, one of my top priorities has been to make anti-money-laundering policies and procedures in the Western Hemisphere Division as strong as we could possibly make them. I have also worked very hard to assist Mr. Aziz who, until last month, was the head of the Private Bank in implementing a state-of-the-art anti-money-laundering program for the entire private banking group, but before I comment on this new program and how it came into being, I think it is very important for me to emphasize my belief that it has always been Citibank's policy to

¹The prepared statement of Mr. Montero appears in the Appendix on page 953.

avoid customers who might seek to use the bank for illicit or illegal purposes. We want to do business with good people, and we want to avoid bad people.

Now let me focus on the international side of private banking, which I believe is your greatest area of interest today, and attempt to explain some of the reasons why we have considered it appropriate in the past to provide confidential services to our clients.

Many of the clients in Latin America are individuals who fled the wars in Europe and feel a heightened need to avoid unnecessary dissemination of information concerning their wealth. In addition, many countries in Latin America have been plagued in recent years by acts of violence against wealthy and prominent citizens.

I have met a great number of our clients in their homes, and many have a story to tell about a loved one, about a friend, a neighbor, or a business associate who has been the victim of a kidnapping or extortion plot.

I had a wonderful client who was kidnapped and killed just last year. Another story of a client who had recently visited me, he was kept in a box with a broken leg for over 6 weeks and may never walk again unaided. I could give you more examples, but the common thread is that a number of our clients have been driven by a fear to a heightened desire for privacy, and these feelings have been carried over into their banking relationships, which they wish to be characterized by as much discretion and confidentiality as the law permits. These are good law-abiding customers with very serious, legitimate privacy concerns.

Against that background, I want to emphasize that I am proud of what we have done in the Western Hemisphere Division of the private banking group. From the very beginning, we have been quite vigorous in rejecting prospects that were questionable in any way and in closing accounts when we learned that they were problematic, no matter how profitable.

In the Western Hemisphere Division, over the last 17 years we have had over 50,000 accounts and only very few of which have presented any problems. To achieve this, we have relied upon the judgment and discretion of our individual bankers. However, what we have learned over the past decade is that this is just plain not good enough.

In order for our anti-money-laundering program to be as effective as it needs to be to protect the bank, we need thorough documentation. We need strict account monitoring capabilities, and we need careful independent reviews.

The lesson was a hard one for me. The crystallizing event occurred in 1996 when, for the first time, my unit failed an internal Citibank audit. I was shocked and devastated by the audit results at the time, but I realize now that it was ultimately positive.

I took the audit result very seriously and regarded it as a call to arms. It led me and the management team in the Western Hemisphere Division to focus on our anti-money-laundering program with a new intensity. As a result, I led a very vigorous corrective action plan to address the deficiencies identified by the audit, and we have now regained our historically favorable ratings.

We created a full-time task force comprised of eight to ten senior staff members to review and revise our procedures. We went over

each and every existing customer profile, a total of 19,000 profiles in the Western Hemisphere Division. We investigated and corroborated missing information, and we assessed the desirability of each customer relationship. By the way, all of these revised profiles were reviewed by an independent Citibank quality assurance team.

Moreover, the Private Bank as a whole has made enormous progress in recent years as regulatory standards and our own audit standards have increased. I know that Mr. Reed has delivered to your Subcommittee a statement by Mr. Aziz that details our institution's progress in this area. As you will see, we now have, among other things, a much more rigorous prescreening process for prospective clients, a more rigorous documentation and verification requirement for Know-Your-Customer information, as well as an independent review of all such information.

We also have an automated funds-tracking system to monitor all existing accounts and a requirement that multiple bankers interact with all accounts.

We also give special scrutiny to accounts of public figures and their families, and last, we have also clarified the supervisory structure under our new system of global market management so that there are now clearer lines of authority and supervision within the Private Bank.

In conclusion, I am proud of the work my colleagues in the Western Hemisphere Division and indeed the entire Private Bank have done over the last several years to address these important issues.

I thank you for the opportunity to address your Subcommittee. I am now prepared to take questions. Thank you.

Senator COLLINS. Thank you, Mr. Montero.

Mr. Montero, you mentioned in your statement your concerns over a negative audit that the bank received in 1996, and you described the corrective actions you took in response to that. Did you discuss the results of this audit with any of your superiors at Citibank?

Mr. MONTERO. Most certainly, we did.

Senator COLLINS. With whom did you discuss the audit?

Mr. MONTERO. We prepared the audit, correction action plan, in the spring of 1996, shortly—immediately after the audit was received, and we presented it to my then-boss, Albert de Souza in the middle of June of that year as a plan. We got his blessing, as well as that of our audit organization, independent audit organization, and once we had the clear signals, we proceeded to execute the plan in the late summer and fall of 1996.

Senator COLLINS. Were there any other officials at Citibank who outranked you with whom you discussed the audit report?

Mr. MONTERO. The officials, again, were Mr. de Souza who was the EDP in charge of the group, my direct boss—we discussed it with the most senior members of the audit team of the bank, as well as our own internal audit team, and I believe knowledge of the corrective action plan was shared with the top management of the institution, certainly the top audit side of the institution.

Senator COLLINS. Were there other audits prior to the 1996 audit which were critical or raised concerns about the risk of exposure to money-laundering that applied to your group?

Mr. MONTERO. There were other audits that raised those topics, but I think this was the most critical.

Senator COLLINS. The reason I ask the question is that it is my understanding there was something like six internal audits of various parts of the Private Bank at Citicorp that were very critical of the operations and the lack of adherence with policies and procedures. What was different about this 1996 report that caused you to take the corrective action? Were the others less serious in your mind, or did they pertain to activities that were not under your direct control?

Mr. MONTERO. I can't comment on all the—I mean, I'm not sure which ones you're referring to, but there were audited—my organization that dealt with specific subunits, and they were not as critical in my opinion as the one that we are talking about here.

Senator COLLINS. I guess my concern is that there seems to have been a pattern of negative internal audits that failed to trigger much reaction, and that is what is of great concern to me. I think that a lot of the problems that Citibank experienced would have been avoided had the bank's officials taken action earlier.

Mr. MONTERO. I may comment that this was a very comprehensive audit that covers all of the front-end sales organization of the Western Hemisphere. So that is part of the reason we took it so seriously, but beyond that, I think in the earlier part of the 1990's, the bankers and management all felt a commitment to get the job done, but at the same time the business paradigm of the period was for greater efficiency. All of industry was reengineering, reducing staff, and I think we misjudged. We misjudged the enormity of the task and the amount of resources that were needed to get the job done.

Senator COLLINS. Would it be fair to say, to use your phrase, that the business paradigm of the period was to grow no matter what to open these accounts, to make them profitable, to pump up the financial results, even if it meant shortchanging some of the procedures and some of the safeguards that have been put in place?

Mr. MONTERO. No. Senator, I would not characterize it that we were shortchanging the desire to have good clients for the desirability of having profits.

I mentioned in my prepared testimony that we have had in our division a history of rejecting clients that were supposedly good and turned out to be bad or rejecting prospects.

The problem was the enormity of tasks. There were several things that were going on here. One of them was the basic chore of the profiles, as has been previously discussed in prior testimony by my colleagues. That was one.

Two, you had a new complexity in the business. The business was moving from a banking-oriented business to a securities-based business that had a lot more suitability requirements, a lot more product complexities. So the job of the banker was becoming ever-more complex, at the same time that we were saying, "Well, we need to be more efficient and really watch carefully the addition of staff," and that's where I really, sincerely, believe we should have taken earlier action in staffing up. And once we did, once we put the team together and said, "You guys, full time, we're taking you

out of client services and we're putting you in charge of getting this job done"—and then it got done, and we are there today.

The environment that we have today, I am convinced and I can represent to you that some of the issues that have been raised here would not happen today because we have an entirely different system and an entirely different support structure.

Senator COLLINS. Mr. Ober, did you ask President Bongo what the source of the \$52 million that he used to open his private account was? This was back in 1985.

Mr. OBER. Senator, no, I did not, and the——

Senator COLLINS. Could you tell us why you did not? Don't your procedures require you to identify the source of funds?

Mr. OBER. At the time when I took over the account in 1994, I pretty much took the account on a clean-slate basis. The account had been open 9 years before my arrival at the Private Bank.

Senator COLLINS. I am sorry. I could not understand what you said. That you took the account on a——

Mr. OBER. Clean-slate basis. There was not really information available, and the bank may be criticized for lack of policies and procedures at the time, but at the time I was not under the obligation to gather information of that type.

However, starting in 1994, one of my goals was to gather information about the sources of wealth of our client. Of course, as Mr. Montero explained, today the situation will be different because this will be an obligation of the KYC policies, and an account can only be opened if we have a clear understanding of the source of the initial funding of the account. And by that, I mean what it represented.

Senator COLLINS. Did you ever ask President Bongo directly about the sources of the millions of dollars that he was depositing in your accounts?

Mr. OBER. No, I did not.

Senator COLLINS. Why didn't you pursue this?

Mr. OBER. Well, Senator, let me say that it was—it felt very awkward to ask information, that kind of information to a head of state, while at the same time I was able to gather the information that I wished to obtain from reliable sources and I was able to develop information about sources of wealth of our client.

Senator COLLINS. Were you concerned that if you asked what you viewed as intrusive questions about the source of President Bongo's wealth that you might lose the marketplace in Gabon?

Mr. OBER. Senator, I don't think so. In today's environment, I would like to point out I would not have any choice today. In 1994, maybe it was a question of choice. Today, there is no choice. I have to ask the questions, and if the bank is not satisfied by the answers that are given to me, then we will not accept the client.

Senator COLLINS. Were you concerned about the millions of dollars and that they might be from inappropriate sources? Were you concerned at all about the millions of dollars that were being deposited in the account? Since you have said that you didn't ask directly where is the money coming from because you felt somehow it would be seen as inappropriate or a breach of protocol, were you at all concerned that you might be handling money that did not belong to President Bongo?

Mr. OBER. If you allow me to put back your question in the context of the chronology. In 1994, when I took over the account, the initial funding had taken place 9 years prior to that, and in that period of time and during most of my role as a private banker for President Bongo, there were very few times where there were funds coming into the account. When I took over the account in 1994, for several years there were no major incoming funds into the account.

Senator COLLINS. I want next to ask you about testimony from the Subcommittee's staff investigators. The staff investigators testified that for 3 years, you did not know that your clients, Ibrahim and Mohamed Abacha, were the sons of the Nigerian dictator. Is that accurate?

Mr. OBER. Yes, it is, and will you allow me? I see the light is orange. It will take a few minutes—

Senator COLLINS. Please go ahead.

Mr. OBER [continuing]. Because of the chronology of events.

Senator COLLINS. Let me tell you what I would like you to cover in that chronology. What I need to understand is how you could handle that account as someone who specialized in African accounts, as someone who has Know-Your-Customer regulations to follow. How could you not have understood who these two individuals were? Please proceed, despite the red light.

Mr. OBER. I believe back in February 1992, my colleague from London, Mr. Matthews, who was the relationship manager for the Abacha brothers, told me that they would come—Ibrahim Sani Abacha would come to New York to pick up some cash from our tellers and—which is one of the things that happens between private bank branches.

I took advantage of Ibrahim Sani Abacha's visit to chat with him, and I found out that he was—he told me he was a businessman, that he was in the process of establishing an airline company that would run flights between Lagos and New York and decided that there was a need for an account at the Private Bank.

At that time, there was no reference to the name Abacha. Ibrahim Sani—the name that was referred to was Sani. Then I asked the following—my colleague, Mr. Matthews, for a reference, and the reference was the only time that I saw the name Abacha. It referred to Mohamed and Ibrahim, if I remember, as the sons of Zachary Abacha, a businessman from the northern part of Nigeria. At that time, the name Abacha didn't ring any bell because General Abacha at the time was a general in the army, but was not president of Nigeria. So what I saw in these documents was that the document was a very good reference. What mattered to me was that they had been clients of the bank for 3 years. My colleague, Mr. Matthews, said they are good clients of the bank, they are professional individuals. The account had been run properly.

So I put the reference into the file and forgot about that I saw the name Abacha. That was not an important item. Then the next time I heard about the name Abacha was a few weeks before the death of Ibrahim Sani who died in an air crash. I had thought of referring Ibrahim Sani and his airline company to my colleagues at Citibank in Lagos as corporate prospects for the bank, and later on, a few weeks later, my colleagues from Lagos called me and told

me, "Do you know that Ibrahim Sani and Mohamed are the sons of President Abacha?"

I have to confess I was embarrassed. I was appalled, and that was the second time I heard the name Abacha. And then we developed a strategy to close the account.

Senator COLLINS. Senator Levin.

Senator LEVIN. Thank you, Madam Chair.

I would like to ask you about some of the client profiles that we have been talking about. First, on page 51 of the document book that is in front of you is the profile 1995 of Raul Salinas.¹ It is a blank.

Now, Mr. Montero, you had sent out very precise instructions 3 years earlier saying you wanted these profiles brought up to date. You wanted them complete. You wanted documentation. You wanted the bank's integrity to be protected, and yet, year after year, at least 2½ years, after the account was opened, Mr. Salinas' account was opened, that is what the profile looked like. Is that adequate?

Mr. MONTERO. No, that is not adequate, Senator.

Senator LEVIN. Now, the next profile I want you look at is President Bongo's profile, which is page 77 in your book.² This is President Bongo's profile. "Nature of business: head of state for over 25 years." Then it says, "Source of wealth: Self-Made as a result of position. Country is oil producer." Would that comply with your current standards of knowing your customer and customer profiles?

Mr. MONTERO. No. Under our current standards, Senator, we would require substantially more information and corroboration of that information and approval of that form by an independent area which we call our quality assurance unit. So the banker would have to fill in. The banker would have to corroborate, and the independent unit would have to approve. So it would be entirely different today.

Senator LEVIN. Now, you had issued some pretty strong policy statements back in 1991 and 1992, and let's first take up your documentation policy in 1992. This is pages 11, 12, 13, and 14 in your document book.³ This is directly from you. Page 12, you say "Profile, Source of Wealth." Page 13, "documentation requirements . . . have not always been complied with in a timely fashion. . . . [A]s a rule, no new accounts should be opened without complete documentation." Then you say at the end of page 13 here, "I would like to reemphasize the importance of timely and complete documentation at the inception of a new relationship or account." On the next page, 14, "New accounts should not be opened without complete documentation." You said that about four times in that policy of April 9, 1992.

Then, in the client acceptance document that you issued on September 27, 1991—that is page 21 in the documents, "It is critical that we maintain the high standards that we have in place in regard to 'knowing our customer' and use the utmost diligence to screen prospective new clients. . . . I expect each and every one of

¹ See Exhibit No. 7 which appears in the Appendix on page 133.

² See Exhibit No. 12 which appears in the Appendix on page 143.

³ See Exhibit No. 4 which appears in the Appendix on page 114.

us to be familiar with the contents and to conduct ourselves accordingly.”¹ This is 1991 now, September.

Then, on the next page, “We only accept clients with integrity and good reputation.” Then, down in Section 2(a), you say that “a clear-eyed assessment of the integrity of the client, his business activities and source of funds at the acceptance stage and thereafter.”

Would you say that that policy was not fully implemented in cases that we have been discussing this morning, both Salinas and Bongo, so far, and Abacha?

Mr. MONTERO. I think that the bankers involved did not record adequately what they learned, and I regret that.

Senator LEVIN. Was this a lack of resources?

Mr. MONTERO. I believe it was—let me just back up and say that the bankers in question are experienced. They have a high sense of integrity, but they had an enormous job. As I tried to suggest before, although private banking has been going on for years and years, the way we have been practicing at the international phase of it, it is a relatively new business, and we had not sized up enough the amount of resources that we needed to get the job done.

We have done that now, and I believe we are there in terms of what we need to protect the clients, the bank today on anti-money-laundering issues.

Senator LEVIN. Is it fair to say that the policy really is not new because you issued that client acceptance policy in September 1991 and it was pretty strong, pretty precise, pretty repeated—we want documentation, we want it in the file, we want to know the source of the revenue, of the source of the deposits, we want to know what the business is? I mean, over and over again, you told your folks in 1991 and in 1992 what the documentation policy was, and yet, I think you would agree they fell short in many, many cases. Is it not true, then, that the problem in those years after you issued the policy was not that the policy was weak as that it was not implemented well by your people in the field in many instances? Is that a fair statement?

Mr. MONTERO. Senator, I would say that we as a total business system in the company had not figured out what we needed to get the job done. The policies were largely there. We have tweaked them. What we have done is we have given the bankers today some aids, some prompts, and some real support, and the combination of the tweaking of the policy and the added support and the rededication of actually very significant dollars, software—we have spent—Mr. Aziz, I think, will testify—as much as \$50 million in implementing some of these changes. It was that kind of an investment that was needed to get the job done, and frankly, we hadn’t done it back then.

Senator LEVIN. And because you had not done it, the policies were not implemented in any full way in all cases. Is that a fair statement?

Mr. MONTERO. They were not implemented in all cases. That’s correct.

Senator LEVIN. What was the year you would say that that change came about when the resources were finally put in there

¹ See Exhibit No. 6 which appears in the Appendix on page 127.

which could mean that the policies meant more than just paper policies, but real policy? What year did that happen?

Mr. MONTERO. I can only speak for—well, I speak best for the Western Hemisphere, and we really began to tackle that in 1996.

Senator LEVIN. All right. Now, in 1997, if you look at page 91, we have got an account document, and this involves deficiencies in Know Your Client and this relates to the Abacha sons.¹

Know Your Client Deficiencies. Beneficial owner details is checked. It is deficient. Source of wealth, deficient. Business backgrounds, deficient. Business affiliations, deficient. Source of knowledge, deficient. Public figure, investment centre head approval, not present. That may mean not applicable. I am not sure. Use of account, deficient. I mean, every single deficiency is marked. That looks like a zero batting average on that chart.

Mr. MONTERO. I have to say, Senator, I am not familiar at all with the Abacha accounts. I had no involvement.

Senator LEVIN. All right. Let me ask Mr. Ober, then, about that. Could you take a look at that?

Mr. OBER. Yes, Senator. I did—

Senator LEVIN. It is page 91. If this policy was finally—had some funding behind it starting in 1996—this is a June 1997 document. It looked like on the Abacha sons' accounts, there was 100-percent deficiencies.

Mr. OBER. Senator, I have never seen this document before. I believe this is a document that belongs to our branch in London, but not to the account that I managed in New York because in—

Senator LEVIN. Does it surprise you to see these deficiencies checked off this way?

Mr. OBER. Well, we—there is a similar—I mean, the document looks different, but has the same substance that exists in New York.

Senator LEVIN. Would you agree that these deficiencies existed on the Abacha accounts in 1996—1997? Excuse me.

Mr. OBER. They did not when I handled the account in New York, except for mentioning the true identity, which I corrected in the profile when I found out.

Mr. MONTERO. I would say, Mr. Senator, if I could just comment on one area, even though we began to check dollars and really fine-tuning of the policy in 1996, you must understand making all of this happen involves—it's an enormous amount of work, and it also involves a culture change and that took place over 1997 and 1998. It didn't happen overnight.

Just in the Western Hemisphere alone, we completed by year end 1998, 19,000 profiles. If you divide that by, let's say, 100 private bankers that we had in the division, that was 190 per banker. That is a huge task to get them up to snuff. So I think we need to understand that this took time. It couldn't be done overnight.

Senator LEVIN. Starting with 1996, would you say?

Mr. MONTERO. Yes.

Senator LEVIN. Thank you.

Senator COLLINS. Mr. Ober, I have just one final question for you about the Abacha accounts. You have testified that you did not re-

¹ See Exhibit No. 13 which appears in the Appendix on page 144.

alize who the Abachas were. Had you known of their close relationship, the fact that they were the sons of the Nigerian military dictator, would you have handled the account differently?

Mr. OBER. Yes, Senator, and as a matter of fact, when I heard about their true identity, I discussed it with my supervisor of the time, and we developed an exit strategy from that account.

Of course, today, with the public figure policy that is in place at the bank, that could not happen because immediately these people becoming public figures will have to be accepted by the public committee—Public Figure Committee of the bank.

Senator COLLINS. But if you do not identify them as public figures, they never get before the Public Figure Committee. Wouldn't normal due diligence identify these individuals as being closely related to a public figure?

Mr. OBER. Well, when I found out their true identity, then I passed on the information to my supervisor at the bank, and it was reflected in the profile of the clients at the bank.

Senator COLLINS. And you began to say that you then began to develop an exit strategy?

Mr. OBER. That's correct.

Senator COLLINS. Could you expand on that?

Mr. OBER. Yes. To go back, Ibrahim Sani had just died in an air crash, and we had to remove his name from the account. So I developed the strategy with my supervisor that we would tell the surviving account holder on the account, Mohamed Sani and a gentleman called, I believe, Yaya Abubakar, that the account could not continue under a special name account. It would have to show their true name. The account will have to be under the name Mohamed Sani Abacha, which we were convinced would trigger the answer from Mohamed, then, "I don't want a name in my—I don't want an account that shows my name."

Senator COLLINS. Because secrecy was an important requirement for him?

Mr. OBER. That's correct.

Senator COLLINS. And why is that?

Mr. OBER. Well, the people that are first originally, because they were from Nigeria, which is a country, as we mentioned—where corruption exists, but not where everybody is corrupted, and also because, then, when they were—when we knew their true identity, people that have a well-known name would want to have more secrecy about their banking transactions.

Senator COLLINS. Would there have been concerns by your clients that Citicorp might have asked more questions, that Citibank might have asked more questions at that point about the source of the millions of dollars of deposits?

Mr. OBER. I would answer this is possible, yes.

Senator COLLINS. Senator Levin.

Senator LEVIN. Could you take a look, Mr. Ober, at the document on page 69.¹ This is a memo to you from Christopher Rogers.

All right. Who is Mr. Rogers, first of all?

¹ See Exhibit No. 14 which appears in the Appendix on page 145.

Mr. OBER. Christopher Rogers is one of my supervisors. He is the general market manager for Africa and is currently based in Johannesburg, South Africa.

Senator LEVIN. Now, he wrote you the memo in 1997, April, about press allegations relative to Mr. Bongo, and it said here that he is “unable to interpret the current press allegations”—in the fourth paragraph—“insofar as they might touch upon the Bank but would not be tempted to try because of the doubts it could raise in people’s minds about our relationship with our customer. If this is the case, we ought to be extremely careful about sharing such information with regulatory authorities, because we can’t answer for it.” He is advising you to basically make sure—do whatever we can to make sure that this information does not get to the hands of regulatory authorities. Then he says also, “we should stay as far away as possible from this mess, unless and until any one of us has firm or verifiable evidence which would lead us to suspect the Bank’s interests are at risk.”

Should you be staying away from allegations of a mess if you want to know your client, or should you be following it very closely if you are serious about knowing your client?

Mr. OBER. Well, Senator, in that particular case, I was troubled by the allegation that I read in the French press where the name of our client was indicated, and as a result of my concern, in spite of what you may infer from Mr. Rogers’ memo, I contacted the legal department of our bank to communicate the information that I had for them to—for counsel to look at these allegations.

Senator LEVIN. So that you did not follow his advice?

Mr. OBER. I would agree with you.

Senator LEVIN. Pardon?

Mr. OBER. I agree with you.

Senator LEVIN. As far as you are concerned, was the advice of his inappropriate advice—that you should stay as far away as possible from the allegations?

Mr. OBER. Well, my conduct by—would indicate that we did not agree entirely on that topic.

Senator LEVIN. There was another memo which Mr. Rogers wrote, and this one is on page 75.¹ This was in late 1998 when the Private Bank began discussing closing the Bongo accounts, and in response, the Private Bank’s top director here, Mr. Rogers, warned against closing them because of the possible effect on Citibank’s franchise in Africa.

Here are some of the statements he made, and I will ask you, Mr. Montero, to react to this. This is some of the statements he made in this e-mail. “Whatever internal considerations we satisfy, the marketing fallout is likely to be serious.” Is that good reason to keep an account open, because otherwise there would be marketing fallout, Mr. Montero?

Mr. MONTERO. No, it is not, Senator.

Senator LEVIN. Then he said that Tendin, which is the Bongo operation, had been “vitally instrumental in our franchise’s success over the years. . . . Sam”—and he is referring here to President Bongo’s oil advisor, Samuel Dossou—“helped the Branch consider-

¹ See Exhibit No. 15 which appears in the Appendix on page 147.

ably over the last 2 years to obtain a more reasonable and rightful share of public sector deposits," with President Bongo's "blessing."

Then he said this, "The probability of this support being reversed indefinitely should be weighed seriously." Is that a good reason for keeping an account open, because the client is helping the bank get deposits, Mr. Montero?

Mr. MONTERO. Well, I am uncomfortable, as I commented before. I know very little about this account.

Senator LEVIN. Well, would that be good reason for keeping an account open, because the client is helping the bank get deposits, if otherwise it should not be kept open?

Mr. MONTERO. Well, if the account should not be kept open, as a theoretical, that should not be the reason.

Senator LEVIN. If it violated your policies——

Mr. MONTERO. Yes.

Senator LEVIN [continuing]. It should not be kept open?

Mr. MONTERO. Should not be.

Senator LEVIN. All right. Would you think that the judgments expressed by Mr. Rogers is good advice from the Bank's top manager in Africa? The Private Bank's top manager in Africa now is giving you this advice: "Keep this stuff from regulatory agencies. Keep them away from this mess."

Mr. MONTERO. Not acceptable.

Senator LEVIN. And we should be very careful before we close accounts because it could have a negative effect on deposits. That's not acceptable either?

Mr. MONTERO. I'm not familiar——

Senator LEVIN. Or is it? Is that acceptable?

Mr. MONTERO. No. It's not acceptable. I'm not familiar with the circumstances here, but keeping stuff away from regulators is not what our policy is at all. I am sure of that.

Senator LEVIN. And the second one is if this client does not meet the standards of your bank in terms of integrity, reliability, source of revenue and so forth, then the fact that that person is either making deposits or obtaining deposits for the bank would not be a good reason to keep an account open which would otherwise be closed. Would you agree with that?

Mr. MONTERO. I agree with that.

Senator LEVIN. All right.

Mr. MONTERO. Yes, Senator. Today, this would not happen. Let me assure you, this would—we would not have that today.

Senator LEVIN. My time is up. Thank you.

Senator COLLINS. Senator Cochran.

Senator COCHRAN. No questions at this time.

Senator COLLINS. Do you have any further questions, Senator Levin?

Senator LEVIN. A few more.

Senator COLLINS. Senator Levin, you may proceed.

Senator LEVIN. Thank you.

In September 1998, when the Nigerian government was seizing funds from General Abacha's relatives and associates, the London Private Bank, Citibank's Private Bank there, helped his sons transfer \$39 million out of London to Swiss accounts and elsewhere. Citibank not only performed the transfer, it approved a \$39 million

overdraft to the sons' accounts so that they could transfer the money immediately without having to pull funds from a time deposit that carried a penalty for early withdrawal.

So, despite now what we know about—or you knew about the Abacha sons, the bank actually facilitated not just the transfer of money, which was the subject, by the way, of a government investigation at the time, a Nigerian government investigation, but the bank facilitated the transfer of that fund by in effect lending the Abacha sons \$39 million for a short period of time, allowing an overdraft, and then repaying itself that loan when the time deposit became due.

Was this appropriate conduct for your Private Bank in London, in light of the Nigerian government investigation which was going on and their seizure of funds from General Abacha's relatives and associates?

Mr. MONTERO. Senator Levin, I would rather not comment because I am not at all familiar—at all—with the Abacha account or the transactions that you have suggested.

My sense would be to involve counsel and to really take a deep read on this, but I just can't comment. I can't be helpful.

Senator LEVIN. Mr. Ober, under the current regulations of the bank as you understand them, as they are now being hopefully implemented, would this \$39 million loan to the Abacha sons to help them transfer \$39 million from your Private Bank in London to Switzerland be facilitated by you while the Nigerian government is investigating them for corruption and other crimes? Would that action still be taken?

Just to be very precise, take a look at the document on page 89, September 15, 1998.¹ Here, the purpose of this memo is to seek approval to overdraw the client's call account by \$39 million. Then it says, "The client has requested the remittance of these funds urgently. The total amount of the fixed deposit is \$42 million. The breakage of this would prove too costly for the client." In other words, the client is going to have a cost here if he has to wait for his CD to come due.

Would you under these circumstances, this year, current rules, all the resources, all that new software, all that legal advice you are now getting, all the care you are now taking hopefully relative to clients and private banks—would you be lending them \$39 million so that they could transfer money out of your Private Bank while a Nigerian government investigation of corruption is going on?

Mr. OBER. Senator, I cannot comment on the document that comes from Citibank-London, and this is the first time I have seen the document.

However, I can answer your question and say in theory, in the course of the new KYC transaction trend monitoring, the transaction trend monitoring will pick up the—a debit for \$39 million leaving the account, and that will require a detailed explanation. That will be reviewed by our colleagues from the transaction trend monitoring—and if you allow me, there is a reality to the KYC pol-

¹ See Exhibit No. 16 which appears in the Appendix on page 148.

icy and transaction trend monitoring that has been in place for 2 years.

As a private banker, my life has been made much more difficult, much more paperwork, much longer hours as a result of complying with that policy, which the bank takes very seriously. The idea is to get it right the first time because otherwise our colleagues from the KYC unit or the transaction trend monitoring are going to come back at me time and time over until I get it right.

Senator LEVIN. Thank you.

Mr. MONTERO. And I may just add, Senator, in terms of the theoretical—not theoretical practice, but the practice would be, not knowing this name—this name, however, pops up as a public figure and it goes to the committee and the committee makes an assessment.

There is a scandal brewing in Nigeria. We want this name out. So that would be the—so we wouldn't get as far as what's been suggested here of the \$39 million today.

Senator LEVIN. Thank you.

Senator COLLINS. Thank you, gentlemen.

I would now like to welcome our final witness for this afternoon, John Reed, the chairman and co-chief executive officer of Citigroup. Mr. Reed will be accompanied by Todd Thomson, the newly appointed chief executive officer of the Private Bank, and Mark Musi, the chief compliance and control officer for the Private Bank.

Mr. Reed has been an employee of Citicorp since 1965 and has been its chairman since 1984. Since Citicorp's 1998 merger with Travelers Group, Mr. Reed has been Co-CEO of Citigroup.

Pursuant to Rule 6, all witnesses are required to be sworn in. So I would ask that you please stand and raise your right hand. Do you swear that the testimony you are about to give to the Subcommittee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. REED. I do.

Mr. THOMSON. I do.

Mr. MUSI. I do.

Senator COLLINS. Thank you.

Mr. Reed, as you know, we have asked that you limit your oral presentation to about 10 minutes. We will put your entire testimony in the record. You may proceed.

TESTIMONY OF JOHN REED,¹ CHAIRMAN AND CO-CHIEF EXECUTIVE OFFICER, CITIGROUP, NEW YORK, NEW YORK, ACCOMPANIED BY TODD THOMSON, CHIEF EXECUTIVE OFFICER, CITIBANK PRIVATE BANK, NEW YORK, NEW YORK; AND MARK MUSI, CHIEF COMPLIANCE AND CONTROL OFFICER, CITIBANK PRIVATE BANK, NEW YORK, NEW YORK

Mr. REED. Thank you very much, Madam Chairman, Senators.

My name is John Reed, and as has been indicated, I am chairman and Co-CEO of Citigroup. I think for the purposes of this session, I also have been chairman and CEO of Citibank for the last 15½ years.

¹The prepared statement of Mr. Reed appears in the Appendix on page 957.

I am accompanied, as was indicated, by Todd Thomson who is now responsible for the Private Bank and by Mark Musi who is responsible for compliance and control within the Private Bank.

As you know, Shaukat Aziz, who had spoken with some of you and who has submitted some comments, is no longer running our Private Bank because he has been called back and is currently the Minister of Finance in his home country of Pakistan and therefore is not able to be with us, although he did send some comments.

What I would like to do, if I could, Madam Chairman, is make a few comments that hopefully will help with the discussion that will follow.

First, I would like to thank you for the opportunity for participating. Obviously, some of the transactions that we are going to talk about today have their negative aspects, and some of the things that we will be talking about won't be fun, but I think we should understand that this discussion about money-laundering, the discussion about private banking is serious. And frankly, to have a public discussion is useful and helpful because I believe that it is going to be important for all of us to see an evolution of a set of global standards with regard to the conduct of this kind of business, and I think discussions such as these, and hopefully others that will come afterwards, will lead to an evolution of a set of standards not only for Citibank and U.S. banks, but indeed a set of standards that may characterize the business going forward.

So, to the extent that these hearings help to move that ball forward, I would say that it is a very positive thing and I appreciate the opportunity to be a part of it.

If I could for a second talk about Citibank, we are somewhat of a singular institution within the United States. We have for almost 100 years now, dating back to 1902, had operations in virtually all of the emerging markets of the world acting not only as a cross-border banking organization, but in fact operating as a local bank in each of these emerging markets around the world. So, as you and your Subcommittee Members know, we today are in the situation where we operate in approximately 100 countries around the world, and I think we are the only major financial institution in the United States that does operate as a local bank in virtually the entire world. This obviously means that we are really at the center of much of the activity that we are talking about today, and it raises particular burdens and particular problems for us. And it explains to some degree why it is that it is Citibank here and not the First National Bank of Kenosha or some other U.S. institution because we really are in the center of these activities.

As has been well brought out, there are some real tensions in this business. In the last 20 years, we have seen the growth of criminal and illegal monies that are in the hands of terrorist organizations, that are in the hands of people dealing in drugs, that are in the hands of people who are involved in corruption. This did not used to be a problem.

Twenty years ago, there seemed to be less of this kind of money around, and I think it is also true that we were living in a world of capital controls at that time, most of which have been taken away. And the result is we truly have a global economy on our hands, one in which legitimate monies move around, but one in

which illegitimate monies move around in ways that were not true 20 years ago. So this raises problems to the business that are new to us and raise difficulties that are the subject of your discussion now.

There are also tensions with regard to what is secrecy and what is privacy. I believe very strongly that customers of the bank have every reason to expect that their personal financial life would be respected and privacy would be a characteristic of our relationship, and issues of privacy are very topical today in the banking industry and that is something where we in the industry are held, I think quite correctly, to a very high standard.

At the same time, you could go from privacy to secrecy, and you could move into an arena where you are trying to obscure the movements of money for reasons that don't have legitimacy, and there is a tension there. We are not able to erase the issues of using secrecy to hide things in part because of privacy, and I think Ed Montero in some of his testimony made an accurate assessment about that from a customer's point of view how important privacy can be and to what extent it could be something that is significant in their life and something that they expect the bank to maintain.

So there clearly are tensions in this business. There are tensions that come from the world we live in, tensions involving secrecy and privacy. There are tensions associated with what we consider to be an appropriate source of wealth as contrasted to what these feelings might be in other kinds of societies. So it is a tough business.

We will be talking during today's session about four or five cases—a few cases that we have been involved in—in the Private Bank at Citibank. These are by definition difficult cases. I think it is very clear in the testimony you have heard to date that in some instances our behavior is legitimately open to criticism, and we have acknowledged that this is the case and we understand it.

At the same time, I believe that these cases are full of learning. It is learning that we have taken very seriously, and I think it is very fair to say that today much of the learning from these cases and the discussion that we are having this afternoon is embedded in the positioning of the private banking business as we run it today and in the policies and the practices that we have within that business.

So, while there is much here about which we are not necessarily proud, I think it is fair to say that there is some learning here that we have reacted to and is currently embedded in our business practice.

I would say in running a big company—and we are a big company. We have over 180,000 people around the world, as I indicated, operating in 100 countries around the world. You have to rely on people and practices. In order to run a business, you must rely on having the right people in the right jobs. These people have to have certain skills, certain knowledge, certain attitude, and certain behavior which they bring to their job, and you have to surround those people with a set of practices that provides a matrix within which they do their job.

So the mechanisms that we have for bringing about change have to do with having the right people in the right job, the wrong person out, and having a set of policies and procedures that surrounds

the activities of government and individuals, and you have heard a lot of testimony today about the necessity of having policies and procedures and then the cultural difficulties of having those become the real framework within which business is conducted.

We also are going to be talking during this session about internal audits. These are internal audits from our own audit staff. Starting back in 1990, we made a concerted effort for reasons that were compelling at least to me to upgrade the quality of our audit, to toughen it, to toughen the standards, to change the standards, because we believed back at that time that we were facing a set of operational problems that required a toughening of internal standards, and this started way back as far as 1990.

The audit reports that you will see have some harsh comments in them, and I think they should. We are pleased that they do because these were comments from professional auditors who found some of the things that we were doing not up to standard.

For the purposes of our discussion this afternoon, it would appear as if the principal thrust of these audits had to do with the private banking and knowing your customer and the adequacy of those kind of procedures. The fact of the matter is they had a much broader context. They had to do with the problems of control and compliance that we had not only in the Private Bank, but across the company, where we were seeking tougher standards, and I think it is fair to say that during this period of time that we are talking about, there was an overall emphasis within the company of tightening standards. And I think that some of the audit reports that you will be talking about this afternoon did in fact have their desired effect. They captured the attention of the management. They captured my personal attention. They captured the attention of the Audit Committee of the board, and they did result in corrective actions being taken.

And I can say to you—I believe you know this, Senator—that as we speak today, the Private Bank has 100-percent good audits, meaning four and five in our rating system, which was not the case during the period of time that we are talking about, and this change came about because of some of the pressures that resulted from these bad audits.

In summary, I would say that there are some key questions that we are really dealing with. The first question is can this business, the private banking business—is it legitimate? Can it be legitimately part of an American bank's business activities, and can we all feel comfortable with that? My answer to that question is yes. I have thought about it. I have discussed it. I have in some instances in my career been in business situations where I was not comfortable with the business, and in those circumstances, we have gone out of them, out of the business, and we have asked that question about the Private Bank. I think it is a good business.

The second question is, can it be run properly. I think the answer to that question is yes, in spite of the difficult environment, in spite of the tensions I made reference to. I believe it can be run profitably, and the final question you have to ask is, hey, what kind of company is Citi, what kind of values do we have, what kind of people are we.

Let me tell you from a personal point of view. Let me tell you also as the chairman of this company. We are honest people. We do not want to do business with people with whom we are not comfortable. There is no need to even get close to any lines in order to achieve our business purposes, and I, like some of the others who have testified to you, am quite proud of my association with this company, and I feel very comfortable about the moral quality and the standards that we have throughout the company.

Thank you very much.

Senator COLLINS. Thank you, Mr. Reed.

Mr. Thomson or Mr. Musi, do you have any comments you would like to make at this time?

Mr. MUSI. No. We are available for questions.

Senator COLLINS. Thank you.

Mr. Reed, I have read the Subcommittee investigator's report. I have listened carefully to the testimony today. I have reviewed your internal audits. I have read the GAO report on the Salinas case, and I have to tell you that it does not paint a pretty picture. And it leaves the basic question in my mind, and that is how did a financial institution with all the resources that Citibank has, with all of your sophistication, with all of your expertise, become vulnerable to money-laundering?

Mr. REED. Well, Senator, I think I made reference to this. We are a human organization. We clearly have had a number of instances where we have failed to follow policies and so forth.

I do think that we are talking about five or six cases out of a large number. I have never felt that there was a pattern across the company that seriously raised issues about our ability as a total enterprise, but as I said to you in the beginning, we have here some examples of some transactions about which legitimate criticism can be made and I think that we simply have to recognize that in some of our activities and some of our behavior we have had failures.

Senator COLLINS. I could understand the problem occurring if it were an isolated case or two, but that is not the results of your internal audit. That is not the picture that is drawn when you go through the audits.

Let me take you through some of the audits. In May 1995, the internal audit of the Private Bank's Trust and Estates Unit noted that the rating for this audit is a "3". Now, I believe I am correct that it is a "1 to 5" rating—

Mr. REED. Correct.

Senator COLLINS [continuing]. Where I believe one is the worst. Is that correct?

Mr. REED. That's correct. Yes, ma'am.

Senator COLLINS. So this was a "3". It noted that it was a decline from the previous rating of "5".

The auditors went on to say, "the unit does not perform effective Know-Your-Customer procedures before accepting account referrals from private bankers. As a result, customers attempting to launder money may not be identified. This exposes the bank to civil penalties and criminal charges. Administrators rely on private bankers to obtain KYC documentation. However, our review of 15 accounts shows that this process is ineffective."

Were you aware of this particular audit? This is the May 1995 audit of the Trust and Estates Unit.

Mr. REED. I doubt that I read that specific audit.

Senator COLLINS. Who would have been aware of this audit?

Mr. REED. The people who run the unit that is being audited, the immediate supervisors above them, and obviously all of the control staff within the Private Bank.

Senator COLLINS. What kind of rating would trigger your attention? What would cause an audit to be brought to your personal attention?

Mr. REED. Well, actually what happens is, first of all, I have a personal relationship with the chief auditor on an informal basis. If there was an element within an audit that that person became concerned with, it probably would be informally brought to my attention quite independently of what rating might be associated with the audit.

When you begin to have units whose audits are in the "2" category—we have one instance of a "1", but they are highly unusual—I would become aware of that.

If we get audits where the reply to the audit appears not to be responsive, because we have had a problem of people not responding appropriately to audits, I would get involved. In fact, I believe it was in early 1997. I started a process with two or three of my senior colleagues to review. We had a meeting every 2 weeks, every other week, and I went over the reply to audits where the reply didn't seem to us to be appropriate and for the purpose of tensing up the system. So any sets of audits in the two category where the replies didn't look good, I would have seen. Anything that the chief auditor thought I should be aware of, I traditionally was aware of.

I tend not to read audit reports per se, simply because of the number of them.

Senator COLLINS. Let me ask you about another audit. In June 1995, Citicorp audited its European Private Bank, and it did assign it a "2" in this case. The auditors specifically noted that "Senior Private Bank management does not enforce the development and implementation of compliance programs" and says "this issue requires immediate attention by Senior Management." Is this an audit that came to your attention?

Mr. REED. I don't recall that specific one, but I would think the answer would be yes, and I became aware, I would say, in—first of all, if you go back in the history, I became quite concerned in 1990 that I was not comfortable with some of the operating environment of the company. So I made a change to our auditor in 1990, and I brought somebody in from Ford Motor actually, Dennis Green, who would come in as an outsider with a new set of eyes and tighten up the capabilities and professionalism of our audit department. I specifically was trying to tighten up our operational competence.

So I started by strengthening the audit department, and it was very clear to everybody in the company that I personally was putting a lot of time and effort and was maintaining very close communication with the auditor.

I then started making sure that the audit process at the most senior level was taken seriously, but to your point, I would guess

that sometime in the 1994 or 1995 time frame, it became quite clear to me that we had two pockets of problems. We had a set of audit problems associated with trading activities, the back office associated with trading, which, of course, is very dangerous because if you get out of control there you can get significant losses quite quickly, and we had a concentration of problems in the Private Bank, which I think stemmed from managerial practices and some of the points that have been raised by yourself and some of your colleagues on this Subcommittee.

I started the process of bringing about change. It was clear when Alvaro de Souza came into this business, but it was true also when Rukavina ran the business before that I had a personal requirement. When I put people in jobs, I tend to sit them down and say these are my concerns, this is what I am looking for you to do, and I think back with Rukavina, which dates back to September 1994, with Alvaro de Souza who came into the job in January 1996. I made quite clear to them that I was concerned about the control environment and I was concerned about the audit environment in these areas, and that concern had stemmed from some of these reports that you make reference to.

Senator COLLINS. The next audit I want to mention must have rung some alarm bells because, in this audit, which was December 1995, Citicorp audited the Swiss Private Bank front office and assigned it a "1". The auditors noted that the rating indicates that the office is operating in a severe [sic] deficient manner, and it specifically cited that "due diligence and money-laundering regulations were not being observed satisfactorily and that the use of pseudonyms to protect client confidentiality is not an acceptable corporate practice."

I find this audit to be particularly troubling since the head of the entire Private Bank was based in Switzerland and his office received an extremely poor score, the lowest possible rating. What was your response to this audit? Was this one brought to your personal attention?

Mr. REED. Yes. I read that audit personally. As I said before, I had already identified the problem before that. This confirmed it in living technicolor, if you like, and it made very clear that we had a significant set of audit problems, and they were not, by the way, in any sense limited simply to Know-Your-Customer procedures. They were far broader than that in terms of their scope, and the problem was pervasive and spoke to an issue of management.

So, yes, I did read the audit, and as I say, I took it very seriously and we started a process that has led to corrective action.

I would say this. Even though we had audits that showed that policies and procedures were not being appropriately followed, I had no indication that we were making a bunch of bad decisions because of it. Now, that is not an excuse. You must operate with policies and procedures, and they either are right and you follow them or you change them, but the point is if I had reason to believe that the operation of the business was putting the company at risk, I would have closed it down quite independently of audits or anything else.

So getting a bad audit says you are not following policies and procedures. You obviously have to correct this. You have got to check, correct the people and so forth and so on.

The real question is were we doing things that were going to result in severe damage to the company. I did not believe that that was the circumstance.

Senator COLLINS. What concerns me, Mr. Reed, is this was not the last of the bad audits, the bad news. In May 1996, there was an internal audit of the Latin American Accounts Office. It got a "2", and, again, money-laundering was specifically noted. In June 1997, there was an audit of the Private Bank in Canada. The auditors assigned a score of "3" and specifically noted major risks related to money-laundering. And indeed, as late as September 1997, when Citibank audited its Private Bank in Switzerland, the score of a "3" was assigned.

Now, I will grant you, that is a good improvement over a "1", but once again there are specific criticisms about the vulnerability to money laundering. So my concern is that this is a 3-year period. This is not an isolated audit of one small branch. It seems to me to be that systematic pattern of deficiencies that allowed Citibank to be vulnerable to money-laundering.

Mr. REED. I think you are correct. I just checked the records here. There was a 3- to 4-year period of time. So that is during the period which we had every reason to believe that we had a problem in terms of controls and audits and so forth and so on.

Starting in 1993, my general assumption is audits are from 8 to 15 months, sort of lagging indicators. They describe conditions about then. It really wasn't until 1997 that we began to see changes; 1998, we saw significant changes; and 1999, we have 100 percent in the four and five category in the Private Bank.

So, if you look backwards, you would have to say that in that period, 1994, 1995, into 1996, there was reason to believe that we did not have an acceptable set of standards in place, and you and I would agree that it is approximately a 3-year time frame.

Senator COLLINS. Senator Levin.

Senator LEVIN. I want to now start in 1997 when you just indicated that you began to see real changes, not just stated policy changes, but actual changes in the way the Private Bank was operating.

Yet, in 1998, the Federal Reserve required the Private Bank to report every 3 months to the Audit Committee and lifted that requirement only about 6 months ago. Were you aware of that?

Mr. REED. Yes, sir, I was.

Senator LEVIN. What is the need for secrecy in private banking? And I do not here mean confidentiality, and I want to just spend a minute with you on the difference.

Should our banks be setting up secret bank accounts in secrecy jurisdictions which are not subject to legal process for regulatory oversight and possibly civil process? In other words, just to give you an example, you have got a brochure here which says, in its table of contents, "The Bahamas, the Cayman Islands, Jersey and Switzerland, the best of all worlds."¹

¹ See Exhibit No. 17 which appears in the Appendix on page 149.

I will ask you in a minute why they are the best of all worlds, but why should our banks be setting up accounts in secrecy jurisdictions that are not subject to the same legal process for regulatory oversight or civil process which a bank account would be subject to here in the United States, or should banks no longer be doing that?

Mr. REED. Senator, my sense of it is this. We have to run a business. We have to run a business in the world the way we see it.

We would not do business in an environment where we didn't think there were appropriate mechanisms, safeguards, and so forth to run a bank, and we do business every place in the world. There are some places and some circumstances where you simply would not be able to run a bank, and if we find ourselves in those circumstances, I think there is a record of our simply withdrawing or shrinking down the business to the point where it doesn't exist.

A number of these places characterized by secrecy are perfectly respectable places. I think Switzerland would generally be described as a well-developed society with a rule of law. It happens to have a set of secrecy laws surrounding banking that you might find not to your taste.

I personally believe that if we are going to be in this business that we have to operate in the parts of the world where business is and where customers would expect you to be, and if there was something about the legal structure that precluded us as a bank from running our business, we wouldn't be there. If there was something about the legal structure that precluded our regulators from doing an adequate job of regulating us, they wouldn't let us be there. We have to apply for permission to open a branch, and if our regulators, the Fed or the OCC or whoever, felt that it was a jurisdiction in which they couldn't meet their responsibilities, they simply would turn us down. So I don't believe that it's a fair comment to suggest that because a Nation chooses to have a set of secrecy laws that that means it is an environment in which a bank should not operate.

Senator LEVIN. Would you object if the Federal Reserve or the OCC decided that you or no other bank should be allowed to open up accounts in any jurisdiction where its process would not be able to reach? Would you have any problem with that if they then changed their rule on that?

Mr. REED. As long as you had a broad description of what you just said there.

If they couldn't effectively do their job, I don't think they'd let us be there today. So I'd have no problem whatsoever. They obviously have a legal mandate to do their job.

Senator LEVIN. I do not know how much of this morning's testimony you heard, but I will tell you this, that I was deeply disturbed by this testimony in a number of ways. What struck me perhaps the most is that we had in April 1992 and in September 1991 very clear policies of your bank that went out to your people who are running the Private Bank. And these policies had to do with making sure that there was, in the words of the policy, "a clear-eyed assessment of the integrity of the client, his business activities and the source of funds at the acceptance stage and thereafter," and many other provisions about documenting things and

having records which were obviously ignored in the years after these policies were adopted by the bank.

Did you hear this morning's testimony, by the way?

Mr. REED. I heard that portion you are making reference to.

Senator LEVIN. Were you troubled by the fact that policies of the bank were not implemented in these years until 1997?

Mr. REED. Let me be honest in my reply here. Let me say I felt good that it was so clear that we had these policies. I have been aware that we had these policies and their equivalent, frankly, for the 30-some-odd years I have worked in the company. We have always wanted to know our customers, wanted to know why they were dealing with us, so forth and so on. These were very clear, as you point out yourself.

I was distressed that it would appear that there is no record of people having followed these policies from a paperwork implementation point of view, and obviously, there was not due diligence and so forth and so on.

I don't believe that at this period of time across the business of the company, there was ever any pattern of us being a "easy bank," a bank where dirty money comes because they know that we won't keep track of it. I don't think there are many examples of us taking customers who are clearly on the other side of that line.

There have been errors, but I was not concerned that said, hey, were we really running this company poorly at that time, and so I had a mixed set of feelings as you were asking your questions.

Senator LEVIN. You told our staff investigators, Mr. Reed, that you had heard from Mexican businessmen as early as 1993 about possible corruption involving Raul Salinas "inserting himself in local business deals inappropriately." How is it, then, that he became a client of a Private Bank? Apparently, what you had heard was never transmitted to the folks who were considering him as a client, or was it?

Mr. REED. First of all, I never repeated it to anybody until asked as a part of this investigation, and so it wasn't transmitted.

Second, I think if you look at the minutes of my talk with your staff, I said 1993 or 1994, and frankly, I am trying to figure out which it was.

The other thing is I think you would find in my communication with your staff is I didn't use the word "corruption." I said I had heard, and this is true. I had been in Monterrey, Mexico, calling on some customers, played some golf. After golf, I was sitting around the table and a couple of these people were talking to each other, and they made the comment that led me to believe—first time I had heard any sense of impropriety on the part of the Salinas family, and as you know, I knew the Mexican situation reasonably well—of any kind of misbehavior.

And what was implied in the conversation was that there was a brother—I didn't even know his name—of the president in Monterrey who was getting himself involved in business deals because of the relationship with his brother, and that this could embarrass the president.

I don't believe I used, nor would it have been proper to say that there was any sense of corruption. There was a sense of possible embarrassment to the president, and I didn't repeat it because I

don't make generally a sort of policy of repeating this type of comment about which I know nothing.

Senator LEVIN. When Mr. Salinas was arrested, the head of your Private Bank at the time, Mr. Rukavina, suggested that Citibank move Mr. Salinas' assets to Switzerland for secrecy purposes.¹

Mr. REED. I am aware of that comment.

Senator LEVIN. Here is the conversation. Mr. Rukavina, "Now, the thing is whether that—whether those accounts shouldn't be brought to Switzerland." "The ones in London?" "Of course." "They are held under the trust, right?"

And then this is what then happened. This is the 2:51 conversation. Mr. Salmon, "So, Rukavina's question is really, from a secrecy standpoint, should we move it out of London back to Switzerland?" Mr. Homen, "Yes. I mean, what's the best structure to"—it is unintelligible there. Mr. Salmon, "I don't think if we move it from London to Switzerland, London will be able to destroy its records." Ms. Bevan, "No, that's right. You'd see a transfer." Mr. Salmon, "So, I don't know what would necessarily be gained by moving everything to Switzerland."

Now, does that conversation bother you that the first reaction to an arrest is effort made to preserve the secrecy of the account rather than what the heck is going on with our—

Mr. REED. Sure, it does. I mean, this is simply wrong.

Senator LEVIN. In your statement, I believe you said that Citibank handled Salinas appropriately, and let me ask you a number of questions.

The private banker here, your private banker, used an alias when introducing the client to Citibank in a branch bank; took Mr. Salinas' word about a construction company, never learned the name of the company, never learned what the business was, what his interest was, what the sale price was; took Mr. Salinas' cashier's checks by the millions to deposit with Citibank without knowing the source of the money, getting any references from the bank involved, without knowing whether the cashier's checks were obtained from cash deposits.

And then—I'll just leave it right there. Do those facts trouble you?

Mr. REED. Yes, the facts trouble me, but what troubles me more, Senator, is where did you hear that I said that this was handled appropriately.

Senator LEVIN. I thought in your statement, you indicated—and I may have misread your written statement—that Citibank handled Mr. Salinas appropriately, and if I misread your written statement—

Mr. REED. I think—

Senator LEVIN [continuing]. I would withdraw that part of the comment.

Mr. REED. I think that we are on record as saying that there were a number of policies that were not followed. It would therefore be difficult to say that it was handled appropriately.

Senator LEVIN. Fine.

Senator COLLINS. We will have a second round of questions.

¹ See Exhibit No. 18 which appears in the Appendix on page 151.

Senator Cochran.

Senator COCHRAN. Thank you, Madam Chairman.

When the Subcommittee began its hearing today, I made the comment that our staff had done an enormous amount of work to obtain information about the effectiveness of U.S. laws and regulations to combat money-laundering, and I wonder, since we have now had the presentation of the full report of the staff and other testimony as well, whether or not it has occurred to you or others that we have passed a new law relating to financial services and whether or not there is anything in that new law that strengthens the effectiveness of U.S. laws regarding money-laundering or impacts the way financial institutions, not just banks, but insurance companies and others, should adopt policies like Know Your Customer and other good banking practices. What is your reaction to that?

Mr. REED. Senator, I am unaware of anything in the law that has recently been passed that would specifically require that this be extended.

In the case of Citigroup, as we have testified, we in fact—and this is a question of simply taking banking practice and spreading it throughout the entire corporate structure—we in fact have applied our rules with regard to money-laundering across the company, and I think you will find as other institutions begin to come together, as ours has, that we will have in fact a cultural transfer and it will have the effect that you are asking about, but to the best of my knowledge—and I can't in honesty say that I have read every line of the proposed new law——

Senator COCHRAN. Well, we have not either.

Mr. REED. But to the best of my knowledge——

Senator COCHRAN. I hope somebody has.

Mr. REED [continuing]. There is no specific requirement on this subject.

Senator COCHRAN. I wonder if the change in your policy about targeting customers for your private banking business has already had an effect. You talked about the fact that you are trying to seek out entrepreneurs for your Private Bank, those who build wealth, who build businesses, and create jobs. The question is whether this strategy, rather than targeting public figures, per se, or people because they are famous, is going to limit the vulnerability of private banking to money-laundering.

Mr. REED. Senator, I think it has already. I think this hearing, as I said in the beginning, is going to have the effect of beginning to create a de facto set of standards for at least the American industry, and I would hope we could propagate it beyond that. So I think it has already, and I think it will have that effect.

Senator COCHRAN. Recently, we heard some talk and there has been an administration report about money-laundering in Russia. You seem to have avoided any problems in Russia. Do you attribute this to the new policies or policies in combination with other factors, like the general instability there? Would you have any advice for anyone doing business in Russia with regard to money-laundering problems?

Mr. REED. Senator, we have been fortunate. I have been very careful not to say anything because we all live in glass houses. This is a tough business.

I believe in the case of Russia and in the case of some other locations that it has been a part of our new policies, but more than that, I think it has been an attitude on the part of the company. I think that the management of the company fully understands that we are serious about this, and there are clearly areas of the world that are much more vulnerable from a customer point of view.

It is very difficult to imagine how somebody could have legitimately made money in some of these locations until very recently, and, therefore, there are large sums of money that have come from Russia, from other countries, that while you don't want to make general statements, you could certainly be leery that this is an area of the world where it is hard to imagine how people could be legitimately making money and being customers.

So we have been fortunate. I think it reflects policy. I think it reflects standards, and I think it reflects a seriousness within the company about the difficulties here and about the importance of avoiding some of these problems.

Senator COCHRAN. Has our investigative staff inquired of you or your officials about your experiences in avoiding problems in Russia or of any other banking institution to your knowledge?

Mr. MUSI. No, they have not.

Senator COCHRAN. What about being contacted by the administration in the preparation of the Summers-Reno money-laundering report? Was anyone from the administration in contact with Citigroup or any of your officials about your new procedures or how you avoided past mistakes?

Mr. MUSI. Not to the best of my knowledge, Senator.

Senator COCHRAN. Let me ask you one other thing. We have got a lot of laws that apply just to U.S. companies. We do not have jurisdiction over foreign companies. There is, of course, a problem in international trade. We try to abide by rules ourselves, and then when others do not abide by the rules, we end up bearing the brunt of those transgressions either from economic disadvantage or corruption that we cannot do anything about that benefits foreign companies and it puts us at a disadvantage.

You are talking about all these countries where you do business. In this general area of international businesses, how do we get the other banks based in other countries or other financial institutions to abide by the same standards?

I think you have come up with some international suggestions or international rules. In your statement, you talk about that. How do we go about getting that implemented and getting others to recognize the legitimacy of applying these rules worldwide?

Mr. REED. I think, Senator—first of all, I think it is very important for all the reasons that you mentioned.

I think the mechanisms frankly are hearings of this sort which raise to the public's attention these kinds of issues, and bankers will read this.

I think that there is a very good mechanism that ties the central banks, the Federal Reserve in our case, with the central banks of

the more developed countries, at least the G7 that meets routinely in Basel in Switzerland, and this quite legitimately can be a subject of a discussion amongst the governors of the central banks, all of whom I think would subscribe to the same general set of values that we have with regard to this issue.

Frankly, if you can capture the attention of the banks in the major developed countries, you won't have a problem with the others because the money that we are talking about ends up in Switzerland or in New York or in London or in Tokyo. So, if we can get the European banks, the Japanese banks, the American banks generally operating within a similar framework of values—and this can be fostered by the cooperation of central bankers from those countries and this mechanism that already exists in Basel, Switzerland, for talking about subjects of this sort, plus, very frankly, the helpful comments that have come from the World Bank with regard to corruption generally—and as you know, the World Bank has spoken out with regard to corruption and corruption issues—this creates an environment where the industry can come together.

Today, there are, as you know, wildly different practices. There are still major players in this industry who would not share any of the values that are being discussed today in this session.

Mr. MUSI. If I may, Senator, can I add to that?

Senator COCHRAN. Yes, sir.

Mr. MUSI. One of the efforts we are trying to coordinate is spearheading, if you want to call it that, a private-sector initiative, but in conjunction with the regulators, working with Transparency International over the last 6 months. We have had meetings with major financial institutions who are in the private banking business throughout the world trying to bring together a set of basic practices that are best practices and can be adopted on a uniform level across the world. We believe this can only be addressed through a global initiative.

We have obviously tightened up our standards in the United States and we can make sure that the banks follow those standards, but to ultimately achieve the goal that everybody is setting out to achieve here, this really needs to be addressed on an international level, and we think that by spearheading this effort—and we have shared what we believe are the best practices, taking into consideration the guidelines that have been issued by the Fed, taking into consideration the industry practices as we talk to our peer-group banks, and we tried to put together a best practices paper that we could share with all of the major financial institutions who are willing to come to the meeting, day one.

We obviously have gotten more interest over time, and as we proceed in this effort, more banks come to the table as they recognize that they have to deal with the same kinds of issues and are susceptible to the same types of vulnerabilities.

We have also shared the KYC policy that we have discussed that the Private Bank issued in September 1997, and finally, the recently issued new anti-money-laundering policy for all of Citigroup. It is our expectation that they will then share those policies with us as well. We will go forward with the presentation of a uniform best practices memo for all of the major international private banks

and then bring the regulators into the process again and make sure that everybody is in line with their expectations as well.

Senator COCHRAN. Did you find any particularly troubling challenges? You merged. For example, I think one of the companies that are now part of the Citigroup is Travelers Insurance Company.

Mr. REED. Yes.

Senator COCHRAN. After that transaction, you point out in the statement some changes that were made in regulations and policies and standards and education and training programs that were then extended to this new company. What can you tell us about the efficacy of that initiative?

Mr. REED. Well, I think what has happened, Senator, is that we have applied these standards that we have talked to across the entirety of Citigroup.

Historically, most of the Travelers' organizations were domestic United States in their orientation, and to some of them, the notion of money-laundering was in fact a new one, particularly in the context of the private banking and global flows, but, obviously, we are vulnerable there, too, particularly through Smith Barney, a brokerage firm that has international customers and that maintains offices where there are many offshore banking customers and the insurance business.

So what we have done is we have sort of raised the awareness. To most of the people involved, it has been new news. It has not been a subject that they had been related to before, and I think what it has done is it's created a uniform set of policies and procedures across the company and it makes sure that our standards are company-wide and not specific to one institution or not another.

Senator COCHRAN. Thank you.

Senator COLLINS. Thank you, Senator Cochran.

Mr. Reed, I want to go back to the conversation that Senator Levin asked you about which occurred the day after Mr. Salinas was arrested, and I want to direct your attention to part of the discussion about what to do with his accounts.¹

Mr. Salmon says, "I don't think that if we move it from London to Switzerland, London will be able to destroy its records." Sarah Bevan responds, "No, that's right. You'd see a transfer." Mr. Salmon, "So I don't know what would necessarily be gained by moving everything to Switzerland." Mr. Salmon, "OK, fine. Then my feeling is this. I don't think you're going to be able to wipe out the history of London. . . . I personally don't see any benefit in moving it, in moving it to Switzerland."

Your reaction was the same as mine. You said this is wrong.

Mr. REED. Correct.

Senator COLLINS. But the conclusion that I draw from this conversation is the Citibank officials involved were not discussing whether it was right or wrong. They were discussing whether it would work or not, whether it was feasible, and they only abandoned the idea of transferring the funds from London to Switzerland when they realized it would not erase the evidence of the transfer. Do you think that is a fair conclusion for me to draw?

¹ See Exhibit No. 18 which appears in the Appendix on page 151.

Mr. REED. That is a fair reading. I would like to be charitable to think that had they found that it would work, that they would have had second thoughts, but that's supposition.

This is a level of immaturity and judgment that is simply not acceptable. I mean, this kind of thought—I mean, when you have a problem, you have a problem, and this idea of how can you hide the problem and obfuscate the facts is simply unacceptable, period. There is no excuse for it.

Senator COLLINS. My final question for you is this. In retrospect, when you look at the 3 or 4 years of audit reports that raised a lot of red flags, some of them giving very poor audit reviews, very poor scores, that repeatedly identified a risk of money-laundering exposure for the bank, do you think that Citibank acted aggressively enough to address the problems that were being identified over and over and over again by these audits?

Mr. REED. Senator, again, 20/20 hindsight, obviously I would prefer not to be here talking about this, and so you would say obviously I wish we had been more aggressive, cleaned it up more quickly, but I have to be honest. As I said in my comments at the beginning, the thrust of these bad audits, unfortunately, was not limited simply to money-laundering problems and failure to follow procedures. We had a more generalized set of control problems that involved how we managed money and customer accounts and a whole variety of things that really was at the core of our ability to operate effectively.

I think that we can be legitimately criticized that it wasn't done maybe a year earlier, but for an organization of our size, I think you were always talking about a couple of years. So I wouldn't justify three, but given the nature of the problem, the number of people involved, the degree to which there are going to have to be cultural changes and the leadership required, I think it is fair to say that I understood even as we got into this that it was going to be a multi-year process.

Mr. MUSI. I think another point that needs to be made, Senator, is that during that same time period, the regulatory guidelines and expectations were evolving as well, as everybody tried to get their arms around this issue and define best practices. It was during that period, post-Salinas, that the Fed ultimately issued their guidelines on private banking. It was during that period that the Private Bank working with the regulators developed its KYC policy and its overall anti-money-laundering program. So a lot was happening at that time, and I think the point that Mr. Reed made before about audits being a lagging indicator, the positive audit results that we achieved throughout 1998 are clearly the result of the efforts that we took during the latter part of 1996 and throughout 1997.

Senator COLLINS. I do want to acknowledge that, clearly, there has been significant improvements, and I think in the interests of a complete record, it is important that that be noted.

Senator Levin.

Senator LEVIN. In 1995, that telephone conversation shows that the first reaction of your people was how do we continue to hide Salinas' money, how do we move Salinas' money, and you very forthrightly just indicated that that is unacceptable behavior.

Yet, in 1998, September, we have the Abacha situation. Now, you have Nigeria seizing funds from General Abacha's relatives and his associates, and the Private Bank, your Private Bank, actually lent his sons \$39 million in order to transfer that money from London to a Swiss account and elsewhere. That represents the approval of that overdraft.¹

It seems to me in principle you have got the same kind of reaction. You have got the Nigerian officials saying this money is corrupt and we are seizing it from General Abacha, who had, I believe, died in an airplane crash a couple years before. You have got the Private Bank going out of its way to help those sons move \$39 million. It is actually lending those sons money in order to accomplish that.

There was a time deposit. It was not yet due. So the bank lent the sons the money until the deposit was due and then reimbursed themselves. Is that appropriate conduct? Is that conduct you believe meets your current standards?

Mr. REED. Senator, I don't know. Until I heard this today, this afternoon, I had not heard of this particular transaction, and you would have to understand the context. I mean, if you want to pose it as a strictly theoretical question, taking only what you have said as the fact situation, then the answer is self-evident. I don't believe that was the circumstances.

Mark, do you know anything about this?

Mr. MUSI. Yes. Actually—

Senator LEVIN. Let me just correct my factual predicate here. Apparently, it was not an airplane crash. He had died of a heart attack in June 1998, General Abacha, so just to correct that part of the premise.

Mr. MUSI. Thank you, Senator.

Senator LEVIN. Not that it changes—

Mr. MUSI. That doesn't change the answer I am about to give.

In terms of this situation, we found ourselves in effect between the proverbial rock and a hard place. We had already made a decision to exit the relationship because of the nature of the client, and we had been executing that exit strategy. And actually, this movement of funds was in support of that exit strategy. Clearly, we wanted to segregate our ties with these clients as quickly as possible, and to facilitate that process, we allowed the loan to be set up, the money to be removed from the bank. Then we had clear ownership of the relationship, and it expedited our exit strategy.

We didn't have a basis at the time from a legal point of view in contacting our people to freeze the assets because we were not in the position to do so. So, in carrying out the exit strategy, this was the transfer of funds to facilitate that.

Senator LEVIN. They requested these funds; is that correct?

Mr. MUSI. As part of our exit strategy.

Senator LEVIN. Well, according to this, the client had requested the remittance of the funds.

Mr. MUSI. Well, that's what—

Senator LEVIN. Is that your exit strategy, or is it their strategy to hide those funds?

¹ See Exhibit No. 16 which appears in the Appendix on page 148.

Mr. MUSI. No. It's their exit strategy to remove themselves. It's our exit strategy to move them out of the bank, and this is the process that we used to move that process along.

Senator LEVIN. To move to a Swiss bank where it would be more secret?

Mr. MUSI. That's their choice as to where they want to take their business, Senator.

Senator LEVIN. Let me just make sure I understand this. The initiative to do this was your initiative or their initiative?

Mr. MUSI. Working with the client, we contacted them and told them that we wanted to sever our relationship. As part of that process, we allowed this transfer to go through so that we could totally sever the relationship as quickly as possible.

Senator LEVIN. And whose initiative was it? Who initiated it? I know you were working with them, but I mean who initiated this transfer?

Mr. MUSI. I don't know who actually spoke to the client.

Mr. REED. Senator, if I understood——

Senator LEVIN. No. I want to know did you initiate it or did the client initiate it.

Mr. REED. It sounds—if what I understand—it sounds as if we had made a decision that we wanted to exit these relationships. We approached the customer telling them that. They said—and we had a time deposit which as you point out didn't mature, and apparently, in order to get them out of the bank, we chose to allow them to break the time deposit. It sounds to me as if we initiated it.

Senator LEVIN. But the bank still had \$17 million in deposits after this; is that correct?

Mr. REED. I don't know.

Senator LEVIN. Do you know, Mr. Musi?

Mr. MUSI. I am aware of that, yes.

Senator LEVIN. That is correct; is that right?

Mr. MUSI. Yes.

Senator LEVIN. So you were not terminating your relationship. You were maintaining——

Mr. MUSI. No.

Senator LEVIN [continuing]. Seventeen million dollars.

Mr. REED. No. We had made a decision to exit. The process by which you do that has to take—depending on the nature of the deposits and so forth and so on takes time, but there was no ambiguity about the decision.

Senator LEVIN. Did they know that, that you had reached——

Mr. REED. Obviously so or they wouldn't have been willing to make this move.

Senator LEVIN. It is not so obvious as to why they made the move because Nigeria was grabbing their resources and their assets. So, when you say that they initiated or they knew of the move, that you were motivating this move, that is very different from what the facts were on the ground which was their assets in Nigeria were being seized, and they, according to this document here, initiated this request for the transfer of money and for the overdraft. Now, that is what that indicates.

Mr. REED. Mark, did we ask them to move this money?

Mr. MUSI. We had already contacted the clients and informed them of our exit strategy.

Senator LEVIN. All right. You have also received some advice from Mr. Rogers who is in charge of the Bongo accounts. Your top manager in Africa said the following, that you should be very careful about closing the Bongo accounts in 1998 because—now, this is 1998, so your 1997 initiative is supposed to have been underway—but here is what he says in 1998 in an e-mail, November 6, “Whatever internal considerations we satisfy, the marketing fallout is likely to be serious.”¹ That is what he says will happen if you close the Bongo accounts. I do not think your new policy has taken hold of Mr. Rogers in November 6, 1998, has it?

Mr. REED. Doesn’t sound like it, but, Senator, let me say something. I have been in the business 35 years. I have never ever encountered a circumstance where our dealings with a customer as an individual account had repercussions in terms of our franchise.

Now, I am sure there are junior officers within Citi in the field who worry that if you are dealing with a minister of finance or a president or somebody in the central bank and that we make a decision about their personal account that there might be some danger that the banking business of the overall company can be impacted, and that is sort of the thrust of what is said here. Never have I experienced that. I have dealt with ministers of finance, heads of state, so forth and so on around the world. I have dealt with franchises that were at risk. I have opened. I have closed. I have never in my experience found any linkage.

So the concerns that people might represent as they have here in terms of potential linkage between how you handle an individual account and the bank’s business in the country may exist in the minds of some junior people, but it has never in my experience been a problem for us.

Senator LEVIN. Well, that is not the point of the question, though. The point is he is saying do not close these accounts or be very careful before you close them because this could have an effect on—and these are his words—

Mr. REED. On our franchise in the country.

Senator LEVIN. And on your marketing.

Mr. REED. And I am simply saying I have never experienced that.

Senator LEVIN. And on your marketing.

Mr. REED. Yes.

Senator LEVIN. And my question to you is, whatever the effect is of closing an account which should not be open, shouldn’t it be closed?

Mr. REED. Obviously so.

Senator LEVIN. So then he did not get the point of your 1997 policy.

Mr. REED. He didn’t get the point. That’s correct.

Senator LEVIN. I think I am out of time. I have just a couple more questions. My red light is on.

I think what we have to face is whether or not our banks should make money off deposits which are the result of dirty money, either

¹ See Exhibit No. 15 which appears in the Appendix on page 147.

corruption, looting a treasury, bribes. Those are not specifically identified in our current money-laundering laws, but I think you would agree that that is dirty money.

Mr. REED. I sure would.

Senator LEVIN. And the question that I think we have to face is whether or not our banks are going to profit off those kinds of deposits, even though other countries' banks might.

You talked about international standards, and I think it is a fair question because we would hope that everybody would in the world would be bound by the same rules, but they are not. It is not true when we sell weaponry either. There is a lot of things we will not sell that other countries will sell, and my question——

Mr. REED. Senator, I don't think there is any significant profit in the American banking system from such funds.

Senator LEVIN. My question, though, is this. Would you agree that we should treat corrupt money, which comes from bribes, or looting a treasury, in the same way that we treat, for instance, drug money?

Mr. REED. Surely. Obviously so.

Senator LEVIN. Good. Because that would require a change in the law, and we are considering some changes in laws which I am drafting and I have shared with the Majority. They have not had an opportunity, because it is still very much in flux, obviously to review what that draft is, but I would hope that you and your colleagues in the American banking industry will take that position that money-laundering is a serious and growing problem, that we cannot condemn corruption without being sure that our banks do not profit from corruption abroad.

We thought we had made some progress in 1986. We have a long way to go. You folks, I think, thought you had made some progress when you issued your regs in 1991 and 1992, which were ignored until 1997, and then you have tightened up your internal rules, hopefully, now, despite the 1998 review of the Federal Reserve. You are on track to making sure that you do not profit from accounts which are the result of dirty money or money-laundering or corrupt funds.

I really hope that you will read all of the testimony today, the part that you did not see or witness, because I think that it will reinforce hopefully some determination to end practices where your bank or any bank will profit from dirty money. And we need to enlist the support of the American banking community in ending this because it is intolerable that our banks that we put so much confidence in should profit in any way from money which is either illegal drug money or the product of looting a national treasury or the product of corruption or bribery.

Mr. REED. Senator, I think as I indicated in my opening statement that we share your interest. I think the regulators do, too, and they have been, as apparently you are, working on trying to formulate how we can do this.

I would like to repeat, however, because I just feel I should, on behalf of Citi, but on behalf of all the banks in the United States, this is a problem. This is a problem that must be addressed. I do not believe that either my bank or the American banks in general have any significant amount of this money with them. That isn't

zero, but you would not notice it in the third decimal place of their earnings. It simply is not a big factor in the banking practice to the best of my knowledge of any American institution.

Senator LEVIN. I hope that message gets to your people because you see in the response to the possible closing of accounts that your people who are running your Private Bank are saying, "Whoops, wait a minute. That could affect our deposits." So I hope that last message gets through to your folks.

Mr. REED. I share your view.

Senator COLLINS. Mr. Reed, I want to thank you and the other members of Citibank who testified today not only for your testimony, but also for your cooperation with this probe. I realize that the money-laundering problems that we have discussed are not unique to Citibank, and I understand that this obviously was not pleasant to have this kind of scrutiny on your operations. Nevertheless, I think that the Subcommittee has identified some very troubling and serious concerns, and I hope that as with the Salinas case, which you described as a learning experience, that the testimony before the Subcommittee will also further advance that learning experience of all those at Citibank.

Mr. REED. Madam Chairman, thank you.

Senator COLLINS. At this point, the hearing is now recessed until 1 p.m. tomorrow afternoon.

[Whereupon, the hearing was recessed, to reconvene at 1 p.m., Wednesday, November 10, 1999.]

PRIVATE BANKING AND MONEY LAUNDERING: A CASE STUDY OF OPPORTUNITIES AND VULNERABILITIES

WEDNESDAY, NOVEMBER 10, 1999

U.S. SENATE,
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 1:05 p.m., in room SD-628, Dirksen Senate Office Building, Hon. Susan M. Collins, Chairman of the Subcommittee, presiding.

Present: Senators Collins and Levin.

Staff Present: K. Lee Blalack, II, Chief Counsel and Staff Director; Mary D. Robertson, Chief Clerk; Glynn Parde, Chief Investigator and Senior Counsel; Linda Gustitus, Minority Staff Director and Chief Counsel; Elise J. Bean, Minority Deputy Chief Counsel; Robert L. Roach, Counsel to the Minority; Claire Barnard, Detailee/HHS; Carl Gold, Congressional Fellow; Robert Slama, Secret Service Detailee; Regina Keskes, Intern; Ryan Blalack, Intern; Frank Brown (Senator Specter); Julie Vincent (Senator Voinovich); Anne Bradford (Senator Thompson); Marianne Upton (Senator Durbin); Jonathan Gill, GAO detailee (Senator Lieberman); and Shelly O'Neill (Senator Akaka).

OPENING STATEMENT OF SENATOR COLLINS

Senator COLLINS. The Subcommittee will please come to order.

This afternoon the Subcommittee continues its investigation of the complex and confidential world of private banking and its vulnerabilities to money laundering. Yesterday we heard disturbing testimony which indicated that private banks, because of their willingness to ensure secrecy, may be very attractive to criminals who want to launder money. Our hearings described the nature of private banking and the degree to which private banks market secrecy to their very wealthy clients, a service that, while beneficial for many legitimate customers, is also appealing to criminals who want to hide their dirty money.

Private banks frequently help their clients move enormous sums of money in a fashion that obscures the client's relationship to the funds, even from the private bank's own employees. The Subcommittee's investigation found that private banks routinely use code names for accounts, concentration accounts that disguise the movement of client funds, and offshore private investment corporations located in countries with strict secrecy laws, so strict, in fact,

that there are criminal penalties in these jurisdictions for disclosing information about the client's account to banking regulators in the United States.

Yesterday we also received testimony from Citibank private bankers, their supervisors, and the bank's chairman about Citibank's handling of several private bank accounts. That testimony highlighted in striking detail the reputational and legal risks that banks can encounter when they fail to collect and document information about their client's source of wealth and, just as important, when they fail to monitor those clients' accounts for suspicious activity.

Today we turn our attention to some of the broader policy issues related to how private bankers do business and the implications of those business practices for our banking system and for Federal regulators. We will also receive an insider's perspective of how private banks operate from a former private banker who is now in prison for money laundering. We will also hear from a noted scholar who will discuss the problems related to the movement and flight of capital, both legal and illegal. Finally, we will discuss with banking regulators their growing concerns about private banking's susceptibility to money laundering and the obstacles that they face in conducting effective oversight.

I look forward to receiving the testimony of our witnesses today, and at this time I would like to recognize Senator Levin, who initiated this investigation, for any opening comments that he might have.

Senator Levin.

OPENING STATEMENT OF SENATOR LEVIN

Senator LEVIN. Thank you, Madam Chairman, and thank you again for your very strong support and the very important assistance that your staff has given in this joint effort.

Yesterday, as you indicated, we looked at a case study of Citibank private banking and saw the largest American bank with the greatest resources at its disposal and pretty good policies in theory find itself the bankers to a rogues' gallery of clients.

Citibank had Raul Salinas of Mexico, about whom the bank had absolutely no written documentation or verification on the source of his wealth, despite Citibank policies to the contrary and for whom the bank concocted an elaborate structure of secrecy.

Citibank had Asif Ali Zardari of Pakistan as a client, even though John Reed, the CEO of the bank, had been advised by his own Citibank staff to stay far away from him because of allegations of corruption.

Citibank had Omar Bongo of Gabon as a client, with a private banker who said he never once asked Mr. Bongo about the source of his wealth, despite bank policies requiring him to do so.

And Citibank had the sons of Sani Abacha from Nigeria to whom the bank, after the country of Nigeria began a public corruption investigation into General Abacha, lent \$39 million so that the sons could remove into a more secret place \$39 million from a certificate of deposit without penalty.

Those are the deeply troubling stories that we heard yesterday. Citibank argues that was then and this is now, and the operation

of the Private Bank has changed considerably in the last few years. But the actions with respect to Mr. Bongo and the Abacha sons occurred in 1998, and it was just last year when the Federal Reserve told Citibank board members that the Private Bank had "significant weaknesses in internal controls that exposed Citibank to excessive legal and reputational risk." It also conveyed concern about the "length of time," in their words, that the Private Bank was taking to correct deficiencies and the "relative slowness of progress," again, in the words of the Federal Reserve.

Because it was only 6 months ago that the Federal Reserve lifted the requirement that the board's Audit Committee review Private Bank issues on a quarterly basis, the best that I am able to say is that not only is the jury still out, it just went out on the changes that have occurred at Citibank with respect to private banking.

I hope the changes take hold and become a model for all banks worldwide. But given the track record, strong policies in 1991 and 1992 in Citibank which didn't take hold, and no action taken to enforce those policies with resources and determination until 1997, and given the sad state of affairs in case after case that we reviewed in this investigation, it will take a large and steady dose of due diligence with respect to enforcing their own policies in all corners of the Private Bank to change the actual conduct of Citibank's Private Bank.

Our investigation has taught us that through the private banking system U.S. banks are too often conduits for dirty money. That is because due diligence has not been effective, and I believe that is in part because there is no specific requirement for due diligence in law; because predicate crimes for money laundering are insufficient since they don't explicitly include foreign corruption or bribes; and because private banks have secrecy tools made available to the wealthy to operate secret accounts in secret corporations and secret jurisdictions. I will be introducing legislation later today that addresses these and other issues raised during the course of the investigation.

Among some provisions of the legislation would be prohibiting the opening or maintenance of an account by U.S. banks for a foreign entity unless the owner of the account is identified on a form or record maintained in the United States. This will make sure that there will be documentation in the United States of the beneficial owner of any account managed in the United States, just as there is now for U.S. companies and entities. It will include a prohibition on the use of concentration accounts for individual accounts without earmarking the funds to the client. It would include a statutory requirement for banks to conduct due diligence, and add crimes of bribery, kickbacks, fraud, and corruption in foreign countries as crimes for which money laundering applies. I was pleased yesterday to hear that Mr. Reed will support a legislative change to make foreign corruption and bribes criminal offenses for which U.S. money-laundering laws would apply.

Today we will be hearing, as our Chairman indicated, from Antonio Giraldi, a former private banker to American Express, Bankers Trust, and Citibank. Mr. Giraldi was the subject of a landmark case in the private banking industry in which he was convicted of money laundering or engaging in similar practices that we talked

about yesterday with respect to Citibank. Giraldi's private bank client, however, turned out to be a drug trafficker, and a jury found him guilty of willful blindness with respect to that fact. He is now serving 10 years in Federal prison.

We will also hear from Raymond Baker, an economic scholar at Brookings, who has traveled the globe talking to bankers, business people, and financiers, learning about how dirty money moves around the globe. And, finally, we have representatives from the Federal Reserve and the Office of the Comptroller of the Currency, the regulators of the private banks which are the subject of this investigation.

Again, I want to thank you, Madam Chairman, for your support and your leadership.

Senator COLLINS. Thank you, Senator Levin.

Pursuant to Rule XIV of the Permanent Subcommittee on Investigations Rules of Procedure, the Citibank requested yesterday through its counsel that a series of questions be directed by the Chairman or other members to the Subcommittee's investigative staff. At my direction, the Subcommittee staff has answered these questions in writing, and without objection, the questions and answers will be made available to the public as well as included in the printed hearing record.¹

At this point I would like to swear in our first witness today. He is Antonio Giraldi. He was a private banker before he was convicted of money laundering in 1994. Mr. Giraldi joined Citibank as a private banker in 1986 where he was supervised by Amy Elliott, who testified before the Subcommittee yesterday. In 1988, he joined Bankers Trust and later became senior vice president for American Express Bank International.

Do you swear that the testimony you are about to give to the Subcommittee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. GIRALDI. I do.

Senator COLLINS. Thank you. Mr. Giraldi, you may proceed.

TESTIMONY OF ANTONIO GIRALDI,² FORMER PRIVATE BANKER, CURRENTLY IN FEDERAL PRISON FOR MONEY LAUNDERING

Mr. GIRALDI. Madam Chairman, Senator Levin, and Members of the Subcommittee, good afternoon. My name is Tony Giraldi, and I am here today to talk with you about the international private banking culture and its vulnerabilities to money laundering. I would like to share my personal experiences during my career as a private banker at three financial institutions and the experiences of my many colleagues and friends within the industry.

I was born in Japan and raised in Latin America, as my father was a senior executive with Bank of America until his retirement when he became the CEO of the Latin American Export Bank. As Americans, my parents were very proud of their country and sent me back here for my schooling at Culver Military Academy, Baylor University, and Georgetown University Graduate School. I began

¹ See Exhibit No. 25 which appears in the Appendix on page 204.

² The prepared statement of Mr. Giraldi appears in the Appendix on page 1003.

my banking career in 1981. I became a private banker in 1986 with Citibank and later worked as a private banker at Bankers Trust and American Express.

For decades, U.S. financial institutions have catered to wealthy non-residents following closely the patterns of their counterparts abroad in this lucrative field. Forecasters estimate that wealthy individuals will have tens of trillions of dollars to invest by next year, representing billions of dollars in potential revenues for financial institutions worldwide. The forecasters also predict the amount of funds laundered in the trillions of dollars and growing disproportionately to legitimate funds.

For generations, this highly competitive international private banking industry has managed the assets of the world's wealthiest individuals, many of whom earned their wealth legitimately and made legitimate use of the system. Unfortunately, with recent growth of criminal enterprises, political corruption, and narcotics trafficking over the past several years, the culture and services provided by financial institutions has become extremely vulnerable to illegal activity. Unless these vulnerabilities are corrected, private banking systems will become increasing targets of opportunity for tainted funds.

I have personally experienced the culture which our financial institutions apply in recruiting international assets. I would characterize this culture as "don't ask, don't tell." This has allowed money launderers to significantly penetrate banks and brokerage firms. Money launderers have become more sophisticated and have learned to use private banking products to their advantage. They no longer need to carry Samsonite suitcases of cash into our U.S. banks here and abroad. Instead, they utilize financially savvy representatives who take advantage of the products and services that private banks aggressively market. These products and services can be used to legitimize them and their businesses and to often gain respectability.

In my experience and the experience of many of my colleagues, private bankers are encouraged by managers at many levels to promote lucrative products and services. There is little, if any, regard for the evaluation of where the business is coming from or where it has been.

There were many ways to pursue clients. At one organization, I witnessed private bankers making cold calls on prospects whose names were taken from a target list compiled by managers with little or no verification of source of funds. For many private bankers, the fact that this list was supplied by upper management was understood to mean that these prospects had the approval of the organization and should be signed up.

Although it only happened infrequently and is even less likely today, relationships were sometimes established through walk-ins. This is a term that refers to foreign individuals not known to the bank who appear or call at the private bank seeking its services.

At one institution, on two different occasions my superiors were willing to accept walk-in prospects who proposed to fund new relationships with \$50 million.

A referral was considered as validating the acceptability of a new relationship, even though the integrity of the referral source was

seldom questioned. The source of funds in most cases is taken at face value as presented by the prospects and not verified.

The training and guidance by senior managers that I experienced was minimal and focused primarily on cash transactions. Over the years, wire transfers between financial institutions have become the most commonly used vehicles to move tainted funds. Financial institutions contribute to this process by transferring funds through concentration accounts which contribute to the road blocks presented in money-laundering investigations by separating funds from a client's identity.

The foundation and selling point of the international private banking culture is secrecy. Overseas units of banks domiciled in countries where bank secrecy laws prevail stress secrecy to local and foreign clients in order to maintain a competitive position. They offer products and employ practices that facilitate secrecy.

While legitimate clients utilize these services, they can also be utilized by criminal elements. For example, two products which promote secrecy are private investment companies and trusts. These entities create layers that obscure the identity of the beneficial owner of the funds through the use of shell corporation and secrecy laws. By layering, I mean the use of multiple offshore companies. The use of these products can be an impediment to law enforcement.

It has been common practice for private bankers to employ practices in their daily activities that promote secrecy. For example, sometimes they talk to their clients in codes when discussing transactions. Most of the time private bankers travel as tourists so the authorities will not know that they are visiting clients on business.

One reason offered for that practice is to protect the clients' identities from criminals who might do them harm. However, another possible result is that they do not want the authorities to discover that their clients are participating in capital flight.

In addition to the fiduciary vehicles managed by bank trust companies, some of the more common products developed by private banks, which vary from bank to bank, are portfolio management, credit, and real estate. The courting and marketing of political figures, government officials, military leaders and their families, and close associates has been common in the past with some financial institutions. These types of clients are the most difficult in determining the source of funds.

In the past, relationship managers were far more concerned with appearance than with substance when it came to issues of due diligence and what would later become the Know-Your-Client doctrine. If an acceptable level of due diligence could be fashioned with the guidance and encouragement of senior management, then the relationship managers would have done his or her job.

To the best of my knowledge, no relationship managers known to me consciously attempted to legitimize what was known or believed to be proceeds of specified unlawful activity. However, no one seriously attempted to determine the actual origin of a client's funds. Our world, the international private banking culture, was all about playing the new deposits game the way that our senior management insisted we play it, about being rewarded by them

when we succeeded and about being too naive to realize how dangerous a game we were playing.

A money launderer can utilize the products and services described above to conceal his true identity and his funds. This fact, coupled with the demise of the recently proposed Know-Your-Client regulations, and the arrival of a whole new generation of cyber-savvy money launderers has compounded the difficulties faced by Federal law enforcement agencies and the Justice Department and bodes ill for their efforts to combat to evils associated with money launderers and their activities.

If the issue of money laundering is to be addressed effectively, U.S. financial institutions at every level must interface with Federal law enforcement agencies. U.S. financial institutions must effect fundamental changes in their prevailing international private banking culture and product base. Senior bank managers must implement supervisory procedures designed to identify rogue relationships and relationship managers who manipulate international financial resources and activities for their own personal gains.

Unless U.S. financial institutions move to make corrections in their vulnerabilities, the managers of international criminal enterprises will continue to use a highly imaginative and flexible banking system along with its products to handle the proceeds of their illicit operations and to legitimize themselves in the eyes of the international business community.

U.S. financial institutions should no longer succumb to the established yardstick, "If we don't accept this account, our competitors will." Thank you.

Senator COLLINS. Thank you very much.

We received comments from some banking officials, particularly at Citibank, that suggested that private banking really wasn't any more vulnerable to money laundering than other kinds of banking, than retail banking, than correspondent banking.

Based on your experience being involved in private banks in three different institutions, do you believe that private banking is particularly susceptible to money laundering?

Mr. GIRALDI. I think it is more vulnerable than other banking services in that the main focus is one of secrecy and confidentiality, and the primary establishment of the relationship is done offshore. Although many of the investments can be done here in the United States, the actual foundation for the relationship is kept offshore. And the way that the marketing effort is done in many cases is one of promoting secrecy. So I do believe it is more vulnerable because those individuals who are looking for a secrecy element in their banking relationship will go to a private banker versus going to correspondent banking or regular banking services.

Senator COLLINS. One of the striking aspects of the Subcommittee's investigation into this area is that Citibank had a lot of procedures, regulations, policies in place that should have prevented the problems with the case studies that we highlighted yesterday. And yet what seemed to be taking place was a culture that, in fact, encouraged non-compliance with all those regulations, with all those policies.

And as you described the culture as a "don't ask, don't tell" culture in which there was little, if any, regard for the evaluation of

where the business was coming from, it seems to me that what we have in too many situations is a policy of deliberate ignorance, of not wanting to go behind where the money was coming from, of not wanting to ask the hard questions because of concerns that the business would be lost or would have to be turned down.

Is that an accurate impression?

Mr. GIRALDI. I believe they would—most private bankers are not deliberately not trying to locate the source of funds, but following a culture that is already in place. So I don't think that their purpose is to go out and look for clients regardless if the funds are tainted. I mean, I believe that most private bankers that work with reputable institutions would not accept a client that they had signs of bringing assets to the institutions that were from illegal sources.

But I do believe that they don't go a step further because that is the way that the culture has always been. It is not necessarily because they are afraid that they will find something they don't want to look for, but that their practices have been to acquire deposits and to acquire investments and to maintain accounts and relationships for many, many years, and sometimes for generations. And so they follow the culture, which is just "do as much as you can so that on the surface it appears like you are asking the right questions," but don't go a step further than that.

Senator COLLINS. In the three financial institutions for which you worked, how much emphasis was placed on following Know-Your-Customer regulations and of finding out the source of funds?

Mr. GIRALDI. Well, there was very little training on Know-Your-Customer regulations. Most of the training that we had was based on cash transactions and being aware and sensitive to individuals who might deposit large amounts of cash in the bank. And in the world of private banking, we have very little of that. Most of our accounts and our business is conducted through wire transfers and transfers from other institutions.

I believe that there was very little training at the institutions where I worked, and especially when it came to money laundering. The only training that we had was related to what is set by the Bank Secrecy Act, which involved cash transactions, but no training on how to identify an individual that might be suspicious or to go beyond asking the individual—if a prospective client gives information relating to their businesses, that was generally enough, and nothing in the training to say, "go beyond that, do more investigations, go research where the businesses are." I mean, it was just—it stopped at the questioning level, which obviously is not sufficient?

Senator COLLINS. Did your supervisors at any of the three institutions ever emphasize to you or to your colleagues any concerns that they might have about the bank being used to launder money?

Mr. GIRALDI. [Nodding head up and down.]

Senator COLLINS. The reason I ask this is part of the way you influence the culture of a bank is when the high-level executives make very clear that it's a priority for the bank to avoid being exposed to the risk of money laundering. And if there isn't training going on and if there aren't repeated directives, then the culture doesn't change.

So I am curious, in your time as a private banker at the three institutions for which you worked, whether there was a priority put by your supervisors, by other executives in the bank, directed towards minimizing the bank's risks in this area?

Mr. GIRALDI. I believe that the supervisors followed the culture as much, if not more than, the relationship managers. Those individuals were the ones who gave the guidance and the encouragement to the more junior officers on how to establish relationships.

My experience has been that many senior managers would take greater risks than the junior individuals on the team.

Senator COLLINS. You mentioned in your testimony that at times private bankers posed as tourists in order to avoid saying that they were going into a country for the purpose of meeting with wealthy clients.

Were you ever instructed to pose as a tourist to undertake that kind of deception?

Mr. GIRALDI. It was more than posing as a tourist. It was the standard procedure or the standard understanding for private bankers when traveling abroad in most countries, and in most cases with at least my experience in the financial institutions where I worked and friends and former colleagues that work at other financial institutions, is that they traveled as tourists, and when filling out the document at the customs area, they would mark the tourist square instead of the business square.

And, as I mentioned, there are different reasons that could be that we—the possibilities of why we were trained to do that and why the culture called for that, and one was to protect the client in a country where he or she may be exposed to criminal activity or extortion or kidnapping because maybe our documents would get lost or the client accounts would get lost.

And another possibility was that in some countries capital flight is not viewed favorably, and private bankers go to foreign countries to recruit capital flight and to meet with the clients who have taken billions of dollars out of the countries many times without the knowledge of their governments.

Senator COLLINS. Senator Levin has mentioned that in some of the cases we have looked at, the proceeds that have been deposited into these accounts appear to be the result of corruption by government officials. Did your supervisors ever express any concerns to you about your obligation as a private banker to ensure that your foreign clients were complying with the laws of their countries or was it the opposite?

Mr. GIRALDI. When I asked about—when I initially began my career in private banking and asked the questions regarding the tax issues and the laws in the foreign country, we were told that it is best not to ask those questions of the client because it is not our responsibility as to if the client is complying with the tax issues or with any laws within their country. And this was standard at all the private banks and goes on today from my understanding with recent conversations with private bankers. Basically it is that we don't want to know, and the feeling that I got was that we really didn't want to know if the clients were complying with those issues.

Senator COLLINS. Thank you.

Senator Levin, it is my understanding that we have about 8 minutes left on the first vote that is going to be followed by two more. I don't know whether you would like to start your questioning now or—that sounds fine.

We will be in recess subject to the call of the Chair, but it will probably be a half-hour. We unfortunately have three consecutive roll call votes.

[Recess.]

Senator COLLINS. The Subcommittee will come to order.

At this time I would like to call on Senator Levin for his questions.

Senator LEVIN. Thank you, Madam Chairman, and welcome, Mr. Giraldi.

Mr. GIRALDI. Thank you.

Senator LEVIN. Roughly how many clients would a private banker such as you handle at any one time, typically?

Mr. GIRALDI. Well, it depended on the size of the individual unit in each institution. At one point I was part of a team that handled thousands of clients with assets in the billions of dollars, and in another institution it was somewhat smaller, with maybe a thousand clients and \$500 million, and in another institution it was in a couple of hundred clients. So it varies from institution to institution.

Senator LEVIN. Private banks have had concerns about keeping files or records in the United States of a client's offshore accounts. Is that true?

Mr. GIRALDI. Yes.

Senator LEVIN. Tell us about that. What was the basis of that concern? And how strongly did they enforce that concern by trying to avoid having that kind of a paper trail?

Mr. GIRALDI. It was primarily a concern with the fiduciary vehicle product, such as the private investment companies and the trusts that were established offshore within each individual institution's offshore companies or trust companies. And when an individual had established what we call a PIC, or a private investment company, and a trust, the policy was not to have any linkage of the beneficial owner's name to the offshore company or the trust in the United States.

If you had a file that belonged to an individual PIC, that file would have only the PIC name and the transactions related to that private investment company or that trust. And there were trust officers that were part of the trust company located in the United States in the major cities, in New York and in Miami, where there was a substantial amount of private banking business. And those trust officers would from time to time go into the files and review what they call compliance as to any linkage of beneficial owners. And if there was something in there, if there was a memorandum that somehow escaped a private banker or relationship manager that slipped into the file that had the offshore structure name on it, then they would get reprimanded.

Senator LEVIN. Are you telling us, then, that if there was any evidence of what the reality was relative to beneficial ownership, the people in the trust department of these private banks would reprimand the person working in the bank who allowed that to happen? Is that what you are saying?

Mr. GIRALDI. Yes, Senator. If there was evidence of the true identity of the beneficial owner in that file that would link that individual to his or her offshore structure, that would call for a reprimand by the trust—

Senator LEVIN. And that was the reality.

Mr. GIRALDI. Yes.

Senator LEVIN. The reprimand, then, of the private bank's employee would be for what was true. Is that right?

Mr. GIRALDI. Would be—

Senator LEVIN. In other words, what was in the file and what someone would be reprimanded for was true.

Mr. GIRALDI. Yes.

Senator LEVIN. And it was accurate.

Mr. GIRALDI. Yes.

Senator LEVIN. But it wasn't supposed to be there in order to protect secrecy. Is that correct?

Mr. GIRALDI. Yes, Senator.

Senator LEVIN. And private banks tout their secrecy, do they not?

Mr. GIRALDI. Yes.

Senator LEVIN. It is not just something they respond to due to inquiries on the part of clients. They actually go out seeking clients or advertising for clients claiming that they have got the ability to keep secret the connection of that client to the account and thereby defeat legal process for that information. Is that correct?

Mr. GIRALDI. Yes. Secrecy is the fundamental element in most major private banking relationships with financial institutions.

Senator LEVIN. And private banks push the secrecy aspects of their accounts, do they not?

Mr. GIRALDI. Many times a fiduciary vehicle is bank-driven rather than client-driven, and the establishment of the vehicle or of the offshore structure is done after a conversation where a client—for legitimate purposes, such as estate planning, their needs are determined, and then, therefore, the private banker or the trust officer, if they are meeting with the client and the trust officer, structures the offshore structure.

My experience has been that many clients are not familiar with the highly sophisticated offshore capabilities that financial institutions have, and so that the bankers, in essence, educate the clients on how to structure these vehicles.

Senator LEVIN. Tell us about collateralized loans. How are they used? How are they vulnerable to money laundering?

Mr. GIRALDI. Well, credit facilities and the credit products are important products at many financial institutions for their private banking clients. One example, if a client comes to a relationship manager and needs his or her funds out of the portfolio for whatever investment in their home country, rather than to liquidate the assets, the bankers and senior management encourage relationships managers to do this, will set up financial—will set up credit facilities where the client can receive whatever amount, up to a certain percentage of their portfolio which is used as collateral and pay a lesser interest rate on the loan than they are generating on their portfolio. And it is a way that the bank benefits because it is a revenue-generating product, and it is a way that the client

benefits in that they are—rather than to use their funds, their portfolio funds, they borrow funds from the bank.

Senator LEVIN. And how does that help a client launder money? Is that cleaner money when you are using a loan from the bank than if you are using your own funds?

Mr. GIRALDI. Well, one thing that I have learned in the last few years is that—which I didn't realize at the time that I was a private banker, is that potentially it can be very dangerous for a banking institution when someone is taking advantage of the culture and of the products in that an individual who somehow gets into the banking system and wants to take advantage of that system as a money launderer can develop these products for their own benefit. And when it comes to credit, if a bank encourages a client to establish credit facilities, the money launderer will have come to the bank initially with one deposit, for example, let's say, \$10 million, and then they will borrow back—they will borrow \$9 million, so all of a sudden they have an additional \$9 million from the bank, which allows them to establish a business in their home country and sometimes to gain credibility and respectability in their communities. They may not have had that before the bank had offered this product to them. So they borrowed several million dollars. They buy a business in their home town, and then rather than to repay the loan with proceeds that are legitimate—usually the proceeds were not verified because it was 100 percent secured credit. They could use additional laundered assets to repay the loan back to the bank, and so this individual who came to the bank with \$10 million has just laundered \$30 or \$40 million and can say I have a relationship with this bank, I have a credit facility, I have established a business in my home country, I am known now within the community as a business person that owns a legitimate business that might even be doing business with U.S. companies. And we as bankers have helped them in their metamorphosis of becoming more legitimate.

Senator LEVIN. Of turning dirty into clean.

Mr. GIRALDI. Yes.

Senator LEVIN. The way that happens, to summarize, the way you just described it, is \$10 million in your example comes in in dirty money, is in the bank, the bank is making a fee off that. Is that correct?

Mr. GIRALDI. Yes.

Senator LEVIN. Then they will lend money to that client, say \$9 million. They are making interest off that. Is that correct?

Mr. GIRALDI. Yes.

Senator LEVIN. And the client then takes that \$9 million and says, hey, I got a loan from X bank, which is a reputable bank, and the loan sounds clean because I have borrowed money from a bank, and then establish a business or whatever in his or her own country with that loan, so that now they are established with clean money.

Mr. GIRALDI. Yes.

Senator LEVIN. What you are saying is that a fully collateralized loan advantages the private bank because now they are making money both on the original asset as well as on the loan, and it is used by money launderers to clean dirty money. Is that correct?

Mr. GIRALDI. Yes.

Senator LEVIN. I think that this is one of the clearest examples of where a tool of a private bank which can be used legitimately can also be used illegitimately.

Mr. GIRALDI. Yes.

Senator LEVIN. It is a very good example of how that is done, and it is something we are going to try to stop.

Experts at your trial in the American Express case testified that everything you did with respect to the management of the Ricardo Aguirre account, which was the account for which you have been convicted of money laundering, was legal in the private banking world. Every specific action that you took, the testimony was, was legal.

The only issue was whether or not you knew the source of Mr. Aguirre's money was drug trafficking. Is that correct?

Mr. GIRALDI. Yes.

Senator LEVIN. The jury decided based on circumstantial evidence that you had willful blindness with respect to Mr. Aguirre and the source of his funds, and as a result of that, you are now serving a Federal prison sentence.

Now, Amy Elliott testified at your 1994 trial as an expert on private banking practices, and this is what she said: "The 'Know Your Client,' at least in our bank, is part of the culture."

"'Know Your Client' . . . is part of the culture," she said. "It's part of . . . the way you do things. It's part of the way you conduct yourself."

When asked about Citibank's private banking policy, she said in that same trial, your trial, "I think the primary gist of this procedure—it wasn't really a procedure, but more of the way that one conducts themselves, is that you must know your client."

That is what the testimony was at your trial, but at our hearing yesterday, Ms. Elliott and her fellow private banker, Mr. Ober, testified about a host of Know Your Client failures or failure to obtain Know Your Client information on Mr. Salinas, Mr. Ober's failure to obtain Know Your Client information on President Bongo and the sons of General Abacha. And Mr. Reed, the co-chairman of Citibank, testified about the Know Your Client failures of the Citibank Private Bank as a whole. And here is what he said, first in this exchange with Senator Collins. "So my concern is that this is a 3-year period. This is not an isolated audit of one small branch," this is Senator Collins talking, "It seems to me to be that systematic pattern of deficiencies that allowed Citibank to be vulnerable to money laundering." And Mr. Reed responded, "I think you are correct."

And later on, Mr. Reed said, "So, if you look backwards, you would have to say that in that period, 1994, 1995, into 1996, there was reason to believe that we did not have an acceptable set of standards in place, and you and I would agree that it is approximately a 3-year time frame."

So I have got to say that this is a very, very disturbing picture indeed, because what Ms. Elliott presented was a picture of due diligence by private bankers as an expert at a criminal trial, and that description simply does not match up to the reality, as she testified to here and as her CEO testified to yesterday as well. So I

simply want to express that, because I find that to be very disturbing, indeed, and very disquieting.

I don't have any further questions of Mr. Giraldi other than to thank him for making a very significant contribution to this investigation, and his cooperation with this investigation advanced it a great deal.

Senator COLLINS. Thank you, Mr. Giraldi. You are excused.

Mr. GIRALDI. Thank you.

Senator COLLINS. I would now like to welcome our second witness this afternoon, Raymond Baker. Mr. Baker is the guest scholar at the Brookings Institution here in Washington. He is a recognized authority on international private banking and has written extensively on money laundering and capital flight.

Pursuant to Rule VI, all witnesses who testify before the Subcommittee must be sworn in. Do you swear that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. BAKER. I do.

Senator COLLINS. Thank you. We would ask that you limit your oral testimony to no more than 10 minutes, but your written testimony will be included in its entirety, and we are very pleased to have you here with us today. You may proceed.

TESTIMONY OF RAYMOND W. BAKER,¹ GUEST SCHOLAR IN ECONOMIC STUDIES, THE BROOKINGS INSTITUTION, WASHINGTON, DC.

Mr. BAKER. Good afternoon, Madam Chairman and Senator Levin. I am Raymond Baker, and after an international career in the private sector, I am a guest scholar at the Brookings Institution. Thank you for the opportunity to appear before you to talk about one of our larger but least visible problems.

I found some of yesterday's revelations not surprising but, nevertheless, chilling. I noted particularly the role of private bankers in providing their secretive services to Sani Abacha, the late dictator of Nigeria, and the biggest single thief in the world in the decade of the 1990's helping him with his stolen wealth out of Nigeria. And I contrasted this with the situation of my longest-term colleague and partner in business, who has been lying desperately ill and hospitalized in Nigeria, a nation and its medical services having been brought near to collapse. Catering to the corrupt has severe consequences for others who live their lives with integrity.

I have been asked to frame the issues of money laundering and flight capital and corruption in the context of our larger domestic and foreign interest and to discuss the impact of private banking on these concerns.

Corruption by foreign government officials is omitted, as you know, from the 170 or so crimes and malpractices that establish a predicate offense, that is, a basis for legal prosecution in U.S. anti-money-laundering legislation. What this means is that so long as funds in the hands of a foreign official are not derived from drugs, bank fraud, or violence, then, as the last speaker also said, a "don't ask, don't tell" policy largely guides the banking community.

¹ The prepared statement of Mr. Baker appears in the Appendix on page 1053.

While not laundered, corrupt money is certainly a principal component of illegal flight capital. This is stolen or tax-evading money that passes illegally out of developing and transitional economies, but legally more often than not into the United States, Europe, and tax havens around the world. Other components include the mispricing of overseas trade to generate foreign kickbacks, illegal shifts of real estate and securities titles abroad, and the growing problem of wire fraud.

I have studied in particular the first two of these—corrupt money and mispriced trade—because both are dependent on international cooperation to facilitate their movement.

I estimate the flow of corrupt money out of developing and transitional economies into Western coffers at \$20 to \$40 billion a year and the flow stemming from mispriced trade at \$80 billion a year or more. My lowest estimate is \$100 billion per year by these two means which we facilitate, a trillion dollars in the decade of the 1990's, at least half to the United States. Including other elements of illegal flight capital would produce much higher figures.

Let me focus just on this \$100 billion a year from corruption and trade mispricing that we, the United States and Europe, facilitate. What are the benefits and costs of this? The benefit is that it brings this sum of money, \$100 billion a year, into our Western economies, at least \$50 billion a year to the United States. The cost can be seen in both our domestic and foreign interests.

First, domestic. One hundred billion dollars a year in illegal flight capital coming in provides cover for a far larger amount of criminal money laundering, estimated at \$500 billion to \$1 trillion a year—again, half to the United States. These are two rails on the same tracks through the international financial system.

The Treasury Department estimated to me that 99.9 percent of the criminal money that is presented for deposit in the United States gets into secure accounts. Anti-money-laundering efforts are a failure. The easiest thing for criminals to do is to make their criminal money look like it is merely corrupt or tax-evading money, and then it passes freely into our economies.

The domestic cost of illegal flight capital is that it removes anti-money laundering as an effective instrument in the fight against drugs, crimes, and terrorism.

Senators when I read or hear stories about drug busts, drive-by shootings, prison overcrowding, my reaction is, "there's our flight capital dollars at work for us." There in part are the consequences of the dirty money coming in that enables the criminal money to flow alongside.

Now, let me turn briefly to the foreign cost. Illegal flight capital has an equally severe impact on our overseas interests.

Russia, of strategic importance, has suffered the worst case of disappearing resources out of any country in a short period of time, \$200 billion to \$500 billion in a decade.

In Nigeria, corruption has devastated the economy, meaning that 70 million of its people are living on an average of 20 cents a day.

Pakistan, a nuclear state in a volatile subcontinent, reacted to corruption, tax evasion, and a depressed economy with a coup d'etat, upsetting democracy.

From Mexico, the flow of drugs and aliens across borders presents a major foreign policy challenge.

China, with semi-official estimates pegging flight capital at \$10 billion a year, perhaps more, could potentially repeat the Russian scenario.

The foreign cost of illegal flight capital is that it erodes U.S. strategic objectives in transitional economies and undermines progress and stability in developing countries.

I have used the word “facilitate” several times. There are many examples of ambiguities and contradictions in our policies and practices that facilitate the flow of illegal flight capital. Let me mention two that focus specifically on corruption and private banking.

The Foreign Corrupt Practices Act makes it illegal for Americans to bribe foreign government officials. Yet it is not illegal for private bankers to meet with foreign government officials, including those perceived to be corrupt, and offer to assist them in moving, consolidating, and managing ill-gotten gains in foreign bank accounts.

What U.S. law conveys, in effect, to our business people and bankers is: Don’t bribe, but if you encounter wealthy, even corrupt foreign officials, then the United States wants their money.

Again, we often have officials from Treasury, Justice, and State Departments, the FBI and DEA and USAID meeting with foreign leaders and officials to address drugs, crime, corruption, and terrorism. But these efforts are undercut when private bankers initiate or respond to the desires of corrupt foreign officials to move funds into the United States.

The perception is widespread abroad that the United States is not serious about reducing corruption, instead preferring to profit from the accumulation and management of its proceeds.

The United States has become the largest repository of ill-gotten gains in the world. U.S. private bankers have honed their products and services, taking advantage of porosities in regulations in this and other nations. In this pursuit, more secrecy is often accorded to corrupt foreign interests than is normally available to U.S. citizens.

The combination of criminal money laundering and illegal flight capital constitutes the biggest loophole in the free market system. Drug kingpins and global thugs thrive because money laundering is easy, and money laundering is easy because illegal flight capital is solicited and maintained.

The “N” word is appropriate here: Never. We will never effectively curtail criminal money laundering while at the same time cultivating illegal flight capital.

Success in fighting dirty money will be achieved only when the United States addresses all three parts of the problem: Criminal, corrupt, and commercial.

We are now allowing banking, securities, and insurance functions to be combined. This greatly magnifies the importance of upholding high standards of fiduciary trust in our financial institutions. What is required in these enlarged institutions is a sense of responsibility across the broad range of this Nation’s vital interests. In this regard, I am very gratified that Robert Rubin, former Secretary of the Treasury, is coming into the pinnacle of American banking, and

I am optimistic that Mr. Rubin will add a level of fiduciary responsibility that has frequently been lacking.

At bedrock, it is the notion that we can have clean hands while moving dirty money that needs to change. It needs to change immediately in the American banking system.

Senator COLLINS. Thank you very much, Mr. Baker.

You have made several very strong statements. You have said that our anti-money-laundering efforts are a failure, that the United States is facilitating the illegal flight of capital, that money laundering is easy because illegal flight capital is cultivated and maintained. That is a serious indictment of our banking system.

Let's say we accept your premise. What specific recommendations would you have for us? Do we need tougher laws? Do we need more aggressive oversight by the bank regulators? Do we need a change in culture in American banks? Do we need all of the above? Have you looked at possible solutions?

Mr. BAKER. Madam Chairman, I am certainly hopeful that Congress will pass bills that have been presented which add corruption to the list of predicate offenses that will constitute grounds for a charge of money laundering in the United States. I think that is extremely critical. And I am limiting my remarks to the question of corruption at this point.

In addition to that, I would certainly hope that bankers would either adopt or regulations would require two additional steps. One is that at least two bank officers' signatures have to be recorded on documentation as to knowledge of the source of funds of their foreign clients in private banking departments. I would like to see two signatures of officers attesting that they have made the necessary inquiries to confirm that they are satisfied that the source of funds is legal, has been legally earned and legally transferred.

Then the second thing that I would like to see is for the customer to sign a declaration to the same purpose, a declaration that says that his banking activity is money that has been legally earned and legally transferred.

I was struck in reading Citibank's money-laundering policies and guidelines that nowhere in those guidelines was the customer asked to confirm that he understands that legal money is what is being sought here. That point is not required to be put forward to the customer. It seems to me that a private bank that wanted to eliminate corrupt money from its coffers would make that very clear from the outset, that we want to deal with money that has been legally earned and legally transferred, and we want to be certain that you understand that that is our purpose and we ask you to sign your recognition of that and your own confirmation that that will be the activity in the account.

Senator COLLINS. Thank you. Senator Levin.

Senator LEVIN. Your first suggestion in terms of strengthening our laws would be to add corruption as one of the predicate crimes for money laundering.

Mr. BAKER. Yes, sir.

Senator LEVIN. How would you define that—corruption? Give us a shot at a definition. Or has it been defined in another law in a way which you think would be adequate? Because I happen to fully agree with you, by the way, that without adding these crimes of

corruption, accepting bribes, looting the treasury—which is a shorthand example of corruption—without adding those, money-laundering laws are really full of loopholes. But we also have a definitional issue there, and I am wondering if you could give us a hint as to how you define it.

Mr. BAKER. My own definition, Senator, is money that has been derived illegally by a foreign government official. Of course, it could be a domestic official, but we are talking here about foreign government officials. Money that has been either stolen from the treasury, pilfered from a parastatal corporation, taken as a kickback on a contract—that sort of money by a government official is what I refer to as corrupt.

Senator LEVIN. Illegal under his own law?

Mr. BAKER. Yes.

Senator LEVIN. Yesterday Mr. Reed stated that he believed that funds from corruption likely represent only an infinitesimal portion of a private bank's deposits. I have two questions. One, do you agree with that characterization or estimate? And, two, is it just the raw numbers in any event that count or the country's deposits which result when their leaders are given access to a private bank and the good will which that engenders?

Mr. BAKER. If you take the three elements—criminal, corrupt, and commercial—as being the principal components of dirty money, I would agree with the assessment that the corrupt component out of those three is the smallest. My estimate was \$20 to \$40 billion a year.

However, that component has by far the largest multiplier effect on the other two components because of its impact on corrupting the society as a whole.

In those countries where corruption is most evident at the top of a government, it is quite common to see also high levels of criminal and commercial tax evasion, criminal money laundering and commercial tax evasion. The corrupt component has the largest multiplier effect on the other two.

Senator LEVIN. On the basis of your own experience and the hundreds of interviews that you have conducted on this topic, have you heard from private bankers that they had concern about the impact on their franchise if they go about strongly asking questions about source of money, for instance?

Mr. BAKER. Senator, I am aware that that is a concern to a number of private bankers. I can't be much more specific than my knowledge that that is of concern to them. Whether that is a legitimate concern depends on what the private bank deems as being its purpose, its underlying goals.

I would suggest that private banking can easily be conducted with wealth creators who conduct their business honestly, without having to take the step of catering to the corrupt and the tax-evading money.

Senator LEVIN. Along the same lines, some U.S. banks oppose changes in our laws to prohibit the managing of dirty money or corrupt money, using the argument that this law will only hurt U.S. competitiveness because the business will simply move to banks in other countries. What is your response to that?

Mr. BAKER. Senator, that is exactly what I would like to see happen. I would like to see that money driven from U.S. shores and make it go elsewhere; then, after we have succeeded in purging that kind of money from our own society, working to eliminate it as well from other countries, from Europe or other tax havens that may take it. But in exactly the same way that we addressed the Foreign Corrupt Practices Act, which was to take a position years before other countries came along in the same direction, I would like to see us divert that money from U.S. shores in the first instance, work to clean it up internationally in the second instance.

Senator LEVIN. You have indicated a number of suggestions in terms of tightening up our own law. You gave us two. What would be your reaction to the following additional changes? One is to make a requirement of due diligence part of our law and not just something that is voluntary.

Mr. BAKER. I would support that, Senator. I think that if these hearings demonstrate anything, it is that bank policies are not followed, much less regulations that have been laid down. So I would certainly support strengthening the regulations and strengthening the regulatory environment that insists on the following of those regulations in private banks.

Senator LEVIN. What about adding a requirement that there be a record of the beneficial owner? I am not sure if you mentioned that. You may have and I may have missed it.

Mr. BAKER. I didn't mention it. Of course, the beneficial owner should be indicated. There should be no place for secret bank accounts in the U.S. banking industry.

Senator LEVIN. Or in operations if they went overseas?

Mr. BAKER. Precisely, Senator.

Senator LEVIN. We heard yesterday that the Citibank private bankers who handled the accounts for General Abacha's sons did not know for 3 years, from 1993 to 1996, that their father was indeed General Abacha, who was the head of the country. What is your reaction to that?

Mr. BAKER. If I had been in that position, I would have known. I don't see how it is possible not to know who you were dealing with.

Senator LEVIN. Then we also heard yesterday that in September 1998—that is just last year—in the middle of a widely known, widely publicized Nigerian effort to locate and to seize the funds that General Abacha and his family and associates had taken from the treasury in the country, in the middle of all that, Citibank approved a \$39 million loan to the sons so that they could immediately transfer the funds from London to a more secret Swiss bank account. Citibank issued the loan so that the sons would not have to pull the \$39 million out of a time deposit with hefty penalties for early withdrawals.

What is your reaction to that?

Mr. BAKER. I suspect that they broke no laws in doing that. So far as I am aware, they broke no laws in doing that. Nevertheless, I find it appalling that such services would continue to be given in a situation where a sovereign nation was doing all that it could to trace the sources of Abacha's ill-gotten gains.

Senator LEVIN. Our staff report indicates how Citibank told U.S. bank regulators in April 1997 in a memo that a primary source of the funds in the personal bank accounts belonging to President Bongo of Gabon was the Gabon budget. In particular, this memo said that he had \$111 million in that budget for his unrestricted use.

The regulators then accepted the memo as an adequate explanation of the source of the funds in the accounts without checking to see whether or not Gabon law or budget provisions had any such authority.

What is your response to that or comment?

Mr. BAKER. It certainly suggests that both the banks—both the private bankers and the regulators failed to examine this matter with sufficient care. I know of perhaps two or three countries where substantial budget allocations are made to the Office of the President openly in the budget. I don't know of any country that allocates \$111 million, if that was the figure as I recall.

I think that would have been fairly easy to determine the veracity of that statement had any reasonable level of effort been made to do so.

Senator LEVIN. Now, in conducting your research, I understand that you spoke with literally hundreds of business people, academics, regulators, and others. Did you hear any information about private bankers soliciting government officials or others for deposits?

Mr. BAKER. I didn't ask those questions in the work that I have done at Brookings, Senator. I didn't ask those specific questions. But I have certainly been aware over the years of private bankers making their services known to the Marcoses, the Mobutus, the Abachas of this world.

Senator LEVIN. Thank you. Thank you, Madam Chair.

Senator COLLINS. Mr. Baker, I just have one more question for you. Senator Levin has done an able job, as he always does, of identifying possible loopholes in our current laws that need to be plugged, such as the issue of covering corruption, money that results from corruption.

I must say, however, I am somewhat skeptical about whether or not we can solve this problem through tougher laws. In 1986, we passed the Money Laundering Control Act for the first time and made money laundering a free-standing criminal offense. Just last year, we passed the Money Laundering and Financial Crime Act of 1998 in which we called upon the Department of Treasury and Department of Justice to issue annual strategies for fighting money laundering. That strategy has been issued. It doesn't seem to have been very effective based on your findings.

Are more laws going to solve this problem?

Mr. BAKER. Madam Chairman, I think they will certainly help. The gaping loopholes in our laws in my opinion have been that we have addressed only one part of the problem, the criminal part. We have said that if you are a drug dealer, that is beyond the pale and we will not accept that. If there is bank fraud involved, we will not accept that.

We have not addressed the corrupt and the commercial tax evasion components. Adding the corrupt component to what con-

stitutes money laundering will certainly have a strong effect on ameliorating this problem. But ultimately we will have to go the third step and address the commercial tax evasion.

As long as avenues exist for criminals to mix their money with other private or what seem to be innocuous flows, they will do so. We can only address this problem by addressing all three components. It may take us time to get there. The corruption component certainly should be put on the table. Eventually this Nation will have to address the question of pulling tax-evading money out of developing and transitional economies.

Senator COLLINS. The reason I raise the issue is we had testimony yesterday that suggested very strongly that some of the money in the private account that Citibank had for the Salinas family may well have been the proceeds from illegal drug activity. So that is already covered by the current law, and yet it seemed to have little or no impact on how Citibank acted in this particular case.

That suggests to me that, in addition to strengthening our laws to plug the loopholes that you have identified, we also need far more aggressive enforcement of the laws that we have on the books. And in that regard, I am troubled by a soon-to-be-released report from the inspector general of the Department of Treasury which indicates that the banking regulators' efforts to identify and curtail money laundering have been lax.

So I guess my question to you is: Again, if we toughen the laws, is that really going to do it? I understand what you are saying about adding corruption and tax evasion to the current laws, but it is not working very well with preventing the laundering of drug money, which is already illegal. So don't we need a three-pronged approach? Don't we need—in addition perhaps to tougher laws, we need better enforcement and we also need the banks to take it seriously. We need a change in culture in the banking system.

Mr. BAKER. We need a change of culture in the banking system. We need also a change in our national consciousness about the flow of dirty money into our society. For too long, we have thought—we have done an implicit cost/benefit analysis that says this is good for America, people investing in the United States. And I am all for investment provided it is legal. I am not in favor of it if it represents illegal money.

But we haven't made that distinction adequately in the past, and we have to do so, and it does require improved oversight of the laws that we do pass. You are entirely correct.

Senator COLLINS. I think there is also the concern that you alluded to that if our banks don't take it, it is going to go elsewhere.

Mr. BAKER. As I answered to Senator Levin, that is precisely what I want to occur, is for that money to go elsewhere in the first instance; then we work to clean it up in the rest of the world as well.

Senator COLLINS. Thank you very much, Mr. Baker.

I am now pleased to welcome our last panel of witnesses this morning. Ralph E. Sharpe is the Deputy Comptroller for Community and Consumer Policy at the Office of the Comptroller of the Currency. Richard A. Small is the Assistant Director for the Divi-

sion of Banking Supervision and Regulation at the Federal Reserve.

If you gentlemen would remain standing so that I can swear you in? If you would raise your right hand, do you swear that the testimony you are about to give to the Subcommittee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. SHARPE. I do.

Mr. SMALL. I do.

Senator COLLINS. Thank you.

Again, we would ask that you each limit your oral testimony to no more than 10 minutes, and we will include your entire written statements in the record.

Mr. Sharpe, why don't we start with you?

TESTIMONY OF RALPH E. SHARPE,¹ DEPUTY COMPTROLLER FOR COMMUNITY AND CONSUMER POLICY, OFFICE OF THE COMPTROLLER OF THE CURRENCY, DEPARTMENT OF THE TREASURY, WASHINGTON, DC.

Mr. SHARPE. Thank you, Madam Chairman.

Madam Chairman, Senator Levin, and Members of the Subcommittee, I am Ralph Sharpe, the Deputy Comptroller for Community and Consumer Policy at the Office of the Comptroller of the Currency, also known as the OCC. We appreciate this opportunity to testify on private banking activities and the vulnerability of private banking to money laundering. Money laundering is a serious domestic and international law enforcement problem. We commend the Subcommittee for focusing attention on the problem it poses and share the Subcommittee's belief in the importance of preventing U.S. financial institutions from being used, wittingly or unwittingly, to aid in money laundering.

We have submitted a detailed written statement addressing the issues identified in your invitation letter, and I will summarize that statement this afternoon.

I will begin by briefly describing private banking's vulnerability to money laundering and what banks can and should do to protect themselves from those vulnerabilities.

If a bank does not adequately maintain due diligence and compliance standards with associated internal controls, audit, and management information systems, it may be exposed to money laundering. Specific vulnerabilities associated with private banking operations include:

First, the challenges inherent in determining the identity of high net worth private banking customers. This can be especially challenging when the customer is a foreign national and the source of funds comes from outside the country.

Next, the high-dollar volume of private banking and resulting earnings for the bank and account officers. This combination often creates pressure for increased income from new business. Compensation programs based solely on quantitative factors can cause bank officers to ignore or short-cut established controls and procedures designed to protect banks from money laundering.

¹ The prepared statement of Mr. Sharpe appears in the Appendix on page 1079.

Finally, limits on access to account information. Some accounts are opened domestically, but supporting documentation relating to ownership and background information may be maintained in one or more foreign jurisdictions with stringent secrecy laws. Other accounts may be opened and maintained in such jurisdictions from the outset. In either case, such accounts can present significant barriers to access to information needed to fully determine the source of funds flowing into the account or the identity of beneficial owners.

Banks must be the first line of defense in protecting themselves against these vulnerabilities, and there are a number of fundamental safeguards that they should employ. For example, effective account-opening policies and procedures are fundamental risk controls for private banking relationships. Bank management should have specific policies for employees who approve, accept, and document new private banking accounts, including those in jurisdictions with strong secrecy regimes. Banks should also ensure that they will have access to information during the life of an account so it can be appropriately monitored.

Second, banks should monitor high-risk customer activity to detect and report suspicious activity in a timely manner. Banks should also design compensation programs that balance quantitative and qualitative factors and that provide measurement tools to assess employee performance in both areas. They should ensure that account relationship managers are subject to the same or higher degree of oversight and control as managers of other areas of operation that may expose the bank to risk.

Banks must also have an independent testing or audit function for BSA compliance, including suspicious activity reporting. Audit programs should focus on high-risk accounts and should include comprehensive transaction testing.

And, finally, banks must train all appropriate personnel with respect to their responsibility to comply with the requirements of the BSA.

I will now turn briefly to the steps the OCC takes to address actions that national banks should take to protect themselves from money laundering.

The OCC requires national banks to establish and maintain adequate internal controls and independent testing, to designate an individual or individuals to coordinate and to monitor day-to-day compliance with the Bank Secrecy Act, and to train responsible personnel. In addition, our regulations require banks to report suspicious transactions and violations of law or regulation. An adequate BSA program must also enable a bank to detect and report suspicious activity, including any such activity in its private banking department.

The OCC conducts regular BSA exams of national banks, branches and agencies of foreign banks in the United States, covering all aspects of each institution's operations, including foreign offices. Our examinations include reviews for compliance with the BSA and reviews of anti-money-laundering efforts in various divisions of the banks, including private banking.

Specifically, OCC conducts exams to ensure that national banks have adequate systems in place to detect and report suspicious ac-

tivity, comply with BSA requirements, establish account opening and monitoring standards, understand the source of funds for customers opening accounts, verify the legal status of customers, and identify beneficial owners of accounts.

The OCC recently developed and will soon test expanded-scope BSA/anti-money-laundering exam procedures for private banking. These procedures specifically address employee compensation programs, account-opening standards, risk management reports, and suspicious activity monitoring of private banking activities. These procedures also focus attention on high-risk accounts, such as import/export businesses, private investment companies, accounts of foreign government officials from high-risk countries, high fee income accounts, concentration accounts, and nominee name accounts.

In your invitation letter, you also specifically asked that we address OCC's supervision of Citibank.

The OCC's examination of Citibank's private banking operations commenced with a 1994 Bank Secrecy Act examination that included a focus on the bank's private banking program. The 1994 exam identified the need to improve the bank's compliance program in the Private Bank and also found weaknesses in the bank's training program and the processes it employs to supervise its private banking account officers and ensure that they were following the bank's Know-Your-Client standards. The OCC recommended that the bank establish procedures to monitor the activities of relationship managers to ensure that the unique client/banker relationship did not compromise the bank's standards.

During an examination of Citibank's private banking operation conducted in 1996, OCC examiners noted Citibank's progress in correcting previously identified deficiencies. The bank had upgraded its training program and was in the process of implementing global policies regarding customer identification and source of wealth information.

In early 1998, as part of an overall assessment of the bank's 1997 performance, OCC included comments relating to the need to improve the bank's control environment in the private bank. While progress in many areas was noted, we informed the bank that there was still a need for increased attention to the control environment. We also pointed out that our examiners had identified a number of audit and control failures in the Private Bank that required attention.

During several domestic and overseas examinations in 1998, the OCC noted that the long process of documenting the bank's existing private banking customers was nearing completion. The bank had created a new quality control unit to ensure compliance with the bank's policies, and management was effectively responding to issues identified by the unit and the OCC. During these examinations, we found improved internal controls and adequate documentation regarding client source of wealth. However, OCC also recommended that management implement the bank's global Know-Your-Client policy within established time frames, improve information regarding clients' expected transaction volumes, and formalize and implement a monitoring program for all private

banking clients, in addition to the high-risk client monitoring program.

In early 1999, the OCC communicated to the board that the control environment in the Private Bank, which had led to adverse publicity, had improved. The OCC acknowledged the attention this had received from senior management and the board. In addition, during several overseas examinations of Citibank offices in 1999, examiners continued to note progress in the bank's global compliance and anti-money-laundering program.

I will now turn to a brief description of OCC's experiences in obtaining information from foreign jurisdictions.

In most instances, the OCC has not encountered problems in obtaining from the banks that we supervise routine supervisory information domiciled in foreign jurisdictions relating to the safety and soundness of the bank's operations in those jurisdictions. The OCC often obtains such information directly from national banks through requests, on-site inspections of their offices in a host foreign jurisdiction, or through a request to a foreign supervisory authority.

However, obtaining account-specific information from some foreign jurisdictions has been significantly more difficult. Most foreign jurisdictions with stringent bank secrecy laws do not consider account-specific records to be routine supervisory information. As a result, those jurisdictions typically prohibit foreign supervisory authorities from accessing customer records.

The OCC addresses problems raised by secrecy laws in foreign jurisdictions in a number of ways. For example, the OCC expects national banks to implement internal controls, monitoring systems, and processes to reduce money-laundering risk on a company-wide basis, including in its foreign offices. When on-site reviews are not possible because of bank secrecy and financial privacy laws, the OCC reviews the corporate policy and audit functions of the bank. When we have concerns, we require the bank to address those concerns. This may also include requiring external audits or enhanced reporting requirements.

These difficulties are also being addressed through the many initiatives on the international front that are focused on the concerns surrounding the misuse of offshore accounts for financial crime purposes. International groups such as the Financial Action Task Force and the Caribbean Financial Action Task Force and the Basel Committee on Banking Supervision have all developed guidance, and the OCC has been directly involved in that guidance.

My written statement also describes in detail a number of other anti-money-laundering initiatives, and these include the work of our internal Task Force on Money Laundering, the National Anti-Money Laundering Group, our work with the Financial Crimes Enforcement Network to further enhance our ability to identify banks at risk for money laundering and targeted exams we have conducted on law enforcement leads.

As part of the administration's recently issued National Money Laundering Strategy for 1999, the OCC will also be participating in a number of interagency projects, including a high-level working group of regulators and law enforcement officials to develop ways

to better detect potential money laundering occurring through banks both domestically and internationally.

In conclusion, the OCC is committed to preventing national banks from being used to launder the proceeds of the drug trade and other illegal activities. We recognize the potential vulnerability of private banking to money laundering, and our supervisor efforts are aimed at ensuring that banks employ control procedures to reduce that vulnerability. We stand ready to work with the Congress, the other financial institution regulatory agencies, law enforcement agencies, and the banking industry to continue to develop and implement a coordinated and comprehensive response to the threat posed to the Nation's financial system by money laundering.

Thank you, and I will be happy to answer any of your questions.

Senator COLLINS. Thank you, Mr. Sharpe.

Mr. Small.

**TESTIMONY OF RICHARD A. SMALL,¹ ASSISTANT DIRECTOR,
DIVISION OF BANKING SUPERVISION AND REGULATION,
FEDERAL RESERVE SYSTEM, WASHINGTON, DC.**

Mr. SMALL. Thank you, Chairman Collins, Senator Levin, Members of the Subcommittee. I am pleased to appear before this Subcommittee to discuss the Federal Reserve's role in the government's effort to detect and deter money laundering and other financial crimes, particularly as these issues relate to the private banking operations of financial institutions.

You have asked the Federal Reserve to address several matters, which I intended to address. As well, you have asked us to comment on the operations of a specific banking organization. I regret that I am not at liberty to discuss the activities of any one organization because of the importance we attach to maintaining the confidentiality of examination findings in order to protect the integrity of the examination process.

In order to better understand the money-laundering issues related to private banking, it would be useful to first provide you with some background information on what we consider to be private banking and the way in which private banks operate. But, first, let me start by stating that as a bank supervisor, of primary interest to the Federal Reserve is the need to assure that banking organizations operate in a safe and sound manner and have proper internal control and audit infrastructures to support effective compliance with necessary laws and regulations.

A key component of internal controls and procedures is effective anti-money-laundering procedures. Moreover, as part of our examination process, we review the anti-money-laundering policies and procedures adopted by financial institutions to ensure their continued adequacy.

The Federal Reserve places a high priority on participating in the government's efforts designed to attack the laundering of proceeds of illegal activities through our Nation's financial institutions. Over the past several years, the Federal Reserve has been actively engaged in these efforts by, among other things, redesigning the Bank Secrecy Act examination process, which became

¹ The prepared statement of Mr. Small appears in the Appendix on page 1101.

the standard of the industry at the time, developing anti-money-laundering guidance, regularly examining the institutions we supervise for compliance with the Bank Secrecy Act and relevant regulations, conducting money-laundering investigations, providing expertise to the U.S. law enforcement community for investigation and training initiatives, and providing training to various foreign central banks and government agencies.

As more fully described in my written statement, private banking offers the personal and discreet delivery of a wide variety of financial services and products to the affluent market, primarily high net worth individuals or their corporate interests. Customers most often seek out the services of a private bank for issues related to privacy, such as security concerns related to public prominence or family considerations or, in some instances, tax considerations.

Private banking services almost always involve a high level of confidentiality regarding customer account information. Consequently, it is not unusual for private bankers to assist their customers in achieving their financial planning, estate planning, and confidentiality goals through offshore vehicles such as personal investment corporations, trusts, or more exotic arrangements, such as mutual funds. Through a financial organization's global network of affiliated entities, private banks often form the offshore vehicles for their customers. These shell companies, which are incorporated in offshore jurisdictions, are formed to hold the customer's assets, as well as offer confidentiality, because the company rather than the beneficial owner of the assets becomes the account holder at the private bank.

Historically, clients sought discretion, confidentiality, and asset preservation. This emphasis has shifted as capital restraints have been dismantled, and in some countries, autocratic regimes have been replaced with free market economies. Today, while confidentiality is still important, investment performance has taken precedence.

The Federal Reserve has long recognized that private banking facilities, while providing necessary services for a specified group of customers, can, without careful scrutiny, be susceptible to money laundering. In our continuing effort to provide relevant information and guidance in the area of effective anti-money-laundering policies and procedures for private banking, in 1997 the Federal Reserve published guidance on sound risk management practices for private banking activities. Besides distributing the guidance to all banking organizations supervised by the Federal Reserve, the guidance was made publicly available through the Federal Reserve's website. More recently, the Federal Reserve developed enhanced examination procedures and guidelines specifically designed to assist examiners in understanding and reviewing private banking activities.

Since 1996, the Federal Reserve has undertaken two significant reviews of private banking in an even greater effort to understand risks associated with private banking. In the fall of 1996, the Federal Reserve Bank of New York began a year-long cycle of on-site examinations of risk management practices of approximately 40 banking organizations engaged in private banking activities. Last year, a Private Banking Coordinated Supervisory Exercise by several Reserve Banks and Board staff was undertaken to better un-

derstand and assess the current state of risk management practices at private banks throughout the Federal Reserve System.

The examinations by the Federal Reserve Bank of New York focused principally on assessing each organization's ability to recognize and manage the potential risks, such as credit, market, legal, reputational or operational, that may be associated with an inadequate knowledge and understanding of its customers' personal and business backgrounds, sources of wealth, and uses of private banking accounts.

We recognized, for example, that some private banking operations may not have been conducting adequate due diligence with regard to their international customers. While all organizations had anti-money-laundering policies and procedures, the implementation and effectiveness of those policies and procedures ranged from exceptional to those that were clearly in need of improvement.

As a result of these examinations, certain essential elements associated with sound private banking activities were identified. These elements include the need for: Senior management oversight of private banking activities and the creation of an appropriate corporate culture that embraces a sound risk management and control environment; due diligence policies and procedures that require banking organizations to obtain identification and basic information from their customers, understand sources of funds and lines of business, and identify suspicious activity; management information systems that provide timely information necessary to analyze and effectively manage the private banking business and to monitor for and report suspicious activity; and adequate segregation of duties to deter and prevent insider misconduct.

During the course of the examinations, a number of banking organizations were reluctant to release information on the beneficial ownership of personal investment corporations established in recognized secrecy jurisdictions that maintained accounts at the banks. The banks raised concerns regarding the prohibition on disclosure imposed by the laws of the countries in which the personal investment corporations were formed, as well as concerns that such disclosures would lead to customer backlash. However, as the result of continued persistence by Federal Reserve examiners, all banks eventually provided the requested information. Very few customers closed their accounts even after being asked to waive any confidentiality protections that they may have had under foreign law so that the beneficial ownership information could be made available to examiners.

In last year's Coordinated Supervisory Exercise, a sample consisting of the private banking activities of seven banking organizations was reviewed by a system-wide team, as I stated. As a result of the examinations, we concluded that the strongest risk management practices existed at private banks with high-end domestic customers.

We found that among private banks with primarily international customers, stronger risk management practices were in place at those organizations that had a prior history of problems in this area but, as a result of regulatory pressure, had successfully corrected those problems.

The weakest risk management practices were identified at organizations whose private banking activities were only marginally profitable and who were attempting to build a customer base by targeting customers in Latin America and the Caribbean.

Rest assured that the Federal Reserve is committed to attacking money laundering in the financial sector. We believe that our long-standing programs and our assistance to the overall government efforts are unrivaled in both scope and depth. We have been at the forefront of developing new tools to enhance our ability to ensure that banking organizations establish adequate policies and procedures, and as you are aware, we have advocated for quite some time the need for increased due diligence with regard to certain banking transactions.

The Federal Reserve has addressed and continues to address perceived vulnerabilities to money laundering in private banking by issuing the private banking sound practices guidance and developing targeted examination procedures specifically designed for private banking, as well as our regular on-site examination of private banking operations, as I previously stated. There are some practices within private banking operations that we believe pose unique vulnerabilities to money laundering and, therefore, require a commitment by the banking organizations to increased awareness and due diligence.

Personal investment corporations that are incorporated primarily in offshore secrecy or tax haven jurisdictions and are easily formed and generally free of tax or government regulation are routinely used to maintain the confidentiality of the beneficial owner of accounts at private banks. Moreover, and of primary interest to the beneficial owners, are the apparent protections afforded the account holders by the secrecy laws of the incorporating jurisdictions. Private banking organizations have at times interpreted the secrecy laws of the foreign jurisdictions in which the personal investment corporations are located as a complete prohibition to disclosing beneficial ownership information. The Federal Reserve, however, has continually insisted that for those accounts that are maintained within the United States, banking organizations must be able to evidence that they have sufficient information regarding the beneficial owners of the accounts to appropriately apply sound risk management and due diligence procedures.

The use of omnibus or concentration accounts by private banking customers that seek confidentiality for their transactions poses an increased vulnerability to banking organizations that the transactions could be the movement of illicit proceeds. Omnibus or concentration accounts are a variety of suspense accounts and are legitimately used by banks, among other things, to hold funds temporarily until they can be credited to the proper account. However, such accounts can be used to purposefully break or confuse an audit trail by separating the source of funds from the intended destination of the funds. This practice effectively prevents the association of the customer's name and account numbers with specific account activity and easily masks unusual transactions and flows that would otherwise be identified for further review.

There has been much said about the use of correspondent accounts in facilitating money-laundering transactions. Admittedly,

correspondent accounts may raise money-laundering concerns because the interbank flow of funds may mask the illicit activities of customers of banks that use the correspondent services. However, it is our belief that correspondent banking relationships, if subject to appropriate controls, play an integral role in the financial marketplace by allowing banks to hold deposits and perform banking services, such as check clearing, for other banks.

A primary obstacle to our supervision of offshore private banking activities by U.S. banking organizations, not only with regard to beneficial ownership information but with regard to safety and soundness of the operations, is our inability to conduct on-site examinations in many offshore jurisdictions. While it appears that nearly all institutions that we supervise have adequate anti-money-laundering policies and procedures, our examination process is most effective when we have the ability to review and test an organization's policies and procedures. Secrecy laws in some jurisdictions limit or restrict our ability to conduct these on-site reviews or to obtain pertinent information. In such instances, practically our only alternative is to rely on a bank's internal auditors.

The Federal Reserve has been contemplating, in cooperation with the banking industry, developing guidance to assist banking organizations in implementing money-laundering risk assessments of their customer base. These risk assessments would be used to determine the appropriate due diligence required to identify and, when necessary, report suspicious activity.

For example, because of the increased concern that private banking accounts could be used for money laundering, we would expect that guidance in this area would suggest that it may be necessary to engage in a more in-depth analysis of the customer's intended use of the account coupled with a heightened ongoing review of account activity to determine if, in fact, the customer has acted in accordance with the expectations developed at the inception of the relationship. We believe that such policies and procedures will be an effective tool against potential money laundering.

The banking system has a significant interest in protecting itself from being used by criminal elements. Individual banking organizations have committed substantial resources and achieved noticeable success in creating operational environments that are designed to protect their institutions from unknowingly doing business with unsavory characters and money launderers. Clearly, these efforts need to continue and the momentum needs to be maintained.

I want to emphasize that the Federal Reserve actively supports these efforts. Consequently, we will continue our cooperative efforts with other bank supervisors and the law enforcement community to develop and implement effective anti-money-laundering programs addressing the ever-changing strategies of criminals who attempt to launder their illicit funds through private banking operations, as well as through other components of the banking organizations here and abroad.

Thank you.

Senator COLLINS. Thank you, Mr. Small.

Mr. Small, yesterday I asked Citicorp's Chairman, John Reed, a series of questions involving the six or seven internal audits that

Citibank had conducted of the Private Bank, all of which identified severe deficiencies in Citibank's procedures. It is my understanding that in 1996 the Federal Reserve Bank of New York conducted an examination of Citibank's Private Bank.

Is it correct that the Federal Reserve Bank concluded that as part of that examination Citicorp's internal audits of the Private Bank were not being taken seriously?

Mr. SMALL. Yes.

Senator COLLINS. In response to that finding, what did the Federal Reserve do?

Mr. SMALL. Well, as I stated, Madam Chairman, I am a little concerned about talking about the specifics of our examination process. As you are aware, we conducted these reviews as a part of a global study that we conducted on private banking. The organization itself, the Private Bank, as well as the national bank, primarily fall under the responsibility of the Comptroller, but we coordinated our review because we wanted to get an understanding of how private banking operations work in the industry as a whole.

As a result of the 1996 review, we made suggestions and recommendations for changes which we then looked at in 1997 and again in 1998 in terms of whether or not those recommendations that we had made had been dealt with, whether they were moving forward. And as you are aware, in the most recent review that we did we found that the bank had begun to put the policies and procedures in place.

Senator COLLINS. I would like to direct this question to both of you. During this period of time, there weren't just the six or seven internal audits that criticized Citibank's private banking operations, but also both of your regulatory examinations identified problems.

Do you feel that in response to the examinations conducted by your agencies that Citicorp's senior management responded in a timely and aggressive manner to the findings or the problems that your examinations identified? Mr. Sharpe, I will start with you.

Mr. SHARPE. Well, Madam Chairman, as you know, we really started our examination process into the private banking operation in 1994, where we identified some deficiencies, and continued that process through examinations in 1996, 1997, 1998, and 1999. And throughout that process, as we looked at various aspects of the private banking operation, we raised a number of criticisms, and we talked in our examination reports and we talked to the senior management and the board about our concerns with respect to correcting deficiencies that we had identified in terms of their program to identify high-risk clients and client profiling and to set up appropriate monitoring systems.

These were continual issues that we tracked and talked with them about, not only during our examination process but we also kept track of in between examinations by looking at audit reports and other information available to us.

Had we wished they had responded more quickly? Yes. These were important considerations, and the profiling system that they had designed and put in place struck us as a very good thing, as something that would provide the bank with the kind of information it needed in order to better understand the source of wealth

and other information regarding the clients in its private banking operation.

We also recognized that Citibank is a far-flung organizations, operating in 100 countries and is a large operation. So we tried to be mindful of that, but obviously, we would have preferred to have seen quicker progress.

Senator COLLINS. Mr. Small, were you satisfied with the timeliness of the response by Citicorp?

Mr. SMALL. The easiest answer for me is that I agree with everything that Mr. Sharpe said. I will add that obviously we still had criticisms in 1997 and 1998, and as Mr. Sharpe has said, we certainly wish that they would have moved along and implemented the suggestions that we made and had taken corrective action at a pace that would not result in continued criticism over the following years.

Senator COLLINS. And I think it is important to note that both of you have found much better compliance more recently, so I do want to be fair to Citibank and get that on the record.

But what troubles me is there seems to have been a period of about 5 years when internal audit after internal audit, bank exam after bank exam, identified over and over again serious deficiencies that exposed the bank to risk of money laundering.

My question for you, Mr. Small, is that it is my understanding that, in response to that pattern, the Federal Reserve was sufficiently concerned about the vulnerabilities of the Private Bank that it required the Private Bank to report quarterly to the board of directors. Was that requirement imposed because of the concern that Citibank's executives were not aggressively handling the problem?

Mr. SMALL. It was imposed because we wanted to make sure that the senior management of the bank was quite aware of the problems not only that we found but that their own internal auditors had identified as deficiencies. And, yes, that is exactly why we imposed that requirement.

And as you know, we lifted that requirement recently because we were satisfied that senior management had begun to address the issue.

Senator COLLINS. Is that an unusual requirement or have you found similar problems that warranted a quarterly report from the private bank division of other multinational banks?

Mr. SMALL. We have in the past required banks to make reports directly to the senior management and audit committee when we felt that that information wasn't getting addressed properly and needed to be done.

Senator COLLINS. Finally, Mr. Small, in your testimony in particular, but also, Mr. Sharpe, in your statement, each of you identified a number of barriers or obstacles to your ability to effectively conduct examinations. Mr. Small, I was concerned in your statement when you talked about the difficulty that your bank regulators had in getting beneficial ownership information, and you said that, fortunately, as a result of continued persistence by Federal Reserve examiners, the banks provided the requested information.

Should it require that kind of extra effort and persistence? Isn't this something that banks should be required to have in their files,

information on the beneficial owner? And should you have to go through these obstacles?

Mr. SMALL. Well, our concern is clearly that we need to be able to assure ourselves that the banks are conducting appropriate due diligence on who their customers are and that they know who they are doing business with. And our concern was that when we looked at particular customer files to do a sampling, that beneficial ownership information was not available.

Now, the history has been that when the beneficial owner is an offshore corporation or entity that has perceived privacy protections in the offshore jurisdiction, that the banking organizations believe that they will violate the laws of that foreign jurisdiction by allowing that information to be disclosed in the United States. We have taken the position that there needs to be a way for the bank to figure out how to make sure that they know who the beneficial owner is. They need to be able to tell us how they do that, and one of the ways that we can do that is by the sampling of these accounts and the information.

I think that while in the early 1990's we began to push this idea, we really had not been strongly or—I should say we had not been strongly pushing it as hard as we did when we did this private banking review in 1996. And I think that is when it really came to light for the banks that we were really serious about this.

I think the environment has changed a lot since then and that banks are providing the information. They are asking for waivers from their customers in case there is a perceived problem in the foreign jurisdiction with confidentiality laws.

So I think there has been a change, and I would agree with you that we shouldn't have to push that. But as everything we do, when we first raise it as an issue, we have to bring it to the forefront and make sure that it is understood what our concerns are, and then make the industry understand it and get cooperation from the industry. And I think that is where we are now.

Senator COLLINS. It just seems to me that the tangled web that you have described of having to deal with anonymous accounts, fictitious names, concentration accounts, offshore accounts, and secrecy jurisdiction makes it virtually impossible for you to conduct a thorough examination. Mr. Sharpe.

Mr. SHARPE. Well, I would certainly agree with Mr. Small that it presents issues and barriers and it makes it difficult. And I guess the only thing I would add to what he has already said is that in many respects this is an international problem which will likely require some kind of international solution. Just as banks that operate in the United States are subject to U.S. laws, banks that operate overseas are subject to the host country laws, and sometimes those laws are quite restrictive. And we do have to find creative ways and we do have to put some burden on our banks to make sure that they are doing everything they can under the circumstances to know their customer and to know the beneficial owners and to provide whatever protections are needed to do the kind of due diligence that needs to be done.

But it is an international issue, and we eagerly look forward to working with others, other regulators here in the United States and internationally, to address that problem.

Senator COLLINS. Are there efforts underway to come up with an international approach or some sort of standards that would make this global problem easier?

Mr. SHARPE. There are a number of initiatives underway. We have referred to those in our testimony, through the Financial Action Task Force and the Basel Committee and other organizations that are all working vigorously. And I think also there are aspects of the National Money Laundering Strategy that will very likely end up addressing that issue from the domestic perspective but also through participation with those international groups.

Senator COLLINS. Thank you. Senator Levin.

Senator LEVIN. Thank you, Madam Chairman.

I am not satisfied with that answer, frankly, because yesterday Mr. Reed told us that if their operation in a secrecy jurisdiction were a problem for our regulators, the regulators would have told us.

Now, they are a problem for you. You both testified to that today. Your testimony, Mr. Small: "Secrecy laws in some jurisdictions limit or restrict our ability to conduct these on-site reviews or obtain pertinent information. In such instances, practically our only alternative is to rely on a bank's internal auditors."

Your testimony is the same. You have got problems. You rely on voluntary waivers and this kind of activity. You are looking for an international solution. I think we all want to have an international solution, but I think if we wait for it, we are going to continue to see that our banks are making profit off dirty money. We should not tolerate it, and you should not tolerate it as the people who regulate our banks.

Now, Citibank says these restrictions in these offshore jurisdictions don't seem to be a problem for our regulators or for us in Congress or you wouldn't allow us to operate in a secrecy jurisdiction, he tells us.

So my question is: Why do we? Why do you? Why don't we simply tell our banks you can't operate in a secrecy jurisdiction unless we have the same access to those records—and here I am talking about legal process access to those records—as we do to your records here in the United States? Why don't we just simply decide that?

That is what Citibank told us yesterday. You guys don't want us to do it? Tell us. Why don't we tell them? Why don't we just simply cut that knot and say we either have to have access through legal process to records in secrecy jurisdictions or we are not going to permit you to operate in those secrecy jurisdictions?

Mr. Small.

Mr. SMALL. Well, Senator Levin, we actually attempted to do that in a proposal that we had last year in terms—

Senator LEVIN. But that wasn't a private bank proposal, was it?

Mr. SMALL. That was all bank proposals. That would have certainly covered private banking as well as anything else.

Senator LEVIN. No, but I want to just focus on private banks, because these are the banks that are used by folks that have great wealth, that are able to do things that regular folks can't do and don't do. So I just want to talk about private banks. Why do we not then tell them at a minimum—because we know there is a con-

fidentiality issue that will obviously disturb regular small depositors, and we don't have the answer to that question. But until we do have the answer to that question, why not tell the private banks, which are handling huge amounts of money and which are the recipients of dirty money—that is not the case with small depositors. I am talking about private banks which are used to launder money and receive either illegal money here or illegal money in those countries.

Why not start by telling those banks you cannot use secrecy jurisdictions unless we are going to have the same access through legal process to those records as we would in this country using legal process to those records?

Mr. SMALL. I understand that, and I just want to come back to say that the proposal would have certainly covered private banks. As a matter of fact, it specifically discussed private banking operations.

Senator LEVIN. But it went way beyond that, correct?

Mr. SMALL. Oh, absolutely.

Senator LEVIN. I just want to talk about private banks.

Mr. SMALL. I understand that. I just want to say, when you are asking what we should do about it, there was a proposal that dealt with that issue.

I also think that we have been very diligent and vigilant in looking at private banking operations as a result of the study we did in 1996 and going forward and that we don't see—while we still see some problems, we don't see the problems that we saw in the past. And so we are getting access to information. The banks are bringing the information onshore when requested, and I would make the assumption that there would be an uproar from the banking community that we would be shutting down competition, we would be putting our banks at a competitive disadvantage if we completely shut off all offshore access because it has legitimate purposes.

Now, I assume if Congress would like to regulate that, then that would be the law of the day.

Senator LEVIN. Yes. But I want to now ask you for what your recommendation is. These restrictions that exist on your access to accounts in offshore banks or offshore countries, which you have here but you don't have offshore, is there any reason why you should not give us a recommendation, straightforward, that says we want access? We don't want to rely on internal audits, we want the same access to those accounts, at least in private banks that run these offshore operations, as we do to those operations here domestically? Is there any reason why you shouldn't give us just a flat-out recommendation? Because that is what they tell us.

Mr. Reed told us yesterday, if we have a problem with that, let us know; apparently you guys don't have a problem, or else you would let us know. That is a very fair comment on his part, as far as I am concerned. Now, why not do it? Why not give us that recommendation?

Mr. SMALL. I don't know. We would obviously have to evaluate it and come back to you.

Senator LEVIN. I would appreciate your doing that.

In February 1997, the Federal Reserve asked, and the OCC agreed, to review accounts at the Citibank Private Bank associated

with President Bongo of Gabon. Now, one of the concerns was the lack of file information about the source of the funds in the account.

Mr. Ober testified under oath yesterday that in the 7 years that he handled the Bongo accounts, he never asked President Bongo about the source of the funds. Never once.

What is your reaction to that? Let's start with you, Mr. Sharpe.

Mr. SHARPE. Well, when the Federal Reserve brought that matter to our attention, we assigned one of our most senior examiners who has experience in bank secrecy matters and anti-money laundering to look into that matter, and he did. He spent, off and on over a 4-month period, a great deal of time looking at bank files, bank records. He looked at cash in, cash out. He looked not only at Mr. Bongo's accounts, but the accounts of relatives and associates. He also talked with the bank about their reasons for concluding on source of funds issues and did not accept the initial answer that he got but, in fact, told the bank that he needed more. The bank went to its Paris operation where an analysis was done of the source of wealth and provided back to our examiner. That, together with the information that he had assembled, suggested to him that this was, in fact—this was a situation that did not rise to a level that justified the filing of an SAR.

I would note that the particular customer here had an account relationship with the bank dating back to 1970, and the private banking account relationship dated back to 1985. And it was not common, I think, certainly not in the 1970s and probably not even in the 1980s, to have that kind of information in the file. So it was an appropriate inquiry, and we are satisfied that our examiner did what he could to look behind the bank's explanation and to draw the conclusion that he did.

Senator LEVIN. Now, was it your understanding that this memo meant that President Bongo received \$111 million each year in government funds which he could use in an unrestricted way, including putting the money in his personal bank deposits?¹ Is that what your understanding was?

Mr. SHARPE. That was the information that was provided by the bank.

Senator LEVIN. And did you check with the IMF or the World Bank or anybody else to see whether that was true?

Mr. SHARPE. No. We accepted the analysis that was done by their Paris office.

Senator LEVIN. Looking back, wouldn't it have been better to check with the IMF or the World Bank or any other entity that would have knowledge of the budget of Gabon to see whether or not, in fact, that president was given under Gabon law the unrestricted use of \$111 million a year?

Mr. SHARPE. There are always additional steps, I think, that people could identify, that you could go back knowing today what we didn't know then, to suggest that additional or further inquiry might have been appropriate. We are satisfied that the examiner presented with the facts that he was presented with made an ap-

¹ See Exhibit No. 19 which appears in the Appendix on page 154.

propriate inquiry, looked into the matter, spent a great deal of time on it, and had to draw a conclusion.

The only other point I would make on that, Senator, is that his conclusion was not a conclusion that the account was absolutely okay. He didn't approve anything. It simply was a conclusion that there wasn't sufficient evidence to justify the filing of a suspicious activity report.¹

One of the things he clearly communicated to the bank was that it was their responsibility to continue to monitor the account, and if they gathered additional information that suggested that something more needed to be done, it was the bank's responsibility to act on that.

Senator LEVIN. Well, it seems to me if that is the level of the oversight we are going to be providing, it is just inadequate, because it is such a glaring statement in an explanation that it just cries out for an in-depth inquiry. Is the president of a country handed \$111 million in a budget for his own personal use? Any inquiry with any of the world banking operations, World Bank, any of the world banks, would have indicated, no, there is no such provision in Gabon law which gives the president \$111 million.

So I would hope that this would be, frankly, a lesson to our regulators that we just have got to look beneath the most superficial kind of an explanation. That is not knowing your customer. That is the opposite, it seems to me. That is just accepting any explanation.

It is a little bit like Salinas. The explanation is he sold a construction company. No one asked what construction company, what did he get for it. There were rumors floating around Mexico at the time about source of corrupt money, and there is not even a question? What do you mean he was in the construction business and he sold his company? What was the name of it? Never asked. What was it sold for? Never asked. What kind of construction projects? Never asked.

And so it seems to me we have got to be a lot tougher on the regulatory side here with whatever authority you have.

Now, I don't think, frankly, you've got enough authority. That is what I pressed you on before, Mr. Small. You are stymied in terms of getting information about who the beneficial owners are and what the source of wealth is, because of secrecy laws in other countries that our banks are allowed to bank in offshore. And yet we are kind of silent about that and, therefore, complicit, I believe.

We cannot complain about corruption in foreign countries and then allow our own banks to profit from that corruption without doing our best to eliminate that inconsistency, because I think it is just wrong. But we need your help, not just in regulating with the powers you have, but giving us recommendations, looking at these bills that are pending and will be introduced to tighten up these laws on money laundering, and we welcome very much your response to those.

I have a number of other questions, but my time is up.

Senator COLLINS. Go ahead.

Senator LEVIN. Thank you very much, Madam Chairman.

¹ See Exhibit No. 20 which appears in the Appendix on page 155.

I want to go back to Mr. Sharpe. Is it fair to say, given the 1994 review of the Citibank operations and your dissatisfaction with their Know Your Customer policies, that from your perspective, at least, know your client was not an effective part of the culture of that bank in that year?

Mr. SHARPE. Well, that process had not yet really taken root in the bank in that year, and that is what was being developed, and that is one of the things that we tracked the progress of over the subsequent exams.

As I said before, we were interested in seeing that particular process come to fruition because we felt it was a process that was worth following through. It had a lot of very attractive features to it.

Senator LEVIN. My question is, though, at least from your review of it in that year, the Know Your Client culture had not taken at that bank. Is that a fair statement?

Mr. SHARPE. I think that is a fair statement. I would point out that this was really our first hard look at private banking in 1994. In fact, I would venture to say in 1994 that a lot of folks weren't looking at private banking, period. It was considered a sleepy backwater, and our examiner looked at it in terms of the potential risk that it might present and thought an examination was appropriate.

Senator LEVIN. I think it was, too. But I am saying, when you did examine in that year, it is fair to say that the Know Your Client Culture had not taken hold at Citibank at that time yet. Is that fair or not?

Mr. SHARPE. I think that is a fair statement.

Senator LEVIN. All right. Let me just close, and I very much appreciate the additional minutes that the Chairman has squeezed in here for me. I know, for instance, Mr. Small, that you have been taking the lead in your agency on trying to correct some of these problems, and we very much appreciate both you and Mr. Sharpe in terms of the work that you have done. And while we are pressing your agencies to take stronger action and to help us close loopholes, in your cases, I know that as individuals you have been in a leadership role trying to do exactly that. And I just want to end by thanking you. I know I have been pressing you pretty hard here today, but I wouldn't want the hearing to end without a thank you for your cooperation with this investigation and for your work at the agencies. You have been in the advance part of your agency on these areas. Thank you both.

Mr. SMALL. Thank you.

Mr. SHARPE. Thank you.

Senator COLLINS. I am sure that our witnesses are delighted to learn that we have another series of votes so that we are going to end the hearing.

We may have some additional questions which we will submit for the record from both Senator Levin and from myself.

Because the vote has begun, I am going to submit my closing statement for the record.

CLOSING REMARKS OF SENATOR COLLINS

I want to thank all of the witnesses for their testimony today. The peculiarities of private banking and its vulnerabilities to money laundering must remain a focus

of our banking system and, particularly, our banking regulators. These hearings have demonstrated—I think conclusively—that private banking is by its very design vulnerable to criminals who wish to launder dirty money. As a consequence, we must depend on our banks to implement internal procedures and controls that will allow the detection and reporting of suspicious activity.

And, it's not enough that our banks have written policies and procedures in place. They must create a corporate culture that places a priority on fulfilling a bank's legal obligation to report money laundering. That means banks must ensure that their employees understand that, while servicing the client is always important, such service cannot include turning a blind-eye to activities that may be related to money laundering. Setting such a tone and culture starts at the top and, as I noted yesterday, I am glad to hear that Citibank's CEO, Mr. Reed, is taking steps to make that culture a reality at Citibank's Private Bank.

Today's testimony also makes clear that our banking regulators have a big job ahead of them to make sure that American banks take seriously their legal obligations to detect and report suspicious activity. All in all, I believe the OCC and the FED have done a good job, and I am glad to see that private banking has been given greater scrutiny in recent years. There is much to do, however, and I hope that the regulators remain vigilant and take the steps necessary to keep our banks clean of the dirty money that is circulating in the international banking system.

Again, I want to thank the witnesses for their testimony over the last 2 days, and I want to thank my staff for their work on this investigation and preparing for this hearing, Claire Barnhard, Leo Wisneski, Ryan Blalack, and Justin Tatham. As I noted yesterday, this investigation was commenced at the request of Senator Levin and I want to commend him and, particularly, his staff for their hard work in preparing these hearings. This hearing is now adjourned.

Senator COLLINS. I did want to again commend Senator Levin and his staff for outstanding work in this area, and I also want to thank my own staff, which also has worked extremely hard on these hearings. I think they have been very interesting and very valuable, and I look forward to continuing to work with Senator Levin on this issue.

Senator Levin, if you would like to make any final comments, I would give you 1 minute.

Senator LEVIN. Yes, thank you very much, Madam Chairman, again, for these hearings, for you and your staff's strong support and the great work. Your staff has worked very closely with our staff here.

We are hoping, frankly, to tighten up these laws. There is too much dirty money that is moving through American banks. It is not healthy for us. It is not healthy for the world. And we are going to do what we can to change it. As the Chairman says it, we need to do it on the regulatory side. Surely we have got to enforce what laws we have on the books. But there are some pretty gaping holes in those laws. With your help we will be able to close those holes.

Again, thank you for your work in your agencies and for your appearance and cooperation with our staffs.

Senator COLLINS. I want to thank all of our witnesses both from yesterday and today, and the hearings are now adjourned.

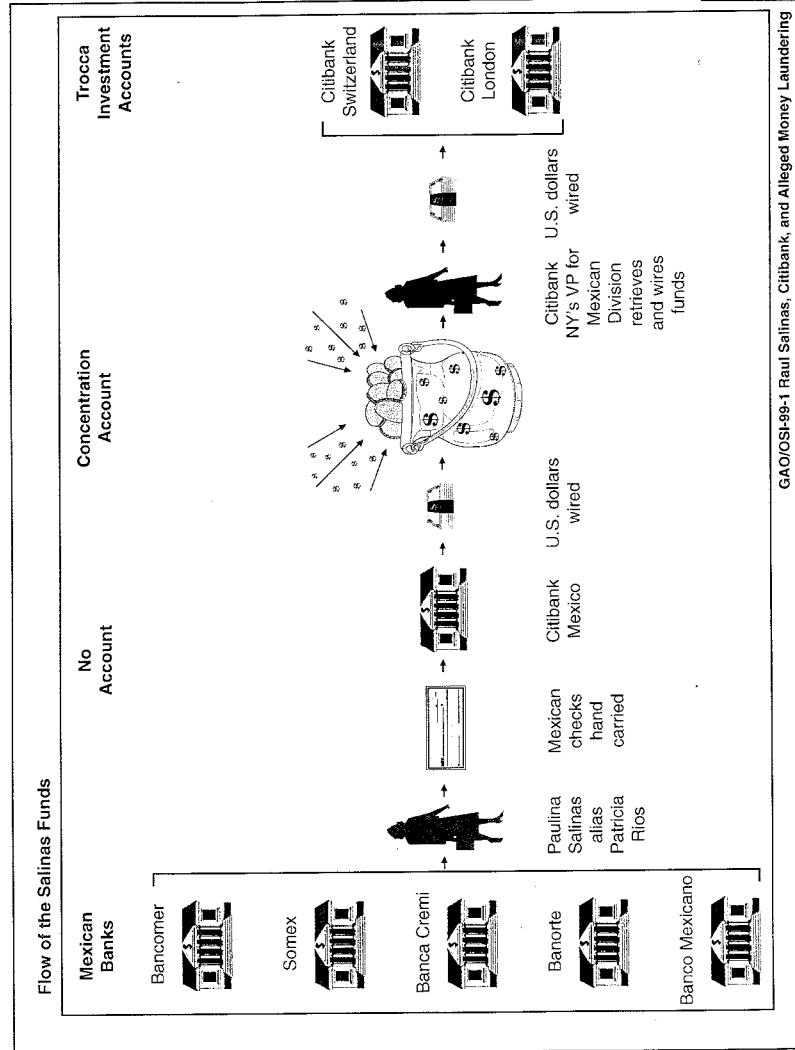
[Whereupon, at 4:14 p.m., the Subcommittee was adjourned.]

APPENDIX

Senate Permanent Subcommittee
On Investigations
EXHIBIT # 1



PS-0317104 "Shell Green Card" 10/1/10



SALINAS CASHIERS CHECKS THROUGH CITICORP MEXICO

| Bank | Check# | Date | Amount (pesos) | EX | Amount (U.S.) |
|-------------------|---------|----------|-------------------------|----------|---------------------------------|
| Bancomer | 730221 | 10/13/92 | \$200,000,000.00 | .0003212 | \$64,240.00 |
| Somex | 325357 | 10/13/92 | \$3,200,000,000.00 | .0003212 | \$1,027,840.00 |
| Subtotal | | | \$3,400,000.00 | | \$1,092,080.00 |
| Somex | 325359 | 5/18/93 | \$6,300,000.00 | 3.1220 | \$2,017,937.22 |
| Somex | 325321 | 5/27/93 | \$15,400,000.00 | 3.1200 | \$4,936,000.00 |
| Cremi | 4438047 | 6/1/93 | \$16,800,000.00 | 3.1310 | \$5,366,000.00 |
| Cremi | 4438051 | 6/2/93 | \$19,440,000.00 | 3.1250 | \$6,221,000.00 |
| Cremi | 4438057 | 6/3/93 | \$19,472,000.00 | 3.1270 | \$6,227,000.00 |
| Cremi | 4438060 | 6/4/93 | \$25,964,800.00 | 3.1210 | \$8,319,384.81 |
| Cremi | 4438063 | 6/7/93 | \$15,655,600.00 | 3.1285 | \$5,004,000.00 |
| Cremi | 4441174 | 6/7/93 | \$9,864,000.00 | 3.1090 | \$3,172,724.35 |
| Cremi | 4441348 | 12/2/93 | \$3,310,000.00 | 3.1025 | \$2,130,539.89 |
| Somex | 325362 | 11/30/93 | \$3,300,000.00 | 3.1025 | Combined with transaction above |
| Cremi | 4454754 | 1/13/94 | \$9,900,000.00 | 3.1080 | \$3,185,328.19 |
| Cremi | 4454775 | 1/18/94 | \$16,650,000.00 | 3.1085 | \$5,356,281.17 |
| Cremi | 4454786 | 1/25/94 | \$16,650,000.00 | 3.1075 | \$5,358,004.83 |
| Cremi | 4454794 | 1/26/94 | \$16,650,000.00 | 3.1080 | \$5,357,142.86 |
| Cremi | 4458603 | 3/23/94 | \$1,344,000.00 | 3.3380 | \$1,301,378.07 |
| Somex | 325364 | 3/23/94 | \$3,000,000.00 | 3.3380 | Combined with transaction above |
| Banorte | 3829264 | 9/9/94 | \$10,596,598.00 | 3.4160 | \$3,102,048.00 |
| Banco Mexicano | 488285 | 10/7/94 | \$3,052,426.22 | 3.4210 | \$892,261.39 |
| Subtotal | | | \$213,349,424.22 | | \$67,947,030.78 |
| GrandTotal | | | \$216,749,424.22 | | \$69,039,110.78 |

EX-Exchange Rate

Source: Compiled by the Permanent Subcommittee on Investigations, November 1999, from cashiers checks and account summary provided by Citicorp.

DOCUMENTATION POLICY

- Issued April 9, 1992
- New Accounts
 - All documentation must be in place within 60 days, any deficiencies must be approved by a Business Manager.
- References
 - References should be on file for all clients.
 - Two written references
 - Waive One reference - Requires an AVP or higher approval
 - Waive Two references - Requires a complete WH referral form and Business Manager approval.
- Existing Accounts
 - It is the responsibility of the Private Banker to obtain all account documentation as new products are purchased.
- New Private Bank Agreement/
Documentation

12

| <u>CLIENTS COVERED</u> | |
|---|---|
| <div><u>Profile</u><ul style="list-style-type: none">- Basic Background Info- Name, Address, Family- Financial Info/Net Worth- Source of Wealth</div> | - ALL |
| <div><u>Client Suitability</u><ul style="list-style-type: none">- Investment Objective<ul style="list-style-type: none">- Risk Tolerance- Financial Condition- Prior Transactions</div> | - ALL - Client Specific |
| <div><u>IOS</u><ul style="list-style-type: none">- Investment Objective Setting</div> | - All PMS/Managed Accounts - Product / Fund Specific |

MEMORANDUM TO: All PBG-WH Staff

FROM: G. Edward Montero

DATE: April 9, 1992

SUBJECT: WESTERN HEMISPHERE
DOCUMENTATION POLICY

13
PRIVATE
BANKING
GROUP-WH

[Handwritten signature]

Over the years, Western Hemisphere has been successful in opening a growing number of very desirable, target market accounts and extending a diverse product mix to the client base. However, the documentation requirements associated with the above have not always been complied with in a timely fashion.

Given our commitment to strong compliance and our desire to enhance our control environment, as a rule, no new accounts should be opened without complete documentation. The attached policy does allow for minor exceptions; however, it also requires more up front scrutiny of documentation exceptions to be performed by the Business Managers and ultimately myself.

I would like to reemphasize the importance of timely and complete documentation at the inception of a new relationship or account, and trust you will minimize the need for exception processing in this area.

CTIBANK

CONFIDENTIAL

PBG-WR DOCUMENTATION POLICYNew Accounts

New accounts should not be opened without complete documentation. All PMS/IIS related documentation rules and the Rules Governing the Extension of Credit continue in place.

On an exception basis, we will open PMS/IIS and banking accounts with deficient documentation only with a realistic deadline to receive the necessary documents, but not longer than sixty (60) days and only with Business Manager (or designated deputy) approval on a Business Risk Memo. Business Risk Memos will not be required to open accounts where only references are missing during the first sixty days. Current Division policy regarding TEFRA remains in place. Accounts must have completed TEFRA documentation at the opening of the account.

After the initial sixty (60) day period, any deficiencies that are not corrected must be reviewed and approved by the Business Manager in order to continue operating the account. This approval by the Business Manager must also indicate when the deficiency will be resolved, but no longer than thirty (30) days. If at the end of this 90 day period the documentation is still not corrected, the Business Manager must obtain Division Executive approval to continue operating the account or the account will be recommended to be closed within 30 days.

References

A reference should be on file for all clients. If we are getting a referral from either our On-Shore offices, other Citibank branches, or from an existing client, the attached Referral Form must be completed.

→ Division policy requires that we obtain two (2) references for all accounts, however an A.V.P. or higher can waive one reference provided that the other reference is positive. Only a Business Manager or designated unit heads can waive both references and this should be done using the Referral Form indicating their reasons for this action:

Existing Accounts

It will be the responsibility of the Private Banker to ensure that all accounts currently on either the CDS, PMS/IIS or Credit Admin. documentation deficiency reports are regularized by year end. A 90% completion rate must be achieved by the 2nd Quarter and included in each Private Banker's goals.

C8015172

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CDS, PMS/IIS and Credit Admin.'s responsibility will be to provide the necessary monthly MIS for PBG-WH management to monitor the above policy, with a 90 day delinquency report supplied to the Division Executive and the Regulatory Compliance Unit.

Regulatory Compliance will monitor all accounts that are past due and follow-up to ensure that Division Policy is being adhered to. ←

If an existing client opens a new account, and has been a client of an active account in good standing for one year without references, the current Citibank account can count as a reference. This situation is allowed for 1992 in order to alleviate current reference deficiency backlogs.

CB015173

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REFERENCE REQUIREMENTS FOR
PRIVATE BANKING ACCOUNTS - WH

Whether from another Citibank/Citicorp entity, or another Bank, a reference must be in writing and positive. Positive means known to the referring institution or branch and considered good for the purpose of opening an account.

1. For clients who are referred by another Citibank/Citicorp entity, a memorandum or Citimail from that entity is sufficient. The reference provided should contain the Branch's experience in their dealings with the client i.e. type of account, size, length of relationship, source of funds and any credit experience.
2. For walk-in clients, references must be obtained from the prospective client and requested from the institutions where the client had or has an account. Do not direct requests to any specific individual provided by the prospective client, but to the institution's Credit Department. If relationship is less than a year, the reference must be approved by the Market Manager/Unit Head.
3. Generally, references should not be accepted from another client, however, should the situation warrant, then a reference can be accepted provided that the client had a relationship for over a year, we are satisfied with his business and potential and we have another positive reference on file. The reference must be in writing and approved by the Market Manager/Unit Head before acceptance.
4. References of the type such as "Know of Nothing Unfavorable", "Known To Me" or similar exercises in studied neutrality require the Business Manager to approve acceptance. The Market Manager/Unit Head should consider obtaining a credit report locally.

DOC1071

CB015174

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CITIBANK REFERRAL FORM
(MAY BE COMPLETED BY OTHER CITIBANK BRANCH OR BY TELEPHONE OR TESTED TEL)

OUR CLIENT NO: _____ CLIENT NAME (ENCODE IF MAILED) _____

TO:

CITIBANK BRANCH/OFFICE: _____ ATTENTION OF: _____

DEPOSITS:

DATE _____
 OPENED: _____ AVG SIZE OF ACCOUNT \$ _____ TYPE: _____
 DATE _____
 OPENED: _____ AVG SIZE OF ACCOUNT \$ _____ TYPE: _____

CREDIT:

TOTAL CREDIT FACILITIES \$ _____ YEAR OF FIRST CREDIT EXTENSION _____
 COMMENTS ON CREDIT HISTORY: _____

OTHER KNOWN RELATIONSHIPS OR RELATED ACCOUNTS: _____

OTHER KNOWN BUSINESS/FINANCIAL ACTIVITIES OF CUSTOMER: _____

OTHER COMMENTS/ATTITUDE OF BRANCH TO CUSTOMER/REASON TO WAIVE: _____

BANK REFERENCES/OTHER CHECKINGS WHICH YOU HAVE ON FILE: _____

PLEASE CHECK IF VERIFIED

BRANCH ACCOUNT OFFICER (NAME/TITLE) _____

DATE: _____ SIGNATURE: _____

PBG-WH ACCOUNT OFFICER (NAME/TITLE) _____

DATE: _____ SIGNATURE: _____

CB015175

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ED KOWALCYK
CCC/16

MEMORANDUM TO: All L.A.M. Private Bankers
FROM: Reynaldo Figueiredo
RE: References
DATE: May 18, 1992

The following will serve to clarify the Division policy that requires 2 references for all accounts.

The most common referral source is from another Bank. Other Citibank Branches/Offices, or an existing client can also provide a reference and these should be indicated on the attached Referral form. If you do not obtain a reference from one of these sources, and feel strongly that the account should still be opened, then, in effect, the referral source is you, the Private Banker.

Please understand, every account that is opened comes with one of the reference sources above, therefore, we are at no time waiving the requirement to know our clients.

In the case where the Private Banker alone is the referral source, then either myself or the Country Head must sign off on the Referral form within 60 days of the account being opened.

CC: Larry Levine
Ed Kowalczyk
Mike Kelsey

CONFIDENTIAL

PBG - WH CITIBANK REFERRAL FORM
 (MAY BE COMPLETED BY OTHER CITIBANK BRANCH OR BY TELEPHONE OR TESTED TELEX)
 OUR CLIENT NO: _____ CLIENT NAME (ENCODE IF MAILED) _____

SEND TO:
 CITIBANK BRANCH/OFFICE: _____ ATTENTION OF: _____

DEPOSITS:
 DATE _____
 OPENED: _____ AVGE SIZE OF ACCOUNT \$ _____ TYPE: _____
 DATE _____
 OPENED: _____ AVGE SIZE OF ACCOUNT \$ _____ TYPE: _____

CREDIT:
 TOTAL CREDIT FACILITIES \$ _____ YEAR OF FIRST CREDIT EXTENSION _____
 COMMENTS ON CREDIT HISTORY: _____

OTHER KNOWN RELATIONSHIPS OR RELATED ACCOUNTS: _____

OTHER KNOWN BUSINESS/FINANCIAL ACTIVITIES OF CUSTOMER: _____

OTHER COMMENTS/ATTITUDE OF BRANCH TO CUSTOMER/REASON TO WAIVE: _____

BANK REFERENCES/OTHER CHECKINGS WHICH YOU HAVE ON FILE: _____

PLEASE CHECK IF VERIFIED

BRANCH ACCOUNT OFFICER (NAME/TITLE) _____

DATE: _____ SIGNATURE: _____

WH ACCOUNT OFFICER (NAME/TITLE) _____

MARKS: _____

DATE: _____ SIGNATURE: _____

Senate Permanent Subcommittee
On Investigations
EXHIBIT # 5

CITICORP INVESTMENT BANK
Banking Account Application INTERNATIONAL PRIVATE BANKING

New Client

Personal information

Title of account RAUL SALINAS DE GORTARI 1/1/1

Mailing address MARIANNA SALINAS DE GORTARI + JUAN JOSE SALINAS DE GORTARI

☒ Hold all mail (see General Terms and Conditions)

Passport number/Country _____ Date issued _____ Primary residence if different from mailing address: _____

Place of issue _____ Date of birth _____

Passport number/Country _____ Date issued _____

Place of issue _____ Date of birth _____ Country of residence _____ Home telephone number _____

Passport number/Country _____ Date issued _____ Other residence _____

Place of issue _____ Date of birth _____

Name of business _____ Type of business _____

Business address _____ Position/title _____

Phone/Cable/telex _____

Who introduced you to International Private Banking? _____

Special instructions/Other information _____

Bank references

☐ Name of bank _____

Full address _____

☐ Name of bank _____

Full address _____

Type of account _____ Account number _____

Person to contact _____

Type of account(s) you want to open

☒ Checking

☐ Time deposits/Other deposits

☐ Savings

☐ Overdraft (additional form required)

☐ Bill paying (additional form required)

☐ Credit cards (additional form required)

☐ Other (describe): _____

Additional services we offer. Please check below if you want information about any of our other services.

☐ Portfolio Management (investment advisory services)

☐ Custody Accounts for securities and precious metals

☐ Private Investment Company Management/Trust Administration

☐ Real Estate Investment Advisory Service (commercial real estate investments)

☐ Fine Arts Management (including the purchase, storage and delivery of an art collection)

☐ Loans

Form of ownership

☒ Individual

☐ Joint tenants with right of survivorship

☐ Tenants in common (attach details of ownership)

☐ Corporate (complete Corporate Resolution)

☐ Nonprofit organization (complete other required documents)

☐ Other (describe): _____

☐ In trust for (give beneficiary information below):

Name MARIANNA + JUAN JOSE SALINAS DE GORTARI

Home address _____

Relationship to account holder Children Citizenship Mexico

Age of birth _____ Date of birth _____

W000042

Checking Complete this section if you are opening a checking account.
 Amount of deposit \$ _____ Would you like checks? ☐ Yes ☐ No
 Do you want the title of account to appear on checks? ☐ Yes ☐ No

Time deposits/ Other deposits Complete this section if you are opening a time deposit or other deposit account. We offer the following types:
 • New York • IBF • Cash Reserve _____ • Other _____
 • Nassau Eurodollar • London • Monthly Cash Reserve _____
 Type of deposit _____ Amount _____ Type of deposit _____ Amount _____
 Currency _____ Rate _____ Currency _____ Rate _____
 Opening date _____ Term/Maturity _____ Opening date _____ Term/Maturity _____
 At maturity:
☐ Renew principal with interest ☐ Renew principal with interest
☐ Renew principal and credit interest to Citibank ☐ Renew principal and credit interest to Citibank
 account number: _____ account number: _____
☐ Renew principal and credit interest by ☐ Renew principal and credit interest by
 check to: _____ check to: _____
☐ Other (describe): _____ ☐ Other (describe): _____

Savings Complete this section if you are opening a savings account.
 What type of savings account(s) do you want to open?
☐ Regular Savings. Amount \$ _____ ☐ Golden Savings. Amount \$ _____
☐ Other (describe): _____
 Should we hold your passbook in safekeeping? ☐ No ☐ Yes (see General Terms and Conditions)

Source of funds Total amount of funds deposited to open these accounts: _____
 Source of these funds: _____

Signature All applicants must sign below. By signing below, you:
 • agree to the General Terms and Conditions of this application for the accounts or services that you requested above or that you may subsequently apply for.
 • agree to the conditions in the Customer Handbook provided with this application.
 • agree to inform us of any changes in the personal information provided.
 • declare that you are a nonresident alien of the United States.
 X _____ X _____
 X _____ X _____
 Date _____ Date _____

For bank use:
 AO initials _____ Date 5-28-92 CAMS number 41857501 Country code 3170 Expense code 974 Tier code _____
 Checking account number 10265803 Type of checks ☐ EW-50 ☐ Other (describe) _____ ☐ Send to mailing address ☐ Hold
 TD/CRA number(s) _____ TD/CRA language code SP Salvation code SR
 Savings account number _____ Telecord ☐ No ☐ Yes, letter number _____
 Description of deposit (attach photocopy) _____
 Documentation obtained? ☐ Yes ☐ No (describe missing documentation): _____
 Special instructions _____ Fee C/W _____

Reference responsibility ☐ Standard ☐ Special ☒ Waived (reason): see above
 Prepared by and date _____ Approved by and date 5/27/92 Accepted by and date _____
 MICHAEL S. O. EDWARD MONTERO
 Director Division Executive

VC ACCEPTED MAY 29 1992

#000041

attached to account —

3

Banking Account Application INTERNATIONAL PRIVATE BANKING

SALINAS

Please print

Personal information

Name of account *PAUL SALINAS DE GORTARI*

Mailing address

☒ Good at mail (see General Terms and Conditions)

Passport number/Country *MEX 47295* Date issued *1/23/88* Primary residence (if different from mailing address)

Place of issue *MEX.* Date issued *8/24/86*

Passport number/Country Date issued

Place of issue Date of birth Country of residence Home telephone number

Passport number/Country Date issued Other residence

Place of issue Date of birth

Name of business Type of business

Business address Postoffice

Phone/cable/news

Who introduced you to International Private Banking? *CARLOS HANX ARON*

Special instructions/Other information

Bank references

☐ Name of bank ☐ Name of bank

Full address Full address

Type of account Account number Type of account Account number

Person to contact *ARON client & referred by* *ARON client & referred by*

Type of account(s) you want to open

☒ Checking ☐ Overdraft (additional form required)

☒ Time deposits/ ☐ Bill paying (additional form required)

☐ Other deposits/ ☐ Credit cards (additional form required)

☐ Savings ☐ Other (describe)

Additional services we offer. Please check below if you want information about any of our other services

☐ Portfolio Management (investment advisory services)

☐ Real Estate Investment Advisory Service (commercial real estate investments)

☐ Custody Accounts for securities and precious metals

☐ Fine Arts Management (including the purchase, storage and delivery of an art collection)

☐ Private Investment Company Management/Trust Administration

☐ Loans

Form of ownership

☐ Individual ☒ In trust for (give beneficiary information below)

☒ Joint tenants with right of survivorship

☐ Tenants in common (attach details of ownership)

☐ Corporate (complete Corporate Resolution)

☐ Nonprofit organization (complete other required documents)

☐ Other (describe)

Beneficiary to account (if any) *DIANE L. ARON* Citizenship *MEXICO*

Date of birth *8/3/75* - *9/8*

W000043

Processing Code

Checking Complete this section if you are opening a checking account.
 Amount of deposit \$ _____ Would you like checks? ☐ Yes ☐ No
 Do you want the title of account to appear on checks? ☐ Yes ☐ No

Time deposits/ Other deposits Complete this section if you are opening a time deposit or other deposit account. We offer the following types:
 • New York • IBF • Cash Reserve _____ • Other _____
 • Nassau Eurodollar • London • Monthly Cash Reserve _____
 Type of deposit _____ Amount _____ Type of deposit _____ Amount _____
 Currency _____ Rate _____ Currency _____ Rate _____
 Opening date _____ Term/Maturity _____ Opening date _____ Term/Maturity _____
 At maturity:
☐ Renew principal with interest
☐ Renew principal, and credit interest to Citibank account number: _____
☐ Renew principal, and credit interest by check to: _____
☐ Other (describe): _____
☐ Renew principal with interest
☐ Renew principal, and credit interest to Citibank account number: _____
☐ Renew principal, and credit interest by check to: _____
☐ Other (describe): _____

Savings Complete this section if you are opening a savings account.
 What type of savings account(s) do you want to open?
☐ Regular Savings. Amount \$ _____ ☐ Golden Savings. Amount \$ _____
☐ Other (describe): _____
 Should we hold your passbook in safekeeping? ☐ No ☐ Yes (see General Terms and Conditions)

Source of funds Total amount of funds deposited to open these accounts: _____
 Source of these funds: _____

Signature All applicants must sign below. By signing below, you:
 • agree to the General Terms and Conditions of this application for the accounts or services that you requested above or that you may subsequently apply for.
 • agree to the conditions in the Customer Handbook provided with this application.
 • agree to inform us of any changes in the personal information provided.
 • declare that you are a nonresident alien of the United States.
 X _____ X _____
 X _____ X _____
 Date _____

Card bank use AGENCY Date CAUS number Country code Expense code 0974 Tar code
 Checking account number 10065803 Type of check: ☒ (EW-53) ☐ (EW-53) ☐ Other (describe) ☒ Period ☐ Period
 TD/CRA number(s) TD/CRA language code Salvation code
 Savings account number ☒ No ☐ Yes, letter number
 Declaration of deposit (attach photocopy) _____
 Documentation obtained?
☐ Yes ☐ No (describe missing documentation) _____
 Special instructions _____
 Reference responsibility: ☐ Standard ☒ Special ☒ Mission SEE REFERENCE BOOK
 Prepared by and date _____ Approved by and date _____

W000044

FIVE
C/W

CLIENT ACCEPTANCE

- Issued September 27, 1991
- General Principles
 - Corporate ethics, compliance, and corporate protection require good knowledge of the client.
 - It is our policy to know the principals on all accounts.
- Legal & Regulatory
 - We are required by US law to know certain specific information about our clients in order to comply with applicable tax, regulations, securities laws concerning types of investments and Money Laundering laws.
- Fraud
 - Against Third Parties
 - Against Clients
 - Against the Bank
- Credit Risks
- Legitimate Privacy Expectations

Memorandum to:

ALL PBG-WH STAFF

re:

CLIENT ACCEPTANCE POLICY

PRIVATE
BANKING
GROUP INC.

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As all of us know, the International Private Banking business has become increasingly complex over the past years. It is critical that we maintain the high standards we have in place in regard to "knowing our customer" and use the utmost diligence to screen prospective new clients.

The attached statement is a detailed description of Divisional policies in respect to the opening of accounts. I expect each and everyone of us to be familiar with the contents and to conduct ourselves accordingly.

E

G. Edward Montero

September 27, 1991.

C8015167

CITIBANK

22

PRIVATE BANKING-WESTERN HEMISPHERECLIENT ACCEPTANCE POLICYGENERAL PRINCIPLES

- I. Corporate ethics, corporate compliance and corporate protection require good client knowledge.

Law and policy require us to "know our customer" and have a reasonable level of information about a client at the time of account acceptance in order to be able to make an informed decision.

We only accept clients with integrity and good reputation. In the case of accounts held by trusts or private investment corporations, we should be satisfied that the beneficial owner or controlling shareholders meet our integrity and reputation criteria. Clients whose ethics or demands are, or are suspected to be, questionable, must be refused. We do not maintain accounts for persons whose sole recommendation is the amount of funds flowing through their accounts. An account officer who has any doubt about a potential or actual client, should consult with his/her supervisor before accepting the account, or at the time when the doubts appear. The Regulatory Compliance Unit should also be consulted in cases of doubt.

- II. It is our policy to know the principals of all accounts. Knowing our customer protects us in the following situations:

a) LEGAL AND REGULATORY RISK:

The bank and its officers can be civilly and criminally liable for handling funds with knowledge or conscious disregard of the fact that such funds are the proceeds of illegality (i.e., money laundering). While vigilance throughout the relationship is needed, a clear-eyed assessment of the integrity of the client, his business activities and source of funds at the acceptance stage and thereafter can alleviate these risks. It also helps detect any future patterns inconsistent with the client's known profile.

We are required by U.S. laws to know certain specific information about our clients in order to comply with applicable tax, regulations, securities laws concerning types of investments, and the Money Laundering Control and Bank Secrecy Acts. We must know who the principals of each account are and have satisfactory identifying information on such principals. When non-resident alien status is adduced through a sworn client statement (TEFRA Declaration), the Private Banker accepting the account must have reasonable evidence of such status. We cannot rely on a signed TEFRA if we have actual knowledge that the facts are different.

CB015168

1) FRAUD

Against Third Parties

The possibility is always present that we may be liable for negligence in allowing a fraud to occur through an account. To the extent, however, that we can demonstrate that we have inquired into the activities of our client and have received credible explanations and also have grounds for believing our client is honest, the protection from such liability will be increased substantially.

Against Clients

Clear rules as to authority to dispose of clients' assets are a fundamental requirement. We must know who, under what circumstances, and how identified, is authorized to give instructions. When we have notice that the person we are dealing with is acting, not for his own account, but as an agent for a third party, we must know the principal in order to be sure of the agent's authority. In most cases, it is more appropriate to insist that the account be opened in the actual owner's name, with powers of attorney granted to the person acting for the account. In the case of a corporation, we must have properly authenticated corporate records, documents and authorizing resolutions clearly identifying the persons authorized to transact for the corporation and we must know such persons.

Against the Bank

Knowledge of the client can help reduce situations where the bank may be set up to lose more than it will ever receive, or may be subject to various schemes and false claims, often by individuals purporting to act for wealthy, "secret" investors.

1) CREDIT RISKS

Granting credit based upon collateral security must depend in part on knowledge of the borrower, the owner of the collateral and in most cases other parties to the transaction. As a basic matter, the authority of the person operating the account, negotiating and executing documents, must be adequately verified in order to rely upon the effectiveness of the security against third persons.

In addition, if the client or other parties are or have been involved in illegal activity, the government may seek forfeiture of client assets. This may result in a loss to the Bank of funds which were relied on as collateral, where we cannot sufficiently prove that we are an innocent holder without reason to believe that the funds were tainted. Knowing the client, and that he is not acting for a third party of unknown credentials, lessens these risks.

d) LEGITIMATE PRIVACY EXPECTATIONS

Knowing your client may defuse needless probes into the private affairs of our legitimate clients. Haphazard acceptance procedures and insufficient information may create the appearance of impropriety, raise questions and create unnecessary inquiries.

Clients with legitimate privacy interests shy away from a bank involved in public controversy. An important element in the protection of our name from adverse publicity is the quality of our clients.

III. We do not accept transactions involving criminally derived funds or funds used for criminal ends. If anyone suspects that a client is engaged in illegal activity, he must immediately advise his supervisor and the Regulatory Compliance Unit.

IV. It is the responsibility of the Private Banker in the location where the account is domiciled to obtain all relevant client information and account documentation. Basic information must be obtained on all joint account owners. Client information must be documented in writing (i.e., account opening and client profile documentation) and should include:

- a) Description of documents used to identify customer. Copies of passports and other relevant identifying data should be recorded.
- b) Source of funds. Origin of cash deposits should be requested from client.
- c) References according to policy guidelines.
- d) General background information on the client, i.e., business, or profession, available family information, citizenship, permanent residence address, country of domicile, etc.
- e) Miscellaneous information, e.g., if one or several joint account holders are not present at account opening, determine how they shall identify themselves. Complete information concerning all account holders is necessary at the time of opening of the account.

Each PBG-WH location is responsible for monitoring compliance with the above requirements.

CB015170

- V. Units acting as administrators or managers of fiduciary accounts are responsible for obtaining all information required by this client acceptance policies.
- VI. Acceptance of a public figure, i.e., government leader, political figure, senior military officer, etc., requires the additional approval of the Division Executive before the account is opened.
- VII. Special Name Accounts. Use of special name accounts should adhere strictly the "special name account" policy adopted by the Division.
- VIII. Exceptions to Client Acceptance Criteria. Reasons for requesting any waiver of these criteria must be recorded in writing, listing specific reasons for waiver and placed in the account documentation file and be approved by the respective Market Region Head.

CB015171

Senate Permanent Subcommittee
On Investigations
EXHIBIT # 7

Screen 4 Client Business/Background 03/01/95 2:52pm

978575 RAUL SALINAS DE GORTARI
Business/Background:

Next Screen: For: Password:

CMNA 15-SEP-92 16:34:23 017408

EXHIBIT # 8

To: LAM DIRECT (LIST:)
 CC: M. Carmen Butler (USNYC:PBGWH), Pedro Guerra (CSSAO:PBG),
 Larry W. Ingraham (CSCYB:PBG), Dave Jones (USNYC:PBG),
 Edward Kowalczyk (USNYC:PBGWH), Jose Carlos Quintela (CSSAO:PBG),
 CC: David J. Tristram Smith (USNYC:PBG), David A. Tremblay (USNYC:PBG),
 CC: Jean-Pierre Zelcer (USNYC:PBG)
 From: Reynaldo Figueiredo (USNYC:PBGWH)
 Date: TUE 15-SEP-92 16:34 GMT
 Subject: Client Information -- Policy & Procedures

 As you will recall, we discussed on several occasions ways of using CAMS as our principal client information system. The need for having one standard system that permits the storage, update and retrieval of non-financial information has been further exacerbated when Private Bankers resigned from the bank without leaving behind adequate information for their replacement to start working efficiently with clients.

Simple processes and procedures have been developed which should allow us to use CAMS both offshore and onshore while ensuring confidentiality. In addition, I have established the policy below which I expect each one of you to enforce throughout your area of responsibility.

INTRODUCTION

CAMS entails two broad types of information:

- (a) Non-Financial, Private Banker-driven (screens #1 through #5), including Name & Special Attention, Client's Confidential Addresses, General Client Information, Client Business/Background, Client Strategy/Meetings.
- (b) Other screens, including Product Balances and Transactions (CDS-driven).

POLICY

It is LAM's Management Policy that:

- CAMS be used as the primary vehicle to store and document clients' non-financial data.
- Such data be accessible in the onshore offices exclusively for those clients who have an onshore service relationship and in a highly restricted and secured manner only, so as to prevent unauthorized access to it by internal and/or external parties.
- Private Bankers be accountable for reviewing, at least once a year, such information relevant to their clients and ensure that it is as complete and up-dated as possible.
- WH Compliance Department will audit CAMS files to assess compliance with the above.
- No information will be accessed onshore in the case a client objects to it or has expressed a desire to maintain head office contact only.

This policy and related processes & procedures can only be amended or exceptions made to it by LAM's Business Manager or higher management.

PROCESSES & PROCEDURES

- (1) Country Managers/Investment Center Managers will ensure that Private Bankers onshore and offshore (all U.S. offices) will complete client information screens #1 through #5.
- (2) Offshore Private Bankers will access those screens using their current

CB014629

password restricted to their own expense code or expense code group.

(3) Onshore Private Bankers will be nominated by the respective Country Managers for issuance of CAMS passwords allowing them to access their respective expense codes from onshore offices. LAM's Business Manager will approve, individually, such nominations before passwords are issued by CDS.

(4) Passwords will be renewed each month by CDS or every time a personnel change requires it. CDS may immediately suspend any such password at Country Manager's or higher management's request.

(5) CAMS PASSWORDS ISSUED BY CDS TO PRIVATE BANKERS (ONSHORE AND OFFSHORE) MUST REMAIN CONFIDENTIAL AND WILL UNDER NO CIRCUMSTANCES BE SHARED BY HOLDER WITH ANYONE.

(6) Onshore Private Bankers with passwords will be able to consult on-screen non-financial client information. Policy mandates that no such screen will be printed locally.

(7) The Country Managers will be provided by Pedro Guerra with the necessary software to implement (3) above. Procedures for password issuance & renewals will be developed by Guerra in conjunction with CDS (David Smith).

(8) Screens #1 and #2 should NOT be input to CAMS for any Trust and/or PIC account. Client contact information for such accounts will be exclusively maintained in TRUMPS C(B)L system in Nassau/Cayman. It will be C(B)L responsibility to keep this information up-to-date and to regularly solicit any relevant input from Private Bankers to that effect.

9) No linkage with C(B)L or C(C)L accounts is permitted in CAMS non-financial screens.

TARGETS

I am asking each Country Managers and/or Investment Center Manager to ensure that the following target dates are being met for all clients under their managerial responsibility: Clients who have account with title in their own name: screens #1 and #2 must be input into CAMS by 12/1/92 for all clients. Screens #3 through #5 will be input:

- Top 20 clients/Private Banker, by 12/1/92.
- Remaining clients, (except select), by 4/1/93
- Select clients, by 6/30/93

I am also asking each Country Manager and/or Investment Center Manager to forward to my attention, no later than 9/30/92, a consolidated plan covering their entire area of responsibility and indicating the schedule of their reviews, i.e. what Private Banker will be reviewed by whom and when. This exercise should take place at least once a year thereafter.

I am taking this matter extremely seriously, and I am asking you, in turn, to exercise your full managerial authority in getting this job done.

Please let me know if you have any questions.

Regards,

CB014630

Reynaldo

Senate Permanent Subcommittee
On Investigations
EXHIBIT # 9

CMNA 8-DEC-93 20:19:47 028001
To: Kar Wah Chan (APHKG:PSG), Salvatore Mollica (USNYC:PSG),
Mako Obara (USNYC:PSGWH), Henry Heller (USNYC:PSGWH),
From: Albert Misan (CSMEX:LAGF), Javier M Crespo (CSSUE:LAGF),
To: Kathy Waldron (USMIA:PSG), Jose Luis Daly (CSVNI:PSG),
To: Mitchell S. Heller (USNYC:PSGWH), Antonio Carlos Cortese (CSSAC:PSG),
To: David A. Tremblay (USNYC:PSG), Steven Fee (USMIA:PSG)
CC: Oliver C. Scholle (USNYC:PSGWH), Edward Kowalczyk (USNYC:PSGWH),
CC: Christine A. Nolte (USNYC:PSGWH)
From: G. Edward Montero (USNYC:PSGWH)
Date: WED 08-DEC-93 20:20 GMT
Subject: Client Profile/Suitability/Sales Practices

The following was decided in the LAM Country Head meeting
November 22-23, vis-a-vis completion of CAMS 1-5 for your area:

Due DECEMBER 31, 1993
- All clients over \$1.0MM by AUM
- All clients having EMI and Derivative Products

Due FEBRUARY 18, 1994
- All clients over \$500M by AUM

Due JUNE 30, 1994
- Remaining client base

As a guide, you should refer to the November 1 Suitability and
Sales Practices policy statement and have the Private Bankers
demonstrate their knowledge of the client. In general, the
documentation required is the basic CAMS Screens 1-5 which
includes client information such as complete family and
business background and financial condition/net worth. Also,
you should include in the free form areas, "suitability" type
of information such as the customer's overall expressed
investment objectives, risk tolerance and prior transaction
experience. If the client expresses interest in a particular
product set, ensure that they are aware of the associated
risks.

Since our meeting, I have decided to simplify the policy and
hold you, as the Manager, directly accountable for the adherence
to policy by your staff. Year end bonuses for each of you will
be held for non-completion of this assignment in the required
time frame. You must attest to the satisfactory completion of
the above by December 31.

CB014626

(14)

All PIC and Trust beneficial client related information should be recorded and ultimately housed with C(8)L in the Trumps system.

Under separate cover, I will include a recent draft of a client suitability guide which can be coupled with the CAMS screens.

We all agreed this is a very important topic requiring our full attention.

Thanks,
Ed

Delivered: WED 08-DEC-1993 20:20 GMT

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Sacramento Bee

EXHIBIT # 10

August 11, 1993, METRO FINAL

SECTION: MAIN NEWS; Pg. A14

LENGTH: 1347 words

HEADLINE: RUMORS OF CORRUPTION BESIEGE MEXICO'S PRESIDENT

BYLINE: David Schrieberg, See Mexico City Bureau

DATELINE: MEXICO CITY

BODY:

They say here that Jose Lopez Portillo, a former Mexican president, once got bashed over the head by outraged citizens armed with shopping bags as he ventured out from his luxury retirement estate.

"Thief," a crowd reportedly screamed at Mexico's most powerful man from 1976 to 1982, widely alleged to have robbed the government of billions of dollars during his tenure.

People tell plenty of similar stories of treasury theft about two other recent presidents. The lesson for Carlos Salinas de Gortari, whose six-year presidency has entered its last third?

Beware of shopping bags.

Rumors -- all publicly unsubstantiated -- are flying in government circles and among the national press that members of the Salinas family, and possibly even Salinas himself, are taking advantage of the president's office to build massive personal fortunes.

And rumors are the only reports likely to be heard in a country where the press does not play a watchdog role, the government essentially stands guard on itself and one political party has reined supreme over all branches of government for more than six decades.

According to some of the stories, Salinas' siblings are involved in a wide variety of unsavory business deals, peddling their influence, using other people as phony fronts and generally throwing their weight around in their commercial dealings. Then there are the whispers that Salinas himself has a secret share in the country's telephone monopoly, which was sold off along with hundreds of government-owned businesses to private investors.

Of course, in a system where all public power and thousands flow from the president and where business fortunes are created by his nod, no one who values his career or his scalp will talk of such things on the record.

But off the record, such stories are the talk of the town. They are hinted at in the media by columnists' antithetical opponents. They are openly discussed at

Sacramento Bee, August 11, 1993

PAGE 3

private parties of the rich and politically influential. Even high-ranking government staffers are said by acquaintances to be troubled by the reports, which have long circulated but have been increasing lately.

"In past presidencies, you heard people talking about corruption," said one influential journalist who -- of course -- asked not to be identified. "But we're talking here about top Mexican officials . . . the ruling class. This is a huge change."

This of rumor traffic is traditional fare in the last two years of any Mexican presidency. In the past, behind the smoke there has been some fire. A bodyguard for Arturo "The Black" Durazo, Mexico City police chief and close friend of Lopez Portillo, wrote a best-selling expose that detailed astonishing official corruption.

Durazo eventually went to jail. So did Jorge Diaz Serrano, who was head of the state-owned oil company. Most recently, another Mexico City police chief was arrested and is awaiting trial. Other public officials have amassed ostentatious wealth while serving in public offices that pay less than top salaries.

In 1984, Washington columnist Jack Anderson, citing CIA sources, triggered a small scandal in Mexico when he wrote that President Luis Alvarez Echeverria had amassed from \$ 300 million to \$ 1 billion; Lopez Portillo from \$ 1 billion to \$ 3 billion and former President Miguel de la Madrid about \$ 200 million.

The current round of rumors are never accompanied by proof or testimony of knowledgeable, named witnesses. They have been emphatically denounced by Salinas' family and his spokesmen, who blame political hit men for spreading lies.

"It's absurd and there's nothing to it," one source close to the president said recently. "It's dirty tricks."

"False, slanted . . . and without the least attempt at verification," Salinas' oldest brother Raul, who has been the focus of many of the allegations, wrote recently in an angry letter to two magazines.

Despite indignant rebuttals from Los Pinos, Mexico's White House, analysts and observers say Salinas is likely to keep stumbling against public perception that Mexican press and members of their administrations consider it their right to prepare for comfortable, post-presidency lives.

Arturo Sanchez Gutierrez, a political analyst, calls it "part of Mexican political culture."

Unlike the U.S. press, Mexican reporters and editors almost never play the role of watchdog. Besides having virtually no access to incriminating documents, many publications depend on government advertising to survive and don't dare rock the boat.

As a result, one newspaper editor said, his paper's policy is one of "con negligence about following this all the way down."

What's clear in the current round of rumors is that it's the latest step in the almost predictable dance of Mexican presidential politics.

PAGE 4

Sacramento Bee, August 11, 1993

expert at Georgetown University. "It's just as normal as in the first few months of the next administration, there will be all kinds of noises about corruption in the previous administration."

"Somebody," he added, "may even get arrest

GRAPHIC: See file

Rumors are flying in Mexico that President Carlos Salinas de Gortari is taking advantage of his office to build a massive personal fortune.

LANGUAGE: ENGLISH

March 1, 1995
1:59 p.m.

Amy Elliott: You know what I mean? Um, but after the day is over maybe I'll feel different, I'm sure I'm going to be asked to speak to God, okay?

Pedro Homen: I'm sure.

Amy Elliott: Um, and so after I speak to God I will pass it on to you, but my inclination is not to do anything that, that would look like we are trying to, to cover up things, to do things. We did not act improperly, um with the information we had at hand. This is not a case where we can be faulted for, for, for doing anything wrong and for not doing proper due diligence. We did, okay?

Pedro Homen: Yeah.

Amy Elliott: . . . I expect that I will have to go up to, to God and when I do I will let you guys know. Where are you going to be, in London?

March 1, 1995
2:47 p.m.

Pedro Homen: [Unintelligible] okay and [unintelligible] we thank God that the guy close to God is comfortable as well. [Laughter].

Sarah Bevan: His right hand man is comfortable.

Amy Elliott: His right hand man is comfortable. I love it. Alright sweetheart. Thank [unintelligible] . . . both of you. Okay. Bye.

March 1, 1995
3:02 p.m.

Sarah Bevan: Um, so Amy's okay. She's been in since six-thirty. Um, obviously she's speaking to everybody, God included, and, um, she's speaking to the lawyers now as well, so probably, I mean she'll speak to you if, if there's anything she needs to address specifically, but she's basically . . .

March 1, 1995
1:59 p.m.

Pedro Homen: Yeah.

Amy Elliott: Uhm, everybody was on board on this.

Pedro Homen: Yeah.

Amy Elliott: I mean this goes. [Unintelligible] in the very, very top of the corporation this was known, okay . . .

Pedro Homen: Yeah.

Amy Elliott: . . . on the very top.

Pedro Homen: Okay. [Unintelligible].

Amy Elliott: You and I are little pawns in this whole thing okay?

Senate Permanent Subcommittee
on InvestigationsEXHIBIT # 12STRICTLY CONFIDENTIAL -- NOT FOR
CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF
ONLY

77

Client File [966241 TENDIN INVESTMENTS LTD. PC-2623N 1] Client Profile Form

| Business Data | |
|---|--|
| Company Name: | <input type="checkbox"/> Own Business Date Started: _____ |
| Nature Of Business: | HEAD OF STATE FOR OVER 25 YEARS |
| Any Useful Details/Changes Anticipated: | |
| Source of Wealth / Business Background: Self-Made | |
| AS A RESULT OF POSITION, COUNTRY IS OIL PRODUCER. | |
| | |
| | |
| | |
| Partners | |
| (None) | |
| Contacts | |
| Name: | 1 () - Ext. _____ |
| Information: | Function: Unspecified |
| C/O CITIBANK (BAHAMAS) LTD./P. O. BOX N-1576 | |
| NASSAU, BAHAMAS ATTN: DONELLE KNOWLES, T.O. | |
| Name: | 1 () - Ext. _____ |
| Information: | Function: Unspecified |
| | |
| Name: | 1 () - Ext. _____ |
| Information: | Function: Unspecified |
| | |
| | |

X002448

KYC DEFICIENCIES

CITIBANK

Account Documentation Unit 0

Senate Permanent Subcommittee
on Investigations

Date: 25/6/97

Maker: P.C.

Re: REDACTED

UBN: 305382

EXHIBIT # 13

☒ Beneficial Owner Details - name - addresses - references - passport
 A/c name is REDACTED, however a/c application is
 an individual in two other names

☒ Source of wealth

☒ Business backgrounds

☒ Business affiliations

☒ Source of knowledge

☒ Public figure - investment centre head approval
 N/A

☒ Use of account

A97183094

☒ Type, volume and frequency of transaction through account

☒ Client profile for all account holders

☒ Source of funds used to open account

☒ Other details

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CS003281

Senate Permanent Subcommittee
on Investigations

EXHIBIT #

14

69
STRICTLY CONFIDENTIAL - NOT FOR
CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF
ONLY

G0220CC 28-APR-97 14:53:57 509307

To: Alain Ober (USNYC:PBGWH), Muwaffak Bibi (USNYC:PBG)
 CC: Jean-Francois Hubert (EUPARZ05:PBG), Salim Raza (EULON:PBG),
 CC: Francois Herve (EUPARZ05:PBG)
 From: Christopher L Rogers (EUPARZ05:PBG)
 Date: MON 28-APR-97 14:49 GMT
 Subject: France-Gabon Paris Press Clippings

I see that Jean-Francois was able to get you the clippings you required in my absence, and I thank him for doing so diligently and thoroughly.

At the same time, Francois Herve and I feel quite strongly that all of us need to be very thoughtful and selective about the press coverage we choose to interpret and share about our top customers.

In the case at hand, the information which has come to light recently is part of an ongoing controversy which stretches back well into last year, and which largely transcends the sole question of our customer's personal financial dealings.

I am unable to interpret the current press allegations insofar as they might touch upon the Bank but would not be tempted to try because of the doubts it could raise in people's minds about our own relationship with our customer. If this is the case, we ought to be extremely careful about sharing such information with regulatory authorities, because we can't answer for it.

I think our course of action should be to stay informed about what is being carried in the newspapers, and consult regularly amongst ourselves about what appears to be germane for the Bank. Only then should we seek more interpretation and possible further dissemination.

I'll volunteer the first recommendation as to our course of action in this matter:

- 1) the character of our customer is not compromised from a compliance standpoint, insofar as our relationship is concerned;
- 2) we should stay as far away as possible from this mess, unless and until any one of us has firm or verifiable evidence which would lead us to suspect the Bank's interests are at risk.

Regards,

Chris

NB: Muwaffak/Alain

Please take out a subscription to "Le Monde" in New York. Sabine goes to great lengths to photocopy and mail the "Lettre du Continent", but,

X007054

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CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF
ONLY

with respect, cannot be expected to scan and clip the local press on a daily basis. I'll send along what I think is important as per 2) above and you should do likewise.

Received: MON 28-APR-1997 14:05 GMT

Delivered: MON 28-APR-1997 14:49 GMT

X007055

Senate Permanent Subcommittee
on Investigations

75

Saim Raza

EXHIBIT # 15

From: Christopher L. Rogers
 Sent: 06 November 1988 10:57
 To: Saim Raza
 Subject: TENDIN

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 CIRCULATION
 SUBCOMMITTEE MEMBERS AND STAFF
 ONLY

We ought to ensure that we face this issue and its possible implications with our eyes wide open.

Whatever internal considerations we satisfy, the marketing fallout is likely to be serious.

You may find the following considerations of some use if you are able to speak to Anjum today at 10:00 a.m. London time.

1. Both Muwaffak and Nuhad are already beyond Gabon. They will not be around to pick up the pieces.
2. At the end of the day, Sam gets his marching orders from Tendin. If the latter is snubbed, Sam will not risk being bruised in the fallout.
3. Tendin has been vitally instrumental in our franchise's success over the years. The latter has been a matter of personal pride for him. Tendin got the franchise back on its feet after the Mazumdar / Gopaul nadir, through personal intervention. Sam helped the Branch considerably over the last two years to obtain a more reasonable and rightful share of public sector deposits, with Tendin's blessing. The probability of this support being reversed indefinitely should be weighed seriously.
4. We should bear in mind that the Tendin relationship is deeply anchored in a trust. As such, it is a very personal matter involving much of his family, vis-a-vis which he cannot afford to lose face. This is likely to magnify his reaction, with a further blow to our credibility as a Private Bank.
5. Tendin and Mandela are the foremost African leaders today, and they are friends. Tendin's position in Francophone Africa, including Congo K, is preeminent. Although we can't measure how far the negative vibes could go, there is no doubt that they will spread and that will include France. Tendin's family and friends extend far.
6. The fallout from Tendin will coincide with the news from Monaco, and the two will magnify each other. The impact on PBG marketing in Francophone Africa will be serious. Beyond this, there would be legitimate grounds for concern in many people's minds about whether Citibank was abandoning this part of the Continent.

Regards
 Chris

X007045

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 16

89
CITIBANK

THE CITIBANK PRIVATE BANK

*Memorandum**Emerging Markets
Relationship Support Team*

Date: 15 September, 1998

To: Credit Committee

From: Belma Kusoglu

Re: REDACTED w/ 305382 027
US\$ 39,100,000

A98279033

| | | |
|----------|------------|----------|
| UEH | 305382 | Original |
| Dr | 209 | Fax |
| E | 15.9.98 | Copy |
| SU | 305 | |
| Comments | | |
| Sender | KUSOGLU B. | |

Surplus : US\$ 56,637,172.81

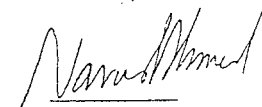
Purpose

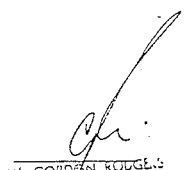
The purpose of this memo is to seek approval to overdraw the clients call account by US\$ 39,100,000 until maturity of the time deposit on 30 September 1998 and set a special pricing of 1.00% over US\$ debit base rate on call account number 305382 027.

Background/Rationale


The client has requested the remittance of these funds urgently. The total amount of the fixed deposit is US\$42mm. The breakage of this would prove too costly for the client.

Approval is recommended

CASH BACKED
T.D 30/9/98

 Dr. Naveed Ahmed
 Vice President


 W. GORDON KUGL
 VICE PRESIDENT

15/9/98


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CS003360

Senate Permanent Subcommittee
on Investigations

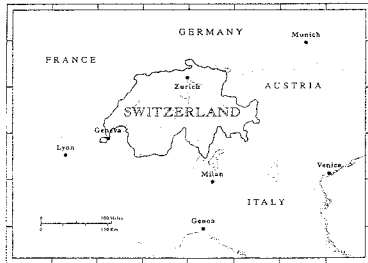
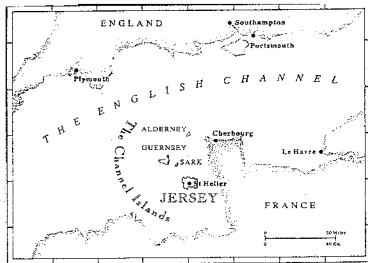
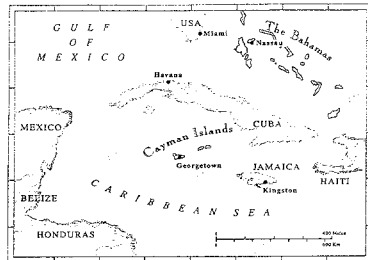
EXHIBIT # 17

*INTERNATIONAL
TRUSTEE
SERVICES*

C O N T E N T S

| | |
|--|---------------|
| Welcome to The Citibank Private Bank... | <i>I</i> |
| The Trust Long-term conservation of your wealth | <i>2</i> |
| The Private Investment Company (PIC) Securing the corporate advantage | <i>4</i> |
| Our International Trustee Services | <i>7</i> |
| The Private Investment Company (PIC) | <i>9</i> |
| The Distribution Trust (Standard) | <i>11</i> |
| The Distribution Trust (Preferred) | <i>13</i> |
| The Family Trust | <i>15</i> |
| The Protection Trust | <i>17</i> |
| Other Services | <i>19</i> |
| The Bahamas, the Cayman Islands, Jersey & Switzerland The best of all worlds | <i>21</i> |
| What To Do Next | <i>22</i> |

*The Bahamas,
the Cayman Islands,
Jersey & Switzerland*



In the Western Hemisphere, our trust companies are in The Bahamas and the Cayman Islands.

In Europe, we have a trust company in Jersey and a trust administration centre in Switzerland.

Our trusts are usually written under the trust laws of The Bahamas, the Cayman Islands or Jersey and Cititrust (Bahamas) Limited, Cititrust (Cayman) Limited, or Cititrust (Jersey) Limited (wholly owned subsidiaries of Citicorp) act as trustee.

We believe that the strong confidentiality laws and favourable tax status of these centres, combined with Citibank's global presence and expertise, provides a powerful combination for the clients of The Citibank Private Bank.

The best of all worlds

◀ *THE BAHAMAS is one of the oldest parliamentary democracies in the world, an independent sovereign state since 1973, and has a long tradition of Trust and Company Services.*

◀ *THE CAYMAN ISLANDS are a British Crown Colony with a high degree of internal autonomy and enjoy a complete absence of taxation.*

◀ *JERSEY, as a self-governing protectorate of the British Crown, enjoys total independence in its domestic affairs. It frames its own tax and legal rules and will be unaffected by European Community tax harmonisation.*

◀ *SWITZERLAND has a long tradition of political stability, neutrality and private banking expertise and its confidentiality laws are amongst the strongest in the world.*

March 1, 1995
2:38 p.m.

Hubertus Rukavina: Now, the thing is whether that, whether those, whether those accounts shouldn't be brought to Switzerland.

Pedro Homen: The ones in London?

Hubertus Rukavina: Of course.

Pedro Homen: They are held under the trust, right?

March 1, 1995
2:51p.m.

Pedro Homen: . . . The, second point, uh, uh, Rukavina raised was on secrecy and confi-, confidentiality levels, that we can have a, with the present structure, with these accounts in London. So his question is, should we eventually move, uh, the accounts back to Switzerland, or are, we comfortable with, uh, keeping them in London?

Pedro Homen: So, I, I believe there is no specific reason to be in London.

Tom Salmon: So, Rukavina's question is really, from a, secrecy standpoint, should we move it out of London back to Switzerland?

Pedro Homen: Yes. I mean, what's the best structure to [intelligible]?

Tom Salmon: I don't think that if we move it from London to Switzerland, London will be able to destroy its records.

Sarah Bevan: No. That's right. You'd see a transfer.

Tom Salmon: So, so, I don't know what would necessarily be gained by moving everything to Switzerland.

Tom Salmon: Okay, fine, I, then my feeling is this. I don't think you're going to be, I don't think you're going to be able to wipe out the history of London.

Tom Salmon: [Unintelligible] I don't personally see any benefit in moving it, in moving it to, uh, to Switzerland.

March 1, 1995

3:11 p.m.

Sarah Bevan: . . . and essentially he's (Tom Salmon - Confidas) saying that if a transfer were done from London to Switzerland, uh, the very fact that you can't bury the records or lose the records here in London doesn't help anything.

March 1, 1995

4:31 p.m.

Sarah Bevan: Um, Rukavina was suggesting that the whole account be transferred to Switzerland, but, I mean, you know, yes, that's an idea, but you can't dispose of records here.

Sarah Bevan: So at this stage we are sitting tight. We are not doing anything. I mean obviously if we start transferring to Switzerland, not only is there a trace, but it also implies that we are . . .

Joanne Sciortino: Right.

Sarah Bevan: . . . concerned or worried or what have you. And then we could really be seen to be committing a, a, an offense.

Joanne Sciortino: Right.

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 19

66

| | |
|---------------|--------------------------------|
| PBG-WHEMEA NY | |
| DATE: | April 14, 1997 |
| TO: | File |
| FROM: | Alain Ober |
| SUBJECT: | TENDIN INVESTMENTS, LTD/966241 |

Christopher L. Rogers, our African marketing head based in Paris, recently had a meeting with a very high-ranking government official of our client's country. This person, who keeps PBG accounts in Paris and New York (well known to me) has been involved in the country's financial affairs for the last twenty years. The main purpose of the meeting was to determine the amount of funds put at our client's disposal in the national budget of his country.

The national budget is patterned after the French budget and the expense side is divided into three categories: operating expenses, investments and debt. In every yearly budget, an overall allocation is voted across the operating expenses and investments categories. It is understood that these funds are at the disposal of the Presidency, without any limitation.

in the last published budget (1995), the various allocations were as follows (converted into US\$MM):

| | |
|---|---|
| • Centralized management/Special endowments: | \$45MM |
| • Direct Administration/Payments to Treasury: | \$54MM |
| • Presidency/Special endowments: | \$2MM |
| • Presidency/Permanent Balance: | \$10MM |
| Total: | \$111MM representing 8.5% of the Budget for 1995 (\$1.3MMM) |

While, we can assume that the same level of allocations exist in the 1996 Budget (\$1.4MMM) and the 1997 Budget (\$1.5MMM - yet to be voted), we continue trying to obtain additional information about these figures.

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MEMORANDUM ⁷¹


Comptroller of the Currency
Administrator of National Banks

Senate Permanent Subcommittee
on Investigations

Washington, DC 20219

EXHIBIT # 20

To: Bank File

From: Steven D. Lindsey, NBE 

Date: June 18, 1997

Subject: Related files of El Hadj Omar Bongo
President of Gabon (Africa)

Background

During the fourth quarter 1996, the Federal Reserve Bank of New York (FRB) conducted an examination of Citibank's Global Private Banking operations. The FRB asked the OCC if they could test the FRB's new know your customer (KYC) examination procedures at Citibank, NA due to the size of its domestic and international private banking presence. Following the FRB's exit meeting with Citibank management, the FRB asked to meet with the OCC. On February 18, 1997, Ralph Sharpe (DC for MNB), Grace Dailey (E&C), Mike Linowes (NE District E&C Attorney), Jerry Cassel (NBE at Citibank) and I met with the FRB. During that meeting the FRB shared with us the concerns listed below.

Although the FRB had concerns, they did not discuss them with Citibank management during the exit meeting. However, they asked that we follow-up on them. Following that meeting and on February 19, 1997, Mike Linowes and I met with the FRB examination team and supervisory office. During that meeting the FRB gave us a copy of their Bongo file and discussed their findings in more detail.

As part of the examination scope, the FRB reviewed the bank's internal program that monitors unusual account activity. The report identified a \$31 million decline (September 1996) in President Bongo's fiduciary account, Fendin Investments. The reduction in the Fendin Investment portfolio was the basis for FRB's decision to review account activity. The FRB identified the following as issues:

- o There is nothing in the file that explains the source of the initial funds beyond alluding to the oil revenues and a relationship with the French oil companies.

000069

- o Mr. Alain Ober, Citibank private banker responsible for the Bongo relationship, told the FRB (during interviews) of President Bongo having a courier pick up suitcases full of cash from the oil companies. 72
- o In October 1996, President Bongo opened another account at Citibank. This account was to be used to collect payments from his relationship with oil companies.

Assets from the Tendin Investment account were used to pay off existing debt with Citibank, NA. According to the loan terms, repayment of the debt was to come from liquidation of Tendin Investments. The bank's unusual account activity report reflected a \$20 million increase in the Tendin Investment Account during the fourth quarter of 1996. The increase was the result of replenishing the investment account. According to Alain Ober, President Bongo was pleased with how Citibank managed Tendin Investments and wanted to rebuild the portfolio to a level similar to what it was prior to paying off existing debt. As of September 1996 and after the debt repayment, assets under management (AUM) for Tendin Investments were \$32 million. As of April 30, 1997, its assets increased to \$56 million. The increase in the account is due to earnings on the account and the additional funds deposited to replenish the account (\$20 million).

OCC Evaluation

What follows is a discussion of OCC's evaluation of the Bongo relationship. During the first quarter of 1997 and in response to the FRB's findings, we conducted an extensive review of all Bongo relationships. This review included all current and past files pertaining to the following:

- o El Haji Omar Bongo -- President of Citicor and Primary Client
- o Tendin Investments
- o Edouard Bongo-Nassou -- Wife of President Bongo -- Non-Client Accountholder
- o Pascaline Bongo -- Daughter of President Bongo -- Non-Client Accountholder
- o Ali Ben Bongo -- Son of President Bongo -- Non-Client Accountholder

What follows is a discussion of our file review and interview of Alain Ober relating to the issues identified above:

There is nothing in the file that explains the source of the initial funds beyond alluding to the oil revenues and a relationship with the French oil companies.

We agree with the FRB that no documents exist to detail the wealth source or future wealth expectations. While this was not an item that banks would generally collect in the early 1980's when Citibank entered this relationship, present KYC expectations strongly encourage banks to complete a thorough analysis of clients, including documenting their attempts to find out the original source of wealth. Over the past two years, Citibank private banking units have made good progress in

capturing this information on all new clients and have embarked on a plan to update all existing accountholders.

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Mr. Ober states that President Bongo does not provide sufficient information to identify the source of wealth except to say it is from his position as Head of State and revenues from oil businesses. However, as a proxy for source of wealth, Citibank - Paris performed an analysis of Gabon's last published budget (1995) and found that President Bongo had approximately \$111 million, or 8.5% of the total 1995 budget of Gabon, at his disposal. It is the understanding of bank management that these funds are available to the Presidency, without limitation. According to Mr. Ober, President Bongo has substantial oil interests in Gabon and other African countries. When combined, these factors serve as support for the source of Tendin Investments' funds. With the exception of the transactions that paid off existing debt and replenished the account, growth in the account has come from investment earnings on the Tendin assets.

Issue: Mr. Ober told the FRB during interviews of President Bongo having a courier pick up suitcases full of cash from the oil companies.

In determining cash transactions through Citibank, N.A., we reviewed the files of President Bongo and each nonclient accountholder (e.g., wife, daughter, and son). Our review revealed many transactions, typically cash-outs, in excess of \$10 thousand made on behalf of each accountholder. Only two deposits included cash in excess of \$10 thousand. These deposits were for \$100 thousand each, one made on behalf of his daughter and one on behalf of his wife. Mr. Ober stated that the source of these funds was the remaining portion of a \$1.0 million wire transfer converted into cash for the President and his entourage's use during the 50th anniversary of the United Nations (UN). One million dollars came from the President's personal account, and \$600 thousand came from the Gabonese Treasury.

During an interview, Mr. Ober told us that President Bongo always pays cash when visiting the US. During the UN visit, President Bongo and his entourage took two full floors at the Plaza Hotel in NYC. Mr. Ober discussed other currency transactions for the President family members and personal assistants. These transactions can be supported based on the estimated 9.5% of the annual national budget received by the President. Copies of related CTRs were in the files.

Issue: In October 1996, President Bongo opened another account which is supposed to collect payments from his relationship with oil companies.

Based on a discussion with Mr. Ober, we learned that this account was opened when President Bongo purchased oil interests in Africa. Mr. Samuel Dossou-Akpoet, President Bongo's oil partner and personal advisor, has full power of attorney for this account. Deposits into this account represent earnings from President Bongo's oil interests in Africa.

Conclusion: Based on our review of the information in all related files and interviews with Mr. Ober, we conclude that this relationship and related transactions do not meet the level of suspicion expected for filing a Suspicious Transaction Report because of the following reasons:

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- o President Bongo receives 3.5% of Gabon's annual budget for the Presidency's unrestricted use. In 1995, that totaled \$111 million.
- o The large transactions related to Tendin Investments account are reasonable based on the debt repayment through the liquidation of assets. The FRB confirmed the debt repayment during their review.
- o The AUM of Tendin Investments is reasonable based on President Bongo's budget allocation and oil interest.
- o Mr. Ober is very familiar with his client's financial activities and understands the transactions after reviewing available facts, including the background and purpose of the transactions.
- o Based on the interview with Mr. Ober, the transactions conducted through Citibank NA are the sort of transactions that the customer has historically been making and are normal for the Head of State of an African country.

What the bank needs to do

The bank needs to continue its efforts to improve its PBG client profiles, including the need to collect information regarding the source of wealth, future wealth expectations, account monitoring, and relationship manager monitoring.

What the OCC needs to do

Conduct a follow-up PBG KYC examination to assess steps taken in response to the 4qtr '96 OCC and the 4qtr '96 FRB examinations. This examination will cover PBG clients with Fiduciary relationships and those clients without Fiduciary relationships. This examination will commence on July 14, 1997, and conclude no later than August 14, 1997. Staffing will include two OC 18-Compliance (Steve Lindsey and Darryl Marcus), one OC 18-Fiduciary (Rusty Vaden), and fiduciary support. Examiner Vaden will provide staffing and levels for the fiduciary team.

000032

GAO

United States General Accounting Office

Report to the Ranking Minority Member,
Permanent Subcommittee on
Investigations, Committee on
Governmental Affairs, U.S. Senate

October 1998

PRIVATE BANKING

Raul Salinas, Citibank, and Alleged Money Laundering

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 21





United States
General Accounting Office
Washington, D.C. 20548

Office of Special Investigations

B-281327

October 30, 1998

The Honorable John Glenn
Ranking Minority Member
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate

Dear Senator Glenn:

On February 28, 1998, you expressed concern about reports that Raul Salinas de Gotari, brother of the former President of Mexico, Carlos Salinas de Gotari, had allegedly been involved in laundering money out of Mexico through a U.S. bank, Citibank, to accounts in Citibank affiliates in Switzerland and the United Kingdom. At that time, you requested that we determine

- how Raul Salinas was able to transfer between \$90 million and \$100 million from Mexico into foreign accounts through Citibank and its affiliates;
- what functions and assistance Citibank performed for Mr. Salinas; and
- if Citibank's actions complied with applicable federal laws and regulations.

In later discussions with your office, we were also requested to provide a comparison of Citibank's practices during the Salinas transactions with its testimony in a 1994 money laundering trial.¹ A summary of the resultant 1996 appeal,² which was also requested, appears in appendix I.

Currently, the U.S. Department of Justice, through the Office of the U.S. Attorney, Southern District of New York, is conducting a criminal investigation of the Salinas/Citibank transactions.³ Because of the ongoing investigation, the Department of Justice declined our request for an interview. Citibank made available knowledgeable officials who provided details about the Salinas transactions.

Background

The provision of financial and related services to wealthy clients is broadly described as "private banking." The Federal Reserve System and the Office

¹United States v. Giraldi, No. 93-CR-28-6 & 7 (S.D. Tx. 1994).

²United States v. Giraldi, 86 F.3d 1368 (5th Cir. 1996).

³Mexico and Switzerland are also conducting criminal investigations of Mr. and Mrs. Salinas, which include the Citibank transactions.

B-261327

(1) understand the types of transactions a customer is likely to engage in and (2) identify unusual or suspicious transactions that could indicate money laundering. Due diligence standards for private banking lay the groundwork for these policies because the standards generally commit a financial institution to verifying the customer's identity, determining the customer's source of wealth, reviewing the customer's credit and character, and understanding the type of transactions the customer would typically conduct. Under circumstances that Citibank deems appropriate, these policies may be waived.

Results in Brief

Mr. Salinas was able to transfer \$90 million to \$100 million between 1992 and 1994 by using a private banking relationship formed by Citibank New York in 1992. The funds were transferred through Citibank Mexico and Citibank New York to private banking investment accounts in Citibank London and Citibank Switzerland.

Beginning in mid-1992, Citibank actions assisted Mr. Salinas with these transfers and effectively disguised the funds' source and destination, thus breaking the funds' paper trail. Citibank

- set up an offshore private investment company named Trocca, to hold Mr. Salinas's assets, through Cititrust (Cayman)⁹ and investment accounts in Citibank London and Citibank Switzerland;
- waived bank references for Mr. Salinas and did not prepare a financial profile on him or request a waiver for the profile, as required by then Citibank know your customer policy;
- facilitated Mrs. Salinas's use of another name to initiate fund transfers in Mexico; and
- had funds wired from Citibank Mexico to a Citibank New York concentration account—a business account that commingles funds from various sources—before forwarding them to Trocca's offshore Citibank investment accounts.

No U.S. documentation identified Mr. Salinas as Trocca's beneficial owner¹⁰ or connected Mr. Salinas to the Trocca funds transferred through Citibank Mexico and Citibank New York.

⁹Cititrust (Cayman) was an affiliate of Citicorp, located in the Cayman Islands. Citicorp is now known as Citigroup, Inc.

¹⁰An account's "beneficial owner" is the individual or group that controls the account.

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Citibank New York and Trocca's offshore investment accounts and prepared a financial profile that did not mention Trocca. After Mrs. Salinas's November 1995 arrest in Switzerland, Citibank filed a criminal referral form¹² with the U.S. Department of Justice.

Citibank and Trocca

According to the Citibank representative, in or about May 1992 Mr. Salinas met with the Vice President, Mexican Division, International Private Bank section of Citibank New York, who also served as a senior relationship manager. Mr. Salinas was introduced to the Citibank New York vp by another of the vp's private banking customers who was Agriculture Minister in the Mexican government under Mr. Salinas's brother, the then President of Mexico. The purpose of the meeting was to arrange the same type of Citibank private banking relationship for Mr. Salinas. Citibank waived bank references for Mr. Salinas, relying instead on the referral of the existing client. In addition, Citibank did not follow its policy in that it did not prepare a financial profile, or financial background check, on Mr. Salinas before accepting him. That acceptance, according to bank signature cards, occurred in late May 1992.

Citibank, according to its representative, first opened a checking account at Citibank New York in Mr. Salinas's name. Using one of several Citibank templates, Citibank New York then activated a private investment company named Trocca—a shell company—to hold Mr. Salinas's assets.¹³ Citibank activated Trocca through Cititrust (Cayman), which has an inventory of dormant private investment companies ready to be assigned to clients. The company was set up in the Cayman Islands, where all documentation connecting Mr. Salinas to Trocca was held and whose laws protect the documentation's confidentiality. Trocca was set up primarily for secrecy, tax advantages, and facilitating the distribution of assets to Mr. Salinas's family in case of his death, according to the Citibank representative.

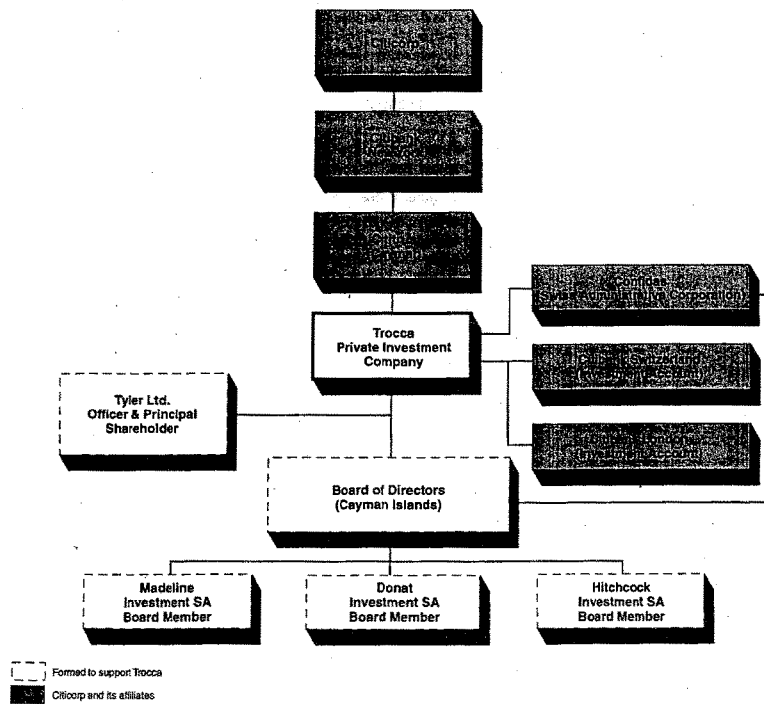
To further insulate Mr. Salinas's connection to Trocca, Cititrust (Cayman) used three additional shell companies to function as Trocca's board of directors—Madeline Investment SA, Donat Investment SA, and Hitchcock Investment SA. Trocca's officer and principal shareholder was another

¹²The form has since been changed and is now known as the suspicious activity report.

¹³As we noted in a previous report, *Money Laundering: Regulatory Oversight of Offshore Private Banking Activities* (GAO/GGD-98-154, June 23, 1998), banking regulators have expressed some concern that such private investment companies, among other offshore entities, may serve to camouflage money laundering and other illegal acts. This may occur because these accounts are formed, among other reasons, to maintain clients' confidentiality and anonymity.

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Figure 1: Trocca and Related Entities



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representative and another Citibank official recanted the position concerning Citibank Mexico's lack of knowledge, saying that someone in the Mexican bank knew both that the so-called Ms. Rios was connected to Mr. Salinas and that the funds belonged to Mr. Salinas. The officials told us they had no supporting documentation.

Throughout the transactions, according to Citibank's representative, Mrs. Salinas withdrew funds from what is believed to be at least five Mexican banks¹⁶ and had the bank checks made payable to Citibank. The representative acknowledged that it was possible that the bank checks had been obtained by using cash and not funds withdrawn from Mexican bank accounts. After obtaining the bank checks and hand carrying them to Citibank Mexico, she—using the name Ms. Rios and although she had no account there—had Citibank Mexico convert the value of the bank checks from Mexican pesos to American dollars before it wired the funds to Citibank New York.

Documents supporting the transactions further convoluted the paper trail, disguising the origin and destination of the funds and preventing them from being traced to Mr. Salinas. According to one internal document provided by Citibank New York, Citibank Mexico documented one conversion as being made by Tyler Ltd. (see fig. 1). Another document—an internal Citibank Mexico transfer-confirmation document to Confidas—was signed with the initials "PS" (Paulina Salinas). The initials were used and accepted as a signature even though (1) bank officials knew the signer as Patricia Rios and (2) for some of the signatures, she was not yet married to Mr. Salinas.

Citibank Mexico then wired the converted funds, at the direction of Citibank New York's Mexican Division vp, to Citibank New York. The first two wire transfers occurred on October 13, 1992. One transfer, which was derived from a bank check drawn on Bancomer and which carried Mr. Salinas's signature, was deposited in the Salinas Citibank New York checking account.¹⁷ The other transfer went into a concentration account—a Citibank New York business deposit account that commingles funds of a number of bank branches/affiliates and bank customers. Subsequent wire transfers¹⁸ on behalf of Mr. Salinas went to the

¹⁶Documentation listed the Mexican banks as Bancomer, Somex, Banca Cremi, Bancarte, and Banco Mexicano. According to knowledgeable sources, Mr. Salinas's accounts at these banks were under fictitious names.

¹⁷These funds were not transferred to offshore Trocxa accounts.

¹⁸The last check copy we viewed was dated in October 1994.

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According to the Citibank representative, the funds wired through Citibank Mexico and Citibank New York to Citibank London and Citibank Switzerland totaled between \$90 million and \$100 million. This Citibank official and others acknowledged that the fund transfers could have been wired to the Salinas checking account in Citibank New York or directly to Citibank London or Citibank Switzerland, thus retaining a paper trail. The representative stated, however, that Citibank had believed that the movement of the funds could be expedited by having them deposited first to the Citibank concentration account. When asked, the Citibank representative could not explain how the transfers were thus expedited.

The 1995 Salinas Arrests and Subsequent Account Actions

In early February 1995, according to Citibank's representative, the vp of Citibank New York's Mexican Division questioned Mr. Salinas concerning media accounts about his possible involvement in a murder of a government official that had taken place in Mexico. Mr. Salinas reportedly denied any involvement. But later that month, Mr. Salinas was arrested and jailed in Mexico for murder.²⁰ At that time, rather than before accepting Mr. Salinas as a customer as was Citibank policy, Citibank prepared a very brief financial profile on Mr. Salinas. The profile cited no Citibank/Trocca accounts and no source of wealth other than a reference to an unidentified construction business.

Upon reportedly learning in early March 1995 that the arrested Mr. Salinas was a Citibank private banking customer, the Citibank representative, as Vice President for Legal Affairs, put a watch on the Salinas Citibank New York accounts and Trocca's Citibank London and Citibank Switzerland accounts. Under the watch, he would have been notified by bank officials if Mr. Salinas attempted to move funds in those accounts and had the discretion to stop Mr. Salinas from doing so. However, according to the Citibank representative, the Mexican Division vp personally contacted Mrs. Salinas in Mexico in the summer of 1995, without the representative's knowledge or consent, and advised her to move all funds associated with Trocca out of Citibank. Mrs. Salinas was arrested in Switzerland in November 1995 for money laundering and drug trafficking while attempting to withdraw funds from a Swiss bank.

²⁰Subsequently, Mexican law enforcement officials also charged Mr. Salinas with money laundering and "illegal enrichment." It has been reported that he was acquitted of one money laundering charge in May 1998 and that the illegal enrichment charge was dropped. However, as of October 1998, he remained in jail pending resolution of the murder charge. It is unclear whether additional money laundering charges are still pending.

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amount of money generated by the sale.²¹ The representative also stated that Citibank had waived the holding period on funds derived from the bank checks brought to Citibank Mexico and wired to Citibank New York. Although this procedure held an element of risk for Citibank, it had not violated Citibank policy.

In addition, when opening Mr. Salinas's accounts, Citibank waived the requirement for two references for him. If Citibank had used its most common reference source, i.e., bank references, it could have obtained such information as length of association with the account holder and size of the Mexican accounts. According to Citibank officials, the reference waiver did not violate internal bank policy. Then bank policy also stated that the reasons for waiving references should be documented and placed in the account file. Citibank's private banking application document, dated May 28, 1992, cited "Known client & referred by a very valuable client of long standing" as the reasons for waiving bank references.

When asked if bank references were an important part of Citibank New York's know your customer policy, the Citibank representative stated that Citibank private bankers had told him that bank references provided little value or information. We pointed out that if bank references had been obtained and checked, Citibank could have established the value of assets Mr. Salinas possessed in those banks and a banking history of those assets, both significant points for determining future suspicious account activity including money laundering. Such checks would have revealed if the accounts were under fictitious names. In answer, Citibank officials reiterated their position that bank references had little value.

Current Citibank Policy

Citibank's know your customer policy has been revised since the Salinas accounts were opened. As of September 1997, the policy contains more specific minimum standards of information for accepting a new customer. However, any element of the policy can still be waived for a new or existing customer if (1) approved by both the Market Region Head (e.g., Western Hemisphere Head) and the Regional Compliance and Control Head representing the prospect's or client's country, (2) documented in writing, and (3) placed in the account documentation file. Waiver approval

²¹According to the Citibank representative, Citibank New York's Mexican Division, International Private Bank section failed Citibank's internal audits from 1996 to 1997. These failures occurred because of problems and deficiencies in the Private Banking section's due diligence and know your customer practices. The Citibank representative was unable to provide the results of internal audits conducted prior to 1996.

**Recent Federal Reserve
Guidance**

Although the Federal Reserve has been developing regulations concerning know your customer policies, no regulation or law currently exists to stipulate what know your customer policies should consist of or that they must be followed.²² Further, any financial institution can deposit an individual's funds in the institution's concentration account because no law or regulation precludes it.

In 1996 and 1997, the Federal Reserve Bank of New York (FRBNY) undertook an initiative on behalf of the Federal Reserve, focusing on private banking at about 40 domestic and foreign banking institutions in the FRBNY's district,²³ including Citibank New York. Deficiencies noted by FRBNY centered primarily on poor internal controls and procedural weaknesses involving such problems as insufficient documentation and inadequate due diligence standards.

Recognizing that banks have a legal obligation to prevent money laundering, FRBNY set out guidance in July 1997 as a result of its review. That guidance focused primarily on the significance of sound voluntary know your customer policies and procedures in managing risks inherent in private banking activities. The guidance stated that sound know your customer policies should require, among other elements, that a client's source of wealth and funds be corroborated and that, as an element of due diligence, institutions obtain preferably detailed client references from reliable, independent sources. It also stated that senior bank management should expect compliance with these policies as a matter of course, that waivers should be the exception, and that reasons for such exceptions should be documented.

In addition, according to the guidance, sound practice for private banking dictates that all client transactions go through the client's own accounts and not through the banking institution's concentration or suspense accounts. According to the guidance, going through concentration or suspense accounts "effectively prevents association of the clients' names and account numbers with specific account activity, could easily mask unusual transactions . . . , and could easily be abused."

²²The House of Representatives passed H.R. 4005, which required the Secretary of the Treasury to promulgate know your customer regulations for financial institutions. The Senate was unable to complete consideration of this bill during the 105th Congress. The bill's overall purpose was to deter money laundering.

²³GAO/GGD-98-19R, Oct. 30, 1997.

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•**Testimony**—The Citibank vp affirmed that Citibank New York's international relationship managers were to make an extensive effort to know their potential customers, as a way of protecting the bank, before accepting them. It was "too risky not to . . . do the due diligence, not to know who you're dealing with" before accepting a prospective customer's funds in a private banking relationship.

Citibank's Action—In contrast, Citibank made no attempt to investigate Mr. Salinas's background before accepting him. Citibank was unable to confirm if the division vp had met Mr. Salinas before accepting him as a Citibank private banking customer. Further, Citibank did not file a financial profile, or a financial background check, as part of due diligence.

•**Testimony**—The Citibank vp considered the know your customer policy as ongoing and not just for the initial customer-acceptance phase. As such, according to the testimony, the vp and other Citibank relationship managers visited customers' homes and businesses frequently—"10 to 12 times a year in their country"—to "know what's going on." They discussed prospective customers—including who referred them and what they did for a living—with supervisors throughout the acceptance process, which could take between 3 to 9 months.

Citibank's Action—According to the Citibank representative, the Citibank vp never visited Mr. Salinas's place of business but may have visited his home only after he had been accepted as a private banking customer. Further, the division vp believed that the majority of Mr. Salinas's wealth had resulted from the sale of a construction company yet knew no specifics about the sale, including the name of the company or the price paid for it.

•**Testimony**—Citibank's vp acknowledged during the testimony that no reporting requirements were needed regarding the amounts or source of funds transferred by wire (as were needed for cash transfers of \$10,000 or more) because most identifying information—source bank, source account, amount transferred, target account, and target bank—was automatically recorded. Only ownership of the accounts was not included.

Citibank's Action—However, the automatic recorded information provided with the transferred Salinas funds did not contain identifying information as to the source of the funds. Further, Citibank actions regarding these wire transfers defeated one main purpose of know your customer policy—to help financial institutions identify unusual or suspicious transactions. This purpose included knowing a transaction's origin and destination. Indeed, Citibank's action obscured almost all of that automatic information:

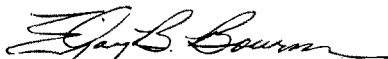
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Methodology

Our investigation took place between February and September 1998. We were denied access to Citibank principals and Department of Justice investigative officials. However, we interviewed representatives of the occ and the Federal Reserve System and designated representatives of Citibank. We also interviewed representatives of the Swiss Federal Police, including the Inspector in charge of the ongoing Swiss investigation of the money laundering and drug trafficking charges against Mr. and Mrs. Salinas. We reviewed Citibank policies regarding private banking in general. We also reviewed Citibank documents pertaining directly to the Salinas private banking transactions. During discussions with us, Citibank New York's vp for Legal Affairs provided (1) information regarding key points discussed in this report and (2) documentation to support certain statements. In subsequent discussions, Citibank New York officials recanted a few of those points but provided no or convoluted supporting documentation. In addition, we obtained and reviewed federal court transcripts and documents regarding a money laundering prosecution pertinent to our investigation.

As agreed with your office, unless you announce its contents earlier, we plan no further distribution of this report until 7 days after the date of this letter. At that time, we will send copies of this report to interested congressional committees, the Federal Reserve, and occ. We will also make copies available to others upon request. If you have questions about our investigation, please contact Assistant Director Ronald Malfi at (202) 512-6722. Major contributors to this report are listed in appendix II.

Sincerely yours,



Eljay B. Bowron
Assistant Comptroller General
for Special Investigations

Appendix II**Major Contributors to This Report**

Office of Special
Investigations,
Washington, D.C.

Ronald D. Malfi, Assistant Director for Financial and General Investigations
John J. Ryan, Senior Special Agent
M. Jane Hunt, Senior Communications Analyst

Office of the General
Counsel, Washington,
D.C.

Barbara C. Coles, Senior Attorney

GAO

United States General Accounting Office

Testimony

Before the Permanent Subcommittee on Investigations,
Committee on Governmental Affairs, U.S. SenateSenate Permanent Subcommittee
on Investigations

EXHIBIT # 22

Not to Be Released
Before 10:00 a.m. EST
Tuesday
November 9, 1999

PRIVATE BANKING

Raul Salinas, Citibank,
and Alleged Money
LaunderingStatement for the Record of Robert H. Hast
Acting Assistant Comptroller General for Investigations
Office of Special Investigations

G A O

Accountability * Integrity * Reliability

GAO/T-OSI-00-3

Madam Chairman and Members of the Subcommittee:

This statement provides the Subcommittee a synopsis of our 1998 investigation¹ of alleged illegalities involving Raul Salinas de Gotari, brother of the former President of Mexico, Carlos Salinas de Gotari, and a U.S. bank, Citibank. We conducted the investigation at the request of your Subcommittee's then Ranking Minority Member, the Honorable John Glenn. Mr. Salinas had allegedly been involved in laundering money out of Mexico, through Citibank, to accounts in Citibank affiliates in Switzerland and the United Kingdom.

Results in Brief

Mr. Salinas was able to transfer \$90 million to \$100 million between 1992 and 1994 by using a private banking relationship formed by Citibank New York in 1992. The funds were transferred through Citibank Mexico and Citibank New York to private banking investment accounts in Citibank London and Citibank Switzerland.

Beginning in mid-1992, Citibank actions assisted Mr. Salinas with these transfers and effectively disguised the funds' source and destination, thus breaking the funds' paper trail. Citibank

- set up an offshore private investment company named Trocca, to hold Mr. Salinas's assets, through Cititrust (Cayman)² and investment accounts in Citibank London and Citibank Switzerland;
- waived bank references for Mr. Salinas and did not prepare a financial profile on him or request a waiver for the profile, as required by then Citibank know your customer policy;

¹ See *Private Banking: Raul Salinas, Citibank, and Alleged Money Laundering* (GAO/OSI-99-1, Oct. 30, 1998).

² Cititrust (Cayman) was an affiliate of Citicorp, located in the Cayman Islands. Citicorp is now known as Citigroup, Inc.

- facilitated Mrs. Salinas's use of another name to initiate fund transfers in Mexico; and
- had funds wired from Citibank Mexico to a Citibank New York concentration account—a business account that commingles funds from various sources—before forwarding them to Trocca's offshore Citibank investment accounts.

No U.S. documentation identified Mr. Salinas as Trocca's beneficial owner³ or connected Mr. Salinas to the Trocca funds transferred through Citibank Mexico and Citibank New York.

According to Citibank New York's Vice President (VP) for Legal Affairs, whom Citibank designated as its representative to us, Citibank's actions violated only one aspect of the then Citibank know your customer policy: Citibank should have prepared a financial profile (i.e., a financial background check detailing the source of Mr. Salinas's funds) or waived the requirement before accepting Mr. Salinas as a customer. By investigating his financial background, Citibank could have verified the source of Mr. Salinas's wealth and transferred funds.

Limited by the ongoing Department of Justice investigation, we could not determine whether Citibank's actions violated law or regulation. (We determined that the case is still pending in the Southern District of New York.) The Federal Reserve also did not comment on whether Citibank's actions were violations because information available to it at the time we inquired was insufficient for it to make a determination. However, on the basis of the details we presented, the Office of the Comptroller of Currency (OCC) stated that the actions did not violate civil aspects of the Bank Secrecy Act.⁴ Further, private banking's know your customer policies were then voluntary and not governed by law or regulation.

³ An account's "beneficial owner" is the individual or group that controls the account.

⁴ The Bank Secrecy Act is codified in 12 U.S.C. sections 1829b and 1951-59 and in 31 U.S.C. sections 5311-30.

A comparison of Citibank actions and Citibank testimony in the 1994 money laundering trial shows that the two were inconsistent concerning due diligence and know your customer practices in private banking. For example, Citibank's testimony implied a stricter adherence to due diligence than actually occurred during the Salinas transactions.

Background

The provision of financial and related services to wealthy clients is broadly described as "private banking."⁵ The Federal Reserve System and OCC are two regulators that examine⁶ banks and private banking activities. With regard to possible money laundering, examiners determine whether (1) banks comply with bank secrecy regulations and (2) the banks' compliance programs include appropriate procedural guidelines for recording and reporting large currency transactions and for detecting, preventing,⁶ and reporting suspicious transactions related to possible money laundering activities.

Regulators and most banks contacted during a previous GAO review⁷ cited "know your customer" policies as one of an institution's most important guidelines for detecting suspicious activity. Such policies enable the institution to understand the kinds of transactions that a particular customer is likely to engage in and to identify unusual or suspicious transactions. In an effort to protect itself from risks associated with money laundering and other unlawful activity, Citibank, as have other financial institutions, has implemented a know your customer policy to ensure that the bank will have a reasonable level of information about a client at the time of acceptance.

⁵ See 12 C.F.R. sections 21.21 (OCC) and 208.14 (Federal Reserve) (1997).

⁶ Under 18 U.S.C. 1956, banks have a legal obligation to prevent money laundering.

⁷ *Private Banking: Information on Private Banking and Its Vulnerability to Money Laundering* (GAO/GGD-98-19R, Oct. 30, 1997).

Citibank Facilitated Salinas Funds Transfers

Citibank New York accepted Mr. Salinas as a private banking customer and created the shell company Trocca through Cititrust (Cayman) to hold Mr. Salinas's assets. As part of Trocca, Citibank created other shell companies and opened two investment accounts in Citibank London and Citibank Switzerland. However, no official U.S. documentation clearly connected Mr. Salinas to Trocca or the investment accounts. Disguising the origin and destination of the funds, which broke the funds' paper trail, was accomplished by, among other actions, the depositing of the Mexican funds in a Citibank New York concentration account and Mrs. Salinas's use of another name to initiate funds transfers in Mexico. (At the time of her introduction to Citibank Mexico officials to begin the transfers, Mrs. Salinas had not yet married Mr. Salinas. Although they were not married until the year after the transfers had begun, we refer to her throughout this testimony as Mrs. Salinas.) After Mr. Salinas's March 1995 arrest in Mexico, Citibank placed a watch on the Salinas accounts in Citibank New York and Trocca's offshore investment accounts and prepared a financial profile that did not mention Trocca. After Mrs. Salinas's November 1995 arrest in Switzerland, Citibank filed a criminal referral form⁸ with the U.S. Department of Justice but again divulged no information about Trocca or the offshore accounts.

Citibank and Trocca

In or about May 1992, Mr. Salinas met with the Vice President, Mexican Division, International Private Bank section of Citibank New York, to arrange a Citibank private banking relationship. At that time, Citibank waived bank references for Mr. Salinas. It relied instead on the referral of an existing client. In addition, Citibank did not follow its policy in that it did not prepare a financial profile, or financial background check, on Mr. Salinas before accepting him.

Citibank, according to its representative, first opened a checking account at Citibank New York in Mr. Salinas's name and then, through Cititrust (Cayman), activated a private investment

⁸ The form has since been changed and is now known as the suspicious activity report.

company named Trocca—a shell company—to hold Mr. Salinas's assets.⁹ The company was set up in the Cayman Islands, where all documentation connecting Mr. Salinas to Trocca was held and whose laws protect the documentation's confidentiality.

To further insulate Mr. Salinas's connection to Trocca, Cititrust (Cayman) used three additional shell companies to function as Trocca's board of directors—Madeline Investment SA, Donat Investment SA, and Hitchcock Investment SA. Trocca's officer and principal shareholder was another company formed by Cititrust (Cayman) named Tyler Ltd. Further, Confidas, a Cititrust affiliate located in Switzerland, acted as Trocca's manager and handled all administrative requirements.

As part of Mr. Salinas's private banking relationship, Citibank New York opened two investment bank accounts for Trocca, one in Citibank London and one in Citibank Switzerland. According to Citibank officials, Citibank London had no documentation or knowledge that Mr. Salinas was Trocca's beneficial owner. We were informed that Citibank Switzerland had documentation of a connection between Mr. Salinas and Trocca, which is required by and confidential under Swiss bank secrecy law.

The Funds Transfer

To facilitate the periodic wire transfer of Salinas funds from Mexico to Citibank New York, Citibank New York's Mexican Division VP introduced Mrs. Salinas, Patricia Paulina Rios Castañon de Salinas, to officials of Citibank Mexico under the name Patricia Rios. The Citibank representative initially told us that Mrs. Salinas's true identity and connection to Mr. Salinas was disguised from Citibank Mexico officials reportedly because Mr. Salinas did not want to reveal that he was moving large sums of money out of Mexico. The Citibank representative stated that introducing Mrs. Salinas as Ms. Rios had not violated Citibank policy. Later, the representative

⁹ As we noted in a previous report, *Money Laundering: Regulatory Oversight of Offshore Private Banking Activities* (GAO/GGD-98-154, June 29, 1998), banking regulators have expressed some concern that such private investment companies, among other offshore entities, may serve to camouflage money laundering and other illegal acts. This may occur because these accounts are formed, among other reasons, to maintain clients' confidentiality and anonymity.

and another Citibank official recanted the position concerning Citibank Mexico's lack of knowledge. The officials told us they had no documentation to support their new position.

Throughout the transactions, according to Citibank's representative, Mrs. Salinas withdrew funds from what is believed to be at least five Mexican banks¹⁰ and had the bank checks made payable to Citibank. After obtaining the bank checks and hand carrying them to Citibank Mexico, she—using the name Ms. Rios and although she had no account there—had Citibank Mexico convert the value of the bank checks from Mexican pesos to American dollars before it wired the funds to Citibank New York. Documents supporting the transactions further convoluted the paper trail, disguising the origin and destination of the funds and preventing them from being traced to Mr. Salinas.

Citibank Mexico then wired the converted funds, at the direction of Citibank New York's Mexican Division VP, to Citibank New York. The funds went into a concentration account—a Citibank New York business deposit account that commingles funds of a number of bank branches/affiliates and bank customers.

Citibank next wired the funds from the concentration account to the Trocca accounts in Citibank London and Citibank Switzerland. The two offshore banks then invested the wired funds as directed by Citibank New York and agreed to by Mr. Salinas. On occasion, however, Mr. Salinas had direct contact, concerning his investments, with a private banker at Citibank Switzerland where his confidentiality was ensured under Swiss bank secrecy laws.

¹⁰ Documentation listed the Mexican banks as Bancomer, Somex, Banca Cremi, Banorte, and Banco Mexicano. According to knowledgeable sources, Mr. Salinas's accounts at these banks were under fictitious names.

According to the Citibank representative, the funds wired through Citibank Mexico and Citibank New York to Citibank London and Citibank Switzerland totaled between \$90 million and \$100 million. This Citibank official and others acknowledged that the fund transfers could have been wired to the Salinas checking account in Citibank New York or directly to Citibank London or Citibank Switzerland, thus retaining a paper trail.

The 1995 Salinas Arrests and Subsequent Account Actions

In late February 1995, according to Citibank's representative, Mr. Salinas was arrested and jailed in Mexico for murder.¹¹ At that time, rather than before accepting Mr. Salinas as a customer as was Citibank policy, Citibank prepared a very brief financial profile on Mr. Salinas. The profile cited no Citibank/Trocca accounts and no source of wealth other than a reference to an unidentified construction business.

Upon reportedly learning in early March 1995 that the arrested Mr. Salinas was a Citibank private banking customer, the Citibank representative, as Vice President for Legal Affairs, put a watch on the Salinas Citibank New York accounts and Trocca's Citibank London and Citibank Switzerland accounts. However, according to the Citibank representative, the Mexican Division VP personally contacted Mrs. Salinas in Mexico in the summer of 1995, without the representative's knowledge or consent, and advised her to move all funds associated with Trocca out of Citibank. Mrs. Salinas was arrested in Switzerland in November 1995 for money laundering and drug trafficking while attempting to withdraw funds from a Swiss bank.

After Mrs. Salinas's November 1995 arrest, according to the Citibank representative, Citibank New York filed a criminal referral form with the U.S. Attorney's Office, Southern District of New York, sending copies to the Federal Bureau of Investigation and the Drug Enforcement Administration. However, the only Salinas accounts listed on the form were those in Citibank New York. The form did not cite the existence of Trocca or the Trocca accounts in Citibank

¹¹ Subsequently, Mexican law enforcement officials also charged Mr. Salinas with money laundering and "illegal enrichment." It has been reported that he was acquitted of one money laundering charge in May 1998 and that the illegal enrichment charge was dropped. However, as of October 1998 when our report was published, he remained in jail pending resolution of the murder charge. It was then unclear whether additional money laundering charges were still pending.

London or Citibank Switzerland, purportedly because no official U.S. documentation existed although Citibank New York had facilitated the accounts' formation.

According to Citibank's representative, Citibank earned about \$1.1 million in fees associated with the Salinas/Trocca accounts.

Citibank Violation of One Aspect of Know Your Customer Policy

Most of the actions of Citibank New York's Mexican Division did not violate Citibank policy. However, the one aspect of Citibank's know your customer policy that was violated—preparation of a financial profile—could have assisted in verifying the source of Mr. Salinas's wealth and transferred funds. Citibank policy was revised in 1997.

A Violation of Citibank Know Your Customer Policy

According to the Citibank representative, Citibank New York's Mexican Division believed that all of Mr. Salinas's funds had been obtained legally, with a large portion resulting from the sale of a construction company that he owned. However, Citibank reportedly knew no details about the construction company including its name, who had purchased it, or the amount of money generated by the sale.¹²

In addition, when opening Mr. Salinas's accounts, Citibank waived the requirement for two references for him, including its most common reference source, i.e., bank references, which could have contained such information as length of association with the account holder and size of the Mexican accounts. When asked if bank references were an important part of Citibank New York's know your customer policy, the Citibank representative stated that Citibank private bankers had told him that bank references provided little value or information. We pointed out that if bank references had been obtained and checked, Citibank could have established the

¹² According to the Citibank representative, Citibank New York's Mexican Division, International Private Bank section failed Citibank's internal audits from 1996 to 1997. These failures occurred because of problems and deficiencies in the Private Banking section's due diligence and know your customer practices. The Citibank representative was unable to provide the results of internal audits conducted prior to 1996.

value of assets Mr. Salinas possessed in those banks and a banking history of those assets, both significant points for determining future suspicious account activity including money laundering.

Current Citibank Policy

Citibank's know your customer policy has been revised since the Salinas accounts were opened. As of September 1997, the policy contained more specific minimum standards of information for accepting a new customer. However, at the time of our October 1998 report, any element of the policy could still be waived for a new or existing customer.

Citibank's General Compliance With Laws and Regulations Was Undetermined

We could not determine whether Citibank's actions regarding Mr. Salinas's private banking relationship had violated then applicable laws and regulations. We were denied access to Department of Justice officials involved in the then ongoing investigation of the Salinas/Citibank relationship. We were also denied access to the principal Citibank officials involved with that relationship, although Citibank designated bank officials to provide us with detailed information.

Comparison of Citibank's Actions With a Citibank Official's 1994 Testimony

The requested comparison of Citibank actions regarding Mr. Salinas and a Citibank official's testimony in a 1994 money laundering case¹³ illustrated that the two were inconsistent. Citibank New York's actions did not reflect the importance that its Mexican Division VP placed on the bank's due diligence/know your customer practices when testifying.

The head of Citibank New York's Mexican Division, International Private Bank section, who was also involved in the Salinas matter, appeared as an expert witness for the government in the 1994 money laundering trial. In sworn testimony, the division VP explained the importance of due diligence principles and Citibank's know your customer policy in accepting and working with private banking customers.

¹³ *United States v. Giraldi*, No. 93-CR-28-6 & 7 (S.D. Tx. 1994).

However, Citibank actions regarding Mr. Salinas contrasted sharply with the VP's sworn testimony with concern to the importance of knowing the customer. For example, the Citibank VP affirmed in sworn testimony that Citibank New York's international relationship managers were to make an extensive effort to know their potential customers, as a way of protecting the bank, before accepting them. It was "too risky not to . . . do the due diligence, not to know who you're dealing with" before accepting a prospective customer's funds in a private banking relationship. In contrast, Citibank made no attempt to investigate Mr. Salinas's background before accepting him. Citibank was unable to confirm if the division VP had met Mr. Salinas before accepting him as a Citibank private banking customer. Further, Citibank did not file a financial profile, or a financial background check, as part of due diligence.

Conclusions

At the time of our investigation, the Congress and the Federal Reserve recognized that financial institutions could abuse voluntary policies with regard to potential money laundering. Further, we determined in the Salinas scenario that Citibank's voluntary controls did not work. Citibank, while violating only one aspect of its then policies, facilitated a money-managing system that disguised the origin, destination, and beneficial owner of the funds involved. We determined that the Department of Justice investigation of the Salinas/Citibank relationship is still pending in the Southern District of New York.

Contacts and Acknowledgement

For further information regarding this testimony, please contact Robert H. Hast or Ron Malfi at (202) 512-6722. John Ryan made a key contribution to this testimony.

(600601)

United States General Accounting Office

GAO

Testimony

Before the Permanent Subcommittee on Investigations
Committee on Government Affairs
U.S. Senate

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 23

Not to Be Released
Before 9:30 a.m., EST
Tuesday
November 9, 1999

MONEY LAUNDERING

Observations on Private
Banking and Related
Oversight of Selected
Offshore Jurisdictions

Statement for the Record of Thomas J. McCool, Director
Financial Institutions and Markets Issues
General Government Division



G A O

Accountability * Integrity * Reliability

GAO/T-GGD-00-32

Statement

Money Laundering: Observations on Private Banking and Related Oversight of Selected Offshore Jurisdictions

Ranking Minority Member Senator Levin and Members of the Subcommittee:

This statement provides an overview of money laundering in relation to private banking and highlights some regulatory issues related to the vulnerability of selected offshore jurisdictions to money laundering.¹ Specifically, this statement covers four areas:

- regulators' oversight of private banking in general,
- regulators' oversight of private banking in selected offshore jurisdictions,
- barriers that have hampered regulators' oversight of offshore banking, and
- future challenges that confront regulators' efforts to combat money laundering in offshore jurisdictions.

Federal banking regulators have overseen private banking through examinations that, among other things, focus on banks' "know your customer" (KYC) policies. These policies enable banks to understand the kinds of transactions a particular customer is likely to engage in and to identify any unusual or suspicious transactions. Federal banking regulators have examination procedures that cover private banking activities conducted by banks operating in the United States. In cases that involve private banking activities conducted by branches of U.S. banks operating in offshore jurisdictions, examiners rely primarily on banks' internal audit functions. We found that the key barriers to U.S. regulators' oversight of offshore banking activities are secrecy laws that restrict access to banking information or that prohibit on-site examinations of U.S. bank branches in offshore jurisdictions. An important challenge that confronts efforts to combat money laundering is the extent to which such secrecy laws will continue to be barriers to U.S. and foreign regulators.

To address these areas, we reviewed the Federal Reserve's and Office of the Comptroller of the Currency's (OCC) regulatory activity related to private banking and reported our observations in June 1998.² At that time,

¹ For purposes of our review, we defined offshore private banking activities as including (1) private banking activities carried out by banks operating in the United States that involve financial secrecy jurisdictions, such as establishing private banking accounts for offshore entities that maintain U.S. accounts, and (2) private banking activities conducted by foreign branches of U.S. banks located in these jurisdictions. The Internal Revenue Service has defined financial secrecy jurisdictions as jurisdictions having a low rate of tax or no tax, a certain level of banking or commercial secrecy, and relatively simple requirements for licensing and regulating banks and other business entities. Examples of such jurisdictions include the Cayman Islands and the Channel Islands. This statement uses the term "offshore jurisdictions" to refer to financial secrecy jurisdictions.

² *Money Laundering: Regulatory Oversight of Offshore Private Banking Activities* (GAO/GGD-98-154, June 29, 1998).

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we reviewed examination manuals, relevant agency documents, and examination reports that addressed banks' anti-money-laundering efforts related to their private banking activities. We also interviewed U.S. banking regulators, law enforcement authorities, and representatives of bank trade associations; conducted a limited survey of banks; and spoke with officials from key offshore jurisdictions, international bank supervisory groups, and international anti-money-laundering task forces. Recently, we updated some of our work and recontacted the Federal Reserve, OCC, the State Department, and Treasury's Financial Crimes Enforcement Network. We also spoke with the Offshore Group of Banking Supervisors and three international groups established to combat money laundering.³ This update was focused on the 9 offshore jurisdictions we had previously reviewed and 11 jurisdictions added at your request.⁴ The information on foreign laws and policies in this report does not reflect our independent legal analysis but is based on interviews and secondary sources.

**Private Banking Has
 Drawn Attention**

Private banking has been broadly defined as financial and related services provided to wealthy clients.⁵ It is difficult to measure precisely how extensive private banking is in the United States, partly because the area has not been clearly defined and partly because financial institutions do not consistently capture or publicly report information on their private banking activities. We do know, however, that domestic and foreign banks operating in the United States have been increasing their private banking activities and their reliance on income from private banking. The target market for private banking—individuals with high net worth—is also growing and becoming more sophisticated with regard to their product preferences and risk appetites.

During the past few years, private banking has become a focus of law enforcement and regulatory attention as a number of high-profile cases have come to light involving private bankers and money laundering. A notable example is the American Express case that resulted in the conviction of two private bankers for money laundering and the imposition

³ The international groups we recontacted were the Financial Action Task Force, the Caribbean Financial Action Task Force, and the Council of Europe Select Committee on Money Laundering.

⁴ The original jurisdictions we reviewed were the Bahamas, Bahrain, Cayman Islands, Channel Islands, Hong Kong, Luxembourg, Panama, Singapore, and Switzerland. The 11 jurisdictions added to our review were Anguilla, Antigua and Barbuda, Barbados, Liechtenstein, Montserrat, Nauru, Netherlands Antilles, Russia, St. Vincent and the Grenadines, Turks and Caicos, and Vanuatu.

⁵ Such financial and related services include a wide array of products and services that extend from basic banking products such as loans to investment counseling services and more sophisticated products such as risk management products, including derivatives.

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of the largest monetary penalty ever imposed on a bank in a money laundering-related case.⁶ More recent investigations of private bankers at Citibank and BankBoston continue to keep private banking in the forefront of public attention. Such cases, which can involve the illicit transfer of millions of dollars, underscore the crucial importance of private banking and its potential vulnerability to money laundering.

Regulatory Efforts to Oversee Private Banking Activities

Federal banking regulators may review banks' efforts to prevent or detect money laundering in their private banking activities during examinations,⁷ including recent examinations focused on their private banking activities. During these examinations, regulators focus on a bank's compliance program; internal controls; and, in particular, on its KYC policies. Regulators instruct their examiners to determine whether banks have implemented sound KYC policies in general and to ensure that these policies extend to their private banking activities. Until recently, U.S. regulators were attempting to incorporate KYC requirements as uniform regulations. However, the proposed KYC regulation, which was published for comment in December 1998, was met with an overwhelming public response that raised concerns about the government's scrutiny of personal banking accounts. In the face of these concerns, U.S. regulators have since withdrawn the proposed regulations. Nevertheless, regulators we interviewed for this statement told us that, during the course of examinations, they continue to verify that banks have prudent banking policies, including KYC policies, that ensure compliance with the Bank Secrecy Act.

Although regulatory efforts to establish uniform KYC requirements have stopped, Congress continues to look for ways to reinforce current anti-money-laundering laws and, more specifically, to promote due diligence in customer banking relationships. For example, the Chairman of the House Committee on Banking and Financial Services recently introduced legislation that would, among other things, require financial institutions that open or maintain a U.S. account for a non-publicly-traded foreign entity to maintain a record of identity for each beneficial owner of the account. The legislation would also prohibit U.S. depository institutions from maintaining banking relationships with banks that are not licensed to provide services in their home countries.

⁶ American Express Bank International paid over \$35 million in forfeitures, fines, and civil penalties, but was not charged with a criminal offense.

⁷ Such examinations include compliance or Bank Secrecy Act examinations and safety and soundness examinations.

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Federal Banking Regulators
Focus on Private Banking

The growing importance of private banking over the last several years led the Federal Reserve Bank of New York (FRBNY) to undertake a special initiative focusing on private banking that disclosed a number of key weaknesses in selected institutions' internal controls for detecting or preventing money laundering. In 1996 and 1997, FRBNY attempted to review private banking activities at about 40 domestic and foreign banking institutions in the New York district. During the course of these reviews, examiners focused on assessing each bank's ability to recognize and manage money laundering risks associated with inadequate knowledge of its clients' personal and business backgrounds, their sources of wealth, and their use of their private banking accounts.⁸

FRBNY officials explained to us that most of the banks reviewed had adequate anti-money-laundering programs for their private banking activities, although a few were antiquated and vulnerable to money laundering. Deficiencies identified in the private banking area primarily involved poor internal controls, such as insufficient documentation and inadequate due diligence standards.⁹ In a systemwide study conducted during 1998, the Federal Reserve assessed the risk management practices at seven banks with private banking activities. The study found that internal controls and oversight practices over private banking activities were generally strong at banks that focused on high-end domestic clients, while similar controls and oversight practices were seriously weak at banks that focused on higher risk Latin American and Caribbean clients.

In the latter part of 1997, the Office of the Comptroller of the Currency began targeting national banks' private banking activities based on law enforcement leads or on the bank activities meeting OCC's high-risk criteria. A primary focus of these reviews has been the banks' implementation of sound KYC policies and procedures. In these reviews, OCC targeted 10 high risk national banks for expanded Bank Secrecy Act examinations, three of which focused on the banks' private banking activities. OCC found that only one bank had diligently developed processes to manage the risks associated with anti-money-laundering and KYC issues, while the anti-money-laundering processes of the remaining two banks were classified as weak or needing improvement.

⁸ Such risks include reputational and legal risks.

⁹ Due diligence in private banking generally refers to verifying the client's identity, determining the client's source of wealth, reviewing the client's credit and character, and understanding the type of transactions the client will typically conduct.

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**Regulatory Efforts to
Oversee Offshore
Private Banking
Activities**

A second major area for our work was regulatory efforts to oversee offshore private banking activities, including the types of procedures regulators use and the deficiencies they have identified during examinations. Federal banking regulators and law enforcement officials have raised concerns about offshore private banking activities and their potential to be the private banking “soft spot” for money laundering.

**Offshore Private Banking
Accounts**

Although banking regulators believe that customers generally use offshore entities to establish or maintain private banking accounts for legitimate reasons, they are concerned that this practice may also serve to camouflage money laundering and other illegal acts. Offshore entities, including private investment companies¹⁹ and offshore trusts, provide customers with a high degree of confidentiality and anonymity while offering such other benefits as tax advantages, limited legal liability, and ease of transfer. Detecting or preventing money laundering by offshore entities can pose special difficulties because documentation identifying the individual or group that controls these offshore entities and their U.S. private banking accounts (referred to as their “beneficial owners”) is frequently maintained in the offshore jurisdiction rather than in the United States.

Regulators recognize that the use of offshore entities to establish or maintain U.S. private banking accounts tends to obscure the account holders’ true identities. Consequently, they instruct their examiners to look for specific KYC procedures that enable banks to identify and profile the beneficial owners of these offshore entities. In the course of examinations, examiners may test the adequacy of beneficial-owner documentation maintained in the United States. At the time of our earlier review in 1998, with the exception of FRBNY, we found no evidence that examiners had attempted to examine the documentation that banks maintain in offshore secrecy jurisdictions.

During examinations conducted under FRBNY’s private banking initiative, examiners sought to review beneficial owner documentation regardless of where it was maintained. Because this was the Federal Reserve’s first focused review of private banking activities, officials believed that it was particularly important to verify whether banks had the ability to identify and profile the beneficial owners of offshore entities that maintained U.S. private banking accounts. A senior FRBNY examiner explained that it was

¹⁹ Private investment companies are “shell” companies, incorporated in financial secrecy jurisdictions, formed to hold client assets, to maintain clients’ confidentiality, and to carry out various tax- or trust-related intentions.

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also a way to induce banks to develop or improve their systems for maintaining appropriately detailed information on the beneficial owners of offshore entities that maintain U.S. accounts.

Other Federal Reserve and OCC examiners we contacted in 1998 expressed different views about accessing such documentation during examinations. Some examiners, for example, said that they do not see a need to examine offshore documents if they are confident about the bank's commitment to combating money laundering. Since that time, according to a Federal Reserve official, its examiners have routinely attempted to examine documents maintained in offshore jurisdictions.

**Private Banking Activities
by Offshore Branches of
U.S. Banks**

Offshore branches are extensions of U.S. banks and are subject to supervision by U.S. regulators, primarily the Federal Reserve or OCC,¹¹ as well as host countries. However, such branches are generally not subject to this country's Bank Secrecy Act. For this reason, U.S. banking regulators do not attempt to determine whether offshore branches are in compliance with specific anti-money-laundering provisions contained in the Bank Secrecy Act, such as the one requiring that suspicious transactions be reported to U.S. authorities. Instead of monitoring formal compliance, U.S. banking regulators try to identify what efforts the branches are making to combat money laundering and to determine whether the banks' corporate KYC policies are being applied to activities, such as private banking activities, that the offshore branches may engage in.

Although examiners are able to review the written policies and procedures being used in these branches, they must rely primarily on the banks' internal audit functions to verify that the procedures are actually being implemented in offshore branches where U.S. regulators may be precluded from conducting on-site examinations. They may also rely on external audits, but are less prone to do so because external audits tend to focus on financial, rather than anti-money-laundering, issues.

**Identified Deficiencies and
Status of Corrective Actions**

We found in our review of examinations conducted by FRBNY that the most common deficiency relating to offshore private banking was a lack of documentation on the beneficial owners of private investment companies and other offshore entities that maintain U.S. accounts. While there is no requirement that banks retain documentation in the United States on the

¹¹ The Federal Deposit Insurance Corporation does not routinely conduct overseas examinations, because the foreign offices of banks under its direct supervision are primarily offshore shell branches or otherwise represent relatively small operations in terms of their asset size.

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beneficial owners of these offshore entities, maintaining such information in clients' U.S. files, or having the ability to bring it on-shore in a reasonable amount of time, promotes sound private banking practices, according to the Federal Reserve.

Our review in 1998 of FRBNY and OCC examinations found that examiners identified a number of general private banking deficiencies that also pertained to the banks' offshore private banking activities. Two such deficiencies were inadequate client profiles and weak management information systems. For example, examiners found that some banks' client profiles contained little or no documentation on the client's background, source of wealth, or expected account activity, or on client contacts and visits by bank representatives. Examiners also found that some banks' management information systems did not track client activity or did not allow bankers to systematically examine all accounts related to a given client. Both of these deficiencies make it difficult for banks to monitor clients' accounts for unusual or suspicious activity, according to the banking regulators.

At the time of our review in 1998, we noted that most banks with deficiencies identified during FRBNY's private banking initiative had started to take corrective actions to address these deficiencies. For example, during follow-up examinations, examiners found that banks had started to make progress on improving client profiles.

Bankers' Concerns About
Uneven Regulatory
Oversight

Some bank officials we interviewed during this assignment expressed concerns that securities brokers and dealers are not subject to the same regulations covering suspicious activity reports or to the same regulatory reviews of KYC policies that banks are subject to. They indicated that this inconsistency creates an "uneven playing field" that they felt was unfair, particularly since brokers and dealers are engaged in private banking activities similar to those of the banks themselves. Officials from the Securities and Exchange Commission and Treasury's Financial Crimes Enforcement Network have indicated that they have been working together since 1997 to develop regulations for brokers and dealers regarding suspicious activity reports. As of October 1999, however, such regulations had not yet been issued.

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Offshore Jurisdictions' Bank Secrecy Laws Represent Key Barriers to U.S. Regulators' Oversight of Offshore Banking Activities

The third major area for our work was barriers to regulators' efforts to oversee offshore banking activities in general. We found that secrecy laws in many offshore jurisdictions represent key barriers to U.S. oversight of offshore banking activities. According to U.S. and international agencies and organizations, all of the 20 offshore jurisdictions we reviewed have secrecy laws that protect the privacy of individual account owners, and 16 of them impose criminal sanctions for breaking those laws. While secrecy laws are intended to preserve the privacy of bank customers, they also restrict U.S. regulators from accessing individual account information and often prevent regulators from conducting on-site examinations at U.S. bank branches in offshore jurisdictions.

In our earlier work in 1998, we reviewed nine jurisdictions in depth because of their private banking activities. Updated information on these nine jurisdictions showed that five would allow U.S. regulators to conduct on-site examinations of banking institutions in their jurisdictions and that only two of these five would provide some access to individual bank account information. Each of the jurisdictions had secrecy laws to protect the privacy of individual account owners. However, some jurisdictions provided for an exception to their secrecy laws when criminal investigations were involved. We were told that these jurisdictions had established judicial processes through which U.S. and other foreign law enforcement officials could obtain access to individual bank account or customer information. However, U.S. law enforcement officials we contacted expressed concerns about the difficulty they have in obtaining information from offshore secrecy jurisdictions, including those with established judicial processes. They noted, for example, that it can take an inordinate amount of time to obtain information requested through mutual legal assistance treaties.¹²

None of the 11 jurisdictions added to our list allowed U.S. regulators to access individual customer information or to conduct on-site examinations. However, according to regulators, U.S. banks had little banking activity in these jurisdictions, and regulators had not attempted to access individual account information or conduct examinations in these jurisdictions, with one exception: Russia has been asked by the Federal Reserve whether on-site examinations can be conducted. According to a State Department report, there has been some level of cooperation and progress in integrating Russian monitoring and enforcement into

¹² Mutual legal assistance treaties are bilateral agreements that the United States has entered into with other countries to enhance international cooperation in criminal matters, including those involving money laundering.

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international anti-money-laundering efforts.¹³ However, the report notes that (1) a more aggressive legislative approach is needed to address the conditions that encourage a destabilizing level of capital flight and money laundering, and (2) Russia supervises its banks poorly. Details on the 20 jurisdictions are presented in attachment I.

Limitations Hamper U.S. Efforts to Work Around Barriers

U.S. banking regulators are attempting to work around barriers created by offshore secrecy laws, but limitations hamper their efforts. For example, a limitation in some jurisdictions is that since regulators have been precluded from conducting on-site examinations, they rely primarily on banks' internal audits to determine how well KYC policies and procedures are being applied to offshore branches of U.S. banks. Our 1998 review of examination reports, however, found several instances in which examiners noted that the bank's internal audit of the offshore branch inadequately covered KYC issues pertaining to its private banking activities at these branches.

Regulators' reliance on internal audits for overseeing offshore branches is also impeded by their inability to review banks' internal audit workpapers in some offshore jurisdictions that require that such workpapers be kept in the jurisdiction. Examiners explained that, without access to supporting audit workpapers, it is difficult to verify that audit programs were followed and to assess the general quality of internal audits of offshore branches. Also, without access to bank documents or internal audit workpapers, it is difficult to explain to bank management the basis for regulatory concerns about particular activities conducted in their offshore branches.

Offshore Jurisdictions' Activities to Combat Money Laundering

All but 1 of the 20 offshore jurisdictions we reviewed were engaged in some type of anti-money-laundering activities. Twelve of the 20 jurisdictions were members of either the Basle Committee on Banking Supervision or the Offshore Group of Banking Supervisors, two international groups formed to foster cooperation among banking supervisory authorities. Both of these groups place special emphasis on the on-site monitoring of banks to ensure, for example, that they have effective KYC policies. Sixteen of the 20 offshore jurisdictions were also members of the Financial Action Task Force, the Caribbean Financial Action Task Force, or the Council of Europe Select Committee on Money Laundering, three international task forces created to develop and promote anti-money-laundering policies. (See attachment II.)

¹³ International Narcotics Control Strategy Report, 1998, U.S. Department of State (Washington, D.C.: February 1999).

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Membership in any of these three task forces implies that the jurisdiction has stated its intention to work towards the task force's principles and recommendations, including those related to establishing KYC policies and policies on reporting suspicious transactions. It is important to point out that membership in these task forces does not necessarily mean that these principles and recommendations are adequately being followed by the jurisdiction's financial institutions or monitored by its government authorities. The State Department's International Narcotics Control Strategy Report (INCSR) for 1998, for one, identifies 11 of the 20 offshore jurisdictions as having weak or nonexistent regulatory supervisory structures. Attachment III provides information on the 20 jurisdictions' anti-money-laundering practices and the State Department's classification of the extent to which the jurisdictions may be vulnerable to money laundering.

**Future Challenges That
Confront Efforts to
Combat Money
Laundering**

Several challenging questions confront U.S. policymakers and others involved in ongoing domestic and international efforts to combat money laundering through offshore banking activities. A number of these questions are specific to offshore private banking activities of banks and offshore banking in general. Despite the recent anti-money-laundering activities of some key offshore jurisdictions, one central question is whether secrecy laws will continue to represent barriers to U.S. and other foreign regulators. A number of related questions follow from this question. For example, do the offshore jurisdictions that have enacted new money laundering laws have the regulatory infrastructure and adequate regulatory and law enforcement personnel to enforce the new laws?

Another key question with important implications is how effective are the efforts of international task forces and supervisory groups to combat money laundering. A related question is what needs to be done to ensure that offshore jurisdictions give sufficient emphasis to preventing and detecting money laundering. An equally important, if narrower, question that grows out of the GAO work described here is what needs to be done to ensure that offshore jurisdictions allow the U.S. and other foreign governments adequate access to information needed for supervisory and law enforcement purposes.

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Other questions remain, related to the domestic oversight of banking and money laundering—especially with regard to the adequacy of current examination procedures, including knowing your customer. The National Money Laundering Strategy for 1999 marks a new stage in the government's fight against money laundering. A major goal is to enhance regulatory oversight while making it cost-effective, with measurable results. We believe such a goal is worth achieving.

Attachment I

Extent of U.S. Regulatory Access to Bank Information in Offshore Jurisdictions

| Jurisdiction | Jurisdiction has bank secrecy laws that include criminal sanctions | | U.S. regulators allowed access to individual customer information | | U.S. regulators allowed to conduct on-site examinations | | U.S. law enforcement and judicial authorities allowed access to individual customer information | |
|--|--|----|---|----------------|---|----------------|---|----|
| | Yes | No | Yes | No | Yes | No | Yes* | No |
| Nine initial jurisdictions | | | | | | | | |
| Bahamas | X ^a | | | X | | X | X | |
| Bahrain | | X | | X | | X | | X |
| Cayman Islands | X | | | X | X | | X | |
| Channel Islands | | X | | X | X | | | X |
| Hong Kong | | X | X | | X | | f | |
| Luxembourg | X | | | X | | X | f | |
| Panama | X | | | X | | X | X | |
| Singapore | X ^c | | Some ^d | | X ^e | | | X |
| Switzerland | X | | | X ^a | X | | X | |
| Eleven additional jurisdictions | | | | | | | | |
| Anguilla | X | | | X | | X | X | |
| Antigua & Barbuda | X | | | X | | X | X | |
| Barbados | X ^a | | | X | | X | f | |
| Liechtenstein | X | | | X | | X | | X |
| Monterrat | X ^a | | | X | | X | X | |
| Nauru | | X | | X | | X | | X |
| Netherlands Antilles | X | | | X | | X | X | X |
| Russia | X | | | X | | X ^f | | X |
| St. Vincent & the Grenadines | X | | | X | | X | f | |
| Turks & Caicos | X ^a | | | X | | X | X | |
| Vanuatu | X | | | X | | X | | X |

*An "X" in this column indicates that the jurisdiction has a mutual legal assistance treaty in force with the United States and that it allows access to individual account information if a formal criminal investigation is under way. An "f" in this column indicates that an agreement has been signed with the United States but has not been ratified.

^aCriminal sanctions exist for unauthorized disclosures, but "safe harbor" is provided for specific authorized disclosures to certain entities.

^bExaminers can review customer records regarding bank assets, but not liabilities.

^cSingapore allows limited-scope examinations.

^dA process exists that allows foreign supervisors to request this type of information; however, in regulators' experience, customer information is rarely provided.

^eRussia has been asked by the Federal Reserve whether on-site examinations can be conducted in that country.

Source: U.S. Department of State, Financial Crimes Enforcement Network (FinCEN), the Federal Reserve, OCC, Financial Action Task Force (FATF), Caribbean Financial Action Task Force (CFATF), Offshore Group of Banking Supervisors, and Council of Europe Select Committee on Money Laundering.

Attachment II

Membership in International Supervisory Groups or Anti-Money-Laundering Task Forces

| Jurisdiction | Basle Committee on Banking Supervision | Offshore Group of Banking Supervisors | Financial Action Task Force (FATF) | Caribbean Financial Action Task Force (CFATF) | Asia/Pacific Group on Money Laundering* | Council of Europe Select Committee on Money Laundering |
|--|--|---------------------------------------|------------------------------------|---|---|--|
| Nine initial jurisdictions | | | | | | |
| Bahamas | | x | | x | | |
| Bahrain | | x | | | | |
| Cayman Islands | | x | | x | | |
| Channel Islands | | x | | | | |
| Hong Kong | | x | x | | x | |
| Luxembourg | x | | x | | | |
| Panama | | x | | x | | |
| Singapore | | x | x | | x | |
| Switzerland | x | | x | | | x |
| Eleven additional jurisdictions | | | | | | |
| Anguilla | | | | x | | |
| Antigua & Barbuda | | | | x | | |
| Barbados | | x | | x | | |
| Liechtenstein | | | | | | x |
| Montserrat | | | | x | | |
| Nauru | | | | | | |
| Netherlands Antilles | | x | x ^c | x | | |
| Russia | | | | | | x |
| St. Vincent & the Grenadines | | | | x | | |
| Turks & Caicos | | | | x | | |
| Vanuatu | | x | | | x | |

*The Asia/Pacific Group was created to establish cooperation in combating money laundering in the Asia/Pacific region and to develop principles for application of the FATF 40 recommendations.

^bBahrain is not a member country of FATF. It is, however, a member of the Gulf Cooperation Council, one of two regional organizations that are members of FATF.

^cNetherlands Antilles is a part of the Netherlands and is associated with FATF through the Netherlands' membership.

Source: *International Narcotics Control Strategy Report*, 1998, Bureau for International Narcotics and Law Enforcement Affairs, U.S. Department of State; FATF; CFATF; Offshore Group of Banking Supervisors; and Council of Europe Select Committee on Money Laundering.

Attachment III

Anti-Money-Laundering Regulatory Framework in Selected Offshore Jurisdictions

| Jurisdiction | Has money laundering been criminalized in the jurisdiction? | | Does the jurisdiction have KYC policies or guidelines for banks? | | Does the jurisdiction require banks to report suspicious transactions? | | Does the jurisdiction have corporate secrecy laws that include criminal sanctions? ^a | | Does INCSR describe supervisory structure of the jurisdiction as weak or nonexistent? | | What is the INCSR classification for the jurisdiction? ^b | | |
|--|---|----|--|----|--|----|---|----|---|----|---|-----|-----|
| | Yes | No | Yes | No | Yes | No | Yes | No | Yes | No | JPC | JOC | OJM |
| Nine initial jurisdictions | | | | | | | | | | | | | |
| Bahamas | x | | x | | x | | x ^{c,d} | | | x | | x | |
| Bahrain | | x | | x | | x | | x | x | | | | x |
| Cayman Islands | x | | x | | x | | x | | | x | | x | |
| Channel Islands ^e | x | | x | | x | | x | | | x | | x | |
| Hong Kong | x | | x | | x | | x | | | x | | x | |
| Luxembourg | x | | x | | x | | x | | | x | | x | |
| Panama | x | | x | | x | | x | | x | | | x | |
| Singapore | x | | x | | x | | x | | | x | | x | |
| Switzerland | x | | x | | x | | x | | | x | | x | |
| Eleven additional jurisdictions | | | | | | | | | | | | | |
| Anguilla | x | | x | | x | | x ^d | | | x | | | x |
| Antigua & Barbuda | x | | x | | x | | x | | x | | | x | |
| Barbados | x | | x | | x | | x ^c | | x | | | | x |
| Liechtenstein | x | | x | | x | | x | | | x | | x | |
| Montserrat | | x | x | | x | | x ^d | | x | | | | x |
| Nauru | | x | x | | x | | x | | x | | | | x |
| Netherlands Antilles | x | | x | | x | | x | | x | | | x | |
| Russia | x | | x | | x | | x | | x | | | x | |
| St. Vincent & the Grenadines | | x | | x | | x | x | | x | | | | x |
| Turks & Caicos | x | | x | | x | | x ^d | | x | | | | x |
| Vanuatu | | x | x | | x | | x | | x | | | x | |

^aFor the purpose of this inquiry, the term "corporate secrecy laws" refers to any law that shields the identities of officers and directors of private entities and serves to either prohibit or restrict foreign government agencies from accessing such information.

^bThe International Narcotics Control Strategy Report assigns priorities to jurisdictions using a classification system consisting of three categories, titled Jurisdictions of Primary Concern (JPC), Jurisdictions of Concern (JOC), and Other Jurisdictions Monitored (OJM). This prioritization process draws upon a number of factors that indicate, among other things, the extent to which the jurisdiction may be vulnerable to money laundering.

^cCriminal sanctions exist for unauthorized disclosures, but "safe harbor" is provided for specific, authorized disclosures to certain entities.

^dCriminal sanctions exist for unauthorized disclosures, but information is exchanged under terms of the Mutual Legal Assistance Treaty.

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Attachment III
Anti-Money-Laundering Regulatory Framework in Selected Offshore Jurisdictions

*Information is for Guernsey, one of four islands known as the Channel Islands.
 Source: U.S. Department of State, FinCEN, FATF, CFATF, Offshore Group of Banking Supervisors,
 and Council of Europe Select Committee on Money Laundering.

EMBARGOED UNTIL 10:00 A.M. EST
November 9, 1999

Written Statement for the Record

TREASURY DEPUTY SECRETARY STUART E. EIZENSTAT
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS

I. Introduction

Madam Chairman, Ranking Member Levin, Members of the Subcommittee, I welcome this opportunity to submit this statement on money laundering and corruption issues. Your hearing on money laundering and private banking represents the culmination of a great deal of work by you and your staff over the past year. As I understand it, you will be hearing from a range of witnesses over the course of this hearing, concerning a number of specific matters alleging the abuse of private banking relationships by apparently corrupt foreign officials seeking to conceal their ill-gotten gains. Thus you have focused your efforts on the intersection of high-level government corruption and money laundering. Both of these issues present crucial law enforcement and regulatory challenges, and both raise significant foreign policy and national security implications.

Let me say at the outset that safeguarding the integrity of American and international financial institutions is an absolute priority for this Administration. Accordingly, as described below, the Treasury Department is engaged at many levels in the fight against corruption and money laundering. This engagement is reflected by our ongoing regulatory and enforcement initiatives to prevent, detect, and prosecute money laundering; our promotion of reforms in international financial institutions' lending programs; and our work with our G-7 colleagues and others to reform the global financial architecture.

In addition to these ongoing efforts, I am co-chairing with Deputy Attorney General Eric Holder an interagency task force to implement the National Money Laundering Strategy recently announced by Secretary of the Treasury Summers and Attorney General Reno. As we move to implement the Strategy, we are looking to learn new lessons, and to devise new policies to respond to changing circumstances. Accordingly, the Treasury Department has supported your investigative efforts over the past year, and we are very much looking forward to the public discussion of the results of those efforts in this hearing.

LS-223

My statement covers two topics: corruption, money laundering, and private banking; and the Administration's new National Money Laundering Strategy. As described below, we believe that private banking relationships are important, and we recognize that high net worth individuals have special banking needs. But we also recognize that private banking is particularly vulnerable to abuse by money launderers. A number of specific action items called for by the National Money Laundering Strategy – including, for example, a 90 day review of guidance to enhance bank scrutiny of potentially high risk accounts and the enhanced use of information processing technologies to uncover patterns of unlawful transactions from the data already collected -- address the subjects you are exploring in this hearing. I assure you that, as we move forward on those and other items, we will pay particular attention to addressing the vulnerabilities posed by the private banking business.

II. Corruption, Money Laundering, and Private Banking

First, I want to reiterate the reasons that this Administration has placed a high priority on fighting both corruption and money laundering. These issues are important domestically and internationally, and they are closely related to one another. Both public corruption and money laundering taint financial institutions and erode public trust in their integrity. In their extremes, public corruption and money laundering can undermine democratic institutions, and representative governments. Money laundering may be thought of as a corrupting influence on financial institutions and governments. In this age of rapidly advancing technology and globalization, public corruption and money laundering can affect trade flows and ultimately undermine financial stability. For this reason, both are ultimately matters of national security for the United States.

Public Corruption. These points were illustrated in hearings held by the House Banking and Financial Services Committee in September concerning allegations of crime and corruption in Russia and the alleged infiltration of Western financial institutions. Recent press accounts alleging public corruption by Russian officials dramatically illustrate these points. Unfortunately, the type of allegations addressed in the House hearings are not isolated to any one country. Large-scale corruption by high-ranking government officials has undermined the economic and social stability of a number of countries around the world. Systematic, unchecked depletion of assets by top government leaders diverts scarce resources from many of the world's poorest countries, and has crippled some of the most promising economies in the developing world, such as the former Zaire and Nigeria.

One of the principal obstacles we face in combating public corruption is the historical acceptance in the international business community of corrupt behavior by government officials. We tend to forget – since the United States enacted the Foreign Corrupt Practices Act over twenty years ago (which I helped draft for the Carter Administration) – that an international consensus about the dangers of public corruption is only just now forming. In some countries, for example, pending their full implementation of the OECD Anti-Bribery Convention, it is still possible for corporations to deduct foreign bribes on their tax returns. Although we generally understand what we mean by the term “public corruption,” our understanding is by no means universally accepted. Thanks to the work of non-governmental organizations such as Transparency International, corruption issues have become more a subject of public discussion.

We have made significant progress in recent years. For example, it has now been nearly two years since the members of the Organization for Economic Cooperation and Development (OECD) concluded the OECD Anti-Bribery Convention, and the Vice President hosted a ground-breaking Anti-Corruption conference in February 1999. Since then, we have pressed, and will continue to press, for the complete ratification and implementation of the OECD Convention by all signatories. We hosted a U.S. – Africa Ministerial Conference with over 40 African nations, at which combating corruption was a central item on the agenda. I have worked with the Global Coalition for Africa, in which some dozen African countries have adopted comprehensive anti-corruption principles. In addition, the United States is working with its G-7 partners and others to coordinate anti-corruption efforts and assistance and to complete a WTO agreement on transparency in government procurement. We also are exploring the best ways to identify, block, and seize illicit funds gained through public corruption as well as other criminal acts.

There has been considerable progress over the past year or so within the international financial institutions. The International Monetary Fund (IMF) has developed a code of fiscal transparency, and has consistently supported open and transparent markets, price decontrol, and trade liberalization, each of which will reduce the opportunity for bribery and corruption. In specific programs with Thailand, Korea, and Indonesia, the IMF has insisted on full audits and has even suspended funding in response to substantial accusations of corruption. Both the IMF and the World Bank suspended assistance to Kenya because of pervasive corruption.

The World Bank is paying increased attention to the problems of corruption in its member countries. The Bank has developed programs to combat corruption problems in individual countries, initiatives to enhance transparency and accountability in public finances, and approaches to strengthen public institutions and the rule of law with regard to investment and property. The Bank has also developed new methodologies and techniques for analysis of the nature and extent of corruption in specific countries. These issues were the focus of attention at the international meetings of the IMF and World Bank in Washington in September.

Money Laundering. In many respects, our efforts to fight money laundering have progressed much further. Money laundering has been a separately punishable federal crime in the United States only since 1986, and our enforcement agencies vigorously investigate and prosecute violations. We also have had in place since the early 1970s – through the Bank Secrecy Act and its implementing regulations – a relatively well developed regulatory structure. This structure ensures that records are maintained and reports are filed that can be of use to investigators pursuing money laundering, tax evasion, and other financial crimes. Our regulatory regime is generally consistent with structures in place in many other countries around the world, thanks primarily to the efforts of the Financial Action Task Force (FATF) and other international bodies to push implementation of the FATF 40 Recommendations. Treasury's Financial Crimes Enforcement Network (FinCEN) has capably led the Treasury's efforts to coordinate and implement these efforts. But much work remains to be done.

In September, the Treasury and the Justice Departments released the first comprehensive National Money Laundering Strategy. The Strategy sets forth a broad-based domestic and

international program to combat money laundering. As discussed more fully below, several of the action items are directed against the type of criminal activity that the Subcommittee has been investigating over the past year. The Strategy – as well as the testimony you will receive from officials representing the Office of the Comptroller of the Currency and the Board of Governors of the Federal Reserve System – demonstrates that we have been working on these issues for some time. The Strategy also demonstrates that we are taking concrete steps to address them.

Private Banking. The regulation and oversight of private banking – that is, the provision of financial services to high net worth individuals – bring together the issues of corruption and money laundering. The private banking business has long been recognized as having the potential to be particularly vulnerable to abuse by money launderers. GAO reports from June and October 1998 explored a range of issues relating to regulatory oversight of offshore private banking activities arising out of the allegations that Raul Salinas used Citibank's private banking services as a conduit to launder funds. As described below, issues raised by the private banking business will figure prominently in our implementation of a number of the priority action items called for in our National Money Laundering Strategy.

The bank supervisory agencies have already taken a number of steps, which I am sure you will hear about in some detail from other witnesses. The Treasury's Office of the Comptroller of the Currency (OCC), for example, has created a special group in its headquarters to focus on money laundering controls, and has moved to revise its bank examination procedures. The OCC has also instituted novel procedures – using the artificial intelligence capabilities of FinCEN and other internal lead-generating methods – to proactively identify institutions that pose particular money laundering risks. Over the past year, the OCC has conducted over ten targeted examinations of such institutions, using specially trained examiners. The OCC also responds to external notification – from law enforcement or other sources – with its specialized money laundering examination teams. Finally, the OCC has begun a general review of its examination procedures.

One theme that underlies these efforts – and the efforts of other bank regulators, notably the Federal Reserve Board -- is the need for banks involved in private banking to put in place appropriate policies and procedures in order to meet their obligations to investigate and report, if necessary, suspicious private banking activity. As we continue to work on this issue, we must strike the correct balance between protective regulations and the promotion of competitive commercial activity, and between customers' legitimate right to financial privacy and the need for government to be able to pierce the veil of secrecy to pursue criminals.

For all of these reasons, we welcome these hearings, and applaud the work that you and your staff have done to uncover particular problems and to frame them in a way that will help us move together toward appropriate solutions.

III. The National Money Laundering Strategy

In September, the Treasury and Justice Departments issued a National Money Laundering Strategy, marking a new stage in the government's coordinated effort to follow the money. The

Strategy's ambitious agenda is built around four basic goals: (1) strengthening domestic law enforcement; (2) enhancing steps taken by financial institutions to prevent and detect money laundering; (3) partnering with state and local authorities; and (4) bolstering our efforts to have strong money laundering standards adopted – and adhered to – worldwide. Several actions set forth in the Strategy are particularly relevant to the subject of this hearing; many of these are proceeding on self-imposed deadlines to ensure that significant progress is made in short order.

First, we have convened a working group of federal bank regulators and law enforcement officials to determine what guidance would be appropriate to enhance bank scrutiny of certain transactions or patterns of transactions in potentially high-risk accounts. This working group is to complete its review within 90 days of the publication of the Strategy, and we intend to report on its findings in the second annual strategy report, which is due to the Congress on February 1, 2000. Financial industry officials are looking to us for guidance about how to comply with the duty of financial institutions and their employees to avoid becoming entangled in money laundering schemes, and we want to provide that guidance. Naturally, we want to balance concerns of efficiency and privacy with those of effective law enforcement.

Second, this review will be complemented by a determination by the working group as to what guidance would be appropriate to enhance the scrutiny of correspondent bank accounts in the United States maintained by certain offshore and other financial institutions that pose money laundering risks. This review, which also is due to complete its review within 90 days of the strategy's publication, will focus on steps needed to ensure that U.S. financial institutions obtain information about the identity of customers of certain correspondent banks. The working group will also pay attention to issues raised by the use of payable through accounts. As more effective mechanisms are devised to meet these goals, U.S. banks should be better able to detect deception by corrupt foreign officials.

Third, the federal bank supervisory agencies, in cooperation with the Department of the Treasury, will conduct a more general review of existing bank examination procedures relating to the prevention and detection of money laundering at financial organizations, to be completed in 180 days of the National Money Laundering Strategy's publication. The objectives of this review will be to determine whether current examination procedures are adequate to evaluate bank anti-money laundering measures and compliance with existing laws and regulations, and whether additional support from law enforcement officials can assist bank examiners in examining institutions for money laundering risks. I will ensure that this review takes full account of the results of the Subcommittee's investigation as discussed in this hearing.

The Strategy also calls for a series of steps to improve the government's performance in making use of information reported under the Bank Secrecy Act and in sharing with financial institutions the analysis of such information. In some cases, such sharing may involve issuance of guidance about emerging issues or strategies used by money launderers. In other cases, subject to the appropriate legal restrictions, more specific warnings may be generated. Once again, I will ask FinCEN and the law enforcement and regulatory communities to pay close attention to the results of the Subcommittee's investigation, and to apply the lessons learned from that investigation on a continuing basis.

Further, the Strategy calls for action on two important items pointedly directed at the fight against money laundering by corrupt foreign officials. The Department of Justice is leading the Administration's effort to enact legislation to enhance our ability to pursue criminal sanctions – including the seizure and forfeiture of assets – against corrupt foreign officials. Bribery of public officials and witnesses was included as a “specified unlawful activity” (or predicate) when the money laundering statute was first passed in 1986. But the statute limits our ability to bring money laundering charges, or to confiscate assets on behalf of foreign governments, in cases involving predicate crimes that violate foreign, but not U.S., law. The Money Laundering Act of 1999, which the Administration plans to submit to the Congress today, will include a provision enlarging the list of foreign crimes for which money laundering prosecutions can be brought in the U.S. when the proceeds of the crime are laundered in the U.S. This list of crimes will include “bribery of a public official, *or the misappropriation, theft, or embezzlement of public funds* by or for the benefit of a public official.” If passed, this legislation will give us an important new tool to assist emerging democratic governments as they attempt to recover state assets misappropriated by corrupt officials of current or preceding regimes.

Finally, the Strategy notes that the United States will advocate that other nations include bribery as a serious offense for the purpose of their own anti-money laundering legislation. As you well know, the proceeds of large-scale public corruption – in the form of bribes or embezzlement – must, like any other ill-gotten gains, be laundered if they are to be secured and enjoyed by corrupt officials. And we have made significant progress in the international community toward universal enactment of so-called “serious crimes” money laundering legislation. An OECD working group has reported that it considers bribery as a serious offense for the purposes of money laundering legislation and has asked the FATF to review the issue with its membership. Last month, at their meeting in Moscow, the G-8 Justice and Interior Ministers agreed on the importance of extending predicate offenses of money laundering to bribery or corruption committed in violation of both domestic and foreign law.

Of course, the Money Laundering Strategy report calls for a host of other actions to improve our ability to combat money laundering. The Strategy recognizes the long-term commitment needed for the fight, but I want to assure you that we have mobilized our resources on a number of priority items in the short term.

IV. Conclusion

In closing, I want to thank you and the Subcommittee staff again for your hard work over the past year in exploring the vulnerability of private banking to abuse. You have performed an extremely important service in highlighting the important, but still not widely understood relationship between public corruption and money laundering. The Treasury Department is committed on an ongoing basis to devising and implementing effective measures to protect the U.S. financial system from abuse by corrupt public officials and international organized crime. We look forward to working closely with you and your staff in the future.

QUESTIONS RECEIVED BY THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
TO BE POSED TO SUBCOMMITTEE STAFF (11/9/99)

STAFF

1. Isn't it true that the Russian money laundering problem involves commercial banking and correspondent banking relationships, not private banking, and involves sums of money — billions — that vastly exceed the amounts typically involved with private banking? Doesn't this Russia problem show that private banking is not uniquely vulnerable to money laundering?
2. Treasury Secretary Summers and Attorney General Reno just issued a report on money laundering. This report does not appear to isolate private banking for special scrutiny. Isn't it true that the report does not even mention private banking? Did you consult with the authors of this Report?
3. Isn't it true that the Summers-Reno Report on money laundering indicates that the Department of Justice has prosecuted more than 2000 defendants each year for money laundering, and that the Subcommittee Report, by contrast, is able to identify only a few private banking convictions over the last several years?
4. Isn't it true that no court has determined that any of the funds referred to in your presentation derives from any of the offenses that are listed in the money laundering statute — that is, narcotics trafficking, murder, kidnaping, fraud against a bank?
5. Isn't it true that the Federal Reserve has recently commended Citigroup's effort to implement a well-integrated KYC compliance program?
6. Do the regulators have any problems with the Citibank Private Bank's anti-money laundering program today?

11/9/99

STAFF RESPONSE TO RULE 14 QUESTIONS BY CITIGROUP

1. Commercial, correspondent and private banking are all vulnerable to money laundering. The Subcommittee staff did obtain evidence of Russian clients at private banks, but did not analyze the accounts and cannot comment on the extent to which Russian money laundering may be taking place through private banking relationships.
2. The 1999 Money Laundering Strategy issued by the Departments of Treasury and Justice addresses numerous issues applicable to private banking, including expanding the list of money laundering predicates to include public corruption; ensuring concentration accounts are not used to "obliterate the money trail of particular account holders"; reforming bank secrecy jurisdictions; and reviewing bank examination procedures testing anti-money laundering compliance. The Subcommittee staff interviewed and consulted numerous persons at both Departments. In a written hearing submission, Deputy Secretary of the Treasury Stuart E. Eizenstat states: "[P]rivate banking can be particularly vulnerable to abuse by money launderers. A number of specific action items called for by the National Money Laundering Strategy ... address the subjects you are exploring in this hearing."
3. Money laundering prosecutions include persons suspected of drug trafficking, organized crime, financial misconduct, and other crimes. To our knowledge, bankers do not constitute a significant proportion of these prosecutions.
4. The Mexican government has convicted Raul Salinas of murder and is investigating him for illicit enrichment and money laundering. A Swiss court ordered the seizure of over \$100 million from Salinas bank accounts in a civil proceeding which determined the funds were tainted by narcotics trafficking; the Swiss order was vacated on appeal on jurisdictional grounds and further proceedings are pending. The Pakistani government has convicted Asif Zardari of kickbacks, and the Swiss government has indicted him for money laundering. The French government is investigating whether Elf Aquitaine paid illegal bribes to President Bongo, and the Swiss have frozen three bank accounts linked to him. The Nigerian government has indicted Mohammed Abacha for murder, and both the Nigerian and Swiss governments are investigating him and other Abacha relatives and associates for money laundering.
5. In February 1998, the Federal Reserve told the Citigroup Board's Audit Committee, according to talking points, that the private bank had "significant weaknesses in internal controls that expose Citibank to excessive legal and reputational risk," and expressed concern about the "length of time" taken to correct deficiencies. In late 1998, a Federal Reserve internal document states: "Management has demonstrated that it is committed to achieving its goal of changing the culture of the [private bank] and creating [a] well-integrated global risk management and internal control structure. Progress has been made in correcting control deficiencies." We are not aware of a subsequent Federal Reserve commendation of Citigroup's KYC compliance efforts.
6. Whether the Federal Reserve today has "any problems" with the Citibank Private Bank's anti-money laundering program can be answered only by the Federal Reserve.

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 26

WILMER, CUTLER & PICKERING

2445 M STREET, N.W.
WASHINGTON, D.C. 20037-1420JANE C. SHERBURNE
DIRECT LINE (202) 663-6858
INTERNET JSHERBURNE@WILMER.COMTELEPHONE (202) 663-6000
FACSIMILE (202) 663-6363
HTTP://WWW.WILMER.COM100 LIGHT STREET
BALTIMORE, MD 21202
TELEPHONE (410) 986-2800
FACSIMILE (410) 986-2888520 MADISON AVENUE
NEW YORK, NY 10022
TELEPHONE (212) 230-6800
FACSIMILE (212) 230-88884 CARLTON GARDENS
LONDON SW1Y 5AA
TELEPHONE OI 144711872-1000
FACSIMILE OI 144711839-3537RUE DE LA LOI 15 WETSTRAAT
8-1040 BRUSSELS
TELEPHONE OI 1322 285-4800
FACSIMILE OI 1322 285-4049FRIEDRICHSTRASSE 95
10117 BERLIN
TELEPHONE OI 14303 2022-6400
FACSIMILE OI 14303 2022-6500

January 14, 2000

*By Hand Delivery*Hon. Susan M. Collins, Chair
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
SR-100 Russell Senate Office Building
Washington, DC 20510-6262Hon. Carl Levin, Ranking Minority Member
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
SR-193 Russell Senate Office Building
Washington, DC 20510-6262

Dear Chairman Collins and Senator Levin:

After the Permanent Subcommittee on Investigations held its hearings on Private Banking and Money Laundering, Senator Levin submitted several post-hearing questions to John Reed, Chairman of Citigroup Inc. We apologize for the confusion over transmittal of the Subcommittee's questions and we appreciate the Subcommittee's patience with the resulting delay in our response. On behalf of Citigroup, I am writing to provide Citigroup's responses to the Subcommittee's questions.

Response to Question 1. Shaukat Aziz, the Group Executive of the Citibank Private Bank until October 29, 1999, reported in his statement to this Subcommittee that the Private Bank now has in place a compensation plan that rates bankers on their compliance with anti-money laundering and other control items as one of the criteria that determines compensation amounts. Mr. Aziz stated that "bonuses of Private Bank personnel have in fact been withheld or reduced for inadequate performance on control and anti-money laundering matters." Because bonus amounts are determined by taking into account a variety of factors, it is not feasible at this point in time to determine retrospectively the particulars of how compensation was affected by these

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performance considerations, especially in light of the senior management changes described below.

More important, however, as Chairman Reed made clear in his testimony, in order for revamped policies and tightened controls to work, the Private Bank's culture had to change so that "the culture of the Private Bank reflected the commitment of the whole institution to our anti-money laundering efforts." Fundamentally, that culture change has been accomplished through changes in the Private Bank's senior management. Since January 1, 1996, personnel have been changed in the following positions within the Private Bank: the Group Head; the Group Compliance Head; the Group Legal Counsel; the Division Heads of Europe, Middle East and Africa, Japan, Asia, Western Hemisphere, and the United States; the Group Operations Head; the Operations Head in Europe; the Operations Head in the United States; the Group Investment Head; the Investment Head for Europe; the Head of the Global Trust Business; the Head of Credit; the Switzerland Investment Center Head; and the London Investment Center Head.

Response to Question 2. The first transfer to the Tendin account from the Gabon treasury occurred in February 1995. Ed Kowalczyk, who was at that time head of compliance for the United States and the Western Hemisphere, notified David Trembly, then the President and Managing Director of Cititrust Bahamas, that compliance approved acceptance of the transfer. Two subsequent transfers from the state treasury of Gabon were approved because the first transfer had been approved.

Mr. Ober believed these transfers should be accepted because of what he understood to be their complete transparency. Because Gabon is a member of the CFA Franc Zone monetary union, the Gabon National Agency (a branch of the Central Bank of the CFA Franc Zone/Central Africa, headquartered in Yaounde, Cameroon) must periodically audit all banks operating in Gabon and provide audit reports to the monetary union. The Gabon National Agency performs these audits with technical assistance from the French Treasury, which operates under the supervision of the French Ministry of Finance. Mr. Ober understood that these audits rendered all banking transactions that take place in Gabon transparent to the Gabon National Agency, the CFA Franc Zone, and the French Treasury. For example, the referenced \$1.9 million was paid from the Gabon Treasury account at Citibank Gabon into President Bongo's account at Citibank New York. Accordingly, Mr. Ober recognized that the transfer was subject to the transparency requirements of the monetary union and he believed that this transparency would have resolved any compliance concerns. He also was aware that a transfer such as the referenced transfer was subject to the approval of the Gabon National Agency, pursuant to reporting requirements imposed by the Foreign Exchange Controls on large foreign transfers that involve conversion of CFA Francs into a foreign currency and transfer out of the CFA Franc Zone.

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When the inquiry was raised about accepting a transfer from the Gabon treasury, Mr. Ober recalls explaining the audit requirements of the CFA Franc Zone and the requirements of the Foreign Exchange Controls, which he understood satisfied any compliance concerns. Mr. Ober does not recall whether he involved his supervisor, Salvatore Mollica, in this issue; Mr. Mollica does not recall being consulted.

Response to Question 3. In his interview with the staff of the Permanent Subcommittee on Investigations, Mr. Ober indicated that he had been satisfied that the \$20 million coming into the Bongo accounts originated from proceeds from a private oil transaction. Mr. Ober told the PSI staff that although he did not have specific documentation of the underlying transaction, he knew from his colleagues in Gabon and from other reliable sources that President Bongo had private oil investments in South Africa, and that the \$20 million was related to those investments. At the time, Mr. Ober did not believe that he needed more specific information. We have not located any documents within the Private Bank that provide more detail regarding the referenced deposits.

Response to Question 4. In late 1997, Salim Raza, the Global Market Manager of the Private Bank's Emerging Markets Department, made a decision to exit the Private Bank's relationship with the Sanis. Michael Mathews, who had been the relationship manager while in London, and Naveed Ahmed, the relationship manager at the time of the decision, undertook to contact Mohammed Sani beginning in January 1998 to discuss an exit strategy. Efforts to contact Mohammed Sani were made throughout early 1998, but were unsuccessful until April, when Mr. Mathews spoke to him, and again in May, when he was reached by Mr. Ahmed. In these conversations they discussed with Mohammed Sani the termination of the relationship in general terms. However, further communication with Mohammed Sani to develop a specific plan for implementing the account closure was frustrated by the death of his father, President Sani Abacha, on June 8, 1998.

The Private Bank was not successful in communicating with Mohammed Sani again until after September 10, 1998, when he sent the four instructions, by facsimile, to remit funds from his account as specified in your Question 5. Mohammed Sani's instructions contained a telephone number that Mr. Ahmed was able to use to reach him and confirm his instructions, as required by bank procedures. Mohammed Sani's written instructions did not state that they were "urgent" and Mr. Ahmed does not recall that the client asked that his instructions be implemented on an urgent basis in their subsequent telephone conversation. Implementing these instructions rapidly was consistent with the Private Bank's decision, made months earlier, to exit this relationship as quickly as possible.

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During this conversation, Mr. Ahmed also inquired about remittance instructions for the balance of funds in the account. Mohammed Sani told Mr. Ahmed that remittance instructions for the balance would follow shortly. On October 15, 1998, the Private Bank received instructions from Mohammed Sani with respect to the remittance of USD 2.5mm. These instructions were confirmed by Mr. Ahmed in a telephone conversation with the client and the funds were transferred as directed. Subsequent efforts to contact Mohammed Sani were unsuccessful.

Response to Question 5. The instructions for remittance of the \$39 million transferred on September 15, 1998, came from Mohammed Sani. He instructed that the transfers be made in four amounts and he identified the institutions and accounts into which he wanted the specific amounts transferred. His instructions did not explain why there were four transfers or why two amounts were sent to the same account.

Response to Question 6. The Private Bank's London office learned that the father of Ibrahim and Mohammed Sani was the head of state at around the time General Sani Abacha became head of state in November 1993.

Response to Question 7. Alain Ober opened two special name accounts for Ibrahim and Mohammed Sani in New York. The first account, Gelsobella, was opened in October 1992 and the second, Chiquinto, was opened in November 1994, following an attempted fraud on the Gelsobella account. In addition to the Sani brothers, Yaya Abubakar was a signatory on these accounts. After the opening of Chiquinto, Gelsobella was dormant; following the death of Ibrahim Sani in January 1996, both accounts remained dormant until they were closed in October 1997. Mr. Ober was the private banker responsible for these two New York accounts and is not familiar with any other Citibank accounts held by the Sanis.

In late 1995 or early January 1996, Mr. Ober learned that the Sani brothers were the sons of General Sani Abacha, who had become the military ruler of Nigeria the year after the Sani brothers opened the Gelsobella account. Mr. Ober recalls conferring at that time with his then-supervisor, Salvatore Mollica, about a strategy for closing these accounts. (Mr. Mollica does not dispute that this conversation occurred, but he does not recall it.) Because confidentiality appeared to be important to the Sanis, Mr. Ober believed that informing the Sanis they could no longer keep their accounts as special name accounts, but rather, had to hold the accounts in their own names, would result in a decision by the Sanis to close their accounts altogether. On January 17, 1996, before this strategy could be implemented, one of the account holders, Ibrahim Sani, died in an airplane crash.

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Mr. Ober believed that it would be difficult to obtain the documentation required to remove the recently-deceased Ibrahim Sani from the Gelsobella and Chiquinto accounts, which was a prerequisite to conducting any transactions on the accounts, including closing them. Accordingly, he determined that it would be unwise to initiate the account closing strategy described above until he had secured Mohammed Sani's cooperation in providing the required documentation. Mr. Ober did not receive a copy of Ibrahim Sani's death certificate and other necessary documentation from Mohammed Sani until September 1996 (see CS001985), which he then provided to Citibank's Estate Unit for use in processing the removal of Ibrahim Sani from the Gelsobella and Chiquinto accounts. See CS007491. Mr. Ober indicated to the Estate Unit that the clients wanted to resume activity in these accounts, which bank policy precluded until Ibrahim was removed from the accounts. Id. Mr. Ober reported this client intention to the Estate Unit because he hoped that if the Estate Unit believed this to be the case, it would act promptly.

The Estate Unit was not satisfied with copies of the death certificate and asked Mr. Ober to supply an original, which he sought from Mohammed Sani in November 1996 (CS001985). Expecting that the original may not be forthcoming, Mr. Ober, at the same time, sought from the Estate Unit a waiver of the requirement for an original death certificate. See CS007481. Mr. Ober believed his waiver request had been granted (id.) and awaited the documentation that Ibrahim Sani had been removed from the accounts. In March 1997, however, the Estate Unit made another request for documentation, including a request for a certified true copy of Ibrahim Sani's death certificate (CS007484). Mr. Ober provided a prompt response (CS007481-2). Ibrahim Sani was removed from the accounts in March 1997. See, e.g., CS002041.

Mr. Ober recalls that at some point during the same time period, and likely following the eventual removal of Ibrahim Sani from the Gelsobella and Chiquinto accounts in March 1997, he reached Mohammed Sani in London and informed him that the accounts could no longer continue as special name accounts. As expected, Mohammed Sani determined to close these accounts altogether. The accounts were closed later that year, in October 1997.

Response to Question 8. Shortly before the PSI hearing, the press reported that the Swiss Federal Attorney had seized accounts belonging to General Abacha and his relatives at several banks in Switzerland. The Minority Staff asked whether there were any Citibank accounts in Switzerland that had been seized or frozen by the Swiss Federal Attorney, and we informed the staff that no Citibank account had been seized or frozen by the Swiss Federal Attorney. As requested, Citibank also confirms that it has had no bank accounts in Switzerland on behalf of General Abacha or his family.

Hon. Susan M. Collins
Hon. Carl Levin
January 14, 2000
Page 6

Response to Question 9. The directive to which the question refers is not permitted under current Citibank policies.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Jane C. Sherburne". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jane C. Sherburne

FRED THOMPSON, TENNESSEE, CHAIRMAN

| | |
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United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

November 24, 1999

Mr. John Reed
Co-Chairman
Citigroup, Inc.
153 E. 53rd Street, 4th Floor
New York, New York 10043

Dear Mr. Reed:

Thank you, again, for appearing at our hearings on Private Banking and Money Laundering. Enclosed are the post-hearing questions I would like to have answered to complete the hearing record. The answers should be provided on behalf of Citibank as a whole and be based on all of the information available to Citibank.

It would be most helpful if the answers to these questions could be received by Monday, December 6th.

Thank you for your assistance.

Sincerely,



Carl Levin
Ranking Minority Member
Permanent Subcommittee on Investigations

CL:lbg
Enclosure
cc: The Honorable Susan Collins
Chairman
Permanent Subcommittee on Investigations

POST HEARING QUESTIONS
CITIBANK

(1) Please identify any disciplinary actions that have been taken with respect to Citibank private bank personnel since 1992, in response to poor audit results, the Salinas, Zardari, Bongo or Abacha accounts, or any failure to follow Citibank policies with respect to due diligence and anti-money laundering programs. In each instance, please identify the name and job title of the private bank employee involved, the year action was taken, the basis for the action, and the nature of the disciplinary action taken such as a reprimand, pay reduction, demotion or termination.

(2) Internal private bank documentation indicates that \$1.9 million deposited into the Bongo accounts in December 1996, were Gabon treasury funds and that some private bank personnel raised "compliance concerns" about accepting them. [X7067-68] Please describe what steps were taken within the private bank to address these compliance concerns, how they were resolved, the rationale for accepting the deposit, and the name and job title of the highest level private bank manager and compliance officer involved in the decision making.

(3) Internal private bank documentation describes \$20 million in Bongo account deposits during early 1997 as proceeds from oil investments in South Africa [X4314, X7065], but Mr. Ober indicated in an interview that he obtained no information on the nature of the oil investments, the companies involved, the particular transactions, or why they resulted in multiple payments in varying amounts from Swiss banks. Please provide any additional information that the private bank has about these 1997 deposits.

(4) In September 1998, the credit committee in the Citibank private bank's London office approved a \$39 million overdraft on a call account belonging to the sons of General Sani Abacha. [CS3360] The document seeking approval states, "The client has requested the remittance of these funds urgently."

(a) During the hearing, after several attempts to determine whether Citibank or the Abacha sons initiated the transfer of the \$39 million, Mr. Reed asked the private bank compliance head Mark Musi, "Mark, did we ask them to move this money?" Mr. Musi replied, "We had already contacted the clients and informed them of our exit strategy." Mr. Musi's reply was not a direct response to Mr. Reed's question. Please answer Mr. Reed's question with a "yes" or "no."

(b) If the answer is "yes," please identify by name and job title the private bank employees who asked the Abacha sons "to move this money," and the basis for selecting the amount of \$39 million, when the underlying time deposit was for \$42 million.

(c) What was the basis for the document's statement that the client had made an "urgent" request to remit the funds? If the bank initiated the transfer, why did this document say the transfer was being made at the request of the client? Why was the transfer urgent?

(5) The \$39 million was transferred from the private bank London accounts on September 15, 1998, in four separate transfers: (i) \$7.9 million to Chase Manhattan Bank New York in favor of CIBC Bank and Trust, "FFC A/C 22-25018"; (ii) \$10.2 million to the same account; (iii) \$12 million to Citibank London in favor of Geneva Private Bank and Trust, "FFC A/C 100.230"; and (iv) \$9 million to Citibank London in favor of Geneva Private Bank and Trust, "FFC A/C 300.450." [CS2995-96] Please describe who determined to transfer the \$39 million in four amounts; why there were four transfers; who were the beneficiaries of the transfers; and why two amounts were sent to the same account.

(6) Mr. Ober testified at the hearing that he discovered his clients' father was General Abacha, the Nigerian head of state, "a few weeks before the death of Ibrahim Sani" on January 17, 1996. When did the private bank's London office learn the clients' father was the head of state?

(7) Mr. Ober testified that when he learned in January 1996 that his clients' father was General Abacha, "You know, I was appalled And then we developed a strategy to close the account." He testified, "I developed the strategy with my supervisor that we would tell the surviving account holder ... that the account could not continue under a special name account. It would have to show their true name ... which we were convinced will trigger the answer ... 'I don't want an account that shows my name.'"

(a) Please identify the supervisor referred to by Mr. Ober in this testimony.

(b) Mr. Ober testified about a "strategy to close the account," but Citibank documents indicate that Mr. Ober took actions throughout 1996 to keep the two New York special name accounts open. For example, Mr. Ober sent an August 21, 1996 letter offering the accountholders the opportunity "to continue with both accounts" [CS1986]; stated in an internal September 13, 1996 memorandum, "[o]ur clients want to resume business soon and would want to add a new third signer to their account" [CS7491]; and sent a November 15, 1996 letter to Mohammed Abacha about the accounts stating, "I hope to hear from you soon." [CS1985] A November 24, 1996 letter from Mohammed Abacha in response asked Mr. Ober to add Abba Abacha as a "replacement" account signatory [CS 1975]. Client profiles prepared by Mr. Ober in June and July 1997 for both accounts do not mention an account closing strategy, and neither account was closed until October 1997. [CS1900; September 27, 1999 letter by Citibank's legal counsel]. Please explain how these documents are consistent with Mr. Ober's testimony at the hearing.

(c) Please describe what steps were taken to implement the account closing strategy described by Mr. Ober at the hearing and the approximate date that any such steps were taken. Please produce any documentation evidencing this account closing strategy.

(8) Please confirm the information provided at the time of the hearing on a preliminary basis that Citibank has had no bank accounts in Switzerland on behalf of General Abacha or his family.

(9) Mr. Misan testified that he was instructed by his superiors not to supervise certain accounts that were handled by private bankers whom he supervised as Mexico Country Head.

(a) Is such a directive still allowable under current Citibank policies?

(b) If so, what were and now are the criteria, if any, for the issuance of such a directive?

(c) What alternative supervisory mechanisms were and now are required to be in place if such a directive is issued?

(d) How many accounts and country heads have operated and now currently operate under such a directive?



Senate Permanent Subcommittee
on Investigations

27

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

December 14, 1999

Mr. K. Lee Blalack, II
Chief Counsel & Staff Director
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Mr. Blalack:

Thank you for the opportunity to testify before the Permanent Subcommittee on Investigations on money laundering and private banking. As requested in your letter of December 2, 1999, enclosed please find responses from the Office of the Comptroller of the Currency to your question to complete the hearing record.

If we can be of further assistance, please contact Carolyn Zeul McFarlane, Director for Congressional Liaison, at (202) 874- 4840.

Sincerely,

Ralph Sharpe
Deputy Comptroller
Community and Consumer Policy

Enclosure

Post Hearing Question from the Permanent Subcommittee on Investigations

1. *The regulators have been very concerned about private bank vulnerability to money laundering in recent years. What steps have you taken to watch out for the same problem in commercial banking?*

Anti-money laundering is a priority for the OCC, and we have undertaken a number of initiatives to strengthen our supervision in this area.

The OCC conducts regularly scheduled comprehensive Bank Secrecy Act (BSA) and anti-money laundering examinations of national banks that address all aspects of banking operations, including commercial activities. These exams are conducted to evaluate whether national banks have systems and controls in place to detect and report suspicious activity, comply with existing BSA requirements, establish account opening and monitoring standards and other such mandates. Towards that end, the OCC uses three examination approaches:

- In large banks (more than \$1 billion in assets), OCC examiners review the bank's BSA compliance program. We review the bank's internal controls, policies, procedures, training programs and audits. In reviewing a bank's audit program, examiners test the scope and accuracy of the audit. Additional procedures, including transactional testing, are performed if deficiencies are noted in the bank's compliance program.
- For community banks, examination procedures direct OCC examiners to perform transaction testing at every examination. Examiners are directed to review bank reports designed to identify unusual activity. As warranted, the examiner will gather and review account statements and other documentation to verify unusual activity.
- In banks targeted for expanded BSA/anti-money laundering examinations, OCC examiners select high-risk accounts for review. Examiners review several months of activity in these accounts to identify unusual activity and evaluate the banks systems and controls to prevent and detect money laundering. If problems are identified in any of the banks, examiners are directed to conduct specific transaction testing.

If the OCC identifies significant problems or weaknesses in BSA compliance and money laundering controls at a bank during the above processes, it will take appropriate action to ensure that the problem is corrected, including referrals to FinCEN and use of our enforcement authority.

To coordinate efforts to address the risks posed by money laundering, the OCC formed an internal task group called the National Anti-Money Laundering Group (NAMLG) in 1997. The Group is the OCC's focal point for BSA/anti-money laundering supervision.

NAMLG's responsibilities include:

- Developing ways to identify and target banks that may be vulnerable to money laundering;
- Developing additional examination procedures for emerging risk areas such as private banking and overseas offices of national banks;
- Developing enhanced BSA/anti-money laundering training for examiners;
- Sharing information concerning emerging risks, best practices and changes in BSA/anti-money laundering procedures and policies with examiners and bankers;
- Promoting cooperation and information-sharing with national and local anti-money laundering groups, the law enforcement community, bank regulatory agencies and the banking industry.

The NAMLG targets banks for examination by using a filtering process to capture unusual currency flows, suspicious activity reporting patterns, high-risk accounts and other criteria. Once a target list is compiled, specific banks are selected for expanded scope examinations. The examination teams usually include an anti-money laundering expert from headquarters and a district fraud specialist. The banks are examined using expanded scope procedures focused on the higher-risk activities of the bank. For example, if our filtering process discovered a bank with unusually high currency activity in a high intensity drug trafficking area and the bank had not filed any suspicious activity reports (SARs), the examiners would pursue the anomaly. The OCC also conducts examinations of banks, or specific accounts, based on law enforcement leads. Since 1997, the NAMLG targeting program has resulted in fifteen expanded scope examinations. These examinations resulted in a number of actions to prevent money laundering. The OCC plans to conduct nine more target exams in calendar year 2000.

The OCC has augmented its Washington policy staff with three experienced hires who have extensive experience in the BSA and anti-money laundering efforts. Also, the OCC has designated fraud specialists in each district office who are heavily involved in anti-money laundering activities. This fraud cadre was recently expanded with two specialist who focus on large banks. In 1998, the district fraud specialists were granted access to Treasury's SAR System and Currency Banking and Retrieval System (CBRS). These systems house all the suspicious activity reports, currency transaction reports (CTRs) and other reports required by the BSA. This access allows our fraud specialists to enhance examinations of specific banks. In fact, the OCC uses the SAR and CTR database

to identify high-risk banks and accounts for further review during targeted examinations. The database can also provide information on customers that engaged in suspicious activity at other banks.

Since early 1999, the OCC has collaborated with FinCEN and the IRS Detroit Computing Center to develop enhanced access and data manipulation of the SAR and CBRS databases. This project allows OCC employees to download data on CTRs and SARs for preplanning and conducting BSA/anti-money laundering examinations. To date, the OCC has 88 employees trained to access these systems. The Detroit Computing Center (DCC) is working on programming to enable OCC personnel to directly download pertinent data. Until such access is completed, DCC is downloading the data and providing it on disk or via e-mail.

The OCC is also working to develop better ways of exploiting FinCEN's "artificial intelligence" capabilities to target banks that may be vulnerable to money laundering and improve our BSA/anti-money laundering examination process.

Looking to the future, the Administration recently released its Congressionally-mandated National Money Laundering Strategy for 1999. The Strategy includes a number of specific objectives aimed at enhancing the ability of law enforcement and the regulatory agencies to combat money laundering. The OCC is working actively with the Treasury Department, the DOJ and other law enforcement and regulatory agencies to fully implement the Strategy on a timely basis.



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

December 14, 1999

The Honorable Carl Levin
Ranking Minority Member
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510

Dear Senator Levin:

Thank you for the opportunity to testify before the Permanent Subcommittee on Investigations on money laundering and private banking. As requested in your letter of November 24, 1999, enclosed please find a response from the Office of the Comptroller of the Currency to your questions to complete the hearing record.

If we can be of further assistance, please contact Carolyn Zeul McFarlane, Director for Congressional Liaison, at (202) 874- 4840.

Sincerely,

Ralph Sharpe
Deputy Comptroller
Community and Consumer Policy

Enclosure

Post Hearing Questions from the Permanent Subcommittee on Investigations

1. *Citibank private banker Alain Ober testified at the hearing that, in the years he handled the Bongo accounts, he never directly asked President Bongo about the source of millions of dollars in deposits because such questions would be "very awkward." Does this approach, which omits direct client verification of account information, constitute adequate due diligence?*

No. The OCC requires banks to establish and maintain adequate internal controls to comply with the suspicious activity reporting regulations of 12 CFR 21.11 and 31 CFR 103.21. Since due diligence is a fundamental component of internal controls for purposes of suspicious activity reporting, banks should understand a customer's source of wealth and commensurate account activity. Failure to ask awkward questions about highly unusual transactions outside a customer's normal range of activity is not an acceptable practice, particularly with regard to high-risk accounts.

2. *In light of information indicating that \$1.9 million deposited into the Bongo accounts in December 1996, were Gabon treasury funds, what is the position of the OCC on whether Citibank's due diligence review of the deposit was adequate and whether Citibank should have accepted it?*

When the OCC first examined this account, we concluded that Citibank had not adequately documented Bongo's source of wealth. After further inquiries prompted by OCC's examiner, bank management stated both orally and in writing that Bongo was entitled to receive funds from the Gabon government. If the bank had applied more stringent due diligence standards to the account or more carefully questioned the information it received after further inquiry, perhaps the deposit would have been questioned sooner or even refused.

3. *In light of information indicating that, contrary to an April 1997 Citibank memorandum, no Gabon budget has provided \$111 million or a similar sum for President Bongo's personal use, what is the position of the OCC on the adequacy of Citibank's documentation of the source of funds in the Bongo accounts?*

While it was not standard industry practice to document source of funds when the account was opened 15 years ago, Citibank's subsequent internal policy required documented source of funds for existing private banking clients. As a result, the bank should have acquired this information. Information developed subsequent to OCC's examination of this matter appears to contradict Citibank's April 1997 memorandum and supports the conclusion that Citibank did not adequately document President Bongo's source of funds.

4. *In light of information indicating that about \$20 million in Bongo account deposits during early 1997 were described by the private bank as proceeds from oil investments in South Africa, but no information was obtained on the nature of*

the investments, the companies involved, the particular transactions, or why they resulted in multiple payments in varying amounts from Swiss banks, what is the position of the OCC on whether Citibank's due diligence review of these deposits was adequate and whether Citibank should have accepted them?

As indicated above, Citibank's own internal policy for accepting clients strongly suggests that it could have done more to document Bongo's source of funds, including those attributable to oil investments.

5. *In light of information indicating that, in April 1997, French magistrates were conducting a criminal investigation into bank accounts linked to President Bongo and Swiss magistrates had ordered these accounts frozen, what is the position of the OCC on whether Citibank performed an adequate due diligence review of these legal proceedings and whether Citibank made the correct decision in October 1997 to keep the Bongo accounts open?*

The OCC understood that the criminal investigation was against Elf Oil-Gabon. At that time, there was no indication that President Bongo or his accounts were directly related to the investigation. If Citibank knew, or had reason to know, that this investigation was directed at President Bongo and/or his account holdings, the bank should have conducted additional due diligence.

6. *Did Citibank make any mistakes in how it handled the Bongo accounts in 1997, or in responding to the OCC's 1997 review of these accounts?*

Citibank clearly failed to document Bongo's source of wealth prior to our examination. Subsequently, the bank failed to validate its representation to us that President Bongo's source of wealth was 8.5% of the Gabon budget. The bank also failed to gather and provide detailed information on Bongo's oil interest wealth.

7. *Did the OCC make any mistakes in its 1997 review of the Bongo accounts? What if anything, would the OCC do differently?*

The OCC inquired vigorously into the Bongo matter. We had one of our most experienced Bank Secrecy Act compliance examiners handle the matter. At his request, the bank provided information, both orally and in writing, regarding the source of wealth of the account. While it is always possible to look back with the benefit of additional time and information, we are satisfied that, based on the information reasonably available at the time, our examiner arrived at reasonable conclusions as to whether the bank was under an obligation to file a suspicious activity report (SAR).

8. *If an OCC examiner were today to determine that a private bank was accepting funds from a foreign government official and the funds appeared to be the*

proceeds of foreign corruption, such as misappropriation of government funds or bribery, what should that examiner do?

The examiner should first discuss the matter with OCC counsel and management. While the facts may not indicate a violation of U.S. law, the OCC would want to evaluate the situation to determine whether additional authorities should be notified within the bounds of U.S. laws, including the Right to Financial Privacy Act. In such a situation, the OCC would contact various law enforcement agencies such as the Department of Justice, FBI, U.S. Customs, Internal Revenue Service (Criminal Investigation Division), FinCEN, State Department and Interpol. Based on a discussion with these agencies, we would determine the appropriate course of action.

The OCC could also bring the matter to the attention of the bank for consideration of elevated account monitoring or other action. The OCC would want to ensure that sufficient policies and procedures were in place to avoid potential reputation loss and government sanctions that can arise from the flow of illegally derived funds into a bank. The OCC could also instruct the bank to file a suspicious activity report.

9. *Does the OCC support adding foreign corruption crimes, including government fraud, bribery of a public official, and misappropriation, theft or embezzlement of public funds, to the list of specified unlawful activities required for a money laundering offense in the United States?*

The OCC supports augmenting the list of specified unlawful activities in the money laundering statutes. Foreign persons who seek out our banking system to secure wealth derived from government fraud, bribery, theft, embezzlement and other forms of foreign corrupt practices should be subject to criminal sanctions for money laundering in the United States.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

Senate Permanent Subcommittee
on Investigations

EXHIBIT # _____

DIVISION OF BANKING
SUPERVISION AND REGULATION
TELEPHONE: (202) 452-5235
FACSIMILE: (202) 736-5641

January 7, 2000

K. Lee Blalack, II
Chief Counsel & Staff Director
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510-6250

Dear Lee:

I write in response to your letter to Chairman Greenspan of December 2, 1999, in which you have posed additional questions as a result of the hearing on Private Banking and Money Laundering that took place in November of last year.

Enclosed please find my written response to your questions. If you or your staff should have any further questions, please do not hesitate to contact me.

Sincerely,

Richard A. Small
Assistant Director

Enclosure

POST HEARING QUESTIONS

1. **Can you verify a statement from the Federal Reserve's Examination Report regarding the management of the Private Bank at Citibank?**

The following statement appeared in the Inspection Report of Citicorp as of September 30, 1998. This report was provided to Citicorp in January of 1999. The statement, in its entirety, is as follows: "Management has demonstrated that it is committed to achieving its goal of changing the culture of the Private Banking Group ("PBG") and creating a well-integrated global risk management and internal control structure. Significant progress has been made in correction control deficiencies noted at the prior inspection, including those in Switzerland, the Value Investment Portfolio Selector Fund, the PBG New York Investment Advisory unit and KYC compliance. Nevertheless, management must continue to monitor the PBG corrective action plan including those control initiatives that are already being implemented, such as self-testing routines in PBG entities, the client investment objective policy, KYC profile upgrades, the transaction monitoring system and the global client monitoring system. Management should also continue to provide quarterly status reports to the Audit Committee."

2. **The regulators have been very concerned about private bank vulnerability to money laundering in recent years. What steps have you taken to watch out for the same problem in commercial banking?**

As set forth in my prepared statement to the Subcommittee, the Federal Reserve places a high priority on participating in the government's efforts designed to attack the laundering of proceeds of illegal activities through financial institutions. Over the past several years, the Federal Reserve has been actively engaged in these efforts by, among other things, redesigning the Bank Secrecy Act examination process, developing anti-money laundering guidance, regularly examining the institutions we supervise for compliance with the Bank Secrecy Act and relevant regulations, conducting money laundering investigations, providing expertise to the U.S. law enforcement community for investigation and training initiatives, and providing training to various foreign central banks and government agencies. All of these efforts apply to all of the organizations supervised by the Federal Reserve.

3. **Under the financial modernization legislation . . . what are the Fed's plans for making sure that there are effective anti-money laundering programs throughout the financial holding company, not just the bank?**

Under the newly enacted law, the Federal Reserve is limited to directly supervising only the holding company of a financial holding company that has

functionally regulated subsidiary securities or insurance companies. Therefore, as a general proposition, we will be relying on the functional regulators of the insurance and securities companies to ensure that these companies establish and maintain adequate anti-money laundering policies and procedures. Should the holding company make the determination to maintain anti-money laundering policies and procedures at the holding company level then the Federal Reserve will review the effectiveness of these policies and procedures. Should, however, these policies and procedures be maintained at the insurance or securities company level, the Federal Reserve, as the umbrella supervisor, will work with the functional regulator to assess the effectiveness of the policies and procedures.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D.C. 20551

DIVISION OF BANKING
SUPERVISION AND REGULATION
TELEPHONE: (202) 452-5235
FACSIMILE: (202) 736-5641

January 7, 2000

The Honorable Carl Levin
Ranking Minority Member
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
Washington, D.C. 20510-6250

Dear Senator Levin:

Thank you for allowing me to participate in your recent hearings on Private Banking and Money Laundering, on behalf of the Board of Governors of the Federal Reserve System.

In response to your letter of November 24, 1999, I have enclosed answers to the post-hearing questions you have posed.

If you or your staff should have any further questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Small", written over a horizontal line.

Richard A. Small
Assistant Director

Enclosure

POST HEARING QUESTIONS

1. **Under what circumstances are U.S. banks expected to file a Suspicious Activity Report on activities which occur outside the United States? What about transactions that primarily involve foreign jurisdictions but have some nexus with the United States?**

There is no hard and fast rule regarding the filing of Suspicious Activity Reports by U.S. banks for activities that occur outside the U.S. U.S. banks that operate in foreign jurisdictions are encouraged to adhere to the laws of the local jurisdiction as they relate to the reporting of suspicious transactions. Additionally, the Federal Reserve has provided guidance that indicates that if suspicious activity that occurs outside of the U.S. has some nexus to the U.S. or has an impact on the banking organization's U.S. operations, a Suspicious Activity Report should be filed. In contrast, if the suspicious activity that occurs outside of the U.S. is wholly local in nature, there is no need to file a Suspicious Activity Report.

2. **[With regard to the Zardari accounts at Citibank] Did the SAR filing comply with the regulation? What supervisory actions are available under 12 CFR 208.62(i) to penalize or prevent untimely SAR filings? Did the Federal Reserve take any action against Citibank with respect to the filing of the Zardari SAR? If not, why not?**

As was stated in my prepared remarks before the Subcommittee, the Federal Reserve is not the primary supervisor of Citibank. The Office of the Comptroller of the Currency is the primary supervisor and, therefore, any matters related to the filing of SARs by Citibank would be the responsibility of the OCC.

For institutions that the Federal Reserve has primary responsibility, as a general proposition, we review and assess an institutions policies and procedures with regard to the identification and reporting of suspicious transactions, as opposed to, for instance, reviewing every SAR filing to determine if, in our opinion, the filing was not timely. If there was a determination that a SAR filing was purposefully delayed to thwart law enforcement efforts or mislead the Federal Reserve then we would have available all of our enforcement powers, such as a cease and desist order and civil money penalties, to address the matter.

3. **[With regard to Paulina Salinas] Did [the information contained in a SAR filing] comply with the regulatory standards and guidance relating to the completeness and accuracy that applied to the filing of a criminal referral? Did the Federal Reserve take any action against Citibank with respect to the filing of the Salinas criminal referral? If not, why not?**

As stated above, The Office of the Comptroller of the Currency is the primary supervisor of Citibank and, therefore, any matters related to the filing of SARs by Citibank would be the responsibility of the OCC.

The primary function of a SAR is to provide information to law enforcement so that law enforcement has sufficient information to determine if an investigation is warranted. As stated above, the Federal Reserve reviews and assesses an institutions policies and procedures with regard to the identification and reporting of suspicious transactions. Without conducting an exhaustive investigation with regard to each SAR that is filed (in 1999, over 120,000 SARs were filed) it would be very difficult to determine if information that was known to the filing institution was not conveyed on the SAR and if the missing information was material. However, if there was a determination that material information had been purposefully omitted from a SAR filing then we would have available all of our enforcement powers, such as a cease and desist order and civil money penalties, to address the matter.

4. **Has the Federal Reserve taken any supervisory actions under 12 CFR 208.62(i) with respect to any private bank?**

Over the past 10 years, the Federal Reserve has issued over 20 cease and desist orders requiring institutions to correct violations of the Bank Secrecy Act and the Federal Reserve's rules relative to the Bank Secrecy Act, including the reporting of suspicious transactions. For the most part, the violations were the result of the institution's failure to have adequate policies and procedures designed to identify suspicious transactions. For purposes of enforcement actions issued by the Federal Reserve, there is no distinction made between a "private bank" and the rest of the institution.

5. **What problems do secrecy jurisdictions pose to effective regulatory oversight? How are you attempting to correct the problems that secrecy jurisdictions pose to effective regulatory oversight?**

As was stated in my prepared remarks, A primary obstacle to our supervision of offshore private banking activities by U.S. banking organizations is our inability to conduct on-site examinations in many offshore jurisdictions. While it appears

that nearly all institutions that we supervise have adequate anti-money laundering policies and procedures, our examination process is most effective when we have the ability to review and test an organization's policies and procedures. Secrecy laws in some jurisdictions limit or restrict our ability to conduct these on-site reviews or to obtain pertinent information. However, a number of offshore jurisdictions are currently preparing for on-site examinations by home country supervisors. This effort is being led in large part by members of the Basle Committee on Banking Supervision and the Offshore Group of Banking Supervisors of which the Federal Reserve participates as a member of both organizations. A report issued by these two groups in 1996 stated that: "While recognizing that there are legitimate reasons for protecting customer privacy . . . secrecy laws should not impede the ability of supervisors to ensure safety and soundness of the international banking system."

6. **[With regard to Mr. Reed's comments] If you believe that you are precluded from fully meeting your regulatory obligations please explain why you permit U.S. banks to operate in these secrecy jurisdictions?**

As is set forth in the response to the previous question, the most effective means by which to determine the adequacy of anti-money laundering programs is by on-site examinations. However, in most instances, when on-site examinations are not available, we have been able to make determinations regarding the adequacy of anti-money laundering programs by other means. The Federal Reserve has, on several occasions through our examination process, raised concerns regarding the offshore operations of a U.S. bank when it has been determined that the offshore operations may have an adverse impact on the safety and soundness of the bank.

7. **Does the Federal Reserve support adding foreign corruption crimes, including government fraud, bribery of a public official, and misappropriation, theft or embezzlement of public funds, to the list of specified unlawful activities required for a money laundering offense in the United States?**

The Federal Reserve has continually supported efforts to better and more effectively attack money laundering activities. We would defer to the law enforcement authorities who would be better positioned to make a determination as to the viability and effectiveness of money laundering violations using the delineated activities.

**CITIBANK'S COMMENTS ON THE MINORITY STAFF REPORT FOR THE
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS HEARING
ON PRIVATE BANKING AND MONEY LAUNDERING**

The Minority Staff Report focuses largely on the way the Citibank Private Bank handled a few "public figure" clients in the past. As the testimony at the Hearing shows, however, none of these accounts is active, and the Citibank Private Bank has taken aggressive action to improve its policies, procedures, and systems to ensure that the kinds of issues discussed in the Report do not arise. The regulators have approved the Private Bank's efforts to improve and strengthen its anti-money laundering programs.

It is also important to understand the context of the four Case Histories: public figures as a whole represent less than 1% of the Citibank Private Bank's clients, and the Private Bank in its entirety accounts for only about 2.5% of Citigroup's business. Thus the Case Histories in the Report reflect past, not current, issues, and in any event have very little to do with the vast bulk of the work of the Private Bank (much less Citigroup as a whole).

Under these circumstances, and in order to avoid further invasion of the financial privacy of these clients, the Citibank Private Bank will not respond to the individual Case Histories, without in any way conceding that they are accurate. There are, however, some important general points that the Private Bank believes should be noted for the record.

Citibank's Internal Processes Identified Problems and Citibank's Senior

Management Corrected Them. As Mr. Reed testified, the control environment in the Private Bank in the mid-1990s was not satisfactory; however, Citibank itself identified control problems through its own candid and critical internal audits, which are cited in the Report. These audits show the strength and independence of Citibank's internal audit function, which is a critical element in the internal control structure of the institution as a whole. Senior management of Citicorp, including Mr. Reed, as well as the Audit Committee of the Citicorp Board, was concerned about the unsatisfactory audits of the Private Bank in the mid-1990s and took action:

- In January 1996, Mr. Reed appointed Alvaro de Souza as head of the Private Bank. Mr. Reed told Mr. de Souza to focus on fixing control issues in the Private Bank. Mr. de Souza established a Corrective Action Task Force in the Private Bank, appointed a new Compliance head and Chief Legal Officer with mandates to focus on control issues, and moved the headquarters of the Private Bank from Zurich, Switzerland, to New York City.
- In the spring of 1997, Mr. Reed established the Chairman's Audit Group, which he chaired personally, when he became concerned about the implementation of corrective action plans in response to unsatisfactory audits. The Chairman's Audit Group met every two weeks to follow up on responses to unsatisfactory audits.
- In May 1997, Mr. Reed appointed Shaukat Aziz as head of the Private Bank, and as the Minority Staff Report notes, charged him with "improving . . . the private bank's 'lousy audits.' "
- In September 1997, after extensive consultation with the Federal Reserve and other regulators, the Private Bank issued a new Global Know Your Client Policy, making know your customer policies uniform throughout the Private Bank. The new Global Know Your Client Policy reflected the Fed's June 1997 guidelines on anti-money laundering policy in private banking, the first Fed guidance on this topic. The Private Bank also developed compensation policies that rate bankers on a variety of factors, including compliance with anti-money laundering and other control requirements.

- In June 1998, the Private Bank issued a new, more stringent Global Public Figure Policy as part of its continuing efforts to improve and strengthen its anti-money laundering efforts. Under this new policy, public figures are *not* targeted by the Private Bank as new clients. Indeed, “the rare acquisition” of a public figure client now requires the approval of the Public Figure Review Committee, which consists of the head of the Private Bank and the senior Compliance, Legal, and Risk Management officers of the Private Bank. Each existing public figure relationship is reviewed annually by the Public Figure Review Committee. As Mr. Aziz’s Statement makes clear, under this new policy, the Private Bank has declined to accept a number of new public figure clients. And as the Report notes, the Private Bank has “ordered a number of longstanding public figure accounts to be closed.”
- By the end of 1998, the Private Bank had virtually completed a massive updating and independent review of its know your customer profiles, for existing as well as new customers, and had implemented new anti-money laundering training and self-testing programs. The Private Bank in 1998 developed plans and obtained third-party bids for new computer programs to compile and review know your customer information, and to monitor all transactions of all its clients. Installation of these state-of-the-art computer applications began in 1999.

Citibank’s Private Bank and Its Senior Management Have Taken Effective Steps To Ensure that Its Anti-Money Laundering Policies Are Implemented. The Report notes that tensions may exist between a private banker’s desire to serve his client and his duty to comply with control procedures, including anti-money laundering policies. Citibank’s Private Bank has taken appropriate steps to ensure that its private bankers comply with their responsibilities.

For example, to become a new customer of the Private Bank, a prospective customer must — at a minimum — be approved by the private banker’s supervisor; in addition, the customer-acceptance process includes an independent review of the know your customer information for each customer by quality assurance personnel. After a client is accepted, the private banker, the private banker’s supervisor, and quality assurance personnel review the know your customer information for each client at least once a year to ensure that the information for

that client is current and complete. These stringent know your customer standards apply to current customers as well as to new ones; the Private Bank has spent two years and more than \$50 million to complete over 100,000 know your customer profiles for each of the Private Bank's primary customers, related account holders, authorized signers, and personal investment companies. In addition, the new computer program that is being put into place will monitor every transaction of every customer and identify for follow-up transactions that are above the expected size or number based on the customer's practice.

The Private Bank's anti-money laundering policies and procedures are uniform around the world, which avoids confusion and facilitates compliance reviews. The Private Bank has developed an innovative series of self-tests that allow management and line personnel to validate compliance with anti-money laundering policies and control practices. The Private Bank also requires its private bankers to complete additional anti-money laundering training periodically.

Finally, the Private Bank's compensation plan rates private bankers on a variety of criteria including compliance with anti-money laundering and other control requirements. Bonuses have been withheld or reduced for inadequate performance on these matters. In these and other ways, the Private Bank creates a culture in which compliance is valued, and has "checks and balances" in place to ensure that private bankers understand and follow the Bank's commitment to its anti-money laundering policies.

The Actions Taken by the Private Bank and Citibank's Senior Management

Worked. Although the Private Bank passed only 67% of its audits in 1996, in 1998 it passed

91%, and in 1999 (through the third quarter) it passed 100% of its audits. Moreover, audits and regulatory examinations have a historic focus: they necessarily focus on past — rather than current — practices and are therefore a lagging indicator of the quality of control processes. The high 1998 pass rate thus reflects progress that was in fact made by 1997.

The Federal Reserve's Positive Response to the Private Bank's Efforts To Improve and Strengthen Its Anti-Money Laundering Measures. As the Report notes, the Federal Reserve was critical of the Private Bank's anti-money laundering program in the mid-1990s. But the Report fails to discuss the Federal Reserve's complimentary examination report in January 1999, in which the Fed reported that the Private Bank's management "has demonstrated that it is committed to achieving its goal of changing the culture of the Private Banking Group and creating a well-integrated global risk management and internal control structure. *Significant progress has been made in correcting control deficiencies noted at the prior examination, including those in . . . KYC compliance.*"

None of the Case Histories Involves a Client Accepted Under The Private Bank's Current Policies and Procedures. Almost three-quarters of the Report is devoted to four Case Histories, each of which involves a public figure client who was accepted five or more years ago, and in one case, more than 25 years ago. Each of these public figures became a client well before the Federal Reserve's 1997 guidance on anti-money laundering in private banking, well before the revised Citibank Private Bank Know Your Client and Public Figure policies, and well before the senior management changes in the Private Bank emphasized the importance of a control and compliance culture. None of these case histories involves an active account.

Moreover, there is no allegation by any member of the Subcommittee or its Staff that the Private Bank violated the money-laundering statutes in its dealings with these clients. Indeed, as Senator Collins emphasized at the Hearings, “the Subcommittee uncovered no evidence that Citibank or any other private bank knowingly helped” any public figure “launder dirty money.”

The Private Bank regrets that the Minority Staff invaded the personal financial privacy of these customers by needlessly laying out details of their private financial transactions for public scrutiny. It was not necessary to do so in order to raise the policy issues the Staff wished to discuss at the hearings. As required by law, Citibank provided information to the Staff, but specifically requested that the personal financial privacy of these customers be respected. Even though the Case Histories involve events from years ago, Citibank believes that, as Congress has just affirmed in the Gramm-Leach-Bliley Act, “each financial institution has an affirmative and continuing obligation to respect the privacy of its customers and the security and confidentiality of those customers’ nonpublic information.”

Personal Investment Companies Are a Lawful and Appropriate Financial Management Mechanism Widely Used by Financial Institutions. While the Report criticizes the use of off-shore private investment companies (PICs), the Office of the Comptroller of the Currency has stated that PICs protect “the legitimate confidentiality and financial privacy of the customers who use such accounts,” and the Federal Reserve has recognized that “[m]ost banking institutions maintain and manage accounts for PICs.” U.S. tax law makes it advantageous for foreign citizens who do not reside in the U.S. to hold assets through off-shore PICs; such PICs,

when used in conjunction with an off-shore trust, can also provide significant estate planning advantages.

The Citibank Private Bank has adopted special policies to ensure that the PICs it establishes are used properly. For example, the Citibank Private Bank will not establish an off-shore PIC for a U.S. taxpayer without special internal approval and a tax-neutral reason supported by a U.S. legal opinion. For U.S. taxpayers, the Private Bank reports the applicable tax information directly to the IRS. And under the Private Bank's Global Know Your Client Policy, customers who set up PICs must provide information regarding the source of wealth for the PIC and the identities of the PIC's beneficial owners.

Raul and Paulina Salinas Relationship
(\$M)

EXHIBIT # 30a.

| 1992 | | |
|--------------------------|-------------------|------------------|
| | AUMs ¹ | CNR ² |
| Switzerland ³ | 2074 | 0.6 |
| London | NA | NA |
| New York | 95 | 0.3 |
| TOTAL | 2169 | 0.9 |
| 1993 | | |
| | AUMs | CNR |
| Switzerland ³ | 4479 | 9 |
| London | 23231 | 339 |
| New York | 1130 | 11 |
| TOTAL | 28840 | 359 |
| 1994 | | |
| | AUMs | CNR |
| Switzerland ³ | 22863 | 214 |
| London | 30367 | 349 |
| New York | 1060 | 22 |
| TOTAL | 54290 | 585 |
| 1995 | | |
| | AUMs | CNR |
| Switzerland ³ | 23695 | 334 |
| London | 22408 | 283 |
| New York | 171 | 23 |
| TOTAL | 46274 | 640 |
| 1996 | | |
| | AUMs | CNR |
| Switzerland ³ | 24182 | 278 |
| London | 23076 | 264 |
| New York | 141 | 3 |
| TOTAL | 47399 | 545 |

¹ Assets Under Management.² Customer Net Revenue.³ Includes Confidas.

C6021344

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 30b

MONTHLY REVIEW

NEW YORK

June

1992

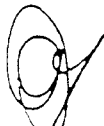
BUSINESS ENVIRONMENT

REDACTED

REDACTED

BUSINESS HIGHLIGHTS

REDACTED



08024979

MONTHLY REVIEW

NEW YORK

JUNE
1992

BUSINESS ENVIRONMENT

REDACTED

REDACTED

BUSINESS HIGHLIGHTS

REDACTED

CB024980

LATIN AMERICA MARKET

MONTHLY REVIEW

Country/Unit: MEXI CO - NYMAY 75Month: JUNE

| I - RESULTS: | Previous Month | Current Month | Estimate | Year To Date | Run. Rate | Run. Rate |
|------------------|----------------|---------------|-------------------|--------------|-----------|-----------|
| | Actuals | Estimate | B/(W) Prev Mth | Goal | B/(W) | B/(W) |
| Clients (#) | REDACTED | | | | | |
| AUM (\$mm) | | | | | | |
| CNR (\$mm) | | | | | | |
| Staff Exp (\$m) | | | | | | |
| Other Oper (\$m) | | | | | | |
| Staff (#) | | | | | | |

| II - FORECAST: | NEXT MONTHS | Goal | Full Year Forecast | B/(W) Goal |
|------------------|-------------|------|--------------------|------------|
| Clients (#) | REDACTED | | | |
| AUM (\$mm) | | | | |
| CNR (\$mm) | | | | |
| Staff Exp (\$m) | | | | |
| Other Oper (\$m) | | | | |
| Staff (#) | | | | |

Current Month: The month that the review is taken place. In 1972, current month is January 1972, previous month Dec 71 and the next 3 months, February, March and April.

TTD: Accumulated results from January to the reviewed month for CNR, Staff Expenses and Other Operating Exp; Staff and Clients are the same as the month but AUM is the average of the accumulated results from January to the reviewed month divided by the number of months.

Running Rate: TTD / number of months from January * 12

Full Year Forecasts: Revised FYF based on TTD results and outlook for the current year.

08024981

b. Important Deals

- Set up a complex structure for a new client in CR with 50MM. Potential in the \$10-20MM range.

REDACTED

REDACTED

DEALS IN THE PIPELINE



REDACTED

08024982

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 30 c.

CALL REPORT

ATTN:
ADZAM/
PATRICK

TO : NEW BUSINESS / FILE
 FROM : Jim PARKER
 DATE : June 16th, 1992
 RE : Mr S....

On Monday June 1st, 1992, I received a brief visit from Mr. S. from Mexico. This gentleman was referred to us by Amy Elliot at PEG New York; the client requires a high level of confidentiality in view of his family's political background in his home country.

Monday morning, Amy called me from Mexico with a short, very oblique description of the customer's requirements. She confirmed that all the necessary paperwork had already been executed by the client; all he wanted to do was meet a Confidas representative.

When I began discussions with the client, it became obvious that whatever papers Amy had the client sign in respect of Model products would be insufficient; the customer understood this and confirmed that once everything is sorted out that he will be happy to come back and sign whatever documents are required.

This relationship will be operated along the same lines as Amy's "other" relationship; ie she will only be aware of "Confidential accounts" and not even be aware of the names of the underlying companies.

The final structure will look like the attached diagram if everything meets our approval. There appear to be 4 existing S.V.I. corporations that the client wants us to take over; I explained that we would need all the corporate documents for review before we could make a decision. He confirmed that he will forward all documents in due course.

Before going on to describe the whole structure in detail, please note for the record that the client is extremely sensitive about the use of his name and does not want it circulated within the bank. I believe Amy's "other" client has a similar arrangement.

In view of this client's background, I think we'll need a detailed reference from Amy with Rukavina's sign-off for our files.

The Structure

a) A non-discretionary, revocable Cayman Islands Trust (probably with special company language) to hold the following assets :

- i. A ski-lodge in Aspen, Colorado currently owned by an existing B.V.I. company. There are already property managers in place. Value about US\$ 1MM.
- ii. An 80-foot pleasure yacht currently owned by an existing B.V.I. company. No further details available - more to follow.
- iii. Two existing B.V.I. companies currently used to receive commissions from various Mexican deals. No further details.
- iv. Confidential a/c no 1 - Calabassas Limited - Cayman Company used as a holding company for the shares of the 2 companies mentioned under iii. above.
- v. Confidential a/c no 2 - Trocca Limited - Cayman Company to be used to hold a managed portfolio with an initial balance of US\$ 2 MM.

For all the existing Companies (i, ii, iii), the client was interested in having us take over and provide management for them. I confirmed that once we have reviewed the documents that we would be in a better position to judge. Otherwise, the present managers could be left in place and the shares transferred to the Trustee and thereafter designated as special company shares.

I confirmed to the client that once we had established exactly what the structure would look like that we could give him a fee quote. He did not appear fee sensitive but perhaps we should check with Amy.

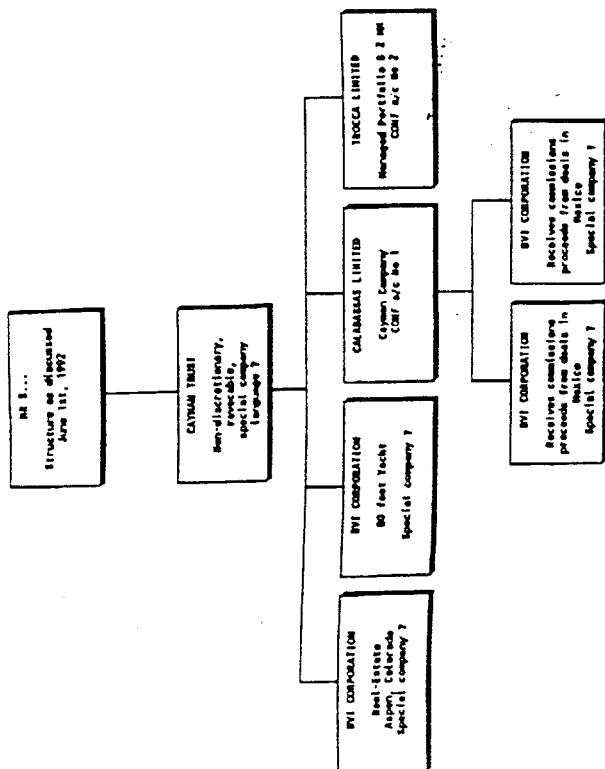
Once everything is finalized, the customer requested 2 copies of all documents for his records.

Please do not hesitate to contact me if any of the above information is unclear.



P.S. In certain cases, I could not probe the client for further details because he was in a hurry to catch his plane! However, I did get a passport copy and HAM instruction for our files.

CBO24611



5.03

ID-41 22 3175651

18-06-82 18:52 COMFIDAS CENEVE

CB024612

CITIBANK (SWITZERLAND)
CITIBANK N.A.Senate Permanent Subcommittee
on Investigations30d.
EXHIBIT CITIBANK PRIVATE BANK

CLIENT ACCEPTANCE CHECKLIST

Oct. 20, 92

Account Title: TROCCA Base No.: 129637 Opened Since: 1/88Account Type: ☐ Private Person(s) ☒ Confidas-Managed PIC/Trust ☐ Other: _____

1. DUE DILIGENCE & GENERAL BACKGROUND INFORMATION

- Client is under "Attachment Order": ☒ No (checked with Legal) ☐ Yes (Global Market Manager approval required)
- Client is a "Public Figure": ☒ No ☐ Yes (PB Country Head approval required)
- Source of funds: ☒ Industrialist/entrepreneur ☐ Inheritance ☐ Others: _____
- Estimated Global Networth: \$ _____ Invested in: _____
- Activity/line of business: ENGINEER

- Character/Reputation: WELL KNOWN - FAMILY IN HOME COUNTRY☐ For further background information, see overleaf &/or see separate Account Opening Memorandum

2. TARGET MARKET

Presently Within 2 years No

- Client has min. global net worth of \$ 1.5M &/or investible assets of \$ 1M ☒ ☐ ☒
- Client has over \$ 250M ALMs (worldwide potential within Citicorp/Citibank) ☒ ☐ ☒
- Client generates over \$ 5M CHR (worldwide potential within Citicorp/Citibank) ☒ ☐ ☒

3. REFERENCES

- Account Officer attests that client has been positively referred by ANY C. ELLIOTT (name, title) of OVA NEW YORK
- ☒ Mr(s) ANY C. ELLIOTT (name, title) of OVA NEW YORK
- ☐ Other (e.g. name & base No. of existing client) ANY C. ELLIOTT
- ☐ See also attached citimail/telex/letter/agency report (underline where applicable)
- ☐ If no reference, reason: _____

4. SIGN-OFFS

6/10/92 Amey Elliott Del. Mktg Officer (1) Adriana Proch Confidas Officer (2) Global Market Mgr (3) &/or PB Country Head (4)

- (1) for all new accounts &/or incomplete background info &/or non-target market accounts &/or waiver of references
- (2) for all Confidas-managed accounts (3) for all "seized" accounts (4) for all "public figure" accounts

FOR RISK MANAGEMENT GROUP ONLY

| | Yes | No (*) | N/A |
|---|--------------------------|--------------------------|--------------------------|
| - If private person, ID data/docs & Due Diligence declaration (or substitute) on file | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| - If corporation, corporate docs & Due Diligence declaration (or substitute) on file | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| - If U.S. resident &/or citizen, IRS waiver on file | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| - If new account, or incomplete background info, etc. appropriate sign-offs obtained | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

(*) If any "No", see deferral approval and follow-up on separate DOCS print-out(s)

Reviewed by: _____ Date: _____
Documentation Specialist

CB024613

CLIENT ACCEPTANCE CHECKLIST

Account Title: Trocca Ltd Base No.: 129637 Opened Since: Oct. 20, 91

Account Type: ☐ Private Person(s) ☒ Confidas-Managed PIC/Trust ☐ Other: _____

1. DUE DILIGENCE & GENERAL BACKGROUND INFORMATION

- Client is a "Public Figure": ☐ No ☒ Yes (PB Country Head approval required)
- Source of funds: ☐ Industrialist/entrepreneur ☐ Inheritance ☐ Other: _____
- Estimated Global Networth: \$ _____ Invested in: _____
- Activity/line of business: BROTHER OF CURRENT MEXICAN PRESIDENT
- Character/Reputation: REMAINING INFORMATION TO BE FILED IN BY A/O -
(Amy Elliott)

☐ For further background information, see overleaf &/or see separate Account Opening Memorandum

2. TARGET MARKET

Presently Within 2 years No

- Client has min. global net worth of \$ 1.5M &/or investible assets of \$ 1M ☒ ☐ ☐
- Client has over \$ 250M AUMs (worldwide potential within Citicorp/Citibank) ☒ ☐ ☐
- Client generates over \$ 5M OIR (worldwide potential within Citicorp/Citibank) ☒ ☐ ☐
- Client segment (specify) _____

3. REFERENCES

- Account Officer attests that client has been positively referred by:
☒ Mr(s) Amy Elliott (name, title) of OA New York
- ☐ Other (e.g. name & base No. of existing client): _____
- ☐ See also attached citation/telex/letter/agency report (underline where applicable)
- ☐ If no reference, reasons: _____

4. SIGN-OFFS

Nov. 17, 92 Ingo Bösch Roberto D. Agosti
Account Officer (1) Vice President
Date Account Officer (1) Confidas Officer (2) PB Country Head (3)
(1) for all new accounts &/or incomplete background info &/or non-target market accounts &/or waiver of references
(2) for all Confidas-managed accounts (3) for all "public figure" accounts

| FOR RISK MANAGEMENT GROUP ONLY | Yes | No (*) | N/A |
|---|--------------------------|--------------------------|--------------------------|
| - If private person, ID data/docs & Due Diligence declaration (or substitute) on file | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| - If corporation, corporate docs & Due Diligence declaration (or substitute) on file | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| - If U.S. resident &/or citizen, IRS waiver on file | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| - If new account, or incomplete background info, etc., appropriate sign-offs obtained | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

(*) If any "No", see deferral approval and follow-up on separate DOCS print-out(s)

Reviewed by: _____ Date: _____

CM-4750

CLIENT ACCEPTANCE CHECKLIST

Account Title: Trocca Ltd Base No.: 129637 Opened Since: Oct. 20 92Account Type: ☐ Private Person(s) ☒ Confidant-Managed PIC/Trust ☐ Other: _____

1. DUE DILIGENCE & GENERAL BACKGROUND INFORMATION

- Client is a "Public Figure": ☐ No ☒ Yes (PB Country head approval required)
- Source of funds: ☐ Industrialist/entrepreneur ☐ Inheritance ☐ Other: _____
- Estimated Global Networth: \$ _____ Invested in: _____
- Activity/line of business: BROTHER OF CURRENT MEXICAN PRESIDENT
- Character/Reputation: REMAINING INFORMATION TO BE FILED IN 87 NY.
(Amy Elliott)

☐ For further background information, see overlay 8/or see separate Account Opening Memorandum

2. TARGET MARKET

| | Presently | Within 2 years | No |
|--|-----------|--------------------------|--------------------------|
| - Client has min. global net worth of \$ 1.9M &/or investible assets of \$ 1M | XX | <input type="checkbox"/> | <input type="checkbox"/> |
| - Client has over \$ 250M AUM (worldwide potential within Citicorp/Citibank) | XX | <input type="checkbox"/> | <input type="checkbox"/> |
| - Client generates over \$ 5M OIR (worldwide potential within Citicorp/Citibank) | XX | <input type="checkbox"/> | <input type="checkbox"/> |
| - Client segment (specify) | — | — | — |

3. REFERENCES

- Account Officer attests that client has been positively referred by:

☒ Mr(s) Amy Elliott (name, title) of CM New York☐ Other (e.g. name & base No. of existing client): _____☐ See also attached citiemail/telex/letter/agency report (underline where applicable)☐ If no reference, reasons: _____

4. SIGN-OFFS

Nov. 17, 92 [Signature] Roberto D. Agosti
Account Officer Vice President

[Signature] [Signature]
Dej. Mgt Officer (1) Confidant Officer (2) PB Country Head (3)

(1) for all new accounts &/or incomplete background info &/or non-target market accounts &/or waiver of references
(2) for all Confidant-managed accounts (3) for all "public figure" accounts

FOR RISK MANAGEMENT GROUP ONLY

| | Yes | No (*) | N/A |
|---|--------------------------|--------------------------|--------------------------|
| - If private person, ID data/docs & Due Diligence declaration (or substitute) on file | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| - If corporation, corporate docs & Due Diligence declaration (or substitute) on file | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| - If U.S. resident &/or citizen, IRS waiver on file | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| - If new account, or incomplete background info, etc., appropriate sign-offs obtained | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

(*) If any "No", see deferral approval and follow-up on separate DDC print-out(s)

Reviewed by: _____ Date: _____

C8024572

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 3023

REVIEW MEMORANDUM

RELATIONSHIP NAME: TROCCA LIMITED
RELATIONSHIP NUMBER: PC-4730/PT-5242
ACCOUNT OFFICER: AMY C. ELLIOTT / NEW YORK
SECONDARY ACCOUNT OFFICER: SARAH BEYAN / LONDON
INVESTMENT ADVISOR: N/A
CIBS ACCOUNT OFFICER: INGO BOESCH
FARC DATE: 24 JUNE 1993
DECLARATION OF TRUST: 30TH JUNE 1993
DATE OF 1ST AMENDMENT: NONE
CLIENT'S NATIONALITY: MEXICO RESIDENCE: MEXICO
FEES: STANDARD

FEE AGREEMENT: NONE

OUTSTANDINGS: NONE

All other documentation is on file.

This Client is an well known to Amy C. Elliott and a most valued Client of Citibank, New York and Citibank, Mexico. He is a Civil Engineer who is primarily involved in the construction and reconstruction of the network of highways in Mexico. Amy Elliott highly recommends this Client.

The Client is currently 47 years old. On the death of the Donor 1/3 of the Trust fund is to be distributed to the Donor's now 42 years old Patricia Paulina de Salinas Castanon. The remaining 2/3 of the Trust fund is to be held for his two Children till they attain the age of 35 respectively.

Son now 16 years old Juan Jose Salina Pasalagua
Daughter 18 years old Mariana Margarita Salina Pasalagua

each receiving 50% of the 2/3.

Copies of beneficiaries passports and Signature Cards on file.

ASSETS

CIBS Account no. 129637 30/09/93 USD2*308*131.51 invested in Citimax

CB024483

pesos.

Citibank, London 303626 30/09/93 - 3 portfolios FGR, GBP, IA total
USD21'865'373.42

CREDIT FACILITY:

Citibank, London USD4'114'103.86 I/F/O Trocca Ltd. to support
investments.

All documentation is on file.

CR024484

Senate Permanent Subcommittee
on Investigations

RESERVATIONS
EXECUTIVE DINING ROOMS
2nd Fl., 399 PARK

EXHIBIT # 30 f.
DATE: 8-17-93

DAY: Tuesday

DATE BKD HOST NAME BRKFST CONTACT , DR TIME NAME/GROUP PERS.

REDACTED

COFFEE SERVICE

REDACTED

| DR/LUNCHEONS | DR | CAP | PERS |
|-----------------------|----|-----|----------------|
| 8/17 Ed. Montano Alma | A | 12 | 1000 6:45 PM 3 |

REDACTED

SANDWICH ORDERS

REDACTED

REFRESHMENT SERVICE

REDACTED

AFTER - HOUR FUNCTION

REDACTED

CB009453

CALL MEMO

VERY CONFIDENTIAL

DATE: JULY 11, 1994


VISITORS: MR. RAUL SALINAS DE GORTARI
MRS. PAULINA CASTANON DE SALINAS
CONFIDENTIAL # 2

TIME: 14:15 - 16:15

PLACE: CONFERENCE ROOM 45-46 4TH FLOOR
CITIBANK (GENEVA) 16, QUAI GENERAL GUISSAN

PARTICIPANTS: VISITORS
MEAD ARNOVITZ, ACCOUNT OFFICER
CLARK KALL, RVP-MANAGER ADMINISTRATION CONFIDAS
ARTHUR VOGT, RVP-MARKETING CONFIDAS
ARIANA FLEISCHMANN, TRUST ADMINISTRATOR CONFIDAS

PURSUANT TO A TELEPHONE CALL DIRECTLY MADE BY OUR CLIENT MR. R ON FRIDAY JULY 8TH, AND AS PER A CM FROM JOANNE SCIORTINO WHICH SAID THE CLIENT WAS INTERESTED IN CREDIT CARDS FOR SWITZERLAND, MR. R. ADVISED US THAT HE WOULD LIKE TO MEET WITH CONFIDAS TO DISCUSS HIS PRESENT RELATIONSHIP. THE CLIENT INDICATED THAT HE DID NOT HAVE TIME TO COME TO ZURICH, BUT THAT HE AND HIS WIFE COULD MEET WITH US IN GENEVA. CLIENT ALSO REQUESTED THAT HE AND HIS WIFE WOULD LIKE TO BE ISSUED EUROCARD CREDIT CARDS, AND IF ALL POSSIBLE WOULD LIKE TO HAVE THEM READY AT THE MEETING.

THE CLIENT WANTED THE CARDS TO BE PAID THROUGH THE TROCCA LIMITED, HOWEVER IN ORDER TO AVOID ANY LINK BETWEEN THE PERSONAL NAMES AND THE COMPANY, AND TO PROTECT THE CONFIDENTIALITY OF OUR CLIENTS, THE A/O SUGGESTED THAT THE CLIENT OPEN A PERSONAL "NAMED" ACCOUNT IN ORDER TO GUARANTEE THE EUROCARDS. THE CLIENT AGREED AND THEY PROCEEDED TO SIGN THE DOCUMENTATION AND APPLICATION. THE CLIENT GAVE WRITTEN INSTRUCTION TO TRANSFER 100M USD FROM THE COMPANY'S ACCOUNT TO THE NEWLY OPENED PERSONAL ACCOUNT (HAROLDSON). (BANKNOTE) 

THE CLIENT WANTED TO SPEAK WITH CONFIDAS, THEREFORE MR. ARNOVITZ EXITED THE MEETING. THE CLIENT WANTED TO KNOW WHAT THE PRESENT FINANCIAL SITUATION AND PRESENT STRUCTURE WAS, AND HOW WE RECEIVED INSTRUCTIONS. WE PRESENTED FIGURES AND PRESENT STRUCTURE, AND HE AGREED AND SEEMED CONTENT WITH THE INFORMATION PROVIDED TO HIM. HE ASKED WHETHER THE COMPANY HAD DONE BETTER THAN LAST YEAR, AND WE SHOWED HIM THE FIGURES. WE TOLD HIM ABOUT A FIDUCIARY PLACEMENT AMY ELLIOTT, THE N.Y. ACCOUNT OFFICER PLACED ON 2-DAY NOTICE, AND THAT THE INVESTMENT WAS CONSERVATIVE IN NATURE, AND THAT ALL INVESTMENT DECISIONS ARE MADE BY AMY ELLIOTT IN NEW YORK AS PER HIS REQUEST. HE AGREED AND SAID THAT HE WOULD LIKE TO SPEAK TO HER. WE EXPLAINED HOW WE GO ABOUT GETTING INSTRUCTIONS FROM AMY. HE AGREED. WE ALSO ACKNOWLEDGED ABOUT HER DIRECTING THE LONDON ACCOUNTS AND ZURICH ACCOUNTS REGARDING INVESTMENTS AS PER HIS REQUEST, AND THAT WE SHOULD CONTINUE TO SEND MONTHLY REPORTING TO AMY ELLIOTT. HOWEVER WE SHALL NOT SEND THE BANK STATEMENTS TO AMY. WE DISCUSSED WITH HIM THE PRESENT STATUS WITH THE HAM AND THAT THERE IS QUITE A BIT OF MAIL AT THE FACILITY.

CB024617

HE AGREED THAT WE COULD DESTROY THE HAM CONTENTS IN ONE YEAR'S TIME . WE ASKED THE CLIENTS AFTER BEING INFORMED IF THEY NEEDED ANY COPIES OF THE TRUST DEED OR FINANCIAL STATEMENTS AND OK REPLIED THAT THEY NEVER CARRY ANY PAPERS WITH THEM. HE ALSO MENTIONED THAT IN THE PAST, HE HAD GIVEN VERBAL TELEPHONE INSTRUCTIONS TO MAILEY ROHNER, HIS PREVIOUS CONFIDAS ADMINISTRATOR. WE INDICATED THAT WE WOULD PREFER WRITTEN INSTRUCTIONS FROM HIM OR HIS WIFE FOR HIS OWN PROTECTION. HIS WIFE ESPECIALLY AGREED TO THIS. IF HE HAD TO COMMUNICATE VIA TELEPHONE FROM TIME TO TIME, SINCE HE KNEW US NOW, HE MIGHT, BUT ONLY IN EXTREME CASES.

DURING THE MEETING THE CLIENT MADE SEVERAL REMARKS ADDRESSING HIS CONCERN FOR "CONFIDENTIALITY", SO WE OFFERED HIM COMFORT BY REMINDING HIM OF OUR PROCEDURES AND THE NATURE OF OUR BUSINESS. HE PROCEEDED TO TALK TO US ABOUT THE PRESENT STRUCTURE AND ASKED IF IT WOULD BE POSSIBLE TO OPEN AN OFFSHORE COMPANY WITH AN ACCOUNT WITH CITIBANK (MEXICO), SO THAT HIS WIFE COULD COLLECT FUNDS THROUGH THE OFFSHORE VEHICLE. AS THIS POINT, WE REQUESTED THE PRESENCE OF ARTHUR VOGT WHO JOINED THE MEETING. ARTHUR DISCUSSED SEVERAL ALTERNATIVES TO THE CLIENT. THEN THE CLIENT ASKED SEVERAL QUESTIONS REGARDING BUILDING A BUILDING FOR RENTAL PURPOSES TO PERHAPS BECOME PART OF THE STRUCTURE. THE CLIENT INDICATED THAT HE WOULD BE BACK IN GENEVA NEXT MONDAY, AND THAT HE WOULD CONTACT ARTHUR TO MAKE A MEETING AROUND 14:00 ON MONDAY.

CONCLUSION:

THE CLIENTS WERE AT THE MEETING AND HAPPY WITH THE RELATIONSHIP. THE CARDS WILL BE DELIVERED TO THEM WITHIN 48 HOURS, THEY WERE HAPPY WITH THE RESULT. THEY SEEMED VERY COMFORTABLE SPEAKING IN THEIR NATIVE TONGUE. THE MEETING WITH ARTHUR IS NOT FIXED, HOWEVER ARTHUR PROMISSED TO DRAFT A PROPOSAL, IN WRITING SO THE CLIENT COULD STUDY THE PLAN, AND THE CLIENT SEEMED RESPONSIVE.

BY: ARIANA FLEISCHMANN, TRUST ADMINISTRATOR CONFIDAS

AFW

CB024618

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 30h.

Telephone No. 212/559 1450
Fax No. 212/759 5078

Facsimile Transmission

| | |
|----------------------------------|---------------------------------------|
| To: | |
| NAME <i>ARIANA FLEISCHMAN</i> | TELEPHONE NUMBER |
| COMPANY <i>CONFIDENT</i> | FAX NUMBER <i>01.41.1.205.7273</i> |
| From: | |
| NAME Amy C. Elliott | DATE <i>24.6.356</i> |
| Reference: | |
| [REDACTED] | |

Message:

[REDACTED]

Page: 1 of 2

C8024907

2-

REDACTED

ON ANOTHER SUBJECT....

ARE YOU NOW SERVICING THESE
ACCOUNTS? WHAT HAPPENED TO PATRICK?

LASTLY....

THE REASON THESE A/C'S & CO'S ARE
MANAGED BY CONFIDAS - IS THAT CLIENTS
REQUIRE COMPLETE CONFIDENTIALITY. LONDON
TELS ME YOU SENT TO THEM A REQUEST
FOR PAYMENT OF FEES ON CONF. CLIENT #2
& IDENTIFIED THE CLIENT'S NAME -
HOW CAN SOMETHING LIKE THAT HAPPEN?

[Signature]
MAY 6 1987 10
PRIVATE BANKING GROUP INC
222/175 PLAZA 18
EX 1450

CB024908

Senate Permanent Subcommittee
on Investigations

EXHIBIT #

301

MEMORANDUM

To: File
cc: Hap Russell
Marcelo Mendoza
Alan Robinson

From: Sarah E A Bevan
Date: 1st March, 1995
Re: Origin of wealth
Client: Confidential company no 2

Today Pedro Homem has spoken extensively on behalf of WH EMEA with Mr E Montero, Mr H Rukavina and Primary Private Banker, Mrs Amy Elliott to confirm that she does not classify client Confidential client number 2 to be a "Public Figure" in Mexico and that the source of the clients wealth, as an engineer in the construction business, where the business deals are publicly known, may be considered to be an honourable source of wealth. He was originally referred to New York by a very trustworthy existing client and the client Confidential Client No 2 has conducted his business to our satisfaction since inception.

Despite the recent press coverage, we do not believe that we should force the repayment of the US\$3mm demand loan as we do not believe that the account is in breach of banking conditions and until advised otherwise we shall maintain the account in the usual business manner, acting strictly on Confidas instruction.

REDACTED

I will keep you all updated on any instructions or advice we receive from our PBG New York Legal Department.

Sarah E A Bevan



CB023250

PERSONAL AND CONFIDENTIAL

Memorandum to: G. Edward Montero
From: Amy C. Elliott
Subject: Raul Salinas de Gortari
Date: 3 March, 1995

I want you to clearly understand, specially now, on the face of the charges of ill conduct taken against the above individual by the Mexican authorities early this week, the basis for the acceptance of this account, during 1992.

Sometime during the spring of 1992, Ing. Carlos Hank Rhon, who was visiting New York, called me and said he wanted to introduce me to a very good friend of his who was interested in setting up a similar structure to the one he has with us, and he had told him how well his was working, and wanted him to meet us.

Later that day, Carlos came in with Raul Salinas de Gortari, and Reynaldo Figueiredo and I met with the two of them in your office, in your absence. This meeting later became an example of how well prospecting can be done through client reference, since Carlos basically played the role of the straight man, and Reynaldo and I simply answered the questions posed. "Amy, tell Raul, how you work", "Amy, tell Raul how a fiduciary structure works", "Amy tell Raul how you manage the money", etc..

At that meeting, Carlos told us that "these days, everybody in Mexico claims to know the Salinas", but he, Carlos, really did. He told us he had gone to school with Raul, their respective fathers had served their government at the same time, when they were "chamacos", they were both engineers, and had worked on several projects together. Raul told us that he had several banking relationships, including a "sizeable account at a Swiss bank".

After that initial meeting, as I can best recollect today, I met with Raul, once or twice more in Mexico, and we finally proceeded to set up a Confidas PACT, and personal accounts in New York. Mr. Salinas expressed a need for confidentiality in order to protect his family and his assets from potential political persecution. He felt in view of some of the measures taken by his brother, the family could be, in the future, vulnerable to political persecution. These accounts were funded with an initial amount that did not exceed \$2MM. to the best of my recollection.

The basis for my accepting the accounts were multi-fold:

C8007178

- o Mr. Salinas is a member of a prominent, highly respected Mexican family
- o He was introduced to us by one of our largest and most valued clients, who in fact brought him in to us personally
- o His family is known to be wealthy
- o He had business deals with Mr. Hank
- o He married Paulina Castanon de Diaz Ordaz, who is known to have received a large cash settlement after her divorce
- o I visited him in his house in Mexico, and met his family
- o His brother was not only the President of the Country, but well known to Senior Management in the Bank.

CB007179

Senate Permanent Subcommittee
on Investigations

30k.

EXHIBIT #

Author: Clark S. Kall at SWITZERLAND
 Date: 11/14/95 12:39 PM
 Priority: Urgent
 TO: D. Smith Freeman
 TO: Thomas M.B. Salmon
 TO: Ariana Fleischmann-Wilkins
 Subject: Confidential Client #2

----- Message Contents -----

Ariana and I met the donor's wife today from 9-10 a.m. with her brother Antonio. She was spending the week in Zurich to organize their finances. She asked about several of the incoming and outgoing transactions over the PTA accounts, some of which must be clarified by Amy Elliot. The wife signed an instruction to Amy Elliot to release any information she has to us to explain these transactions.

The wife, who has power under the trust to instruct payment of capital and accumulated income, indicated by this Thursday she wished to instruct that all investments be liquidated and all moneys be moved out of the trust relationship, probably to another bank--who she would identify then. She indicated she had discussed this with Amy Elliot who told her that because Citicorp was a U.S. institution with a global presence the Mexican government might more easily demand information for political reasons under U.S.-Mexican treaties than with a non-U.S. bank. She also indicated she wished to close their personal CIBS's bank account and signed an instruction canceling their credit cards and having the moneys in the personal account sent to Trocca's account. She was very pleased with Citicorp and Confidas's service and said several times she wished to return once her husband was acquitted.

I told her that Amy Elliot informed us she (the wife) told Amy a Swiss bank had blocked some of the donor's accounts and that Swiss due diligence required me to investigate this. She said she understood completely and that Amy had heard incorrectly; she said that no Swiss bank had blocked her or her husband's accounts. Citibank was their primary bank so if anything was blocked she would expect it to be here.

I asked her if the authorities had alleged the donor was involved in corruption or if the funds were in any other way allegedly involved in crime. She said no, the only allegation involving money was the claim in the criminal case that her husband paid a million pesos to have the murder committed. She said she had visited Swiss counsel yesterday who told her there was no question of money-laundering under Swiss law.

She asked what penalties would apply to have the investments liquidated quickly and noted several investments had longer maturities. We told her we would ask the bankers about this and tell her the approximate difference between a rapid liquidation and a more casual liquidation. She said she just wanted to have their finances in order so she could relax. She also asked if we could give a fee concession from standard termination fees. We told her we would ask senior management about this and thought some discount was justified due to the size of the relationship.

She agreed that once the trust relationship's accounts were liquidated, it would be advisable to terminate the trust and liquidate the companies. Birchwood was set up to hold real estate, but she said this transaction would never be completed.

She gave us her hotel number and said she would like to meet Thursday at 3 pm to instruct closing of the accounts.

CB024607

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 301.

CONFERENCE CALL WITH AMY ELLIOTT

ATTENDING: CLARK KALL, ARIANA FLEISCHMANN
DATE: 18 SEPTEMBER 1995
RE: CONFIDENTIAL #2
CC: THOMAS SALMON, SMITH FREEMAN

FOLLOW-UP ON THE STATUS OF HOW THIS RELATIONSHIP IS BEING
HANDLED.

ACCORDING TO AMY ELLIOTT OUR CLIENT IS STILL IMPRISONED. THE
DONORS GAVE HER THE AUTHORITY TO MAKE INVESTMENTS AT HER
PERSONAL DISCRETION IN THE ADVISORY ACCOUNT IN LONDON.
SINCE THE CLIENT'S IMPRISONMENT, THE ONLY ACTIVITY HAS BEEN
HEDGING AND REGULAR MAINTENANCE OF THE FUNDS SO THAT THE
FUNDS ARE NOT SITTING IDLE. ED MONTERO, COMPLIANCE IN NEW
YORK, AND COMPLIANCE IN LONDON ARE AWARE OF THE PRESENT
WAY IN WHICH AMY IS MANAGING THIS ACCOUNT. SHE BASICALLY
EXECUTES INVESTMENTS ADVICE GIVEN BY LONDON PORTFOLIO
MANAGERS.

REDACTED

AMY ELLIOTT HAS BEEN INSTRUCTED FROM HER SUPERIORS TO DE-
MARKET THE RELATIONSHIP, THAT IS TO HAVE THE ACCOUNTS
TRANSFERRED TO A LOWER PROFILE BANK.

SHE WILL BE IN MEXICO IN A FEW WEEKS WHERE SHE WILL MEET WITH
THE DONOR'S WIFE, SO SHE MAY OBTAIN INSTRUCTIONS FROM HER TO
TRANSFER FUNDS ELSEWHERE.

AMY ELLIOTT, AGREED TO SEND US TOMORROW A CITIMAIL
CLARIFYING THE PRESENT SCENARIO.

A FOLLOW-UP IS IN PLACE FOR THE CITIMAIL.

ARIANA

CB024978

Senate Permanent Subcommittee
on InvestigationsEXHIBIT # 30m.MEMORANDUM TO: ALBERT MISANO
AMY ELLIOTT

RE: CLIENT #2

As per our conversation, we will need as soon as possible the due diligence executed in New York, which supports the Client Acceptance documents filled by Amy Elliott for the accounts opened in Europe. Any associated documentation and/or opinions should be included in this due diligence.

As well, we need to have information regarding the origin of the funds before they arrived in London and Switzerland. As you stated, maybe we can have this information by tomorrow night so we can send it to Europe and be there in time so it can be forwarded to the requesting parties immediately.



Roberto D. Agosti

cc: Pedro Homen

November 21, 1995

CB009449

Senate Permanent Subcommittee
on InvestigationsEXHIBIT # 30n. 4153CITIBANK, N.A.

Minutes of a Regular Meeting of the Board of Directors held on Tuesday, November 21, 1995.

A Joint Meeting of the Citicorp and Citibank, N.A. Boards convened at 10:05 a.m.

Present:

Citibank N.A. Directors: Amb. Ridgway; Messrs. Calloway, Chia, Collins, Haynes, Reed, Rhodes, Shroetz, Steffen and Thomas.

Absent: None.

Consulting Committee Members: Messrs. Chandler, Derr, Ruding, Shapiro, Smith and Woolard.

Absent: None.

Citicorp Directors: Amb. Ridgway; Messrs. Calloway, Chandler, Chia, Collins, Derr, Haynes, Reed, Rhodes, Ruding, Shapiro, Shroetz, Smith, Steffen, Thomas and Woolard.

Absent: None.

By Invitation: Messrs. Green, Horgan, Jones and Roche.

Invited guests, with the exception of Mr. Roche, were not present with regard to the following item. The Corporate Secretary was present.

**Executive
Session**

During an Executive Session, the Chairman discussed a matter concerning a Mexican customer.

The remaining guests joined the meeting.

REDACTED

C6021345

CITIBANK N.A.

Minutes of a Regular Meeting of the Board of Directors held on Tuesday, December 19, 1995.

A Joint Meeting of the Citicorp and Citibank, N.A. Boards convened at 10:05 a.m.

Present:

Citibank N.A. Directors: Amb. Ridgway, Messrs. Calloway, Chia, Collins, Haynes, Reed, Rhodes, Shroetz and Thomas.

Absent: None.

Consulting Committee Members: Messrs. Chandler, Derr, Ruding, Smith and Woolard.

Absent: Mr. Shapiro.

Citicorp Directors: Amb. Ridgway, Messrs. Calloway, Chandler, Chia, Collins, Derr, Haynes, Reed, Rhodes, Ruding, Shroetz, Smith, Thomas and Woolard.

Absent: Mr. Shapiro.

By Invitation: Messrs. Horgan, Jones, Meneses and Roche.

REDACTED

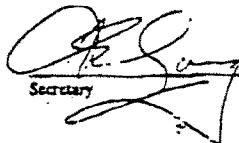
CB021347

REDACTED

We also report allegations of money laundering brought to our attention by Swiss authorities:

Raul Salinas de Gortari, the brother of the former president of Mexico, has been a client of Private Bank since 1992. He was charged in Mexico in February 1995 with complicity in the assassination of a political opponent of the present government in Mexico. In November 1995, his wife Paulina was arrested in Switzerland on charges that she had attempted to use false names to withdraw funds from accounts in other Swiss banks. On November 16, 1995 the Swiss Attorney General served Citibank Switzerland with an attachment order for the Salinas' accounts in Switzerland, which presently contain approximately \$27MM. The attachment order was issued in connection with an investigation by the Swiss into alleged financing of narcotics trafficking and money laundering. Following the receipt of this order, we blocked additional Salinas accounts in London and New York containing an additional \$18MM. We Redacted other requests for information from various law enforcement and regulatory authorities in Switzerland, England, Mexico, and the United States.

On motion, the meeting adjourned at 12:00 noon.


Secretary

06021348

100 Fifth Avenue
New York, NY
10003

1004
Senate Permanent Subcommittee
on Investigations
JAMES S. HENRY
EXHIBIT # 300

November 18, 1997

REDACTED

REDACTED

REDACTED

REDACTED

STRICTLY CONFIDENTIAL - NOT FOR
CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF
ONLY

CS007462

REDACTED

I spent a day being interviewed by the Department of Justice on the Salinas affair. As a legal issue, I continue to think that we are on very solid ground. However, I am more than ever convinced that we have to rethink and reposition the Private Banking business. It really has changed in fundamental ways, while the industry has not. What used to be a business that in many ways was driven by local inflation and bad economic policies in the Emerging Markets, is now driven by global investment opportunities. Much of our practice that used to make good sense is now a liability. We live in a world where we have to worry about "how someone made his/her money" which did not used to be an issue. Much that we had done to keep Private Banking private becomes "wrong" in the current environment. As we have said, we expect to pull together our thinking and share it with you around year-end. The business itself is very highly attractive and there is no reason why we cannot pursue it in a sound way but it will take an adjustment.

REDACTED

Best regards,



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CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF
ONLY

CS007463

March 1, 1995
11:07 a.m.

UF¹: Citibank, good afternoon.

PH²: Hello [unintelligible].

UF: Hi, Pedro.

PH: Uh, is Mead there?

UF: Uh, yes, I think so. Just a second. Did you get hold of Montero?

PH: Yes, yes I did.

UF: Oh, good. Okay. He sounded a bit desperate.

PH: Yeah, well, b-, by the way, on the trip to, back to Brazil, try to have seats along with Montero.

[A portion of this conversation has been redacted because it is nonresponsive.]

UF: Okay. Uh, Mead. Just a second. [Music]

MA³: Pedro.

PH: Yeah, Mead. How you doing?

MA: Uh, okay.

PH: Uh, you heard about, uh, Salinas?

MA: Yeah, I sent you a Citimail.

PH: I didn't read yet. Uh, don't they have a large account with us?

¹ "UF" — Unidentified Female.

² "PH" — Pedro Homem.

³ "MA" — Mead Amovitz.

MA: Yes.

PH: Uh —

MA: Very large.

PH: Yeah. Which means what?

MA: I don't know I, uh, I contacted Confidas this morning because, aside, [unintelligible] this was nothing, this was an indirect relationship of Amy Elli, Elliott's. Uh, I talked about it with Bob. He seemed to think that even was opened by Al Misan originally. But, um, obviously this is the brother, okay?

PH: Um-hmm.

MA: Uh, he has a, uh, very complex trust relationship with Confidas. Uh, the account, and I can give you, he has a, a fiduciary vehicle Trocca, Limited. Who's uh, under, you know, In-, you know, this is a served client through Ingo. And Mariana, okay. Um, let me just give you the, the asset details, um, at year end at least. Hang on a second. I think it's around 22 or 25.

PH: Um-hmm.

MA: [Unintelligible].

PH: Do you know whether we have the public figures, uh --

MA: Twenty-two million. Twenty-two million.

PH: Yeah. The public figures, uh, memo was prepared or no?

MA: No, because this gentleman was not a public figure.

PH: Uh-hmm.

MA: Uh, this is the brother of a President but he wasn't uh. . .

PH: [Unintelligible].

MA: . . . I don't, the, that I know of. I've never reviewed this account, to be honest, okay?

PH: Um-hmm.

MA: Uh, what happened though is I met this gentleman, because he did visit here, uh, in Geneva last, about a year ago.

PH: Yeah.

MA: Okay? Uh, he came through with his wife. It was more in the summertime. Okay? Uhmm, I think it's probably July or something that he came through here. And, uh, he was in, I think, Monte Carlo or, you know, he's in the Riviera. And he came up here, and there was a, he's always had direct contact with Ariana Fleischmann in Confidas.

PH: Um-hmm.

MA: Okay? Uh, they were telling me, and I think I mentioned to you, over, at the end of last year, that they were doing big, uh, increases in business with Confidas. They were shifting some assets, uh, into, you know, aside from just the bank account that they had with us. Okay?

PH: Yeah.

MA: It's a relationship that's totally, you know, we're not allowed to contact this guy. Nothing, it's a complete Amy Elliott. Okay?

PH: Um-hmm.

MA: So, you know, I just, as the, as the, you know private banking person met the gentleman as a senior Mexican because I'd just taken over the job . . .

PH: Yeah, yeah.

MA: . . . in August. So it was definitely in August. Uh, Ariana and Arthur Vogt came down here from, uh, from Zurich. We met in a conference room downstairs. Uh, he needed to do, uh, a credit card.

PH: Um-hmm.

MA: I got the paperwork together with that with Katarina. We opened up a, a current account and a checking account, in a fictitious name basically, uh, which would be supported by the trust, okay, with a credit line or whatever.

PH: Um-hmm.

MA: And, uh, basically, sent that all up to Zurich to be, you know, basically domiciled with this relationship, okay. Uh, when it came to talk about specifics of the accounts, I was asked to leave the room.

PH: Um-hmm.

MA: And when they were gonna do the trust work, I was asked to leave the room by the client.

PH: Um-hmm.

MA: So he met me, very nice. We spoke a couple times on the phone because he had a problem with the credit card cause he had overspent his limit very quickly. And, we, we, uh, we coordinated a, a, a premature payment. Very col, cordial, very kind. I just offered, you know, say listen, if you ever need anything, you know, I'm at your disposal. But, I never, because this was an Amy Elliott client, was ever interested, you know, there was nothing ever pursued and obviously, never contacted in the country.

PH: Yeah.

MA: Okay. So I never had any personal contact aside from that one meeting.

PH: Okay.

MA: Uh, I've never reviewed the files to know anything more about this.

PH: Any current outstanding?

MA: No, no.

PH: Just, uh . . .

MA: Not that I know of.

PH: Okay.

MA: I'd have to review okay . . .

PH: You got to check it?

MA: Hang on one second.

PH: Okay.

MA: Can you hang on one second? [Music]

PH: Okay.

MA: Pedro?

PH: Yes?

MA: [Unintelligible] pick this up.

UF2⁴: [Unintelligible].

MA: Uh, hi. It's, it's Mead and Pedro. How are you?

UF2: Ah, hi. Carmen.

PH: Hello.

MA: Carmen, como estas?

UF2: Como estas?

MA: Esta Mariana?

UF2: Yeah. Un ratico. Yo te la ponga.

MA: Gracias.

PH: Quien es Mariana?

MA: Mariana [Unintelligible].

PH: Uh-huh.

UF: Ya te la paso.

⁴ "UF2" — Unidentified Female # 2.

MA: Gracias. I called her this morning, as well, to let her know and I, and I called, uh, Confidas to let them know . . .

PH: Um hm.

MA: . . . because I don't think, they weren't aware. So.

MV⁵: [Unintelligible]

MA: Mariana, hi, it's Mead and Pedro.

MV: Hi.

PH: Hello, Mariana.

MV: Hello.

MA: Uh, Pedro's in London, I'm here. Uh, we're calling about Trocca.

MV: Um-hmm.

MA: Okay? Is there any loans outstanding? Is this a leveraged account or is it just an asset account, for Trocca?

MV: Maybe there is, um--.

MA: I know we have the credit card with the, with the current account and the visa or you know the credit card we issued.

MV: Yeah, there might be a TPC, there might be . . .

MA: A TPC.

MV: . . . but I have to check on that because I think there was something uh, done while I was away, but I'm not 100% sure.

MA: Can you pull and get up to date real quick on this? Cause this is rather urgent.

MV: Yeah, can you hold on, just . . .

⁵ "MV" — Mariana V [unintelligible].

MA: Yeah, sure.

MV: . . . just a second?

MA: Okay.

MV: Thank you.

MA: [Unintelligible] get some phone calls, Pedro?

PH: I got from Montero and uh . . .

MA: Did you?

PH: . . . and I'm about to receive from Rukavina, so.

MA: Ah ha. Okay. Ahm.

PH: Ahm.

MA: Is there some concern?

PH: Well, there is, I mean, basically the question is whether he was considered a public figure or not and, uh, what's the status of the account [unintelligible].

MA: Okay. Uh, ya know, Bob is here as well. Do you want me to bring him in?

PH: Yeah. Maybe he knows something more.

MA: Okay, hang on. [Pause].

UF3⁶: Just a second, please.

MA: Pedro?

PH: Yeah.

MA: Pedro?

⁶ "UF3" Unidentified Female #3.

PH: Yeah, yeah.

MA: Hang on a second. Wanna make sure we get, Bob's gonna come in here in a second, just hanging up with Italy.

[A portion of this conversation has been redacted because it is nonresponsive.]

MA: Bob just walked in. Bob, uh, we have, Mariana [unintelligible] pulling the file.

BA⁷: Ok. Hi Pedro.

PH: Hello Bob.

BA: How are you?

PH: Fine, thanks.

MA: I was telling, uh, Pedro that I didn't believe that this was ever treated as a public figure . . .

UF4⁸: Citibank.

MA: . . . account. Hello?

UF4: Yes, Citibank.

BA: [Unintelligible].

PH: Yup. Mariana?

BA: Hello?

UF4: There is the switchboard of Citibank.

BA: Uh, Citibank, where are we?

UF4: [Unintelligible].

⁷ "BA" — Bob Agosti.

⁸ "UF4" — Unidentified Female #4.

BA: This is Geneva, Citibank Geneva as well —

UF4: I'm Citibank Zurich, the telephone operator.

MA: Oh, yes. You need to shift us to 7805, to Marianna [unintelligible] please.

UF4: Ok. Hold on please.

BA: Thank you.

MA: Somehow it got cut off.

BA: Uh —

MA: This is something I inherited here, it says . . .

BA: Yeah.

MA: . . . definitely treated and coded as an Amy Elliott account.

BA: Yeah. But, I mean —

MA: [Unintelligible].

BA: And, uh, uh, okay. And the relationship is with whom? With us or with Confidas?

MA: Both.

BA: [Unintelligible] the client has an account in a personal name, plus. . .

MA: No. Not a personal name.

BA: [Unintelligible].

MA: He's got a very small personal name account that he did a pseudonym for a credit card . . .

BA: Uh-huh.

MA: . . . but he's got uh, uh, a Swiss base, uh, the, the vehicle is Trocca Limited . . .

BA: Okay, but that's, that's a Confidas vehicle.

MA: Yes.

PH: But, but the personal account is in uh his name?

MA: Uh, we do have . . .

BA: Yeah. Yeah. [Unintelligible].

MA: . . . a personal account in his name.

MV: [Unintelligible].

BA: Yeah.

MA: [Unintelligible] ask Mariana about the exact [unintelligible]. It's his and his wife's.

PH: Yes.

MV: Hello?

MA: Mariana?

MV: Yes.

MA: The entitlement of that, what was it — Napoleone or something uh—

MV: Bonaparte.

MA: What's that?

MV: Bonaparte.

MA: Bonaparte.

MV: Um hmm.

MA: That is he and his wife?

MV: Um hmm, right.

MA: Okay it's a fictitious name or --

BA: How big is the account? Hi Mariana, this is Bob Agosti.

MA: Hi Bob.

MA: That's a small, I mean, uh checking account for the credit card, no?

MV: Yes.

MA: It's got like 50,000 or something, no?

MV: Well, I don't think there's any more than [unintelligible], or not much, at least, just a second I'll check.

BA: Yeah. Clearly when the account, uh — and how was the account opened, was it opened, Amy Elliott opened it with whom? With Ingo directly?

MA: Uh.

PH: The, uh, personal or uh, the trust?

MA: The trust is a Confidas relationship for many years, no?

BA: But how was it opened, with whom?

MV: Wasn't it with you Mead?

MA: No, no Trocca's been around for many years, I think.

MV: No, no, no. Bonaparte.

MA: Oh, Bonaparte was opened by me here when he came through last summer.

BA: [Unintelligible].

MA: I had a credit card issued.

MV: Right. We have only a balance of 136,000.

BA: And Trocca, when was it opened, Marianne, do you have any idea?

MV: Uh, yeah, I can tell you in a second.

BA: Cause I don't remember that account from my d-, from my days unless Ingo was [unintelligible] Marianne.

MA: Plus Amy shifted it once you left.

MV: I think it was, uh, transferred to us in last year. I think, but, just a second.

BA: You see the, uh, I, I don't remember the account at all.

MV: Yup, well, two year, uh, three years ago, 20th of October 92.

BA/MA: 20th of October 92.

PH: And it came straight from New York?

MV: Yes.

PH: Do you know whether we fill [unintelligible]?

MA: Ingo there?

MV: No, he's on vacation.

BA: He's on vacation.

MA: They also talked to Ariana Fleischmann, at, uh, the Confidas who's been handling this relationship.

BA: Because honestly, I don't recall at all, I mean, uh, this account in, in those times. In 20, yeah, in October of 92 I was still there I guess.

MV: As far as I remember, we received like 20 million in one payment. But, uh, if you hold on a second, I'll get the file and I'll tell you.

PH: Okay. And then check, check who, who . . .

BA: [Unintelligible].

PH: . . . recommended what type of documentation we have in there.

MV: Okay. Just a second please.

MA: I think just as importantly, uh, as you look at this, I'm going to call Ariana Fleischman a second just to find out how much of the, of the, of this trust relationship, in terms of total AUMs. I think that's important. Both financial and non-financial.

PH: Specially guarantees or cross pledges or collaterals or whatever.

BA: My gosh, what an explosion, eh?

PH: Can you imagine? I didn't read the news yet because I don't know where to get them but, uh

BA: It's in the, um, I have it. Hang on a second. Let me, let me give you the code in, in Reuters.

PH: In Reuters? What's the page?

BA: Let me give you the page. Hang on a second. Hello?

PH: Yeah.

BA: It's Y-J-K-J.

PH: Y . . .

BA: J.

PH: Y-K?

BA: No. Y-J.

PH: Y-J?

BA: Y-J [In Spanish].

PH: Si.

BA: K.

PH: [Unintelligible].

BA: J.

PH: J.

BA: [In Spanish] [unintelligible].

PH: No, this gives me, oh yes [unintelligible]. No, this is Barings.

BA: Hang on a second, let me see if I can get here.

PH: Y. You said Y-J-H-J.

BA: Y come yen . . .

PH: Yes.

BA: . . . J come Joe . . .

PH: Yes.

BA: . . . K come Karen . . .

PH: Yes.

BA: . . . y J come Joe.

PH: Okay, Y-J-K-J. Yeah. [Unintelligible].

MV: Are you there?

PH: Yeah.

MV: Okay. The account was, uh well, like two million in 92 and then it jumped up to four million in roughly 94, at the beginning of nine- no, that was earlier, I'm sorry. That was in December 93. And then in April 94, we received all of a sudden twen-, twenty million . . .

BA: In April -

MV: . . . from Citibank, New York.

BA: So in October we received two, and then the next two went where? Where were they?

AV: That was in of April 94.

BA: So we had only two in October.

MV: Um -

BA: But I thought you mentioned a couple of credits, for uh -

MV: Well, if I look at the, at the account uh, balance, it also . . .

BA: [Unintelligible].

MV: . . . it tells me like two million in November 93 . . .

BA: November of 93.

MV: . . . and then it jumped up to four and a half million in December 93.

BA: Four and a half, yeah.

MV: And then in April 94, we received twenty million from New York.

BA: Okay, so it was November of 93 that the account came, then. The, the, the two million.

MV: Well, um. No, it was actually October 92. That was two million.

BA: Okay, so it was October of 92, . . .

MV: [Unintelligible].

BA: . . . two million . . .

MV: Exactly, and then it was, added, there were two mil, two more million added.

BA: Some, some time before December of 93 or 92?

MV: Um, 93. And then April 94, for the twenty million.

BA: Uh, and we had in the documentation the fact that the, the name of the client, because of, uh, the disclosure.

MV: Wait. I'm sorry. It looks like, because, um, it looks as though, documentation is a-, alright. We have, uh, all the documentation that is

actually necessary which includes the Form A so I guess we knew the name.

BA: Huh.

MV: But I don't have a copy here.

BA: Now, I wonder . . .

MV: [Unintelligible].

BA: . . . if the documentation was not filled, because I'm s-, when is Ingo coming back Marianne, I mean, this is not. . . .

MV: Tuesday.

BA: On Tuesday?

MV: Yup.

BA: Next Tuesday?

MV: Yup.

PH: Now, I think we should get the file anyway and find out . . .

BA: Yeah. We should get the file and the problem is to see who filled the documentation because I guess it was filled by Confidas and . . .

MV: Yeah.

BA: . . . if there is any disclosure of the name or uh, if Ingo knew who the person was because clearly we should have, uh, declared him a — I don't know. He's not a, directly, a political figure —

PH: Yeah, he was indirectly.

BA: [Unintelligible] but indirectly, yes . . .

PH: Yeah, but, uh.

BA: . . . so, we should have made some kind of a point there, that uh, that he was a, a political figure.

MV: Well, actually, I do have a, an account application for corporations here and on Form A it says Raul Salinas so . . .

BA: He's what?

MV: . . . [unintelligible] was clear. It, it, w- [unintelligible] did [unintelligible] the name so, and it was signed by um, Confidas. That, I, I was looking for a Form A because I thought um, that was . . .

BA: Yeah . . .

MV: . . . already the new form, but it was the old form that we still were using at that time . . .

BA: Uh-huh.

MA: . . . and it is included, so, we got it here.

BA: And you have it in the file?

MV: Yes, I do.

BA: So Ingo knew the name of the client.

MV: Yes. I guess, yeah.

PH: And it's uh, it's uh, signed by uh, Confidas as well.

MV: Yes.

BA: And uh, and when is it dated?

MV: It's dated the 16th of October 92.

BA: Ah, okay. Ah, alright. Well, I think we have to speak with Ingo. I, to be honest with you, I don't recall [unintelligible].

MV: Well, if you would like to call him, I've got a number where —

BA: You have a number?

MV: Yes, I do.

BA: Yeah, I would love to call him, yeah.

MV: Okay, just a second please.

BA: Yeah, because . . .

PH: Well, Bob, [unintelligible] I think what we should check as well is what type of TPCs or exposure . . .

BA: Yeah.

PH: . . . do we have.

BA: Case we have an exposure, yeah, loan exposure, yeah . . .

PH: Do we?

BA: I, I don't know. I, I'd have to, what we need to do is take a look at the, at the whole account. I don't know if we can do it from Geneva or otherwise through Marianne.

PH: Yeah, someone has to do it. And uh, and my concern is as well that you should have a TPC, uh, covering the, covering the cash accounts.

BA: Yeah.

PH: I mean, that, that's a bit absurd.

BA: [Unintelligible].

MV: Okay. You there?

BA: Yeah. We're here.

MV: Okay, the phone number is 0 - 0 - 5 - 0 - I think it's a 6, because I got only a fax copy here —

BA: 5-0-6?

MV: No, uh, yes. 2-2-5 —

BA: 2-2-5—

MV: 3-1-55. Or 2-2-5-1-6-49. Or 2-2-5-0-1-3-5. And that is in San Jose, in Costa Rica.

BA: Oh. San Jose, Costa Rica my goodness.

MV: Well, he's actually going to school there, so, um —

BA: Okay, so, let me repeat the number. It's 5-0-6-2-2-5-3-1-5-5.

MV: Yes.

BA: Then the other numbers. Okay.

MV: Right. You might have to check uh, on the country code because I can't read it very well but I think —

BA: Well, alright . . .

MV: . . . it's a six.

BA: . . . [unintelligible] I guess that that's okay.

PH: He'll be back next Tuesday?

MV: Yes. Maybe already on Monday but definitely on Tuesday.

PH: Um-hmm.

BA: Alright. Can you give me the base number, uh, Marianne?

MV: For Trocca?

BA: Yeah.

MV: 1-2-9. . . .

BA: Yeah.

MV: . . . 6-3-7. . . .

BA: Yeah.

MV: . . . and Bonaparte is 3-4-1-4-double 6.

PH: Uh, Marianne, is there any TPC in favor of, uh, Bonaparte? Or vice-versa?

MV: No.

PH: [Unintelligible].

MV: I think that we, we're holding standing instructions to cover uh — no we don't, we don't hold standing instructions.

PH: Ah, okay.

MV: No. But we always, like uh, covered any drawings or credit card uses on Bonaparte from Trocca.

PH: And how do you do that?

MV: Well, we usually talk to Confidas and they again, um, confirm it with Amy Elliott, Elliott, in uh, New York.

PH: Um-hm.

MV: And then we get written instructions to do so, to transfer, like a 100,000 or whatever.

PH: But that establishes a link between an individual account and the trust.

MV: No, there is none.

BA: Yeah, but you are doing it by uh, by crediting the account from one to the other.

MV: Exactly. We make a real transfer so there is no link at all.

PH: Okay.

BA: [Unintelligible] but you send the money from one account to the other?

MV: Right. But you can't really see where it comes from because it says like, um, by order of one of our customers or [unintelligible] —

BA: Yeah, I know, but our systems would say exactly where — I, I know the statement wouldn't show it. . . .

MV: Right.

BA: . . . but the system would.

MV: Well, I mean, you could . . .

BA: [Unintelligible].

MV: . . . follow the tracks.

PH: Um-hm.

BA: [Unintelligible] trace it back. Yeah. Uh. Okay. Alright. So you don't know of any loans or any TPCs in this account?

MV: Well, according to the [unintelligible], there is nothing. There is no out-, outstanding whatsoever.

BA: Okay.

PH: Good.

BA: So that's good, yeah. And the account is invested in mostly what?

MV: Um, let me see.

BA: Oh, don't worry, we can check that, that's okay.

MV: Um, I'm there. Oh, there's a Bahamex of ten million. Right.

PH: I remember that's what he did last time.

MV: And there is a um, Citiportfolio . . .

BA: Okay.

MV: . . . and some funds: Citimex Peso, LA Horizon and CitiVenture.

BA: Well, he has wonderful investments.

PH: My God.

BA: Made a lot of money.

MV: [Unintelligible].

BA: Okay, uh. Alright speaking of concentration of investments, I was concerned because I have some concentration in one of my accounts and this is [unintelligible].

PH: Hm.

BA: Okay. Uh, alright. Well, can you think of anything else Pedro?

PH: Uh, no. I think that, that's about it.

BA: Okay, we have to uh, find out — so there no political figure document filled out. I mean, the uh, the acceptance documents, can, can you get a copy of their acceptance document Marianne? Of, of the client acceptance, uh—

MV: The, the CAC?

BA: Yeah, the CAC. I can't remember what it is. I didn't want to say the word because it sounds horrible.

MV: I'm sorry. [Laughter]. Let me see what, I think I saw something.

BA: Alright. If you, if you can get a copy, can you fax it to, uh, to me, in Geneva?

MV: Um-hmm.

BA: Yah?

MV: Sure.

BA: Let's take a quick look at it.

MV: Okay. No problem.

BA: And I'll try to reach Ingo to find out a little bit more of how, how the account was opened because unless my mind is playing me tricks, I don't remember. I remember saying, I remember him talking about an account that Amy had opened that was very confidential.

MV:

REDACTED

BA:

PH:

REDACTED

BA:

MV:

BA:

REDACTED

PH:

REDACTED

BA:

PH:

BA:

REDACTED

PH:

BA:

REDACTED

MV:

BA:

MV:

REDACTED

BA:

MV:

REDACTED

BA:

MV:

BA:

REDACTED

MV:

BA:

MV:

BA: Uh huh, okay. [Unintelligible]. Okay. Alright, very good. Ah, the other thing I can think, uh, Pedro, is, eh, maybe check, uh, these two names in London.

PH: No London is zero.

BA: London is zero. Okay.

PH: Well, I hope, but how can we [unintelligible] don't know the names?

BA: I think somebody has to speak with Amy this afternoon and find out where.

PH: But, New York is saying that, you know, it's the usual, no relationship, you know, just a small demand account. When, when, uh, when the shit gets to the fans [unintelligible].

BA: Yeah, yeah, yeah.

MA: Pedro, I'm just back. I just had a long conversation with Thomas Salmon of Confidas.

PH: Yeah.

MA: Okay? Uh, so you are aware, uh, this is a Cititrust Cayman, uh ...

BA: [Unintelligible]

MA: ... basic model trust vehicle.

PH: Mmm-huh.

MA: Okay? There's a trust that owns shares of a managed company called Trocca Limited. Okay? And, uh, in this trust vehicle, uh, this is the, a basic model trust in that we do not have a discretionary role, okay? Um, we basically hold [unintelligible] and we take instructions from joint donors, Mr. and Mrs. and 95% of the time the instructions have always been received from the wife.

PH: Hmm.

MA: Okay? So, here the client really has been the wife although there obviously are joint donors here, husband and wife. Okay?

BA: What are you saying is wrong here?

MA: Okay? Um, now, evidently the other assets we were talking about, total assets in the relationship is around a hundred.

PH: [Unintelligible].

MA: There, there's twenty-two here and the rest is in London.

BA: Huh, you see?

PH: [Unintelligible].

MA: Okay? Uh, but, you know, you can ask Sarah because she probably has the account for Trocca there. Okay.

BA: Yep.

PH: Okay.

MA: Now, um --

BA: Oh, [unintelligible].

MA: Tom, his concern, he thinks we should patch you into him. There's not any leverage to speak of, but he said, I think what we got to be concerned

about here is not the leverage necessarily that's [unintelligible] important, but more importantly is a, a, a franchise risk here and PR because . . .

BA: [Unintelligible].

MA: . . . it is not unconceivable that this guy might, they might in their, in their investigation discover this whole relationship.

BA: I think it's important to find out how the money came in at this point to, uh, eh, because clearly there is an investigation, uh, if they can trace the money to us. Uh, I mean, what's done is done. There's nothing we can do at this point. Maybe the decision that we have to face right now is what are we going to do with this account? But I guess that, uh —

MA: Well, from a PR sense, Salmon [unintelligible] was saying, he really is co-, you know, we have to think about uh, how, you know, John Reed's legal counsel, this guy Jack Roche and Rich [unintelligible] that he mentioned, uh, how are we going to position ourselves, uh, if, uh, the people from Financial Times or the Wall Street Business, uh, you know, uh, uh, get a hold of, of the fact that you know, uh, Citibank Switzerland and London, uh, have a rela-, and Confidas, uh, have a relationship with this guy?

PH: And New York.

MA: No, here.

PH: And New York.

MA: Uh [unintelligible]. Could we, uh . . .

BA: Where, where are you, Pedro?

PH: In London.

BA: Do you have a number?

PH: Yes. I'm with Marcelo Mendoza, so its 4-0-9-5-0-5-1.

BA: Okay, good, alright. We'll, we'll call you right back.

PH: Okay.

BA: Okay?

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PH: Okay.

BA: Good, bye-bye.

US: Bye-bye.

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C8022454

March 1, 1995

1:59 p.m.

AE:¹ Amy Elliott.

SB:² It's Sarah B. again.

AE: Hi, cutie.

SB: Hi. I've got Pedro with me, Amy. Is this a good time to talk, or are you in the middle of a meeting?

AE: Oh, no.

SB: Okay. I'm going to put you on the speaker.

AE: Okay.

SB: Hold on. Can you hear us Amy?

AE: Yes.

PH³: Hello, Amy. How you doing?

AE: I'm fine, honey. How are you?

PH: Fine, thanks. [Unintelligible].

AE: Huh?

PH: [unintelligible] an early morning.

AE: Well, my morning —

¹ "AE" — Amy Elliott

² "SB" — Sarah Bevan

³ "PH" -- Pedro Homen

CB022319

PH: [Unintelligible].

AE: My morning here is already three hours old, so.

PH: Gee . . .

AE: Yeah.

PH: . . . [unintelligible].

AE: Yeah.

PH: Amy, uh, listen, uh -

AE: Pedro, there is nothing we can do, okay, I don't think. I, I will be speaking to Sandra this morning. I don't think, uhm, we can be faulted for anything. I really don't. Uhm, this was introduced to us by our best client.

PH: Yeah.

AE: Uhm, everybody was on board on this.

PH: Yeah.

AE: And, uhm, this was a person that, uhm, as far as we could tell, had, uhm, uhm, very close connections to his family, but had a viable business, okay?

PH: Yeah. No, no. My, my concern is [unintelligible] I, I agree with you on that one. Uhm. The, the question is should we do anything on loans outstanding. Because we have a three million dollar loan in London maturing March 14.

AE: Well, March 14 we won't roll it. We have cash on hand, we won't roll it.

PH: I know. But, do you want to prepay, or do you think we should stay? Because that's the recommendation I will have to present.

AE: Well, well, see I, my, my inclination today is not to move in any way.

PH: Yeah?

- AE: You know what I mean? Um, but after the day is over maybe I'll feel different, I'm sure I'm going to be asked to speak to God, okay?
- PH: I'm sure.
- AE: Um, and so after I speak to God I will pass it on to you, but my inclination is not to do anything that, that would look like were trying to, to cover up things, to do things. We did not act improperly, um with the information we had at hand. This is not a case where we can be faulted for, for, for doing anything wrong and for not doing proper due diligence. We did, okay?
- PH: Yeah.
- AE: And, and the, the specific problem at hand I discussed with him a week and a half ago.
- PH: Yeah.
- AE: The first article that came out I showed it to him. He was here. I showed it to him and I said, what the, quote, what the hell is this all about? And he said, Amy you should know that the family and there was another family involved, another very big name, okay, and [unintelligible] printed in this article and he said you should know that what was going, going on in Mexico, there is go-, there is go-, we are going to be persecuted. I was told that this would happen from my brother and what I'm going to do is stay out of the country and allow the dust to settle. So, I mean, eh, even that, I went into the meeting with the thing and I have witnesses that I went into the meeting with the thing and confronted him with it, I did not say, Oh my God, what is, you know, what is going on, I'm going to hide between, behind the wall. I didn't do that. Uh -
- PH: Yes.
- AE: And I told Ed I was going to do that, and he said are you sure you should to do that and I said yes, absolutely I should do that . . .
- PH: Hm hm.
- AE: . . . uh, so my inclination is not to do anything that looks like we are trying to, that we are running scared, because while this is a very sad and, I, I think, kind of ugly and sort of tells me that my reading of human nature has to be reevaluated.

PH: Well let, let's get to the end, because you never know.

AE: Okay, I, I don't know that this is not a witch hunt and, and uh, quite frankly I, I my, my, my original inclination is to say holy shit and I, I, I can sleep at night regarding our actions, not just mine but everyone's, okay? Um.

PH: Did, did you talk to Montero already this morning?

AE: No, not this morning, last night.

PH: Okay. Ah, fine.

AE: I mean this goes. [Unintelligible] in the very, very top of the corporation this was known, okay . . .

PH: Yeah.

AE: . . . on the very top.

PH: Okay. [Unintelligible].

AE: You and I are little pawns in this whole thing okay?

PH: [Unintelligible] did you ever fill just on the [unintelligible], did you ever fill a public figure report on this one?

AE: Do I, do I feel that, that what?

PH: A public figures report. You know, do you have it in New York, no?

AE: Do I, yes I do have it in New . . .

PH: [Unintelligible].

AE: . . . York. I do have it in New York for about two to three hundred thousand . . .

PH: [Unintelligible].

AE: . . . and, and I think it is, you know, that it is perfectly reasonable that I do have it in New York and it is in New York and it's prop-, properly

documentated, and we, documented and we pay all bills and we do everything -

PH: [Unintelligible] what I am asking is the public figures report, you know the, the . . .

SB: It's a requirement, Amy, that says someone is holding a prestigious position, a public fig-, position within a country.

AE: A public figure position within a country?

SB: Yeah.

PH: You, you, you are not aware of that?

AE: No.

PH: [Unintelligible].

SB: [Unintelligible] probably unique to, to Europe, we, we have to acknowledge . . .

PH: No, it's, uh, uh, worldwide.

SB: Worldwide?

PH: Yeah.

SB: Is it?

PH: It was a public figure report that has to be filled by the group executive. Ah, [unintelligible].

SB: Basically acknowledging that we know it is a public figure.

PH: And [unintelligible].

AE: And was this person a public figure?

PH: Yeah, that's one question.

AE: Well then, do you feel he is, I mean he wasn't.

PH: Okay, eh, okay.

AE: I mean I so far as I am concerned, he wasn't.

PH: [Unintelligible].

AE: Ju-, just because my husband is the president of the country doesn't mean that I am a public figure, does it?

PH: Yeah. Okay.

AE: I don't know, I'm, I'm, I'm asking.

PH: Well, theoretically, no. I agree with you. Uh, but uh -

AE: This person was a professional in uh, a professional and not in government.

PH: Yes.

AE: Okay, um, I don't know, let's wait until Ed gets over there and, uh, that Sandra Lopez-Bird speaks to me and . . .

PH: Okay.

AE: . . . I expect that I will have to go up to, to God and when I do I will let you guys know. Where are you going to be, in London?

PH: [Unintelligible]. In London. I am going to call Rukavina now.

AE: Yeah.

PH: And uh, I will basically tell him what we discussed and if he wants anything more, he will -

AE: Well, have him call me.

PH: Yeah. And listen, do you know the, the other guy, uh Palenque?

AE: No, I don't him. The other guy, I don't know.

PH: Yeah.

AE: No, that [unintelligible] guy?

PH: No, I mean another customer we had [unintelligible].

AE: Oh, yes, what about him?

PH: Well I, I, I read something that he might be within the group that. . .

AE: [Unintelligible].

PH: . . . [unintelligible] everything?

AE: His father.

PH: Yes.

AE: His father.

PH: His father. Yeah.

AE: Yeah. I spoke to, I spoke to that other guy about that too.

PH: Yeah.

AE: And when the article came out, I mean, I, I, I got on the phone, and spoke to both of them . . .

PH: Yeah.

AE: . . . um, and he told me that a retraction was coming forward and that it was irresponsible journalism and that's what was gonna go on in, that was going to go on in the country for a while, that this country was not ready for, uh, for democracy, and so forth and I, I, you know, unless I am asked or unless I am told that when I ask a straightforward question and I get a straightforward answer that I am to question that answer and say, well you are lying, okay?

PH: [Unintelligible].

AE: Then, then everything we do is out the window.

PH: Yeah.

AE: I'm sure that name is, that, that name is absolutely going to come up, of course it's going to come up.

PH: Should we do anything?

AE: My inclination is no, but I am going to be doing nothing other all day, so I ...

PH: [Unintelligible] in, in relationship, in relation to the first, to the, to the, number one.

PH: Yeah.

AE: At least discuss it as well with Sandra so that to protect yourself.

AE: Okay.

PH: Okay?

AE: All right.

PH: As, as a potential risk, nothing else.

AE: Okay.

PH: Okay.

AE: Thanks honey.

PH: Bye. All the best.

AE: Thanks.

PH: [Unintelligible] let us know.

AE: Okay.

PH: Okay.

AE: Bye.

PH: Thank you.

302

SB: Bye.

March 1, 1995

2:38 pm

PH¹: [Unintelligible].

HR²: Citibank.

PH: Estou? Hubertus . . .

Hello? Hubertus . . .

HR: Sim.

Yes.

PH: Hi, é Pedro.

Hi, it's Pedro.

HR: Tudo bem.

How are things?

PH: Tudo bom. So para te actualizar sobre este caso do México.

Fine. Just to update you on this thing with Mexico.

HR: Hmm.

PH: O que se passa é o seguinte. Isto é uma conta totalmente indirecta, seja em L- Suíça ou Londres. São "trusts" organizados sob um nome confidencial.

The thing is this. This is a totally indirect account, both in L- Switzerland and in London. These are trusts set up under a confidential name.

HR: Hmm hmm.

¹ "PH" — Pedro Homen

² "HR" — Hubertus Rukavina

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PH: Não há relatório por "public figure," porque é entendido que não há um "public figure," é um engenheiro "businessman."

There is no public figure report, because it is understood that there is no public figure, he is an engineer, a businessman.

HR: Hmm.

PH: E, portanto, a conexão com o irmão era totalmente independente. Ah, eles têm neste momento 22 milhões na Suíça e 78 em Londres.

And therefore the link to the brother was totally independent. Ah, right now, they have \$22 million in Switzerland and 78 in London.

HR: 78 milhões de dólares?

78 million dollars?

PH: É, sim. E 22 na Suíça.

Right. And 22 in Switzerland.

HR: Puta que pariu.

[Exclamation.]

PH: É. E desses 78, temos 3 milhões em empréstimo, que vence no dia 14 de Março. Portanto, as decisões de-, deveriam ser, ou liquidar, pré-pagando o empréstimo, ou manter como está para que . . .

Yes. And of those seventy-eight, we have 3 million on loan, which will mature on March 14. Therefore, the decisions sh, should be either to liquidate, by prepaying the loan, or to keep it as is, so that . . .

HR: [Unintelligible].

PH: . . . até ao vencimento, não é? E não renovar o vencimento.

. . . until it matures, right? And not to renew it upon maturity.

HR: [Unintelligible] que pagaram.

[Unintelligible] that they paid.

PH: Não. Exactamente. O outro problema está relacionado. Há uma outra conta muito grande, 138 milhões em Londres, que é de um outro que foi mencionado também como sendo um dos potenciais mentores.

No. Exactly. The other problem has to do with. There is another large account, 138 million in London, which belongs to another who has been mentioned as one of the potential mentors.

HR: Hmm.

PH: Aí temos vinte e tal milhões alavancados. Nós julgamos que o nome vai sair n-, dentro dos próximos dias, não é?

There, we have twenty-some million that are leveraged. We believe that the name will be released within the next few days, right?

HR: Agora, a questão é se esse, se essas, se essas contas não devem ser trazidas para a Suíça.

Now, the thing is whether that, whether those, whether those accounts shouldn't be brought to Switzerland.

PH: Estas de Londres?

The ones in London?

HR: Claro.

Of course.

PH: Elas estão debaixo do "trust", não é?

They are held under the trust, right?

HR: Mesmo assim.

Notwithstanding.

PH: Mesmo assim. Ah. Eu vou falar com o Tom outra vez. Tom Salmon. Talvez se justifique.

Notwithstanding. Ah. I will talk again with Tom. Tom Salmon. It might be warranted.

HR: Nas e com Tom Salmon, que voce tem que falar? Tem que falar com um "account officer."

What do you have to talk Tom Salmon for? You have to talk with an account officer.

PH: Não. Com o Amy e depois com, com o Tom, por causa da parte legal, não é? Porque pode ser que a conta, estruturada como está, não haja acesso de qualquer forma.

No. With Amy and then with, with Tom, because of the legal aspect, isn't it? Because it may be that the account, the way it is structured, can not be accessed in any event.

HR: [Unintelligible] e eu posso assegurar você que, que a, que a situação em Londres é muito mais. [Unintelligible]. Temo até que . . .

[Unintelligible] and I can assure you that, that, that the situation in London is a lot more. [Unintelligible]. I even fear that . . .

PH: Sim. Eu falo com, okay, eu falo com eles. Mas entretanto, [unintelligible] que ele não é um "public figure," porque realmente era um engenheiro, dono de uma empresa de construção.

Yes. I will speak to, okay, I will talk to them. But in the meantime, [unintelligible] that he is not a public figure, because he was really an engineer and the owner of a construction company.

HR: Bom, mas eu acho que. Seria bom você ter alguma coisa do Ed, a., a . . .

Well, but I think that. It would be good if you had something from Ed, a. . . a . . .

PH: Nos temos as cartas da Amy. A Amy é que era quem geria, não é? E gere. Temos as cartas da Amy, dizendo exactamente isso. O que eu lhe posso agora pedir era para d . . .

We have Amy's letters. Amy was one who managed, right? And she still manages them. We have Amy's letters, stating exactly that. What I could ask now would be to . . .

HR: Não, tá bom. Se você tem as cartas da Amy, está bem.

No, it's all right. If you have Amy's letters, it's all right.

PH: Temos. Temos as cartas da Amy.

We do. We have Amy's letters.

HR: Okay?

PH: Okay?

[The remainder of this conversation has been redacted because it is nonresponsive.]

March 1, 1995
2:47 p.m.

CG¹: Mrs. Elliott's office.

SB²: Yes, it's Sarah here from London, is Amy around?

CG: Yes, Sarah hold on. It's Carlos.

SB: Thanks, Carlos.

AE: Hello.

SB: Hello Amy, Sarah.

AE: Hi cutie.

SB: Hello. Um, Pedro has just been on the line to Rukavina and wanted to pass on the comforting message to you so I'm going to put you on the speaker again. Do you want to hold on a second?

AE: Yes, honey.

SB: Amy?

PH³: Amy?

AE: Hi.

PH: Hi, well the, as I, went through the, the, the process . . .

AE: Yes . . .

PH: [Unintelligible] says well, uh, okay that's fine, if he's a business man and an engineer, owner of a construction company and so on that's fine. Just

¹ "CG" — Carlos Gomez.

² "SB" — Sarah Bevan.

³ "PH" — Pedro Homen.

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make sure that either you or Amy have uh, uh that pretty clear on the file, I mean, that is, that we can [unintelligible] the origin of wealth.

AE: Okay.

PH: And then the next question was on the one prepayment eventually, he agrees as well with you don't, don't rush, keep it at maturity until we know exactly what's going on.

AE: [Unintelligible].

PH: And, uh, on the [unintelligible] should we move all the accounts back to Switzerland because he, his feeling is that the secrecy level and the protection level in London is weaker than in Switzerland.

AE: Uh huh.

PH: So he said talk to Amy, talk to Salmon, and make sure that from a legal standpoint or, or from a trust standpoint it makes sense to move. If it does, uh, consider to move.

AE: Okay.

PH: [Unintelligible].

AE: Alright. I'm meeting with Sandra at 10:30.

PH: Okay.

AE: And as soon as I do, um, I will ring you both, okay?

PH: Okay. Do you want us to, to go ahead with Tom and check from a trust standpoint and uh.

AE: Yes, absolutely. Whatever you can do to help me I will be most appreciative because right now all I'm trying to do is keep everyone calm. I...

PH: [Unintelligible].

AE: ... you know, may, may, maybe I shouldn't, maybe I shou-, I, I have, I have misplaced, but I, I have got to tell you that I, I feel very saddened by the whole thing but comfortable that we have not done anything wrong.

PH: [Unintelligible] okay and [unintelligible] we thank God that the guy close to God is comfortable as well. [Laughter].

SB: His right hand man is comfortable.

AE: His right hand man is comfortable. I love it. Alright sweetheart. Thank [unintelligible] . . . both of you. Okay. Bye.

SB: Amy.

March 1, 1995
2:51 p.m.

SB¹: So, I'm gonna go to, to Switzerland now. [Unintelligible] this is my opportunity.

PH²: [Unintelligible].

SB: [Unintelligible] going to go to Switzerland [unintelligible].

US1³: Citibank. [Unintelligible].

SB: Hello, [unintelligible]. Could I speak to Thomas Salmon please, in Confidas?

US1: Yes, of course [unintelligible] —

SB: Thank you.

US1: You're welcome. [Music]

SB: This is my, uh, my [unintelligible] transfer.

PH: [Unintelligible].

SB: [Unintelligible].

US2⁴: Confidas, good afternoon.

SB: Hello, good afternoon. Is Tom Salmon there, please?

US2: May I ask who's calling?

SB: This is Pedro Homen and Sarah Bevan in London.

¹ "SB" — Sarah Bevan.

² "PH" — Pedro Homen.

³ "US1" — Unidentified speaker one.

⁴ "US2" — Unidentified speaker two.

US2: Pedro who?

SB: Hornem. Head of Western Hemisphere Marketing.

US2: Pedro Homen. Hold on. I'll see if he's there.

SB: Thank you. Pedro who?

PH: [Unintelligible].

SB: Who?

PH: [Unintelligible].

SB: Is that what they call you?

PH: [Unintelligible].

SB: [Unintelligible].

PH: [Unintelligible]. Homen.

SB: Homen. [Unintelligible].

PH: Homen. [Unintelligible].

SB: Homen. [Unintelligible].

PH: [Unintelligible]. Homen.

TS⁵: [Unintelligible].

SB: Yes, hello. Is this Tom?

TS: Yeah.

SB: Tom, hello. I've got Pedro Hornem with me. It's Sarah Bevan here from CitiBank London.

⁵ "TS" — Thomas Salmon.

TS: Okay.

SB: Tom, I'm going to put you on the speaker. Is this a good time to, to talk to you? Have you got five minutes?

TS: Yes, I do.

SB: Yah. Let me put you on the speaker. Bad line. Tom . . .

PH: Hello?

SB: . . . can you hear us?

TS: Yes.

PH: Yeah. Hello Tom. [Unintelligible] I spoke to, both to, Amy and Rukavina.

TS: Yeah.

PH: And, uh, it looks like that, in fact, on the information we have available, this, is, is acceptable because really he is a business man. So, from a public view standpoint, he is more a business man than a, uh, uh, rather than a politician. So, in fact, at the time he was not a politician. So, what we asked Amy to prepare is a more detailed analysis of origin of wealth so that we can be comfortable about it. The, the second point that, uh, uh, Rukavina raised was on the secrecy and confi-, confidentiality levels, that we can have a, with the present structure, with these accounts in London. So his question is, should we eventually move, uh, the accounts back to Switzerland, or are, are we comfortable with, uh, keeping them in London?

TS: Why were the accounts in London to begin with?

SB: Because the client had a preference to be in London, ahm, and we have a specific, uh, a very active investment advisory relationship here in London with the Investment Advisory Department.

TS: Right, but, I mean, do-, does anyone know why the client, I mean, was, was the did the client want to have the account in London because he felt the London investment advisors would make more money for him? Is that basically it?

PH: If [Unintelligible] this is historical, uh, problem. I [unintelligible] we've tried to correct that. I think it's not related with the customer. It's more relating with, uh, the fact that Bob Agosti was in Switzerland and, uh, Amy was pretty uncomfortable by having the account close to Bob. So, the, I think that's the reality, so that we can work on a fairly open basis.

TS: Okay.

PH: So, I, I believe there is no specific reason to be in London.

TS: So, Rukavina's question is really, from a, from a secrecy standpoint, should we move it out of London back to Switzerland?

PH: Yes. I mean, what's the best structure to [unintelligible]?

TS: I don't think that if we move it from London to Switzerland, London will be able to destroy its records.

SB: No. That's right. You'd see a transfer.

TS: So, so, I don't know what would necessarily be gained by moving everything to Switzerland.

SB: [Unintelligible].

TS: I also think, Pedro, that we need to be, this is one of the things I was trying to sort of get across earlier. We need to be prepared to deal with the secrecy being lost. Okay? I mean, we, we've had experience here in Confidas, a lot, with, [unintelligible] it, secrecy being lost through no fault of our own. Secrecy is usually lost because somebody finds records that the client has maintained somewhere.

PH: Yeah.

TS: Now the, you know, I, I, what I think, what I think we need to be able to do is either - well, I mean, I shouldn't say either because I don't see how we can do it. But what we need to be preparing to do is to say why we thought it was okay to have the relationship with this customer when we knew who his brother was. I mean, Amy Elliott can say all she wants that the money came from, you

know, making roads in, in Mexico or something like that but the big question is gonna to be why didn't we think, or why didn't we question, or did, did, didn't we care?

- PH: [Unintelligible]. I mean, I think in that case, I mean [unintelligible] if you are in Mexico, uh, up to now, if you, you consider a family with uh, uh, higher credibility, moral standing, and so on than those guys, you couldn't find any.
- TS: Okay.
- PH: And then, therefore, from that standpoint, it's a long wealth, uh, in the family, uh, they, they did it on the construction side, uh, mostly, the deals are known. And therefore, no one is questioning, I think, the origin of funds but it's more on the political side.
- TS: Okay, fine, I, then my feeling is this. I don't think you're going to be, I don't think you're going to be able to wipe out the history of London.
- SB: Yeah.
- PH: Okay.
- TS: Okay.
- PH: Okay.
- TS: [Unintelligible] I don't personally see any benefit in moving it, in moving it to, uh, to Switzerland.
- PH: To Switzerland. Okay, then the next step to answer your question there will be a meeting in, uh, I think, a half an hour, one hour, with our legal people in New York and Amy Elliott.
- TS: Okay.
- PH: And they will be discussing some of the legal implications.
- TS: Alright, I, Pedro, I mean, this is more, you know, for your benefit than anyone else's. I didn't want you to go into a meeting with

Rukavina and, uh, uhm, the other guy, his name's gone now, uhm,
and not have raised this yourself.

SB: [Unintelligible].

PH: Yeah, okay.

TS: [Unintelligible] asking you questions about it, and then catching you
unaware. So as long as you are comfortable that, that the PR issue has
been surfaced, that's fine.

PH: Okay. Fine.

TS: It's not my bugaboo.

PH: Okay.

TS: Alright?

SB: Alright, Tom.

TS: Is that all?

SB: [Unintelligible].

PH: [Unintelligible] Thank you very much.

SB: Thank you very much.

TS: Bye.

SB: Bye-Bye.

PH: Bye.

March 1, 1995

3:02 p.m.

SB¹: [unintelligible]

PC²: Hello, Citibank.

SB: Hello, it's Sarah.

PC: Yeah, hi.

SB: Hello. Just to let you know, um, Amy's obviously in, in the office now. She's in contact with legal department. Um, Pedro's spoken to Rukavina. Um, everything seems to be calming down. Um, I think it's just [unintelligible] actually, [unintelligible] -a-, and just to let you know Confidas essentially said do not do anything on the account without Confidas instructions.

PC: Mm-hmm.

SB: So, I mean obviously that's both of them in fact, um, which we probably wouldn't do normally anyway. Um, but I just thought I'd, I'd touch base with you and let you know that things, at this stage, we, obviously no assets are being frozen, uh, . . .

PC: [Unintelligible]. . .

SB: . . . we're not making any dramatic moves.

PC: Nor surely can they be.

SB: Nor surely can they be, and, um, Rukavina had suggested to Pedro that for security, secrecy, banking confidentiality reasons perhaps the account should be transferred to Switzerland, but, um Tom Salmon, who's head of Confidas, wisely said that even if it were transferred, you can't destroy the records here in London, and you'd see the trace from London to Switzerland. Um, so it doesn't actually benefit anybody at this stage, by, um, doing a transfer to Switzerland.

¹ "SB" — Sarah Bevan

² "PC" — Peter Carruthers

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PC: Mm-hmm.

SB: Um, so Amy's okay. She's been in since six-thirty. Um, obviously she's speaking to everybody, God included, and, um, she's speaking to the lawyers now as well, so probably, I mean she'll speak to you if, if there's anything she needs to address specifically, but she's basically . . .

PC: Yeah, I've just phoned her.

SB: You have?

PC: Mm-hmm.

SB: Okay.

PC: [unintelligible]

SB: So, um, that's how it is.

PC: Alright.

SB: Alright.

PC: Thanks.

SB: Bye.

PC: Bye.

March 1, 1995

3:11 p.m.

AE¹: Amy Elliott.

SB²: Amy, it's Sarah again. This should be our last call today.

AE: Alright.

SB: We just wanted to update you on, uh, Confidas.

AE: Okay.

SB: I'll put you on speaker. Hold on. Amy?

AE: Yeah.

SB: Uh, we spoke to Tom, Tom Salmon, who's the head of Confidas . . .

AE: Yes.

SB: . . . and essentially he's saying that if a transfer were done from London to Switzerland, uh, the very fact that you can't bury the records or lose the records here in London doesn't help anything.

AE: See, that's, that's my feeling. I really feel that anything that we do insofar as I'm concerned . . .

SB: Mm-hmm.

AE: . . . the, the press has put us on notice, okay, that somebody we have dealt with has done . . .

SB: [Unintelligible].

AE: . . . something that is . . .

¹ "AE" — Amy Elliott

² "SB" — Sarah Bevan

SB: [Unintelligible].

AE: . . . awful and wrong, or is accused of, . . .

SB: Yep. [Unintelligible].

AE: . . . okay. Um, for us to then move . . .

SB: Yeah.

AE: . . . unilaterally to do anything.

SB: [Unintelligible] looks suspicious.

AE: It's like, what are we trying to hide. . .

SB: [Unintelligible].

AE: . . . okay?

SB: Absolutely.

AE: Insofar as I'm concerned, the less movement, the better . . .

SB: Yeah.

AE: . . . and I think we can defend that a hell of a lot easier than we can defend moving this out, moving that out, paying a loan, I mean, [unintelligible] it's, plus, plus, bank records are subpoenaable, and bank records don't go away, . . .

SB: Absolutely.

AE: . . . okay? And so . . .

PH³: [Unintelligible] just one, one concern. And probably you can address it to me or, you know, maybe Montero or someone at his level [unintelligible].

³ "PH" — Pedro Homem

If and when, uh, someone finds something about it, what should be the position of the bank on the confidentiality issue?

AE: Well, I have Sandra Lopez Bird in my office in 15 minutes . . .

PH: Okay, because it's, it's . . .

AE: [unintelligible]

PH: . . . more than anything else, you have franchise risks and you have, uh, PR risks . . .

AE: Yeah.

PH: . . . and those are difficult to quantify, but, uh, I think the, the, the, [unintelligible] we should have discussed that with the [unintelligible] what reaction should we take if anything happens, and we are asked to deliver something.

AE: Okay.

PH: Okay? Just in case.

AE: Alright, sweetheart. I'll ring you as soon as Sandra comes in.

PH: Okay.

SB: And I'll put you on the box so you can hear what she has to say.

PH: Fine.

AE: Okay.

PH: All the best.

SB: Bye Amy.

AE: [Unintelligible.]

March 1, 1995

4:31 p.m.

SB¹: Good afternoon, Citibank.

JS²: Good afternoon, Mugsy? This is Moe.

SB: [Laughs]

JS: [Unintelligible] use our real names anymore.

SB: Moe? You probably got your call at home. Okay. Let's talk in codes.
[Laughter.] Don't tell me where you're calling from.

JS: [Unintelligible] a fun day today?

SB: I'll call you back, alright. Just don't say anything.

JS: Are you sure? No, I'm in Houston, don't worry.

SB: I know you are. I couldn't believe it.

JS: [Unintelligible.]

SB: I thought, there must be a wrong message here. What is Joanne doing in Houston? There must be two messages here. Yeah, well, I actually left a message at your home. Did you get that one, you picked it up?

JS: Oh, no, I didn't.

SB: You didn't call into yourself just to see how many phone calls
[unintelligible] . . .

JS: No, I haven't called in since yesterday. I'll call in again today at some point.

¹ "SB" — Sarah Bevan

² "JS" — Joanne Sciortino

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SB: I called you early this morning to say, "Please ring me." [Laughter.]
Yeah.

JS: Well, you knew as soon as I got in, I was going to.

SB: Yeah, yeah, interesting day, God.

JS: How has it been for you?

SB: Um, oh, Amy's just remarkable. She really is. I mean, um, she's now in with Sandra Lopez-Bird and we were just talking with Pedro, 'cause Pedro is here by chance today in London, . . .

JS: [unintelligible]

SB: . . . and, and he's spoken to Rukavina, and he's spoken to Ed Montero, and . . .

JS: Well, we knew, we knew Ed spoke to Rukavina last night.

SB: Yes, that's right, which is great. Um, so I heard the news . . .

JS: Yeah, I mean, we're all, none of us know what to do. I mean, we're all saying, we're all realizing whatever, but what, what do you do?

(A portion of this conversation has been redacted because it is privileged.)

JS: Are they, have we in essence then blocked them?

SB: Not yet, but I'm sure that'll come very, very soon. You see, um, I suppose it'll be our obligation to block them, if we know the ultimate beneficiary and, um, um, you know, whether Mexico come to us and say, we know you've got an account with this person or not, um . . .

JS: Would we go to Mexico and say . . .

SB: Well . . .

JS: . . . we have?

SB: That's, that's another point. Would we? Um, do you, do you, is it normal practice to freeze someone's accounts if they are on trial? Every [unintelligible] . . .

JS: Um.

SB: Worldwide accounts?

JS: I've never been through a case of this.

SB: No. No.

JS: I've never been through a case where an account has not been frozen other than because we received in a subpoena.

SB: Mm. Well, we haven't received that yet. Now of course that's possibly going to come. Um, and they are questioning whether the three million dollar loan, should we actually immediately, because that's on demand should we, should we call that, and . . .

JS: But then the question also comes in, I mean that would be, you know, and this is going to be a true thing of, of what is this whole, you know, CBL, whatever, confidentiality issues?

SB: Mm-hmm. Mm-hmm. It really tests it, doesn't it? Well, I mean if we're not able then to offer confidentiality, um, it obviously, is, is, from a PR point of view, does it then threaten our whole franchise with existing clients, and existing business?

JS: Right.

SB: Um, Rukavina was suggesting that the whole account be transferred to Switzerland, but, I mean, you know, yes, that's an idea, but you can't dispose of records here.

JS: But, see the thing is, you don't have, well, you have one personal account.

SB: Um, do we have a personal account?

JS: Sure you have.

SB: I'm, I'm not even aware we have a personal account. You see . . .

JS: Well, you don't have for the person, you have for the, uh, spouse.

SB: Right. Didn't even know that.

JS: You don't have to.

SB: No, exactly. [Unintelligible] Joanne, honestly, as, until this morning we didn't even know that we had the account. That's how well-kept it's been, uh, managed, you know.

JS: [Unintelligible].

SB: Yes, of course, we know confidential company number one. But we hadn't any idea on confidential . . .

JS: Oh, you didn't know?

SB: . . . company number two. Had no idea.

JS: Ahhh.

SB: So, you know, it's been, the secrecy has been maintained throughout because we have never spoken.

JS: Well, that was the key thing we had always gone for . . .

SB: Yeah.

JS: . . . and that's what we're saying, I mean.

SB: Yeah.

JS: So now you are being told, well how do you even know what I'm telling you is true?

SB: Um, because we had Confidas on the line when they said basically you have this money in London and I [unintelligible] to speak to Pedro Homen, who's head of ME, EMEA because Ed Montero had been on the line.

JS: Whoa, they weren't allowed to do that.

SB: Um, well, I think it was driven by Ed Montero saying we don't have assets of any size in New York but you do in Europe, and, um, Pedro is head of EMEA and is therefore . . .

JS: Right.

SB: . . . responsible to know what his due diligence.

JS: Well that's why I'm saying. It would have been something to have told Pedro. I don't know that Confidas had a right to tell you. You see what I'm saying?

SB: Mm.

JS: The only one who has broken anything so far is Confidas.

SB: Um, I don't know who actually spilled the beans on the, on the phone . . .

JS: Yeah.

SB: . . . [unintelligible] but because I was obviously involved in the conversations. . .

JS: Yeah, but you realize what, what the, the point I'm getting, I mean, Sarah, between you and I, you know, what does it really matter here?

SB: No, but I could, I honestly . . .

JS: [unintelligible] what they did.

SB: . . . until this morning I could have said I did not know who the underlying beneficiary was. Until this morning. Which is probably, would have been a nicer way to have kept it.

JS: Yeah, that's why I'm saying.

SB: Yeah.

- JS: It would have been a lot nicer for you, and it would have been appropriate for Confidas to have done that.
- SB: Well [unintelligible].
- JS: [Unintelligible] they knew they would have advised the head of the area.
- SB: Yep, in, uh, well you see, then Pedro called me in to say, well, do you have this account and how much do you have, and then I said well, yes, of course we do, why, what is the issue?
- JS: Yeah, of course.
- SB: I mean, that is bound to happen, but um, . . .
- JS: Hmm.
- SB: . . . it's very interesting, it's very interesting.
- JS: I mean the whole thing is interesting, on it. Yeah, 'cause, see, I mean, way too interesting. I like when life is boring.
- SB: [Laughter] Well, Amy is remarkable given her whole, uh, situation. I, you know, I said to her, God, you know, you don't deserve 1995. And we are only March the first, and . . .
- JS: Well, we had, uh, last, last night when I was talking issues, like, well, you know, and even with my whole personal life . . .
- SB: Yeah.
- JS: . . . and everything totally a mess. She goes, here I was wondering where I'm going to live. She goes, well, now I know it. I'm Tony Giraldi's roommate.
- SB: Absolutely. Absolutely. No problem [unintelligible.]
- JS: Which is why I know, and, you know, it's because of Tony. That's why, I mean, one, . . .
- SB: Mm-hmm.

JS: . . . it is not something we didn't, we all knew who was in, etcetera. Um, but that's why I, I know she is being up front, because she was even supposed to be out today. I mean the whole thing of going to Sandra, going. We're like, we don't know what to do. You tell us.

SB: Yeah.

JS: Key number one . . .

SB: Yeah.

JS: . . . is we've got to be true to the franchise.

SB: Yeah. Yeah. Have you spoken to her today?

JS: [Unintelligible.] Um, today, no, I spoke to Carlos about three times this morning.

SB: Mm.

JS: Um, Carli and I have spoken.

SB: Mm.

JS: And I have spoken with Susan. Amy called me. I spoke to her about two times yesterday, last evening.

SB: Mm. Mm.

JS: [unintelligible]

SB: So at this stage we are sitting tight. We are not doing anything. I mean obviously if we start transferring to Switzerland, not only is there a trace, but it also implies that we are . . .

JS: Right.

SB: . . . concerned or worried or what have you. And then we could really be seen to be committing a, a, an offense.

JS: Right.

SB: We have . . .

JS: Right.

SB: . . . to just sit tight and not do anything. Yeah, maybe freeze . . .

JS: Right.

SB: . . . the account and then see what happens from there.

JS: Right. Um, that is very interesting, though then, uh, I don't know.
[Unintelligible] don't know.

SB: So, uh . . .

JS: God [unintelligible].

SB: How is, um, Houston treating you?

(A portion of this conversation has been redacted because it is non-responsive.)

SB: Anyway, Joanne, will you let me know what happens. I'll keep you posted. Uh . . .

JS: You keep me posted. You're, you're definitely more in the picture than I am.

SB: [laughter] [unintelligible]

JS: [Unintelligible] so darn frustrating to be here.

SB: Yeah. Absolutely. When it's all happening, isn't it? You read it in the papers. . .

JS: Yeah, I mean. . .

SB: . . . did you?

JS: I had to turn over all my transactions books. I had to give everything over.

SB: Right. Right.

JS: 'Cause we're, we're showing them, it's like, yeah, what, what do you, what do you want to see from us?

SB: Jo, I have one other outstanding issue. Um, who, who'd follow it up in New York? I suppose it is Amy, isn't it? It's just, she is so busy. Um . . .

JS: What, well, maybe we can get Susan Cunningham. I have a management trainee.

SB: Yes, that's right. If Susan could, it's regarding, you know all the hedges were changed. They are actually all hedged now through Swedish krona, and that's for confidential company number one, . . .

JS: Yes.

SB: . . . number two and for Brunello.

JS: And for Brunello.

SB: Um, and I suppose we need Confidas instruction just to, to say they authorized the, um, hedging, uh, by selling the Swedish krona and buying the dollars.

JS: Yeah.

SB: Do you think Susan can manage that?

JS: Yeah, that you will have to send a Citimail to, to Amy.

SB: Okay. Just Amy or can I copy it to someone else?

JS: Uh, copy it to me.

SB: Yeah.

JS: And put on it, um, because when my secretary pulls it.

SB: Yeah.

JS: Put on it, to give to Susan Cunningham.

SB: Okay. She can run, she can do a tested telex to, to Confidas?

JS: Yeah. Yeah. Yeah.

SB: Okay. Superb. Alrighty. That's great, Joanne.

JS: Okay?

SB: Yeah, we'll keep in touch.

JS: Yeah, good luck honey.

SB: Thank you. You too. Bye now.

JS: Oh well, have a fun day and I'll talk to you.

SB: Bye Moe. [Laughter].

JS: Okay.

SB: I like that, that's good.

JS: Bye Mugsy. [Laughter].

SB: Mugsy and Moe. Take care. Bye.

JS: Take care.

SB: Bye.

March 2, 1995
11:41 a.m.

SB:¹ Good morning, Citibank.

PC:² Sarah?

SB: Yes.

PC: Peter.

SB: Hello.

PC: Hi.

SB: I've just gone into Citimail so I was going to check this before I rang you to find out how life is and how the markets are and whether we'd heard anything.

PC: No, I haven't heard anything.

SB: [Unintelligible].

PC: A couple of things that I needed to know . . .

(A portion of this conversation has been redacted because it is non-responsive.)

SB: Tell me, whilst, whilst you're on the line, um, Mexico came under a little bit of pressure yesterday.

PC: Stock market sold off [unintelligible] the end of the day.

SB: Where did the peso close?

PC: Not much changed at 93 on the bid.

¹ "SB" — Sarah Bevan

² "PC" — Peter Carruthers

C8022336

SB: Okay.

PC: [Unintelligible] Bradys didn't do very much [unintelligible].

SB: Okay.

PC: [Unintelligible].

SB: Right.

PC: [Unintelligible] 98, stock market down 2%, . . .

SB: Yup.

PC: . . . not a lot of other news around, um, some concerns, you know [unintelligible]

SB: Right.

PC: After the morning's initial reaction, you see the FT is full of, um . . .

SB: I do.

PC: . . . of and mentioning Carlos Hank's name.

SB: Yes, I do, that's horrific.

PC: Well, senior, Carlos Hank Sr.

SB: Yes, of course, it is.

PC: He's known as a bit, he's known as a bit of a bastard, isn't he?

SB: Yes.

PC: I'm surprised Amy in a way didn't give us some sort of inkling of, of the, well, maybe she didn't know, the, of the rumors going around about Salinas.

SB: Um, I'm surprised.

PC: [Unintelligible].

SB: I'm surprised, but you know what, up until yesterday I didn't even bloody know that that's who Trocca was and I suppose, um, Alan Robinson's going to jump down my throat because of that, [unintelligible] there's so many clients here that we don't, we don't, we have this obligation to know your client but when it's booked and it's, um, indirect we don't know the client, . . .

PC: Mm.

SB: . . . um, although we have a very active, uh . . .

PC: I don't know if we need to, do we?

SB: Switzerland does, they actually have on record, on record in Switzerland either with Confidas or with Citibank PBG, um, the client's name.

PC: Apart from which we're supposed to be advised or Compliance is supposed to be advised of anybody who is politically sensitive.

SB: Yes, um, but I mean Amy's still holding fast that he is not a political figure and I've actually done a memo to file which I'm going to forward to, um, Alan Robinson.

PC: Well, I think she'll be a bit hard pressed to prove that as the, as the, although he's not a political figure, she is, he is the brother of the president and a very active political, um, behind-the-scenes political figure.

SB: Mm.

PC: But nonetheless, you know, people, people of influence [unintelligible]

SB: Political, I beg your pardon, political figure isn't a word that was used. Pedro asked, um, public figure . . .

PC: Right.

SB: . . . yesterday, um, and, and Amy didn't quite know what that was all about, but apparently it's a worldwide requirement that we have to, um . . .

PC: Absolutely.

SB: . . . lodge or not.

PC: Anybody who is, is sort of influential in any way . . .

SB: Mm.

PC: . . . either from the media or, or from [unintelligible] . . .

SB: Well, she still stands hard as of yesterday that he's not a public figure.

PC: Yeah, well, presumably the bank in New York knows who, who Trocca was?

SB: Oh absolutely, as does Confidas, as did . . .

PC: [Unintelligible].

SB: . . . Bob Agosti, as did everyone else on the phone who chose to talk yesterday.

PC: Right. Right.

SB: Let me know if you see anything, obviously FT I'm, I'm combing through every day but any of the other magazines, um, Hap picked one up in the Times, you want me to send that over to you?

PC: What was that?

SB: 'Mexico in turmoil as ruling party faces up to murder'. There's a picture of him, actually, of Raul.

PC: Yeah [unintelligible] presumably.

SB: It's a . . .

PC: [Unintelligible].

SB: No, no, it is the same [unintelligible]

PC: Um, what else? Um, should we send some flowers to Amy?

SB: Yes, that's an excellent idea.

PC: [Unintelligible] do it.

CB022339

SB: Um, what message should we put on that?

PC: [Unintelligible].

SB: I think so too.

PC: You and I.

SB: Um, so, with much love from your friends.

PC: Yeah, something like that.

SB: Yeah.

PC: Um.

SB: Alright.

PC: [Unintelligible].

SB: Sure.

PC: [Unintelligible].

SB: Sure sure.

PC: [Unintelligible].

SB: Alright thanks.

PC: Bye.

SB: Bye.

November 14, 1995

3:08 p.m.

UM:¹ Citibank, good afternoon.

MM:² Hi, is Nigel there?

UM: He is, just a moment.

MM: Thank you.

MM: [Unintelligible] . . . to call us and they were. . . .

ND:³ Marcelo.

MM: Yeah, hi Nigel.

ND: Yup.

MM: Do you have any more information about this Trocca? Is it going back to New York, the funds, or is Switzerland. . .

ND: No, no, no. I just had Joanne Sciortino who works with Amy Elliott, on the phone, and they were fully aware that the client is actually in Switzerland, today, and her words to me were it's good, yes, we've been dying for this account to leave us. And they are all fully aware that it's going and they said that

(A portion of this conversation has been redacted because it is privileged.)

MM: Okay.

ND: So they're very happy that this relationship is leaving.

MM: Where is the transfer to be made to?

ND: We do not know yet.

¹ "UM"-- unidentified male.

² "MM" -- Marcelo Mendoza.

³ "ND" -- Nigel Dowsett.

CB024640

MM: Oh, we don't know.

ND: What it is - the client was in Switzerland this morning to tell them to liquidate, and then she is going back into Switzerland's Confidas office on Thursday, and then we will know Thursday afternoon where the money is to go.

MM: Okay.

ND: So, until then we don't know.

MM: All right.

ND: So we started liquidating. . . .

MM: We're liquidating. . . .

ND: We're liquidating all assets, yes.

MM: Okay.

ND: All right.

MM: Thank you.

ND: Goodbye.

Memorandum

To : Julio De Quesada
From : Bob Fox
CC : Ed Montero, Sandra Lopez Bird, Albert Misan, Jose Luis Rodriguez
Macedo
Re : Briefing for CNB

Background**Mission Statement**

Customers conduct various financial activities in the form of capital market investments and money market securities in banks and brokerage houses.

Target Market

Citibank provides financial services to its global customers which includes the promotion of investment activities in Mexico. To accommodate this need, we employ a broad legal vehicle structure.

Operational Controls

To open an account for all of its clients, Citibank requires a thorough Customer Profile which demonstrates the client's personal data as well as his source of wealth. In addition to the Client Profile, the following items are required and monitored:

- A signed Product Contract
- Banking references
- Creation of methods to identify suspicious transactions
- Signature verification
- A piece of identification

Chronology of Events

Senior Officers visit the country and inform us about clients who wish to invest in Mexico.

During one of these visits, an Officer of Citibank N.Y. introduced the representative of their existing client.

This representative initiated a transaction in the form of a Cashiers Check.

CB014584

Following the instructions from the Officer, we initiated an FX transaction and transferred the funds to the designated account in N.Y.

Routinely the Officer would call and advise Mexico that a transaction would be initiated.

Following our standard procedures, we review all transactions for compliance on an ongoing basis.

Mexico became concerned about the frequency and size of the transactions. Mexico was reassured by Citibank N.Y. that the "Know your Customer" guidelines were in place, had been followed, and that the volume of the transactions were consistent with the client's profile.

Given this reassurance, it was concluded that the transactions were not of a suspicious nature and that no issue existed.

Conclusion

Due to recent inquiries we have initiated a Task Force exercise to once again review all transactions spanning 1989-1994.

As of today, they have identified

CB014585

Preliminary list of Ex and Funds Transfers Dic-04-95

| Index | Ref. Num | Amount US\$ NY | NY Date | Amount US\$ Mex | Max Date | ER | Amount US\$ | Details of checks & transfer instructions |
|-------|---------------|----------------|---------|-----------------|----------|--------|----------------|--|
| 1.- | 1 93 138 0328 | 2,017,937.22 | 930518 | 2,017,937.22 | 930518 | 3.1220 | 6,300,000.00 | Sonnet, No. 323359, Date: May 18, 1993 ATTN: AMY ELLIOT PTA ACC 1071488 |
| 2.- | 3 147 348 | 4,936,000.00 | 930528 | 4,935,987.44 | 930527 | 3.1200 | 15,400,000.00 | Sonnet, No. 830332, Date: May 27, 1993 ATTN: AMY ELLIOT PTA ACC 1071488 |
| 3.- | 3 152 370 | 5,366,000.00 | 930602 | 5,365,687.86 | 930601 | 3.1310 | 16,300,000.00 | Credit, No. 438047, Date: Jun 1, 1993 ATTN: AMY ELLIOT PTA ACC 1071488 |
| 4.- | 3 153 368 | 6,221,000.00 | 930603 | 6,220,800.00 | 930602 | 3.1250 | 19,440,000.00 | Credit, No. 438051, Date: Jun 2, 1993 ATTN: AMY ELLIOT PTA ACC 1071488 |
| 5.- | 3 154 379 | 6,227,000.00 | 930604 | 6,227,054.89 | 930603 | 3.1270 | 19,472,000.00 | Credit, No. 438057, Date: Jun 3, 1993 ATTN: AMY ELLIOT PTA ACC 1071488 |
| 6.- | 3 155 350 | 8,319,384.81 | 930607 | 8,319,384.81 | 930604 | 3.1210 | 25,984,800.00 | Credit, No. 438060, Date: Jun 4, 1993 ATTN: AMY ELLIOT PTA ACC 1071488 |
| 7.- | 3 156 358 | 5,004,000.00 | 930608 | 5,004,187.31 | 930607 | 3.1285 | 16,655,600.00 | Credit, No. 438063, Date: June 7, 1993 ATTN: AMY ELLIOT PTA ACC 1071488 |
| 8.- | 3 172 724.35 | 3,172,724.35 | 930621 | 3,000,000.00 | 930620 | 3.1080 | 9,864,000.00 | Credit, No. 441174, Date: September 20, 1993 ATTN: AMY ELLIOT PTA ACC 1071488 |
| 9.- | 1 93 338 0303 | 2,130,539.89 | 931202 | 2,130,539.89 | 931202 | 3.1025 | 6,610,000.00 | Credit, No. 43310,000.00 and Sonnet, No. 333,300,000.00 Date: Dec 02, 93 ATTN: AMY ELLIOT PTA ACC 1071488 |
| 10.- | 1 94 013 8008 | 3,185,328.19 | 940114 | 3,185,328.19 | 940113 | 3.1080 | 9,800,000.00 | Credit, No. 4454754, Date: January 13, 1994 ATTN: AMY ELLIOT PTA ACC 1071488 |
| 11.- | 1 94 018 8049 | 5,356,281.17 | 940118 | 5,356,281.17 | 940118 | 3.1085 | 16,850,000.00 | Credit, No. 4454775, Date: January 18, 1994 ATTN: AMY ELLIOT PTA ACC 1071488 |
| 12.- | 1 94 025 8051 | 5,356,004.83 | 940125 | 5,356,004.83 | 940125 | 3.1075 | 16,850,000.00 | Credit, No. 4454780, Date: January 25, 1994 ATTN: AMY ELLIOT PTA ACC 1071488 |
| 13.- | 1 94 028 8080 | 5,357,142.86 | 940126 | 5,357,142.86 | 940126 | 3.1080 | 16,850,000.00 | Credit, No. 4454784, Date: January 26, 1994 ATTN: AMY ELLIOT PTA ACC 1071488 |
| 14.- | 194028045 | 1,301,378.07 | 940323 | 1,301,378.07 | 940323 | 3.3380 | 4,344,000.00 | Credit, No. 4454784, Date: January 26, 1994 ATTN: AMY ELLIOT PTA ACC 1071488 |
| 15.- | 1940380054 | 3,102,048.00 | 940015 | 3,102,048.00 | 940000 | 3.4160 | 10,594,588.00 | Credit, No. 4454784, Date: September 08, 1994 ATTN: AMY ELLIOT PTA ACC 1071488 |
| 16.- | 194056000 | 882,281.39 | 941012 | 882,281.39 | 941007 | 3.4210 | 3,035,426.22 | Banco, No. 489285, Date: October 07, 1994 ATTN: AMY ELLIOT PTA ACC 1071488 |
| | | 67,847,030.76 | | | | | 213,340,424.22 | |

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 30 r.

SUJETO A CAMBIOS Y A CONFIRMACION DE INFORMACION

* Documentation not located as of Dic-04-95

CB025018

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 30a.

Ariana,

We are today, 8 June 1993, crediting the London Staxr's account
i/a/o USS\$5,004,187.37 for further credit to Conf. Client #2's Accounts.

The total we have credited, to date is as follows:

7th. — 27 May - USS 4,937,897.44
28 May - USS 5,365,697.86 ✓
2 June - USS 6,220,800.00 ✓
3 June - USS 6,227,064.69 ✓
4 June - USS 6,969,384.81 ✓
8 June - USS 5,005,187.37

Total USS\$34,724,932.17

PRIORITY

Of this amount the first USS\$4.9MM were used to open an Advisory
Custody account managed by Peter Carruthers in London. The balance
of the funds have been kept On Call as instructed by the client.

Please advise Sarah Bevan and Peter Carruthers in London that the
client will require USS\$25MM available to him on 30 June, 1993 when
he intends to visit the Confidas Office in Zurich. (I will be giving you
instructions as to what to expect you will need to have ready for that
visit later on this week), the balance i.e., USS\$4,787,035 approximately
is to be invested by Peter Carruthers in London.

I would appreciate your authorizing London to:

o Place USS\$25MM on a Money Market instrument until 29 June,
and to transfer the balance to the Advisory Custody Account, effective
9 June 1993.

Many thanks for your attention to this matter.

Best regards,

[Signature]
JOY C. ELSON
PRIVATE BANKING GROUP INC.
CHICAGO, ILL. 60601
212-166-
PRIORITY

08023079

FUNDS FLOWCONFIDENTIAL CLIENT #2

| <u>DATE</u> | <u>AMOUNT</u> | <u>DESCRIPTION</u> |
|--------------|-----------------|--|
| 1-14-94 | 3,185,328.19 | 3MM London - invested for 1 month advisory 185,328.19 Raul's personal a/c |
| 1-18-94 | 5,356,281.17 | 5MM to London - invested for 1 month advisory. 356,281.17 Paulina's personal a/c. |
| 1-25-94 | 5,358,004.83 | 5MM to London - invested with P. Carruthers 358,004.83 Raul's personal a/c. |
| 1-26-94 | 5,357,142.86 | 5MM to London - invested with P. Carruthers 357,142.86 to Paulina's personal a/c. |
| Total Amount | \$19,256,757.05 | |

18,000,000 to London

1,256,757.05 to personal a/cs.

CB 001128

New G.T.N.

1/7/93

CMA 29-JUN-93 21:22:14 009865
 To: Mailey Plange (EZZRH:PBG)
 CC: Peter Carruthers (EULON:PBG), Thomas Salmon (EZZRH:PBG),
 Sarah J. Delaney (EULON:PBG), Joanne Sciortino (USNYC:PBGWH),
 Sarah Bevan (EULON:PBG), Gillian Mueller (EZZRH:PBG)
 From: Amy C. Elliott (USNYC:PBGWH)
 Date: TUE 29-JUN-93 21:35 GMT
 Subject: CONFIDENTIAL CLIENT NO. 2

MAILEY,

TEST WORD, INSISTS THAT WHEN TESTING FOR "AN AMOUNT" ALL AMOUNTS MENTIONED
 IN THE MESSAGE ARE SUMMED. AS A CONSEQUENCE, THE TOTAL OF THE TRANSFERS (\$34,
 724,932.17)
 WERE ADDED TO THE \$25MM, ERGO, THE \$59.7MM.

SO THAT WE ARE ALL ON BOARD, AS OF 31 MAY, CLIENT HAD THE FOLLOWING A/C'S:

| | | |
|--------|-----------------------------|----------------|
| LONDON | GBA #7/303626/039 | \$2,015,678.75 |
| LONDON | INX. ADVISORY #7/303626/047 | \$4,935,897.44 |
| LONDON | FGP #7/303626/012 | \$3,120,646.23 |
| CH | CITIMEX PESO | \$2,191,919.00 |

TOTAL \$12,264,141.42

THIS AMOUNT EXCLUDES THE \$5,365,697.86 TRANSFERRED MAY 28TH AND PLACED ON
 CALL IN A SEPARATE ACCOUNT BUT DOES INCLUDE THE \$3MM IN LEVERAGED ASSETS.
 SUBSEQUENT
 TO THIS WE TRANSFERRED \$24,421,336.87 IN JUNE.

THE CLIENT NOW REQUIRES \$20MM WHICH LEAVES US APPROXIMATELY \$9.8MM "TO BE
 INVESTED" . HE AS WELL WOULD LIKE TO FURTHER LEVERAGE THE ACCOUNT \$5-10MM.

MAILEY, I AM FAXING TO YOU TONIGHT A LETTER REGARDING HIS INVESTMENTS FOR YOU
 (OR WHOMEVER IN CONFIDAS) TO REVIEW WITH HIM TOMORROW, AND A LETTER TO CONFIDAS
 FOR HIM TO SIGN CONFIRMING THE RECEIPT OF THE TRANSFERS, THE BALANCES ON
 HIS ACCOUNTS, AND REQUESTING THAT YOU FURTHER LEVERAGE HIS ACCOUNTS ANOTHER
 \$5MM. YOU SHOULD BE AWARE THAT HE WILL ASK YOU TO ACKNOWLEDGE AND CONFIRM
 THE INFORMATION IN THE LETTER AND WILL REQUIRE A COPY FOR HIS RECORDS.

THIS ACCOUNT IS TURNING INTO AN EXCITING PROFITABLE ONE FOR US ALL MANY
 THANKS FOR MAKING ME LOOK GOOD.

VERY BEST REGARDS,

AMY,

 Delivered: TUE 29-JUN-1993 21:35 GMT

Author: Ariana Fleischmann-Wilkins at SWITZERLAND
 Date: 1/31/95 10:38 AM
 Priority: Normal
 TO: Amy C. Elliott at DECPostmaster
 Subject: CONFIDENTIAL # 2

----- Message Contents -----

DEAR AMY:

CONFIDENTIAL # 2 TELEPHONED ME YESTERDAY. HE WANTED TO TRANSACT 5MM.
 HE TRIED TO REACH YOU BUT YOU WERE NOT IN THE OFFICE. PLEASE CALL ME
 ASAP TO DISCUSS. FUNDS ARE BEING TRANSFERRED TO JULIUS BAER. HE ASKED
 FROM THE LARGEST ACCOUNT. SHALL WE INSTRUCT LONDON, AND THAN HE
 INDICATED HE WANTS THE FUNDS TO REACH ITS DESTINATION TROUGH ANOTHER
 BANK. WHICH? OTHERWISE I WILL TRY TO REACH YOU AROUND 15:00 OUR TIME.

SALUDOS,

ARIANA

CB023412

Author: SCIORINO JOANNE@T0000@CCGATE at DECPostmaster
 Date: 1/31/95 3:14 PM
 Priority: Normal
 TO: Ariana Fleischmann-Wilkins at SWITZERLAND
 CC: ELLIOTT AMY C.@T0000@CCGATE at DECPostmaster
 CC: BEVAN SARAH@T0000@CCGATE at DECPostmaster
 Subject: CC #2

----- Message Contents -----

ARIANA,

TO CONFIRM OUR TELEPHONE CONVERSATION OF TODAY.

THE MECHANISM TO COMPLY WITH THE CLIENT'S INSTRUCTIONS REGARDING THE \$5MM
 TRANSFER IS AS FOLLOWS:

LONDON WILL TRANSFER \$5MM TO OUR PTA FOR VALUE 2/1/95

WE WILL IN TURN TRANSFER THE MONEY VIA CHASE MANHATTAN BANK, NY FOR A/C
 # 001-1-799574 I/N/O JULIUS BAER BANK FOR FURTHER CREDIT TO OUR CLIENT.

THIS IS NECESSARY SINCE IN ORDER TO EFFECT THE TRANSFER IN DOLLARS IT MUST
 BE MADE THROUGH THE NEW YORK CORRESPONDENT OF BANK JULIUS BAER, SWITZ.

REGARDS,
 JOANNE

CB023413

Confidas Finance et Placement S.A.

January 31, 1995
REITERGASSE 9-11, P.O. BOX 131, CH-8027 ZURICH, TELEPHONE 01 / 205 79 79, TELEX 823 923, TELEFAX 01 / 241 63 56

Time: 16:00 January 30, 1995

Re: Confidential Client #2 - CM 4730

Client called, Clark recognized his voice and myself as well, continued to proceed with confidentiality rules. After the code was given, and I gave consent of recognition the client proceeded to request that USD 5MM would be transferred through another bank to Julius Baer. I told him we would need as usual a clear client instruction in English so we can signature verify. He also mentioned he would contact Amy Elliott. Client said he did not like to send faxes to Amy Elliott. Fax received on January 31, 1995.

afw

CB023414

Telefax to: Ariana Fleischmann
Confidas
Fax #: 011-41-1-205-7273
From: Amy Elliott
Fax #: 212-759-5078
Date: 15 November, 1995
Subject: CC # 2
of pages: 3 (including this one)

Ariana,

I am enclosing the information you requested from us. I would like to point out that one of the debits, namely the one for US\$131,664.20, eventually made it into her DDA with us in New York. At the time, both her personal account as well as his, were in a combined overdraft state, and the primary client asked me to bring in enough funds to cover the expenses I paid for on a yearly basis. Thus, the funds were brought in to the PTA, and from there credited to her account.

The details of the other transfers are included in the 2 pages attached.

Feel free to call me if you have any questions.

Thanks and best regards,

A handwritten signature in cursive script, appearing to read "Amy Elliott".

CB007180

RECAP OF TRANSACTIONS FOR CC #2CREDITS RECEIVED

| <u>Date</u> | <u>Amount</u> | <u>Source</u> |
|----------------|----------------|--|
| April 26, 1996 | USD 20,000,000 | Invermexico USA Inc. by order: Invermexico, USA |

FUNDS TRANSFERRED OUT

| <u>Date</u> | <u>Amount</u> | <u>Destination</u> |
|-----------------|---------------|--|
| January 6, 1994 | \$131,664.20 | DDA A/C #10301237 |
| April 14, 1994 | \$5,000,000 | Bk of America, La Jolla Ca A/C 13610-60375 i/n/o Money Mkt Cash Maximizer |
| April 27, 1994 | \$2,000,000 | Bk One Texas, San Antonio A/C 963 606 4108 Intercontinental Fin'l Services For Credit to Blue Inc |
| Sept 22, 1994 | \$18,000 | correction of error in amt credited |
| Oct 31, 1994 | \$250,000 | Argentbank, Thibodaux Louisiana A/C 10004386 Guardian Int'l Bank Ref: Lorena Rubakava #26232 |

CR007181

| | | |
|---------------|-------------|---|
| Nov. 11, 1994 | \$1,750,000 | Bk of America, NY A/C 1022016 for Credit to Diane Int'l Holding A/C MI266850 |
| Jan 31, 1995 | \$5,000,000 | \$4.6MM Chase Manhattan Bk a/c 001-1-799574 Bk Julius Baer, Switz Ref 80933 \$400M Chase Manhattan Bk a/c 001-1-799574 Bk Julius Baer, Switz Ref 80942 |

CB007182

November 14, 1995

Amy Elliott
Citibank N.A.
New York

Re: Confidential Client # 2

As per client instruction please provide us with the following information:

A. ORIGIN OF THE FOLLOWING CREDITS RECEIVED WITHIN THE FOLLOWING ACCOUNTS:

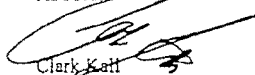
| | A/C NUMBER | D/M/Y | AMOUNT |
|-----|------------|----------|-----------------------------------|
| 1. | a/c 303626 | 15/6/92 | USD 2,000,000.- (Initial Funding) |
| 2. | a/c 129637 | 20/10/92 | USD 1,019,757.80 (Citimex) |
| 3. | a/c 303626 | 25/3/93 | USD 1,000,000.- (PGP) |
| 4. | a/c 303626 | 20/5/93 | USD 2,017,937.22 (IA) — |
| 5. | a/c 303626 | 28/5/93 | USD 4,935,897.44 (Call account) |
| 6. | a/c 303626 | 3/6/93 | USD 5,365,697.86 (Call account) |
| 7. | a/c 303626 | 4/6/93 | USD 6,220,800.- (Call account) |
| 8. | a/c 303626 | 7/6/93 | USD 6,227,054.69 (Call account) |
| 9. | a/c 303626 | 9/6/93 | USD 6,969,384.87 (Call account) |
| 10. | a/c 303626 | 9/6/93 | USD 5,004,187.37 (Call account) |
| 11. | a/c 303626 | 22/9/93 | USD 3,000,000.- (SBC) |
| 12. | a/c 129637 | 3/12/93 | USD 2,130,539.89 (Cliventure II) |
| 13. | a/c 303626 | 19/1/94 | USD 3,000,000.- (Fid. Place.) — |
| 14. | a/c 303626 | 20/1/94 | USD 5,000,000.- (IA) — |
| 15. | a/c 303626 | 31/1/94 | USD 5,000,000.- (IA) |
| 16. | a/c 303626 | 14/4/94 | USD 5,000,000.- (IA) — |
| 17. | a/c 129637 | 26/4/94 | USD 20,000,000.- — 4/27/95 |

B. EXPLANATION OF DESTINATION OF OUTGOING FUNDS TRANSFERRED TO THE NEW YORK IFA ACCOUNT, AS FOLLOWS:

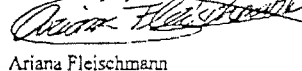
| | | | |
|----|------------|----------|-------------------|
| 1. | a/c 129637 | 6/1/94 | USD 131,664.20 — |
| 2. | a/c 303626 | 14/4/94 | USD 5,000,000.- — |
| 3. | a/c 303626 | 27/4/94 | USD 2,000,000.- — |
| 4. | a/c 303626 | 22/9/94 | USD 18,000.- — |
| 5. | a/c 303626 | 31/10/94 | USD 250,000.- — |
| 6. | a/c 303626 | 4/11/94 | USD 1,750,000.- |
| 7. | a/c 303626 | 31/1/95 | USD 5,000,000.- |

For and on behalf of Trocca Limited

BRENNAN LIMITED
As President by


Clark Kelt

TYLER LIMITED
As Secretary by


Ariana Fleischmann

7273

CRO07183

SOUTH EAST REGIONAL CRIME SQUAD

INCORPORATING THE POLICE AREAS OF NORFOLK, SUFFOLK, CAMBRIDGESHIRE, ESSEX, HERTFORDSHIRE, BEDFORDSHIRE,
FRANKLIN VALLEY, HANTS/DORSET, SUSSEX, KENT, BUCKINGHAM, MIDDLESEX, METROPOLITAN AND CITY OF LONDON.

Regional Co-ordinator
COMMANDER R. CLARK

Citadel Place
Spring Gardens
Tlaxworth Street
London SE11 5EN

Your Reference :

Telephone 071 238 9471/96

Our Reference :

Fax 071 238 9481

Mr GOMEZ
Mexican Embassy
42 Hertford Street
London W1Y 7TF

2 February 1996

Dear Mr GOMEZ

With reference to your request for assistance under the Mutual Legal Assistance Treaty concerning the case of SALINAS. As you are aware, I have conducted enquiries at Citibank in London in accordance with your request.

Account 304688 was opened on or about 27 August 1993 in the name of Paulina Castanon de SALINAS and Raul Salinas de GORTARI in trust for Paulina Diaz-Ordaz Castanon and Andrea Diaz-Ordaz Castanon. The mailing address was given as 301 East La Vista, Unit 32, 301 East La Vista, 278501. Residence address given was Paseo de la Reforma 1765, Mexico City 1400 Mexico. In December 1994 the mailing address was amended to 825 Fifth Avenue Apt. 7C New York NY 10021 USA. Signatories to the account were either of the adults. The account was funded by a credit of US \$1,000,000 from Citibank New York on or about 2 September 1995. The funds were gradually disbursed with no further credits until instructions to liquidate the account were received on or about 5 June 1995.

Account 303626 was opened on or about 18 June 1992 in the name of TROCCA Ltd. (TROCCA). TROCCA is stated to be a company incorporated in Cayman Islands on 21 November 1990. The directors of TROCCA are DONAT INVESTMENTS S.A. (DONAT), MADELEINE INVESTMENTS S.A. (MADELEINE) and HITCHCOCK INVESTMENTS S.A. (HITCHCOCK), companies incorporated in Panama. Control of TROCCA has been delegated by the directors to two further companies, BRENNAN Ltd (BRENNAN) acting as president and TYLER Ltd (TYLER) acting as secretary, both companies having been incorporated in Georgetown, Cayman Islands. TROCCA is administered by Confidas Finance et Placement S.A. (CONFIDAS) in Zurich, Switzerland whose employees are able to sign jointly on behalf of BRENNAN and TYLER. In this way the signatories of account 303626 are the employees of Confidas. Confidas is a company affiliated to Citibank. This arrangement, using the services of DONAT, MADELEINE, HITCHCOCK, BRENNAN and TYLER is the same for many of the clients of Confidas and has not been set up specifically for this client.

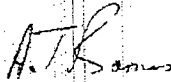
Account 303626 has a number of sub accounts which are utilised by the bank to effect control over the investments. The account has now been liquidated and the bank holds some US \$22,000,000. It appears that over US \$66,000,000 has been credited to the account whilst it operated. The majority of funds were credited to the account from Citibank New York, the

Zurich, Citibank Switzerland, Citibank New York, SBC Schaffhausen and SBC Zurich.

-2-

Full banking documentation has been obtained and is currently being prepared for submission to the Mexican authorities in accordance with the request to the British Authorities. This will take place at the earliest possible time.

Yours sincerely,



A.J. BARNES
Detective Constable.

RECEIVED
SPECIAL
CORRUPT

FEDERAL OFFICE FOR POLICE MATTERS
 Swiss Central Drug Section
 The Citibank PRIVATE BANK SWITZERLAND
 ZURICH

| ACCOUNT | LOCATION | TRAN DATE | CCY | INCOMING | OUTGOING | DESTINATION |
|---------|----------|-----------|-----|-------------------|---------------|-----------------------------|
| 303620 | CNA-LON | 15/09/82 | USD | 2,000,000 | | INITIAL FUNDING |
| 123637 | CIBS-ZH | 20/10/82 | USD | 1,018,757.80 | | INVESTED CITEMEX PISO |
| 303628 | CNA-LON | 26/03/83 | USD | 1,000,000 | | FGP |
| 303626 | CNA-LON | 20/05/83 | USD | 2,017,837.22 | | HA |
| 303628 | CNA-LON | 29/09/83 | USD | 4,935,897.44 | | CALL ACCOUNT |
| 303628 | CNA-LON | 3/09/83 | USD | 5,265,697.86 | | CALL ACCOUNT |
| 303626 | CNA-LON | 4/09/83 | USD | 8,220,800.00 | | CALL ACCOUNT |
| 303628 | CNA-LON | 7/09/83 | USD | 8,221,064.69 | | CALL ACCOUNT |
| 303628 | CNA-LON | 9/09/83 | USD | 8,260,384.87 | | CALL ACCOUNT |
| 303628 | CNA-LON | 30/09/83 | USD | 5,004,187.37 | | CALL ACCOUNT |
| 123637 | CIBS-ZH | 30/09/83 | USD | 15,000,000 | | RECORD ROTHSCHILD |
| 123637 | CIBS-ZH | 30/09/83 | USD | 6,000,000 | | |
| 303626 | CNA-LON | 22/09/83 | USD | 3,000,000 | | |
| 303628 | CNA-LON | 23/09/83 | USD | 2,130,633.89 | | INVESTED IN CIVENTURE II |
| 123637 | CIBS-ZH | 31/09/83 | USD | 137,694.20 | | PTA AC IN NY |
| 303628 | CNA-LON | 18/10/84 | USD | 3,000,000 | | PLACED IN FID. PLAGE - ONE |
| 303628 | CNA-LON | 20/10/84 | USD | 5,000,000 | | INVESTMENT ADVISORY ACCOUNT |
| 303628 | CNA-LON | 31/10/84 | USD | 5,000,000 | | INVESTMENT ADVISORY ACCOUNT |
| 303620 | CNA-LON | 14/09/84 | USD | 6,000,000 | | |
| 303628 | CNA-LON | 14/09/84 | USD | 5,000,000 | | |
| 123637 | CIBS-ZH | 26/04/85 | USD | 20,000,000 | | PTA AC IN NY |
| 303628 | CNA-LON | 27/04/84 | USD | 100,000 | | PTA AC IN NY |
| 123637 | CIBS-ZH | 11/07/84 | USD | 100,000 | | PTA AC IN NY |
| 123637 | CIBS-ZH | 22/09/84 | USD | 100,000 | | PTA AC IN NY |
| 303628 | CNA-LON | 24/10/84 | USD | 4,000,000 | | PTA AC IN NY |
| 303628 | CNA-LON | 31/10/84 | USD | 260,000 | | PTA AC IN NY |
| 303628 | CNA-LON | 4/11/84 | USD | 1,750,000 | | PTA AC IN NY |
| 303628 | CNA-LON | 31/05/85 | USD | 5,000,000 | | PTA AC IN NY |
| 303626 | CNA-LON | 22/05/85 | USD | 1,000,000 | | PTA AC IN NY |
| TOTAL | | | | 83,891,257.14 | 42,849,864.20 | |
| | | | | USD 41,541,592.94 | | |

PTA 5?

355

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 30E.

memo from the desk of
LAWRENCE M. LEVINE

11/23/92

Reynaldo,

As per our new PTA procedures, the attached represents those clients identified as requiring the use of the PTA (10714488). We are continuing to open new Transaction Accounts (67 in October) and this will continue to reduce PTA usage. Usage for Mitch Heller's Brazilian accounts are primarily on incoming funds, and the procedures associated with these transactions have been reviewed and agreed to by both Mitch and CDS.

Please let me know if you have any issues with the attached.

Regards,

Larry

325

08024896

356

MEMORANDUM

TO: ELEANOR FERRARO
FROM: JOANNE SCIORTINO
DATE: SEPTEMBER 17, 1992
RE: APPROVED PTA LIST FOR EXPENSE CODE 7989

The following clients will continue to need to access PTA
account 10714488.

REDACTED

REDACTED

REDACTED

REDACTED

BERNARDO MANA V.P.
FINANCIAL GROUP/WH
CCC/11th Floor
Ext 9092

*we are in the process of educating clients
to open a transaction account.*

3.26

CB024897

357

MEMORANDUM

TO: ELEANOR FERRARO

FROM: JOANNE SCIORTINO

DATE: SEPTEMBER 17, 1992

RE: APPROVED PTA LIST FOR EXPENSE CODE 461 and 551

The following clients will continue to need to access PTA
account 10714488.

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

EDUARDO MAA, V.P.
of the Group with
17th Floor
3/27/92

to with Luca Caspi

3.27

08024898

358

MEMORANDUM

TO: ELEANOR FERRARO

FROM: JOANNE SCIORTINO

DATE: SEPTEMBER 11, 1992

RE: APPROVED PTA LIST FOR EXPENSE CODE 974

Amf
AMT C. ELLIOTT VP.
PRIVATE BANKING GROUP-PTA
022/170 PLAZA 14
EXT. 1400

The following clients will continue to need to access PTA
account 10714488.

REDACTED

REDACTED

REDACTED

Citibank Zurich

All of these represent very large, important clients that
receive funds transfers directly through the PTA or require the
PTA in order to pay bills, move money between accounts etc..
They are either very concerned about confidentiality or maintain
fiduciary products with other parts of Citibank.

3.28

CB024899

M E M O R A N D U M

TO: LARRY LEVINE
 CC: ELLIE FERRARO / JOANNE SCIORTINO
 FROM: ROBERT MEHH
 RE: PTA
 DATE: SEPTEMBER 30, 1992

.....
 In reference to your memo dated on August 17th, we detail below our usage of the Pending Transaction Account basically:

Permanent Instructions

REDACTED REDACTED
REDACTED REDACTED

Occasional

- 1: The PTA is used transactionally when funds are received for a new account for which a number is not yet available.
- 2: When opening an MT or a PIC, and the client has no DDA, the amount is temporarily deposited in the PTA.

The On-Shore office seldom uses the PTA.

We believe, however, that it is a good tool to serve our clients and serves to expedite our processes.

Best regards,


 Robert F. Mehh

360

MEMO TO: Lawrence M. Levine

FROM: Roberto Rivera

DATE: October 5, 1992

SUBJECT: PTA USAGE

.....
The following is a list of IACA clients that we wish to continue using PTA 10714488.

| <u>CAMS NO.</u> | <u>TITLE</u> |
|-----------------|--------------|
|-----------------|--------------|

| | |
|----------|----------|
| REDACTED | REDACTED |
|----------|----------|

| | |
|----------|--|
| REDACTED | |
|----------|--|

| | |
|--|----------|
| | REDACTED |
|--|----------|

cc: F. Gilsdorf

330

C8024901

361

Memorandum to: Lawrence Levine

re: Use of PTA for Designated Clients

date: November 23, 1992

Please use this memo as your authorization to permit transactions to flow through the PBG-WH Pending Transaction Account. The following clients have requested strict confidentiality in all transactions.

Name

CAMS #

REDACTED

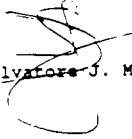
REDACTED

REDACTED

REDACTED

Occasionally we receive specific requests that outgoing funds not be identified to a named account and we will continue to use the PTA for those special circumstances.

Regards.


Salvatore J. Mollica

331

CB024902

362

PTA CLIENTS

Brazil Select

Name

CAMS #

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

REDACTED

SL

3.32

C8024903

MEMO TO: Christopher Barron
Kar Wah Chan
Steve Fee
Mako Obara
W. C. Yung

FROM: Edward J. Kowalczyk

DATE: September 25, 1992

SUBJECT: Client Information/Profiles

Further to our recent Policy Committee conversation on the above topic, I enclose recent LAM and EMEA directives regarding Client Information and Profiles. Members of your staff have been working on the Client Non-Financial Information and Exit Interview Task Force, and Reynaldo's note shows the result of that effort. With client information and profiles remaining such an important issue, I would encourage you to adopt either platform, but understand that we must improve our performance in this area.

encs.

cc: G.E. Montero
R. Figueiredo
S. Mollica
G. Best
P. Sperling
M. Kelsey
L. Levine

CB014628

CMNA 15-SEP-92 16:14:21 017408

To: LAM DIRECT (LIST:)
 CC: M. Carmen Butler (USNYC:PBGWH), Pedro Guerra (CSSAO:PBG),
 Larry W. Ingraham (CSCVB:PBG), Dave Jones (USNYC:PBG),
 Edward Kowalczyk (USNYC:PBGWH), Jose Carlos Quintela (CSSAO:PBG),
 David J. Tristram Smith (USNYC:PBG), David A. Tremblay (USNYC:PBG),
 Jean-Pierre Zelcer (USNYC:PBG)
 From: Reynaldo Figueiredo (USNYC:PBGWH)
 Date: TUE 15-SEP-92 16:34 GMT
 Subject: Client Information -- Policy & Procedures

As you will recall, we discussed on several occasions ways of using CAMS as our principal client information system. The need for having one standard system that permits the storage, update and retrieval of non-financial information has been further exacerbated when Private Bankers resigned from the bank without leaving behind adequate information for their replacement to start working efficiently with clients.

Simple processes and procedures have been developed which should allow us to use CAMS both offshore and onshore while ensuring confidentiality. In addition, I have established the policy below which I expect each one of you to enforce throughout your area of responsibility.

INTRODUCTION

CAMS entails two broad types of information:

- (a) Non-Financial, Private Banker-driven (screens #1 through #5), including Name & Special Attention, Client's Confidential Addresses, General Client Information, Client Business/Background, Client Strategy/Meetings.
- (b) Other screens, including Product Balances and Transactions (CDS-driven).

POLICY

It is LAM's Management Policy that:

- CAMS be used as the primary vehicle to store and document clients' non-financial data.
- Such data be accessible in the onshore offices exclusively for those clients who have an onshore service relationship and in a highly restricted and secured manner only, so as to prevent unauthorized access to it by internal and/or external parties.
- Private Bankers be accountable for reviewing, at least once a year, such information relevant to their clients and ensure that it is as complete and up-dated as possible.
- WH Compliance Department will audit CAMS files to assess compliance with the above.
- No information will be accessed onshore in the case a client objects to it or has expressed a desire to maintain head office contact only.

This policy and related processes & procedures can only be amended or exceptions made to it by LAM's Business Manager or higher management.

PROCESSES & PROCEDURES

- (1) Country Managers/Investment Center Managers will ensure that Private Bankers onshore and offshore (all U.S. offices) will complete client information screens #1 through #5.
- (2) Offshore Private Bankers will access those screens using their current

CB014629

password restricted to their own expense code or expense code group.

(3) Onshore Private Bankers will be nominated by the respective Country Managers for issuance of CAMS passwords allowing them to access their respective expense codes from onshore offices. LAM's Business Manager will approve, individually, such nominations before passwords are issued by CDS.

(4) Passwords will be renewed each month by CDS or every time a personnel change requires it. CDS may immediately suspend any such password at Country Manager's or higher management's request.

(5) CAMS PASSWORDS ISSUED BY CDS TO PRIVATE BANKERS (ONSHORE AND OFFSHORE) MUST REMAIN CONFIDENTIAL AND WILL UNDER NO CIRCUMSTANCES BE SHARED BY HOLDER WITH ANYONE.

(6) Onshore Private Bankers with passwords will be able to consult on-screen non-financial client information. Policy mandates that no such screen will be printed locally.

(7) The Country Managers will be provided by Pedro Guerra with the necessary software to implement (3) above. Procedures for password issuance & renewals will be developed by Guerra in conjunction with CDS (David Smith).

(8) Screens #1 and #2 should NOT be input to CAMS for any Trust and/or PIC account. Client contact information for such accounts will be exclusively maintained in TRUMPS C(B)L system in Nassau/Cayman. It will be C(B)L responsibility to keep this information up-to-date and to regularly solicit any relevant input from Private Bankers to that effect.

9) No linkage with C(B)L or C(C)L accounts is permitted in CAMS non-financial screens.

TARGETS

I am asking each Country Managers and/or Investment Center Manager to ensure that the following target dates are being met for all clients under their managerial responsibility: Clients who have account with title in their own name: screens #1 and #2 must be input into CAMS by 12/1/92 for all clients. Screens #3 through #5 will be input:

- Top 20 clients/Private Banker, by 12/1/92.
- Remaining clients, (except select), by 4/1/93
- Select clients, by 6/30/93

I am also asking each Country Manager and/or Investment Center Manager to forward to my attention, no later than 9/30/92, a consolidated plan covering their entire area of responsibility and indicating the schedule of their reviews, i.e. what Private Banker will be reviewed by whom and when. This exercise should take place at least once a year thereafter.

I am taking this matter extremely seriously, and I am asking you, in turn, to exercise your full managerial authority in getting this job done.

Please let me know if you have any questions.

Regards,

CB014630

Reynaldo

M E M O R A N D U M

TO: ALL UNIT HEADS AND PRIVATE BANKERS
MEXICO - TEAM

FROM: ALBERT MISAN

DATE: JANUARY 22, 1993

SUBJECT: NEW ACCOUNTS / DUE DILIGENCE

Although I am aware that all Private Bankers have been conscientious about "compliance", please find listed below a guide which must be followed when prospecting for new clients, and establishing accounts:

- * Know your customer: Interview personally the individual who will be the principal of the new account/relationship.
- * Ensure that all the necessary documentation has been delivered and signed by the principal, prior to establishing account.
- * Ensure that you are satisfied that the origin of the funds being deposited come from a legitimate activity/source.
- * Obtain two commercial references, which may be either internal or external, which you feel will confirm representations made by the individual (when appropriate).
- * On a best effort's basis, verify if individual had a prior relationship with Citibank, and what was the experience.
- * Obtain two banking references.
- * Prepare a client profile to be included as part of the documentation required to establish the account/relationship. (CAMS Screen 1 - 5)
- * Although the above should serve as a guideline, good old fashioned common sense should prevail in dealing with this subject, identifying "red flags" if they exist. (Inconsistent representations, volume of initial deposit, unclear activity, fronting).
- * This listing is supplementary to the "Client Acceptance Policy" applicable to PBs - WH described in memo from G. Edward Montero of 09/27/91.

Regards,

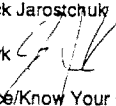
Albert Misan

CB015410

| |
|--|
| <p>The Citibank Private Bank Western Hemisphere Division</p> |
|--|

Memorandum to: Reynaldo Figueiredo, Kar Wah Chan
Mako Obara, Sal Mollica

cc: G. Edward Montero, Chris Barron
Gordon Best, Steve Fee
Peter Sperling, Christine Nolte
Nancy Walcott, Nick Jarostchuk

From: Edward J. Kowalczyk 

Re: Account Acceptance/Know Your Customer
BR&C Review

Date: March 11, 1993

The results of the attached BR&C review of Account Acceptance/Know Your Customer documentation were poor.

The review focused on files which were tracked against long standing Client Acceptance Criteria, Documentation and Reference policies, and the more recent, late 1992 Figueiredo/Mollica profiling directives and EMI standards for suitability/client risk profiles.

Clearly client suitability is the watchword for Western Hemisphere in 1993. We need to be above standard in being able to produce documented (CAMS 1-5/Paradox) proof of client due diligence/general background information, plus the newer suitability issues covering client risk tolerance, financial condition, prior experience, appetite and understanding of risks (issuer, sovereign, market, crossborder, liquidity, etc.). Once established, the sales management process needs to review transaction data on a weekly/monthly basis to ensure client objective/product consistency. We all agree that a "conservative" client can have a portion of their assets in high risk products, but we also all agree that the private banker and unit head must have documentation/processes to support this type of situation.

CB015836

Again, client information and suitability needs to be baked into the CAMS 1-5 (or Paradox) forms. The information needs to be neat, clear, accurate, informative and descriptive as to the risk elements listed above and clearly outlined in the EMI suitability checklist. On the other hand, profiles should not contain information which could harm the client or cause embarrassment to the institution.

This BR&C report is consistent with results delivered by Bill Jones, responding to EMI Securities Support Unit procedures. Corporate Audit is also reviewing specific EMI related documentation issues at this time.

Asia Pacific and IACA did not supply us with documents to review.

Separately, Reynaldo, Albert Misan and the other Country Managers are working on a collective weekly/monthly private banker/unit head sales management review process. They are near completion and I urge the other Business Managers to review this process with an eye toward adopting these or similar processes.

Also, Product Management has agreed to initiate an effort with Sales to develop a more interactive profile (ideally covering background and suitability issues (and objective setting?). Once developed and client data loaded, the system should provide much needed analysis capability.

This is the first of many reports which I will share with you this year. Any feedback would be helpful to me and my team members.

Encl:

CR015837

| |
|-----------------------------------|
| BUSINESS RISK AND COMPLIANCE UNIT |
|-----------------------------------|

MEMORANDUM TO: EDWARD J. KOWALCYK

SUBJECT: ACCOUNT ACCEPTANCE/KNOW YOUR CUSTOMER

A preliminary review was made of thirty-one accounts (31) for Account Acceptance - Client Suitability. These accounts, selected at random represented the following units:

| | |
|---------------|-------------|
| Latin America | 21 Accounts |
| EMEA | 5 Accounts |
| Japan | 5 Accounts |

Printouts, or listing of accounts were received from the aforementioned units, but were not received from the Asia Pacific, and IACA Units. I visited Donna Leong, A/P, and Roberto Rivera, IACA, on two occasions, and gave them copies of your memo dated September 25, 1992, and relative memoranda from Reynaldo Figueiredo and Sal Mollica.

Donna is on a business trip for the next four weeks and Bob Rivera has recently transferred to the Citibank Global Asset Management Group. I will follow up with Donna upon her return. Rick Gilsdorf has stated that he is updating the IACA's profiles and he has since supplied me with a listing of their accounts. (He indicated that CAMS Screen 1 through 3 may be partially complete, but temporary personnel may be hired to input Screens 4 and 5.)

Three steps were used in determine whether or not the client information system is current.

- (A) CAMS Screens 1 through 5 were reviewed.
- (B) The files in CDS were checked for documentation, and references.
- (C) The client files were reviewed for information not found in A & B.

The criteria used for this review included.

- Description of documents to identify the client
- Source of Funds
- References
- General background information, i.e. business or profession, etc.
- Bank Documentation

The results appear to be hit and miss.

CB015838

- 2 -

Three of the thirty-one (31) accounts were either Managed PICs or a Model Trust. Of the remaining twenty-eight accounts:

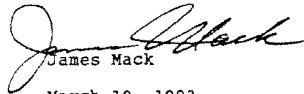
- 10% had references on file, 32% of references were waived and 58% of the references were not on file. Note: A number of accounts whose references are not on file, were opened years ago, and either the references were not lodged properly, or they were waived as not one of these accounts appear on the latest missing/incomplete Documentation Aging Report.
- 18% had the source of funds indicated on the opening applications.
- 50% had information identifying the client (Passport, Drivers ID), which were found on the BAA's.
- 71% had the information regarding the client's business, some were on CAMS, and others on BAA's.
- Although 39% had information on CAMS Screens 1 through 5 and the remaining 61% had partial information, the information contained did not sufficiently meet the suitability criteria.

See attached charts regarding breakdown of the review.

RECOMMENDATION:

CAMS Screens as intended to support Client Suitability have to be enhanced i.e. system enhancement or information needed for Acceptance Suitability Check provided in a free format.

Next week I will start the second phase of this exercise by reviewing approximately twenty (20) accounts which opened during January 1993. This review may give us a clearer picture as to whether or not the Account Acceptance Policy is being followed.


James Mack

March 10, 1993

Attachment

cc: N. Jarostchuk
N. Walcott

186.doc

CB015839

CMNA 8-DEC-93 20:19:47 028001
 To: Kar Wah Chan (APHKG:PBG), Salvatore Mollica (USNYC:PBG),
 Mako Obara (USNYC:PBGWH), Henry Heller (USNYC:PBGWH),
 To: Albert Misan (CSMEX:LAGF), Javier M Crespo (CSBUE:LAGF),
 Kathy Waldron (USMIA:PBG), Jose Luis Daly (CSWMI:PBG),
 To: Mitchell S. Heller (USNYC:PBGWH), Antonio Carlos Cortese (CSSAC:PBG)
 To: David A. Tremblay (USNYC:PBG), Steven Fee (USMIA:PBG)
 CC: Oliver C. Scholle (USNYC:PBGWH), Edward Kowalczyk (USNYC:PBGWH),
 CC: Christine A. Nolte (USNYC:PBGWH)
 From: G. Edward Montero (USNYC:PBGWH)
 Date: WED 08-DEC-93 20:20 GMT
 Subject: Client Profile/Suitability/Sales Practices

The following was decided in the LAM Country Head meeting
 November 22-23, vis-a-vis completion of CAMS 1-5 for your area:

Due DECEMBER 31, 1993

- All clients over \$1.0MM by AUM
- All clients having EMI and Derivative Products

Due FEBRUARY 18, 1994

- All clients over \$500M by AUM

Due JUNE 30, 1994

- Remaining client base

As a guide, you should refer to the November 1 Suitability and Sales Practices policy statement and have the Private Bankers demonstrate their knowledge of the client. In general, the documentation required is the basic CAMS Screens 1-5 which includes client information such as complete family and business background and financial condition/net worth. Also, you should include in the free form areas, "suitability" type of information such as the customer's overall expressed investment objectives, risk tolerance and prior transaction experience. If the client expresses interest in a particular product set, ensure that they are aware of the associated risks.

Since our meeting, I have decided to simplify the policy and hold you, as the Manager, directly accountable for the adherence to policy by your staff. Year end bonuses for each of you will be held for non-completion of this assignment in the required time frame. You must attest to the satisfactory completion of the above by December 31.

CB014626

372

All PIC and Trust beneficial client related information should be recorded and ultimately housed with C(B)L in the Trumps system.

Under separate cover, I will include a recent draft of a client suitability guide which can be coupled with the CAMS screens.

We all agreed this is a very important topic requiring our full attention.

Thanks,
Ed

Delivered: WED 08-DEC-1993 20:20 GMT

CB014627

COMPLETE CLIENT PROFILE / SUITABILITY

- **DUE DECEMBER 31, 1993**

- All clients over \$1.0MM by AUM
- All clients having EMI and Derivative Products

- **DUE FEBRUARY 18, 1994**

- All clients over \$500M

- **DUE JUNE 30, 1994**

- Remaining Client base

- *Unit Heads must attest to the satisfactory completion of the above. Year end bonuses and salary actions will be held for any Private Banker/Unit Head not completing this assignment in the required time frame.*

C8011455

REVIEW OF THE MEXICO ONSHORE OFFICE

January 24 - 28, 1994

CAMS SCREEN 1 - 5

We reviewed 60 individual account relationships with AUM'S over a million in which we found the following:

- 1) A total of 12 need more information on screens 1 through 3.
e.g. telephone numbers, complete addresses and total networth
- 2) A total of 33 need more information according to the new structure of completing screens 4 and 5.
e.g. the source of wealth is not described in enough detail and the length time of the relationship.
- 3) A total of 2 did not have any information.

An issue to discuss in more detail, is the information input of CAMS 1 - 5 for fiduciary vehicles. We noticed that different offices have different interpretations of the information needed..

Mexico and Houston have input the Bahamas address, telephone numbers, investment strategy and networth. Of three fiduciary screens reviewed, it was only stated on screen 1 that it was a C(B)L managed account.

WEEKLY OD'S

Six weekly overdraft reports were reviewed. They were correctly completed, with the appropriate signatures and explanations to all of the overdrafts.

A potential problem could be the 177 day overdraft i/a/o US\$15,806.16. This was due to the monthly credit card bill. Client and Private Banker estimate covering the o.d. by 1/31/94.

C8024909

DAILY OD'S

The o.d.'s in New York are completed by the Service Officers and then approved by the Private Bankers.. A credit officer reviews and approves the report daily. It is then sent to the workstation.

No copy is kept on file in the marketing area.

VERBAL INSTRUCTIONS

All three Service Officers were keeping a verbal instruction log. The STM had a copy of the previous months, they were not approved and signed. Upon review of the ATE verbal list we found that 4 transactions were not reported in the verbal log, due to the fact that they were transactions for over US\$1MM and we only had a fax to work with.

FILING REVIEW

We attempted to review 50 files.

We found that 30% was filed and the rest was not. This is a problem because the work is not consolidated and difficult to review.

By comparing the different office techniques, we suggest a resolution to this problem would be to hire a temp once a month, to complete the filing.

Our reasoning is that due to the daily workload, there is not enough time to file consciously and carefully.

As we could not review all files by name, we reviewed 30 files and the November - December pending filing.

C8024910

Of the 30 files, 20 were individuals and 10 were fiduciary accounts. We found that the 20 individuals were in order, and that seven of the 10 fiduciary files had linkages between the settler and trust. One original Model Trust Agreement was also found.

On the pending filing we found that there were 4 original letters of instruction from the client for C(B)L. These letters should have already been sent to C(B)L.

TRANSACTIONS

40 transactions were reviewed for the months of November and December 1993.

The authorization levels were excellent, those for manual transactions and ATE.

We found 11 funds transfers that either did not have the signature verification or the EPID, or both.

In regard to Standing Instructions, most of them need to be up-dated as they were drafted a long time ago, when EPID and signature verification were not in place.

Upon review of the November December transactions we noticed many CSI checks issued for services e.g., telephone, electricity, etc. The dollar amounts were low, they were not listed on the verbal log, nor did we find a letter of instructions or bill paying agreement.

ATE DAILY REPORTS

The reports are held by the STM but not all of them are signed by the Service Officer responsible for the transactions.

CB024911

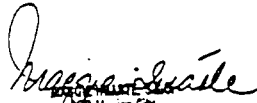
DOCUMENTATION DEFICIENCIES

As of January there are 11 credit deficiencies 3 of which are C(B)L's. The oldest one is 457 days old and is missing a signature on the General Resolution.

Also as of January 94 there are 15 banking deficiencies.

SUMMARY

After reviewing the daily transactions, we feel that the New York Onshore office is generally following compliance procedures. There are some issues that need to be addressed as per our observations above described.


PATRICIA A. L. L.
NYC - Mexico City
(212) 211-3030 1-3479

CB024912

PRIVATE BANKING GROUP WESTERN HEMISPHERE
SELF-AUDIT CHECK LIST

Area Audited: _____ Audited By: _____ Self Audit Date: _____
Client Profile: _____
Sample Size: _____
Select 20 clients (top tier clients first) and review the profiles in CAMS (Screen 1.5). Each profile should include at a minimum, name, address, telephone number, risk tolerance level, net worth, and a comment on business activity of client (can you tell where clients wealth came from?). Also note any inappropriate comments! Sample selected must include all new EMI customers since last self-audit.

| EXP | BANKER | PROFILE | CLIENT | INITIALS | LOCATION | NO. | CLIENT NAME | COMMENTS/ISDISCREPANCIES/QUESTIONS |
|-----|--------|---------|--------|----------|----------|-----|-------------|------------------------------------|
|-----|--------|---------|--------|----------|----------|-----|-------------|------------------------------------|

- 1.
- 2.
- 3.
- 4.
- 5.
- 6.
- 7.
- 8.
- 9.
- 10.
- 11.
- 12.
- 13.
- 14.
- 15.
- 16.
- 17.
- 18.
- 19.
- 20.

Where Is Profile Stored (CAMS, Paper, Etc.)

C8024913

REDACTED

REDACTED

PRIVATE BANKING GROUP - WESTERN HEMISPHERE
SELF-AUDIT CHECK LIST

Area Audited: _____ Audited By: _____ Self Audit Date: _____
 Client Profiles: Select 20 clients (top tier clients first) and review the profiles in CAMS (Screen 1-5). Each profile should
 Sample Size: include at a minimum, name, address, telephone number, risk tolerance level, net worth, and a comment on
 business activity of client (can you tell where clients wealth came from?). Also note any inappropriate
 comments! Sample selected must include all new EMI customers since last self-audit.

EXP. BANKER *PROFILE CLIENT
 CODE INITIALS LOCATION NO. CLIENT NAME COMMENTS/DISCREPANCIES/QUESTIONS

| | | | | | |
|----|---|---|--------|-----------------------|---------------------|
| 1 | | | | | |
| 2 | " | " | 980835 | Redevelopment Station | 12/11 0 missing 1-5 |
| 3 | | | | | |
| 4 | | | | | |
| 5 | | | | | |
| 6 | | | | | |
| 7 | | | | | |
| 8 | | | | | |
| 9 | | | | | |
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| 11 | | | | | |
| 12 | | | | | |
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| 14 | | | | | |
| 15 | | | | | |
| 16 | | | | | |
| 17 | | | | | |
| 18 | | | | | |
| 19 | | | | | |
| 20 | | | | | |

REDACTED

REDACTED

*Where Is Profile Stored (CAMS, Paper, Etc.)

08024914

TRANSACTION AUTHENTICATION & APPROVAL

Sample Size: Select 25 items from customer/Service Officer files and ATE Compliance Reports. (50% of sample from compliance reports should be HAM related.) Check off all items reviewed on Compliance Reports and attach to this checklist.

| | Y | N | If No Explain (Note number incorrect) |
|--|---|---|--|
| 1. Are proper sign-off and appropriate stamps on client instructions? (EPID & Authentication Stamp) | | | |
| 2. Was EPID and signature verification performed where appropriate? | | | |
| 3. Are CPTs and SSRs correctly filled out with appropriate sign-off? | | | |
| 4. Are Client instructions properly executed? | | | |
| 5. Select 5 days and review opening/closing reports for ATE. Are reports signed off and on file for days selected? | | | |
| 6. Select 1 month. Are verbal logs on file and signed-off by Unit Head for all of Service Team? | | | |
| 7. Are pending tucker files used by staff? | | | |
| 8. What retention period are client instructions held for? (1 year at CCC and 1 more in warehouse) | | | |

C0024915

DAILY/WEEKLY OVERDRAFTS

Sample Size: Select two weeks of the weekly reports for all expense codes within unit.
Expense Codes: _____
Weekly Report Dates: _____

| | Y | N | If No Explain (Note number incorrect) |
|--|-----|-----|--|
| 1. Are all overdrafts signed off? | --- | --- | _____ |
| 2. Does each overdraft have an explanation? Explain "To be Covered", with maturities and product. | --- | --- | _____ |
| 3. Are explanations consistent from week to week for the same overdraft? | --- | --- | _____ |
| 4. Are copies maintained for all weekly overdrafts? | --- | --- | _____ |
| 5. Do all explanations have an expected resolution date? | --- | --- | _____ |
| 6. Is attention given to age/size of overdrafts? | --- | --- | _____ |

B024916

382

THIS RANGE HAS BEEN REDACTED.

CB024917 - CB024945

Client Number: 980835
Last Name: SALINAS
Full Name: PAULINA CASTANON DE SALINAS
Expense Code: 974 NC Code: -N MGR: ACE Special Coding:
Country Code: 3170 Country Name: MEXICO
Credit Cards: AMEX[] MasterCard[] PrefVISA[] BankAmericard[]
Carte Blanche[] Diners[] VISA[] Bill Paying[]
Other PBG Contacts:
Special Attention:

Next Screen:

For:

Password:

0024946

Screen 1 - Confidential Addresses 01.25.94 11:07am
 980815 PAULINA CASTANON DE SALINAS
 Confidential First Residence: Telephone/Telex/Cable:

Confidential Second Residence: Telephone/Telex/Cable:

Confidential Business Address: Telephone/Telex/Cable:

Next Screen: For: Password:

08024947

08024947

385

Client Business Background 01.25.94 11:08am
980835 PAULINA CASTANON DE SALINAS
Business/Background:

Next Screen:

For:

Password:

CB024948

1
2
3
4
5
6
7
8
9
10

Screen 5 Client Strategy/Meetings
980805 PAULINA CASTANON DE SALINAS
Strategy:

01/25/94 11:05am

Last Meetings:

Date Location / Officers / Discussion / Results

1 / /

2 / /

3 / /

Followup: / /

Next Screen:

For:

Password:

CB024949

PRIVATE BANKING GROUP WESTERN HEMISPHERE
SELF-AUDIT CHECK LIST

Area Audited: 974 Audited By: Kaylee Skelton Self Audit Date: 1/18/24

Client Profiles:

Sample Size: Select 20 clients (top tier clients first) and review the profiles in CAMS (Screen 1-5). Each profile should include at a minimum, name, address, telephone number, risk tolerance level, net worth, and a comment on business activity of client (can you tell where clients wealth came from?). Also note any inappropriate comments! Sample selected must include all new EMI customers since last self-audit.

| EXP | BANKER *PROFILE | CLIENT | CLIENT NAME | COMMENTS/DISCREPANCIES/QUESTIONS |
|------|-----------------|----------|-------------|-------------------------------------|
| CODE | INITIALS | LOCATION | NO. | |
| 1. | | | | |
| 2. | | | | |
| 3. | | | | |
| 4. | | | | |
| 5. | | | | |
| 6. | | | | |
| 7. | | | | |
| 8. | | | | |
| 9. | 974 | ACE | " | 910835 PAVAN CONSUMERS NO DUPE MCEL |
| 10. | | | | |
| 11. | | | | |
| 12. | | | | |
| 13. | | | | |
| 14. | | | | |
| 15. | | | | |
| 16. | | | | |
| 17. | | | | |
| 18. | | | | |
| 19. | | | | |
| 20. | | | | |

REDACTED

REDACTED

17. With these we completed the first personal
18. accounts are a million.
19. in

*Where Is Profile Stored (CAMS, Paper, Etc.)

CB007236

388

MEMO TO: AMY ELLIOTT
SHEILA WILENSKY
RICHARD SANBORN
ROBERT MEHM

DATE: MAY 6, 1994

FROM: ALBERT MISAN


SUBJECT: CLIENT PROFILE

Attached you will find the results of the Audit done by Ed Kowalczyk, regarding the Client Profiles. It seems that we are still far from positive results. I am sharing with you the results of all the different countries, and also some additional information which will help you in preparing for the June deadlines.

I believe the two examples are fairly well put together and encourage you to ensure that your Unit complies.

Please let me know if you have any comments. We will be discussing this issue in our next conversations.

Regards,



Albert Misan

CB018311

THE CITIBANK PRIVATE BANK
WESTERN HEMISPHERE DIVISION
SUITABILITY PHASE II (2/18 - 3/18)
RESULTS FOR CLIENTS WITH AUMs OF \$500M- \$1MM

I. BRAC TEST #1 (2/18/94 - 3/24/94)

| MANAGER | AUM | # OF ACs | PRIMARY SAMPLE | PERCENT SELECTED | DEFICIENT ACCOUNTS | PERCENT DEFICIENT |
|-------------------|-----------------|----------|----------------|------------------|--------------------|-------------------|
| KATHY WALDRON | \$278,292,696 | 396 | 42 | 10.6% | 28 | 67% |
| ALBERT MISAN | \$155,000,954 | 223 | 22 | 9.9% | 16 | 73% |
| HENRY HELLER | \$150,299,789 | 214 | 21 | 9.8% | 15 | 71% |
| JAVIER CRESPO | \$148,343,264 | 210 | 21 | 10.0% | 15 | 71% |
| SAL MOLICA | \$130,951,835 | 184 | 18 | 9.8% | 17 | 94% |
| JOSE LUIS DALY | \$122,279,970 | 181 | 19 | 10.5% | 12 | 63% |
| MITCH HELLER | \$70,257,026 | 136 | 14 | 10.3% | 9 | 64% |
| KAR WAH CHAN- DIR | \$50,946,057 | 81 | 8 | 9.9% | 5 | 63% |
| MAKO OBARA | \$30,070,191 | 43 | 4 | 9.3% | 2 | 50% |
| DAVID TREMBLAY | \$11,149,969 | 17 | 2 | 11.8% | 2 | 100% |
| ANTONIO CORTESE | \$5,202,809 | 8 | 1 | 12.5% | 1 | 100% |
| TOTAL | \$1,161,994,510 | 1,603 | 172 | 10.2% | 122 | 71% |

II. RETEST OF TEST #1 DEFICIENT ACCOUNTS

| MANAGER | TEST #1 ACCOUNTS SAMPLED | ACCOUNTS RETESTED | DEFICIENT ACCOUNTS | PERCENT DEFICIENT |
|-------------------|--------------------------|-------------------|--------------------|-------------------|
| KATHY WALDRON | 42 | 28 | 19 | 68% |
| ALBERT MISAN | 22 | 16 | 11 | 69% |
| HENRY HELLER | 21 | 15 | 11 | 73% |
| JAVIER CRESPO | 21 | 15 | 15 | 100% |
| SAL MOLICA | 18 | 17 | 16 | 94% |
| JOSE LUIS DALY | 19 | 12 | 8 | 67% |
| MITCH HELLER | 14 | 9 | 9 | 100% |
| KAR WAH CHAN- DIR | 8 | 5 | 4 | 80% |
| MAKO OBARA | 4 | 2 | 1 | 50% |
| DAVID TREMBLAY | 2 | 2 | 0 | 0% |
| ANTONIO CORTESE | 1 | 1 | 1 | 100% |
| TOTAL | 172 | 122 | 93 | 76% |

NOTE: All 122 accounts with deficient information from the first test were retested along with the secondary sample one month later.

III. BRAC TEST #2 (3/18/94 - 3/23/94)

| MANAGER | SECONDARY SAMPLE | PERCENT DEFICIENT | DEFICIENT ACCOUNTS | PERCENT DEFICIENT |
|-------------------|------------------|-------------------|--------------------|-------------------|
| KATHY WALDRON | 12 | 3.0% | 8 | 67% |
| ALBERT MISAN | 7 | 3.1% | 5 | 71% |
| HENRY HELLER | 7 | 3.3% | 5 | 71% |
| JAVIER CRESPO | 7 | 3.3% | 6 | 86% |
| SAL MOLICA | 6 | 3.3% | 3 | 50% |
| JOSE LUIS DALY | 6 | 3.3% | 3 | 50% |
| MITCH HELLER | 4 | 2.9% | 1 | 25% |
| KAR WAH CHAN- DIR | 3 | 3.7% | 0 | 0% |
| MAKO OBARA | 2 | 4.7% | 2 | 100% |
| DAVID TREMBLAY | 1 | 5.9% | 0 | 0% |
| ANTONIO CORTESE | 1 | 12.5% | 0 | 0% |
| TOTAL | 58 | 4.1% | 33 | 59% |

IV. SUMMARY

| MANAGER | TOTAL ACCOUNTS TESTED | ACCOUNTS DEFICIENT | PERCENT DEFICIENT | TOTAL ACCOUNTS OUTSTANDING | DEFICIENT ACCOUNTS | PERCENT DEFICIENT |
|-------------------|-----------------------|--------------------|-------------------|----------------------------|--------------------|-------------------|
| KATHY WALDRON | 34 | 36 | 67% | 27 | 16 | 59% |
| ALBERT MISAN | 29 | 21 | 72% | 16 | 16 | 100% |
| HENRY HELLER | 28 | 20 | 71% | 21 | 21 | 100% |
| JAVIER CRESPO | 24 | 20 | 83% | 19 | 19 | 100% |
| SAL MOLICA | 24 | 20 | 83% | 11 | 11 | 100% |
| JOSE LUIS DALY | 23 | 15 | 60% | 10 | 10 | 100% |
| MITCH HELLER | 18 | 10 | 56% | 4 | 4 | 100% |
| KAR WAH CHAN- DIR | 11 | 5 | 45% | 3 | 3 | 100% |
| MAKO OBARA | 6 | 4 | 67% | 0 | 0 | 0% |
| DAVID TREMBLAY | 3 | 2 | 67% | 0 | 0 | 0% |
| ANTONIO CORTESE | 2 | 1 | 50% | 1 | 1 | 100% |
| TOTAL | 228 | 155 | 68% | 128 | 128 | 100% |

CB018312

CMNA 27-APR-94 20:05:44 008202

To: PBG-WH DIRECTS I (LIST:), PBG-WH DIRECTS II (LIST:)
 CC: G.Edward Montero (USNYC:PBGWH)
 From: Edward Kowalczyk (USNYC:PBGWH)
 Date: WED 27-APR-94 20:05 GMT
 Subject: Suitability / Sales Practices-Phase II Results & Model CAMS Screens

Although the Phase I results were positive, the Phase II (\$500M - \$1MM AUMs) results were disappointing. Therefore, Business Risk & Compliance would like to highlight common weaknesses and provide guidance as to what constitutes a complete profile. Although the next phase of testing is not scheduled until June, these pointers should be utilized by each unit in order to correct the large number of deficient accounts revealed during testing.

In addition to this Citimail, we are including under separate cover the Phase II testing results and two model CAMS accounts-one for regular accounts and one for CBL accounts. These model accounts were developed by BR&C in association with representative Business Managers, C(B)L Management, Service Delivery and Legal. The level of detail provided in these screens should serve as a benchmark against which to model ALL accounts.

Please note the distinctions made between the CBL/CCL and individual accounts. Including Suitability and Know Your Customer information for CBL/CCL accounts on CAMS will hopefully resolve a nagging documentation issue between Head Office and the CBL/CCL units. Ideally the information will be more current, and CBL/CCL will be able to take data feeds of the CAMS information.

The two areas consistently lacking in detail are the "Know Your Customer" information and the investment "Suitability" profile. The CAMS profiles should provide an independent reader with the necessary detail to discuss a client's business background and source of wealth as well as the client's investment objectives, time horizon, risk tolerance, investment sophistication, and product knowledge. Note that some PBG-WH products (such as TMU derivatives) rely on fields from the CAMS screens such as Net Worth to qualify a client for a particular investment. As such, the information on CAMS is critical to our ability to provide adequate and targeted service to the needs of each customer while at the same time providing the bank with a high

CB018313

comfort level regarding the client's business background. Nondeposit products are increasingly under scrutiny by Corporate Audit as well as outside regulatory agencies including the Federal Reserve and the OCC. The agencies are wary of commercial banking's increasing use of security and derivative products and suitability concerns are high on their list of inexcusable offenses.

KNOW YOUR CUSTOMER

Please note that Private Bankers should elaborate as much as possible when documenting each client's business background and source of wealth. For example, when documenting source of wealth, simply stating that the client is a doctor, ship owner, fur producer, fruit exporter, etc., is not sufficient. The explanation should clearly show, for example, how it is that a client acquired his wealth.

SUITABILITY

Suitability information should at minimum address a client's risk tolerance, time horizon, and investment objective. An assessment of a client's investment experience and sophistication is also critical in order to properly evaluate a client's suitability against any product offered by the bank. Wealth alone should not be the primary criteria for offering a client a given investment opportunity, particularly in the case of riskier, more complex products such as derivatives. Clients investing in these products must have a very strong CAMS profile that clearly indicates the client's understanding of the investment and the ability to absorb any potential downside.

Above all, suitability information should indicate a client's understanding of the risks involved in their investment. With a significant portion of our client base turning away from traditional FDIC insured time deposits, we must be able to show that the client chose a particular type of product with the higher return only after they fully understood that the interest and/or principal of their investment are at risk. This does not mean that clients need to be documented for every security product they purchase, it does however mean that the information should not state that the customer is willing to experiment with equities when current transactions are heavily populated by derivative products.

If the client has a conservative approach for most of their

CB018314

portfolio but is willing to risk a set amount of money, this understanding should be documented to avoid any contradictory appearance. Since the division should currently be in the process of updating its CAMS screens, we should take advantage of the momentum and provide further detail on the investment profiles of all clients.

**

As a final note, remember that the Suitability and Know Your Customer efforts are not a one time event. This information should be routinely maintained by the Private Banker in charge of the account. Stale information defeats the purpose of this initiative and may prove insufficient in the case of account hand-offs between bankers. As the division continues to embrace the products and policies of the securities markets, suitability information will continue to rise in importance and will prove critical to the continued well being of the business. Once stabilized, one could envision an annual Private Banker/Unit Head review process, helping both parties better understand the needs and objectives of the client base.

This Suitability Citimail will be followed with a note regarding the broader topic of Know Your Customer. Both the regulators and Corporate Audit are looking for more concrete and complete forms of client knowledge proof, starting at account opening and continuing on throughout the relationship.

If there are any questions on this evolving topic, please contact me at 212-559-2459 or via Citimail.

Regards,

CB018315

CAMS Screen #1

| Name and Special Attention | |
|----------------------------|---|
| Client Number: | 123456 |
| Last Name: | Doe |
| Full Name: | John Q. Doe |
| Expense Code: | 1234 NC Code: -N MGR: XYZ Special Coding: |
| Country Code: | 4630 Country Name: Anywhere |
| Credit Cards: | AMEX[] MasterCard[] PrefVISA[X] BankAmericard[] Carte Blanche[] Diners[X] VISA[] Bill Paying[] |
| Other PBG Contacts: | Service officer Luis Rodriguez |
| Special Attention: | Maintain \$50M in DDA at all times. |

CAMS Screen #2

| Client's Confidential Addresses | |
|---------------------------------|------------------------|
| 123456 John Q. Doe | |
| Confidential First Residence: | Telephone/Telex/Cable: |
| 666 London Tower | (011-999) 456-3456 |
| Queen's Lane | |
| Anytown, Anywhere | |
| Confidential Second Residence: | Telephone/Telex/Cable: |
| 455 Park Avenue | (212) 555-4929 |
| Penthouse 2 | |
| New York, NY | |
| Confidential Business Address: | Telephone/Telex/Cable: |
| Big Company | (011-999) 575-8484 |
| Weber St. | |
| Anytown, Anywhere | |

Unverified address information should be labeled as "Verbal Only"

CAMS Screen #3

| General Client Information | | |
|--|--------------------------------|--|
| 123456 John Q. Doe | | |
| Language: | English Taiwanese French | Est.Total Net Worth: \$10MM Est. Offshore Assets: \$5.5MM |
| Other Citibank Relationships (non-PBG): Mr. Doe has a relationship with Global Finance (NY). | | |
| Competition: Morgan Stanley, Chase International Private Bank | | |
| Family Members / Advisors / Partners: Wife (Mary) and two sons (Bill & Ted) in college. No partners, sole owner of business. | | |

CAMS Screen #4

| Client Business/Background | |
|---|-----------------------------|
| 123456 John Q. Doe | |
| Business/Background: | |
| Mr. Doe is the sole owner of the Big Company, which specializes in the production of electric power generators. He inherited the company from his father and secured a multi-million dollar contract with the government to be the sole supplier of electrical power to developing areas in his country. He serves on the board of several local firms. | |
| Mr. Doe's investment sophistication has continued to mature during the length of our relationship (1981). He is moderately aggressive & willing to accept volatility in order to obtain higher returns. He has previously invested in mutual funds, stocks, bonds, & FRNs and recently expressed an interest in derivatives & EMIs. | |
| Investment Horizon: | Medium (Up to 3 years) |
| Investment Objective: | Growth and Income |
| Risk Tolerance: | Wealth Creator, Medium Risk |

Risk Tolerance:
 Wealth Creator
 Medium/High
 Wealth Preserver
 Low/Medium

CAMS Screen #5

The information on this screen may be replaced by a call report or pipeline process.

Client Strategy/ Meetings
123456 John Q. Doe
Strategy:
Continue to educate Mr. Doe on the variety of products we offer. He has been very pleased with the selection to date and I believe he will soon request investments in our derivative operations.

Last Meetings:

| Date | Location / Officers / Discussion / Results |
|------------|--|
| 1 04/10/94 | Phone call/ Described current global bear market, shifted a small portion of funds to TDs. |
| 2 01/20/94 | At his home/ Reviewed account performance, he said he was considering investing in f/x. |
| 3 06/28/93 | At his home/ Discussed new opportunities in Latin American markets. |

Followup: / /

CAMS Screen #1**CBL/CCL Account**

| Name and Special Attention | | | |
|----------------------------|---|----------|------|
| Client Number: | MT-6666 | | |
| Last Name: | | | |
| Full Name: | | | |
| Expense Code: | 1234 | NC Code: | MGR: |
| Country Code: | Special Coding: | | |
| Country Name: | | | |
| Credit Cards: | AMEX[] MasterCard[] PrefVISA[] BankAmericard[] Carte Blanche[] Diners[] VISA[] Bill Paying[] | | |
| Other PBG Contacts: | Head Office private banker Susan Ng | | |
| Special Attention: | CBL Managed Account. Information available at the Trust Company. | | |

CAMS Screen #2

| Client's Confidential Addresses | |
|---------------------------------|------------------------|
| MT-6666 | |
| Confidential First Residence: | Telephone/Telex/Cable: |
| Cititrust (Bahamas) LTD MT-6666 | (809) 326-1732 |
| Thompson Boulevard | |
| Nassau, Bahamas | |
| Contact Person: Rafael Blanco | |
| Confidential Second Residence: | Telephone/Telex/Cable: |
| Confidential Business Address: | Telephone/Telex/Cable: |

CAMS Screen #3**CBL/CCL Account**

| General Client Information | |
|---|--|
| MT-6666 | |
| Language: | Est.Total Net Worth: \$10MM Est. Offshore Assets: \$5.5MM |
| Other Citibank Relationships (non-PBG): | |
| Competition: | |
| Family Members / Advisors / Partners: | |

CAMS Screen #4

| Client Business/Background | |
|--|-----------------------------|
| MT-6666 | |
| Business/Background: The account party is the sole owner of a company which specializes in the production of electrical power generators. He inherited the firm from his father and secured a multi-million dollar contract with the government to be a major supplier of electrical power to developing areas in his country. He serves on the board of several local firms. | |
| His investment sophistication has continued to mature during the length of our relationship (1981). He is moderately aggressive & is willing to accept some volatility in order to obtain higher returns. Previous investments: mutual funds, stocks, bonds, & FRNs. He has recently expressed interest in more aggressive products. | |
| Investment Horizon: | Medium (Up to 3 years) |
| Investment Objective: | Growth and Income |
| Risk Tolerance: | Wealth Creator, Medium Risk |

CBL accounts may be more conservative than individual accounts.

Risk Tolerance:
 Wealth Creator
 Medium/High
 Wealth Preserver
 Low/Medium

CAMS Screen #5**CBL/CCL Account**

| Client Strategy/ Meetings | |
|--|--|
| MT-6666 | |
| Strategy: | |
| Trustee has indicated that he is interested in continuing to develop his knowledge and increase the aggressiveness of his investments. During the next few years he wishes to build a portfolio that includes products with a higher potential return. | |
| Last Meetings: | |
| Date | Location / Officers / Discussion / Results |
| 1 / / | |
| 2 / / | |
| 3 / / | |
| Followup: / / | |

The information on this screen may be replaced by a call report or pipeline process.

399

MEMO TO: AMY ELLIOTT — *Edmund J. Kowalczyk*
SHEILA WILENSKY
ROBERT MEHM
JOSE LUIS MICHEL

FROM: ALBERT MISAN

DATE: February 21, 1995

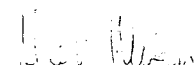
RE: CAMS SCREENS 1- 5

The attachment to this memo is a copy of the attachment made to a memo sent by Ed Kowalczyk on September 30, 1994. This memo was sent to all Private Bankers and Unit Heads and gave examples of how screens 1-5 needed to be filled out for both, an individual or any fiduciary vehicle.

I understand that some people did not fully comprehend the message which I will, once again, reemphasized in this memo.

Screens 1-5 must be filled out in the spirit of the samples attached. No exceptions are tolerated. I do not see any other way that I can be clearer on this issue. Please make sure and understand that it is your responsibility that your Private Bankers receive this message loud and clear.

Best regards,


Albert Misan

CB014631

THE CITIBANK PRIVATE BANK
WESTERN HEMISPHERE DIVISION
BUSINESS RISK & COMPLIANCE

DISTRIBUTION LIST

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OLIVER SCHOLLE
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JAVIER CRESPO
ELTON CRUZ
JOSE LUIS DALY
CHARLES DONOVAN
ROSEANNE ENNIS
ASHER FOGEL
ROSEMARY HALSTEAD
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BOB MALLEK
FERNANDO MATURANA
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ALBERT MISAN
LEONA MITCHELL
SAL MOLICA
DIANA MOVSESSIAN
ICHIRO MUNAKATA
EMOGENE MURRELL
CHRISTINE NOLTE
JOHN NORRIS
MAKO OBARA
MAYUMI OISHI
MARJORIE OQUENDO-PAI
RICHARD PILLA
JOANNE SCIORTINO
PETER SPERLING
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NANCY WALCOTT
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SHEILA WILENSKY
CINDY WONG
NICOLAS YANES
NORIO YOKOBORI
RINGO YUEN

**THE CITIBANK PRIVATE BANK
WESTERN HEMISPHERE DIVISION
BUSINESS RISK & COMPLIANCE**

TO: DISTRIBUTION
FROM: EDWARD J. KOWALCYK
DATE: SEPTEMBER 30, 1994
RE: MODEL CAMS SCREENS

During a recent Interagency Orientation Training session, several people within Western Hemisphere were not familiar with the above documents. Therefore would you please ensure full distribution of these model screens.

Attachment

CB014633

CAMS Screen #1

| Name and Special Attention | |
|----------------------------|---|
| Client Number: | 123456 |
| Last Name: | Doe |
| Full Name: | John Q. Doe |
| Expense Code: | 1234 NC Code: -N MGR: XYZ Special Coding: |
| Country Code: | 4630 Country Name: Anywhere |
| Credit Cards: | AMEX[] MasterCard[] PrefVISA[X] BankAmericard[] Carte Blanche[] Diners[X] VISA[] Bill Paying[] |
| Other PBG Contacts: | Service officer Luis Rodriguez |
| Special Attention: | Maintain \$50M in DDA at all times. |

CAMS Screen #2

| Client's Confidential Addresses | |
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| 123456 John Q. Doe | |
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| Queen's Lane | |
| Anytown, Anywhere | |
| Confidential Second Residence: | Telephone/Telex/Cable: |
| 455 Park Avenue | (212) 555-4929 |
| Penthouse 2 | |
| New York, NY | |
| Confidential Business Address: | Telephone/Telex/Cable: |
| Big Company | (011-999) 575-8484 |
| Weber St. | |
| Anytown, Anywhere | |

Unverified
address
information
should be
labeled as
"Verbal Only"

CAMS Screen #3

| General Client Information | |
|---|--|
| 123456 John Q. Doe | |
| Language: | English Taiwanese French |
| | Est.Total Net Worth: \$10MM Est. Offshore Assets: \$5.5MM |
| Other Citibank Relationships | |
| (non-PBG): | Mr. Doe has a relationship with Global Finance (NY). |
| Competition: | Morgan Stanley, Chase International Private Bank |
| Family Members / Advisors / Partners: | |
| Wife (Mary) and two sons (Bill & Ted) in college. | |
| No partners, sole owner of business. | |

CAMS Screen #4

| Client Business/Background | |
|--|-----------------------------|
| 123456 John Q. Doe | |
| Business/Background: | |
| Mr. Doe is the sole owner of the Big Company which specializes in the production of electric power generators. He inherited the company from his father and secured a multi-million dollar contract with the government to be the sole supplier of electrical power to developing areas in his country. He serves on the board of several local firms. | |
| Mr. Doe's investment sophistication has continued to mature during the length of our relationship (1981). He is moderately aggressive & willing to accept volatility in order to obtain higher returns. He has previously invested in mutual funds, stocks, bonds, & FRNs and recently expressed an interest in derivatives & EMIs. | |
| Investment Horizon: | Medium (Up to 3 years) |
| Investment Objective: | Growth and Income |
| Risk Tolerance: | Wealth Creator, Medium Risk |

Risk Tolerance:
Wealth Creator
Medium/High
Wealth Preserver
Medium

CAMS Screen #5

The information on this screen may be replaced by a call report or pipeline process.

Client Strategy/ Meetings

123456 John Q. Doe

Strategy:

Continue to educate Mr. Doe on the variety of products we offer. He has been very pleased with the selection to date and I believe he will soon request investments in our derivative operations.

Last Meetings:

| Date | Location / Officers / Discussion / Results |
|------------|--|
| 1 04/10/94 | Phone call/ Described current global bear market, shifted a small portion of funds to TDs. |
| 2 01/20/94 | At his home/ Reviewed account performance, he said he was considering investing in f/x. |
| 3 06/28/93 | At his home/ Discussed new opportunities in Latin American markets. |

Followup: / /

CAMS Screen #1**CBL/CCL Account**

| Name and Special Attention | | | | |
|--|---|----------|------|-----------------|
| Client Number: MT-6666 | | | | |
| Last Name: | | | | |
| Full Name: | | | | |
| Expense Code: | 1234 | NC Code: | MGR: | Special Coding: |
| Country Code: | Country Name: | | | |
| Credit Cards: | AMEX[] MasterCard[] PrefVISA[] BankAmericard[] Carte Blanche[] Diners[] VISA[] Bill Paying[] | | | |
| Other PBG Contacts: Head Office private banker Susan Ng | | | | |
| Special Attention: CBL Managed Account. Information available at the Trust Company. | | | | |

CAMS Screen #2

| Client's Confidential Addresses | |
|---------------------------------|------------------------|
| MT-6666 | |
| Confidential First Residence: | Telephone/Telex/Cable: |
| Cititrust (Bahamas) LTD MT-6666 | (809) 326-1732 |
| Thompson Boulevard | |
| Nassau, Bahamas | |
| Contact Person: Rafael Blanco | |
| Confidential Second Residence: | Telephone/Telex/Cable: |
| Confidential Business Address: | Telephone/Telex/Cable: |

CAMS Screen #3**CBL/CCL Account**

| General Client Information | |
|---|--|
| MT-6666 | |
| Language: | Est.Total Net Worth: \$10MM Est. Offshore Assets: \$5.5MM |
| Other Citibank Relationships (non-PBG): | |
| Competition: | |
| Family Members / Advisors / Partners: | |

CAMS Screen #4

| Client Business/Background | |
|--|-----------------------------|
| MT-6666 | |
| Business/Background: The account party is the sole owner of a company which specializes in the production of electrical power generators. He inherited the firm from his father and secured a multi-million dollar contract with the government to be a major supplier of electrical power to developing areas in his country. He serves on the board of several local firms. | |
| His investment sophistication has continued to mature during the length of our relationship (1981). He is moderately aggressive & is willing to accept some volatility in order to obtain higher returns. | |
| Previous investments: mutual funds, stocks, bonds, & FRNs. He has recently expressed interest in more aggressive products. | |
| Investment Horizon: | Medium (Up to 3 years) |
| Investment Objective: | Growth and Income |
| Risk Tolerance: | Wealth Creator, Medium Risk |

CBL accounts may be more conservative than individual accounts.

Risk Tolerance:
 Wealth Creator
 Medium/High
 Wealth Preserver
 Low/Medium

CAMS Screen #5**CBL/CCL Account**

| Client Strategy/ Meetings | |
|--|--|
| MT-6666 | |
| Strategy: | |
| Trustee has indicated that he is interested in continuing to develop his knowledge and increase the aggressiveness of his investments. During the next few years he wishes to build a portfolio that includes products with a higher potential return. | |
| Last Meetings: | |
| Date | Location / Officers / Discussion / Results |
| 1 / / | |
| 2 / / | |
| 3 / / | |
| Followup: / / | |

he information on this screen may be replaced by a call report or pipeline process.

Robert B. Wallace

 Delivered: THU 01-JUN-1995 15:35 GMT
 Command: CMNA 1-JUN-95 14:34:00 040914
 To: PBG-WH DIRECTS I (LIST:)
 From: G.Edward Montero (USNYC:PBGWH)
 Date: THU 01-JUN-95 16:05 GMT
 Subject: Profile and Suitability Review

REDACTED

Separately, I am responding to George raising some issues regarding the higher order requirements of "how do we know" our clients source of wealth and business background, etc. I will let you know how this dialogue turns out.

However, notwithstanding the above, Hubertus wants us to have complete profile/suitability information by June 30. As you can see, this already important topic has moved up to the front burner. Therefore, I need a status report by June 6 from each of the Business Managers outlining your units expected profile/suitability status as of June 30 (and if needed, beyond).

Your status report should be an accurate portrayal of activity. I will then look to receive quarterly updates from you on this topic.
 ** Type return to continue **, F to finish:

Regards,
 Ed

FYI
 Forwarded message: CMNA 5-MAY-95 23:02:10 014098
 To: pbg policy (LIST:)
 CC: Arnold Amstutz (USNYC:CSG)
 From: George G. Baxter (USNYC:CSGENYB)
 Date: FRI 05-MAY-1995 07:04 PM EDT
 Subject: Profile and Suitability Review

To: Peter Burnim
 Philippe Holderbeke
 Tatsuo Kubota
 Ed Montero
 Nanco Pamnani
 CC: PBG Policy
 Date: May 5 1995

From: Arnold Amstutz
 George Baxter
 ** Type return to continue **, F to finish:

RE: Profile and Suitability Review --Zurich Follow-up

As one of the items resulting from our Zurich meeting, Arnold and I were asked to review the material you were to send to us and to then give you our recommendations for the standards you can use for conducting a quick review of your customer records for customers who use you for the purchase and sale of investment products.

Since the purpose of this quick review is to ensure that we are properly recording appropriate customer profile and suitability information

CB016534

necessary for investment products, the discussion which follows focuses on that narrower element of the wealth planning / wealth management mission of the private bank. Thus, these standards are an initial step towards the much more robust wealth planning / wealth management standards which Arnold has undertaken as his task.

Investment product customer files must meet certain minimum standards for basic banking customer information, basic "know your customer" money laundering / Bank secrecy standards, and basic investment profile / suitability standards. Law (US and local) and Corporate Policy set out the minimum requirements for these categories. Arnold and I did not address any

** Type return to continue **, F to finish:
local (non-US) legal requirements here because you are each in a much better position to know those requirements and because the corporate policy requirements are broad enough to cover most locally required minimums.

I - Basic Banking Information.

This category includes the basic information needed to open any banking relationship, including such things as Name, address, business name address, listing of accounts, etc, etc. You all know this basic element better than Arnold and I.

II - Basic Know your Customer Information.

The certain factors are required by law and corporate policy. These items can be integrated into the client profiling process necessary for investment products in many ways. An example of one way was the PBG-US Policy which I circulated to you by Citimail last November 29th. The amount of information needed for each category (or the need for additional types of information) is a judgement call based on the particular situation and the expanded discussion contained in the Citicorp Legal Desk Book.

*Source of Wealth. Where does the customers wealth come from and how do we know.

** Type return to continue **, F to finish:

*Business Background. What are the customers business affiliations. What does he do and how do we know.

*Expected Account usage. How will the account be used, what are the predicted usage patterns so that we can identify inconsistent usage during the required reviews of this element.

III - Basic Investment Profile / Suitability Information.

The Citicorp Global Securities Sales and Trading Manual sets out corporate requirements for customer profile and suitability. In addition, a modified version of the Interagency Statement (OCC and FRB) applicable in the United States has been made applicable, by Citicorp Policy, to sales of investment products outside the United States. Consistent with the Interagency Statement, the these Policy specifically include sales to Private Bank customers. The required elements are best communicated using the words of the most recent policy (3/95) itself:

" Citicorp policy requires the creation of a documented customer profile (which may be created electronically) for use in determining the suitability or appropriateness of each investment for the particular customer. Examples

** Type return to continue **, F to finish:
of elements contained in such a profile are provided below. The choice of elements to include and the depth in which they are analyzed may vary depending on product complexity and customer sophistication.

a. Financial Capacity - Does the client have the

C8016535

financial capacity to take on a particular investment?

- b. Asset Allocation - Given the customer's existing asset mix, will this investment fit in with the client's objectives?
- c. Risk Tolerance - Can the customer tolerate the level of risk that an investment may have in light of his or her existing asset mix and investment objectives as a whole?
- d. Client Sophistication - Is the client capable of understanding the benefits and risks of a particular investment?
- e. Product Knowledge - Has the client been given the facts necessary to understand the product's benefits as well as its risks?
- f. Time Horizon - Does the investment require the client to commit his or her funds for a period that is longer or shorter than they are comfortable with?
- g. Tax Status - What is the customer's tax bracket? What other tax considerations may be relevant to the customer? "

IV - What files to review first.

Depending upon the information available to you, you can sequence the review either (a) by product (b) by customer type or (c) by by customer type within each product category.

From a product perspective, the order of importance for review would be

Derivative Products

Short Sales; naked option strategies

** Type return to continue **, F to finish:

Partnerships

Significant use of leverage, both internal and external(credit)

Trading

Currency, commodities

Stocks and bonds

Mutual Funds

From a customer perspective, we should look first at those customers where we are dealing with a relatively high proportion of the customers investible assets and secondly where the dollar amount is high, even if the proportion isn't.

Delivered: FRI 05-MAY-1995 07:04 PM EDT

Delivered: THU 01-JUN-1995 16:05 GMT

Command:

CMLA 1-JUN-95 16:58:34 009343

To: Paco Ybarra (CSMEX:LAGF), Luis Fernando Orozco (CSMEX:LAGF),

To: Kurt Vogt (CSMEX:LAGF), Jorge Tejeda (CSMEX:LAGF),

To: Bob Fox (CSMEX:LAGF)

CB016536

CMLA 7-SEP-95 18:42:36 023128
 To: Robert Mehm (CSMEX:LAGF), James Scullin (USNYC:PBGWH),
 To: Connie Lozano (CSMEX:LAGF), Maggie Iriarte (CSMEX:GCB),
 To: Jose A. Sanchez (CSMEX:LAGF), Arturo Montemayor (CSMEX:LAGF),
 To: Pablo X Hernandez (CSMEX:LAGF), John Waggoner (CSMEX:LAGF),
 To: Carmina Vazquez Alvarez (CSMEX:LAGF),
 To: Malu Lopez Portillo (CSMEX:LAGF), Ruth Franyuti (CSMEX:LAGF),
 To: Beatriz Otero (CSMEX:LAGF), Adriana Bravo (CSMEX:LAGF),
 To: Yolanda Haller (CSMEX:LAGF)
 CC: Bob Fox (CSMEX:LAGF), Gerardo del Conde (CSMEX:LAGF)
 From: Albert Misan (CSMEX:LAGF)
 Date: THU 07-SEP-95 18:42 GMT
 Subject: CASH DEPOSITS

 Regards,
 Albert

 Forwarded message:

CMLA 5-SEP-95 19:19:05 023069
 To: Amy C. Elliott (USNYC:PBGWH), Sheila H Wilensky (USSAN:PBG),
 To: Jose Luis Michel (USHOU:PBG), Miguel Angel Barbosa (CSMEX:LAGF),
 To: Carlos J. Gomez (USNYC:PBG), Rafael De La Sierra (USNYC:PBGWH),
 To: Evelyn Garcia (USNYC:PBGWH), Joanne Sciortino (USNYC:PBGWH),
 To: Jaime H. Aguilar (USSAN:PBGWH), Christopher Dally (USHOU:PBG),
 To: Ricardo L. Nazario (USHOU:PBG), Luisa Kluger (USHOU:PBG),
 To: Claudia Madsen (USHOU:PBG), Patricia Castro (USHOU:PBG),
 To: Emogene Murrell (USSAN:PBGWH)
 CC: G. Edward Montero (USNYC:PBGWH), Edward Kowalczyk (USNYC:PBGWH)
 From: Albert Misan (CSMEX:LAGF)
 Date: TUE 05-SEP-95 19:19 GMT
 Subject: CASH DEPOSITS

 The purpose of this memo is to, once again, confirm to you that under no circumstances we accept cash deposits or transfers paid in cash in the amount of US\$5M or above.

As you know, we have always had this strict guideline and we have only experienced a handful of requests which, when denied, created problems with clients.

It is also very important that we do not encourage such transactions by referring clients to other financial institutions where such policies may be more lenient. The clients should know and the market should perceive that we do not, in any way, accept or encourage such transactions.

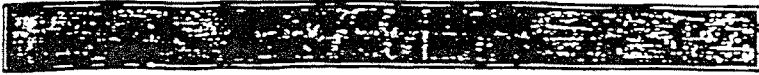

The purpose of this memo is only to reiterate this policy and as such keep it as top of the mind awareness.

Best regards,
 Albert

note: Please deliver this to all Service Officers

 Command:

CB011909


Memorandum To: File
From: Edward J. Kowalczyk 
Date: December 22, 1995
Re: Mexico-New York Team BR&C Review

As part of our ongoing review schedule, Business Risk and Compliance started a review of the Mexico-New York Team in late October. In late November the review was re-directed to focus on a number of sensitive transactions. Although the pro forma review was not completed, several areas of weakness were identified. They are as follows:

- Client profiles were not documented for 54% of new accounts.
- Reference requirements are routinely waived by the Unit.
- Client profiles for existing clients contained very general descriptions of the client's business background.
- Transactions were identified which did not comply with the WH Front End Control Process.
- Verbal transactions are not reviewed in accordance with policy.
- The Unit is performing bill paying activities outside of the Centralized Bill Payment Unit. In some instances the concentration account is used to effect funds transfer activities.
- The Unit is a primary source of manually initiated funds transfers involving the Concentration Account.

C8024904

April 10, 1996

MEMO TO: *PBS*
FROM: ALBERT MISAN

RE: **COMPLIANCE**

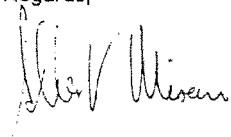
The seriousness with which the Mexico Team treats Compliance was evidenced by the satisfactory results obtained from the various audits conducted during 1995.

From recent meetings with Senior Management, and the attached Citimails from Ed Montero, I believe that the issue regarding compliance is becoming louder and the standards by which we control our business, upgraded. I want to emphasize further Ed's Citimail by sending you a printed copy. We must insure that all issues covered by Ed's communication are properly addressed.

My message is that in our job there are a number of circumstances over which we have little or no control, such as markets and competitors. One aspect that we can control, however, is TO MAKE SURE THAT OUR HOUSE IS IN ORDER. I expect all of you to insure that the Team continues to report the positive Audit results that we have had in the past.

Should you have any questions regarding the subject, please do not hesitate to contact the undersigned or any one else in the PBG that could assist you in clarifying your doubts.

Regards,



CB015398

t 3

CMNA 9-APR-96 21:18:11 050871

To: Fernando Maturana (CSSCL:PBG), Oliver C. Scholle (USNYC:PBGWH),
 To: Jose Luis Daly (CSLIM:PBG), Javier M Crespo (CSBUE:LAGF),
 To: Pedro Homem (EUGVA:PBG), Miguel Cervoni (FL02P06:PBG),
 To: Carmen Leon (USNYC:PBG), Henry Heller (USNYC:PBGWH),
 To: Mitchell S. Heller (USNYC:PBGWH), Albert Misan (CSMEX:PBG),
 To: Alcides de Souza Amaral (CSSAO:PBG)
 CC: David A. Tremblay (USNYC:PBG), Sandra Lopez Bird (USNYC:PBGWH),
 CC: Robin H. Lander (USNYC:PBGWH), Richard A. Pilla (USNYC:PBG),
 CC: John P. Norris (USNYC:PBGWH), Edward Kowalczyk (USNYC:PBGWH)
 From: G. Edward Montero (USNYC:PBGWH)
 Date: TUE 09-APR-96 21:20 GMT
 Subject: Business Clean-Up

In an effort to ensure there is no question in anyone's mind on the attached Citimail, let me reiterate the following message to all of you in the Latin America market region.

I must have your complete attention dedicated to resolving all the outstanding compliance issues which have been pending for a very long time. You must concentrate on Profiles and Transaction Trend Analysis / Account Acceptance and Approval / HAM (distribution of over 2 year old items / missing addresses) / Account Documentation / ATE Sales Management Reports / Concentration account activity / Special Name and Political Account status, to mention a few, use your judgment on remaining issues.

Regarding profiles, which are our most immediate concern, we must have complete client contact, business background, source of wealth, suitability and transaction trend (Client Window pro-forma) information on the decision makers for all relationships over \$100M in AUMs. All related accounts where possible should be referenced to the primary decision maker.

At the QUARTERLY DIVISION MEETING each of you will be required to PRESENT a detailed summary of your activities including total number of clients, total number of clients profiled (by appropriate AUM levels), number due for annual review, your planned annual review cycle (i.e. total client base divided by 12), number of new accounts reviewed and approved, and general Special Name and Political Client status.

If at the meeting, you cannot confirm that your unit(s) have 100% adequate profiling of decision making clients over \$100M in AUMs, and that all 2 year old HAM mail has been distributed, then I expect you to dedicate whatever resources are necessary immediately following the offsite to get these (and the other issues listed above) under control. This means canceling all travel for yourselves and your teams until the job is completed. I expect completion by May 1.

I will not accept blank profiles or account opening forms signed by supervisors with only a name and phone number on it. This is unacceptable behavior. Let me also point out that any Business Manager / Country Head who has an audit issue resulting from any of these items will have their 1996 bonus affected.

Going forward, as part of the ongoing Divisional management process, I expect you to surface issues (MARS) and provide corrective action time frames. I should also point out that the last RMRC meeting approved HAM, IA Pricing Exception and additional Special Name Account policy changes which you should familiarize yourselves with prior to the upcoming Country Head session.

The reason I am doing this is because of the Citimail below, plus the significant HAM backlog and the remaining 1,000 documentation deficiencies. We have been talking about this long enough and these items are clearly

CB015399

within our control. The responsibility to correct these issues rests with you.

There are two other considerations that also come into play, namely that Alvaro de Souza has made control our number one priority and second, in light of the "1" rating in Switzerland, we must ensure that we have a process in place that is credible.

OUR FRANCHISE COULD BE AT RISK IF WE DON'T ENSURE THAT WE HAVE THE PROPER CONTROLS IN PLACE. I EXPECT EACH OF YOU TO MAKE SURE THAT WE DO.

Regards,
Ed

FYI

Forwarded message:

CMNA 4-APR-96 21:04:39 050739

To: PBG-WH DIRECTS I (LIST:), PBG-WH DIRECTS II (LIST:)
From: G.Edward Montero (USNYC:PBGWH)
Date: THE 04-APR-1996 04:06 PM EST
Subject: Profiling

It has just come to my attention that after a spot check, a number of our clients either do not have profiles, or they are very inadequate. I also understand that this process may not be taken as seriously as it deserves.

Let me reiterate that profiling is a paramount necessity of our business and is a most serious issue. It is the role of the Private Banker to ensure a complete and accurate profile is completed for every client.

Any audit findings that reflect a lack of attention or discipline in the profile process would mean that the officer involved will not be considered for a bonus this year.

Regards,
Ed

Delivered: THE 04-APR-1996 04:06 PM EST

1 message printed.

Command:

CB015400

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 30u.

Screen 4 Client Business/Background

03/01/95 2:52pm

978575 RAUL SALINAS DE GORTARI
Business/Background:

Next Screen:

For:

Password:

RA017293

Screen 4 Client Business/Background 03/08/95 9:34am

978575 RAUL SALINAS DE GORTARI

Business/Background:

MR. SALINAS IS A CIVIL ENGINEER WHO HAS BEEN INVOLVED IN CONSTRUCTION FOR MOST OF HIS ADULT LIFE. HE HAS WORKED WITH ING. CARLOS HANK, A LONG STANDING CLIENT OF THE BANK WHO INTRODUCED HIM TO US IN SEVERAL PROJECTS. HIS FATHER IS AN EX-MINISTER OF THE COUNTRY AND HIS BROTHER THE PRESIDENT.

NOTE: MR. SALINAS WAS ARRESTED IN MEXICO ON 28 FEB. 1995, AND ACCUSED OF BEING THE INTELLECTUAL ENGINEER OF THE PLOT TO ASSESSINATE HIS EX-BROTHER IN LAW, JOSE FRANCISCO RUIZ MASSIEU, WHO WAS GUNNED DOWN IN MEXICO CITY DURING SEPTEMBER OF 1994

INVESTMENT HORIZON: MEDIUM
INVESTMENT OBJECTIVE: GROWTH AND INCOME
RISK TOLERANCE: MEDIUM RISK

Next Screen: For: Password:

C8017286

Screen 4

Client Business/Background

03/15/95 1:39pm

978575 RAUL SALINAS DE GORTARI

Business/Background:

Mr. Salinas is a civil engineer, 48 years old, and a member of the Mexican political and social elite. He is known to have owned a construction company with his brother Enrique, until some time late 1992, or early 1993, and to have participated in major construction projects. He was introduced to us by a long standing very valued client, known to Citi's Sr. Management.

NOTE: MR. SALINAS WAS ARRESTED IN MEXICO ON 28 FEB. 1995, AND ACCUSED OF BEING THE INTELLECTUAL ENGINEER OF THE PLOT TO ASSASSINATE HIS EX-BROTHER IN LAW, JOSE FRANCISCO RUIZ MASSIEU, WHO WAS GUNNED DOWN IN MEXICO CITY DURING SEPTEMBER OF 1994

INVESTMENT HORIZON: MEDIUM

INVESTMENT OBJECTIVE: GROWTH AND INCOME

RISK TOLERANCE: MEDIUM RISK

Next Screen:

For:

Password:

CB017281

Screen 4

Client Business/Background

11/22/95 9:59am

978575 RAUL SALINAS DE GORTARI

Business/Background:

Mr. Salinas is a civil engineer, 48 years old, and a member of the Mexican political and social elite. He is known to have owned a construction company with his brother Enrique, until ~~some time~~ late 1992, ~~and to~~ have participated in major construction projects. He was introduced to us by a long standing very valued client, known to City's Management. ~~AND THE~~

NOTE: MR. SALINAS WAS ARRESTED IN MEXICO ON 28 FEB. 1995, AND ACCUSED OF BEING THE INTELLECTUAL ENGINEER OF THE PLOT TO ASSASSINATE HIS EX-BROTHER IN LAW, JOSE FRANCISCO RUIZ MASSIEU, WHO WAS GUNNED DOWN IN MEXICO CITY DURING SEPTEMBER OF 1994.

INVESTMENT HORIZON: MEDIUM
INVESTMENT OBJECTIVE: GROWTH AND INCOME
RISK TOLERANCE: MEDIUM RISK

Next Screen:

For:

Password:

company
He has indicated that his principal source of wealth came from earnings in the ~~WE WERE TOLD AND BELIEVE THAT THIS ACTIVITY WAS HIS PRINCIPAL SOURCE OF WEALTH. This information was confirmed by contacts with the State Bank of Mexico - prominent~~

C6021433

who is the major shareholder in a number of Mexican & US enterprises. This client is known to City's senior management. This client confirmed the source of wealth (construction company) and advised us that the company's sale resulted in significant profits for Mr. S. family prominent in Mexico & also a very prominent family. Also, derived from City's.

Confidential - Attorney - Client privileged information

Screen 4 Client Business/Background 11/29/95 11:22am

978575 RAUL SALINAS DE GORTARI

Business/Background:

Mr. Salinas is a civil engineer, 48 years old, and a member of the Mexican political and social elite. He is known to have owned a construction company with his brother Enrique, until 1992, and to have participated in major construction projects. He has indicated that his principal source of wealth came from the earnings in the company, as well as established family wealth. He was introduced to us by a long standing very valued client, who is the major shareholder in a number of Mexican and US enterprises. This client is known by most of Citicorp's Senior Management. This client confirmed Mr. S.'s source of wealth (the construction company), and advised us that the company sale resulted in significant profits for Mr. S. The Salinas family is known to have great wealth, as does Raul's wife, Paulina, both in her own right as well as part of her divorce settlement from Alfredo Diaz Ordaz.

INVESTMENT OBJECTIVE: GROWTH AND INCOME INVESTMENT HORIZON: MEDIUM

RISK TOLERANCE: MEDIUM RISK

Note: Mr. S. was arrested in Mexico on 28 Feb., 1995, and accused of being the intellectual engineer of the plot to assassinate his ex-brother in law, Jose Francisco Ruiz Massieu, who was gunned down during September, 1994

Next Screen:

For:

Password:

CR007196

List Responsive to Question 4 of 3/2/99 Letter

Date: Early 1992
 Participants: Amy Elliott, Raul Salinas, Carlos Hank Rhon, Reynaldo Figueiredo
 Location: Citibank offices in New York City
 Summary: Hank Rhon introduces Salinas to Figueiredo and Elliott. Discussion of the possibility of Salinas becoming a client of the Private Bank.

Date: Spring 1992
 Participants: Amy Elliott and Raul Salinas
 Location: Mexico City
 Summary: Elliott and Salinas meet one or more additional times to discuss the possible opening by Salinas of an account with the Private Bank. At a meeting in May 1992, Salinas decides to open his account and completes account opening documents.

Date: June 1, 1992
 Participants: Jim Parker and Raul Salinas
 Location: Citibank offices in Geneva
 Summary: Parker and Salinas discuss the establishment of Salinas's Citibank relationship.

Date: Fall 1992
 Participants: Amy Elliott, Enrique Salinas and Enrique Salinas's wife
 Location: Citibank offices in New York City
 Summary: Discussion of Enrique Salinas's account relationship with Citibank Mexico.

Date: October 1992
 Participants: Amy Elliott and Raul Salinas
 Location: Mexico City
 Summary: Elliott and Salinas meet regarding a transfer of funds to Citibank.

Date: April 1993
 Participants: Amy Elliott and Raul Salinas
 Location: La Jolla, California
 Summary: Elliott and Salinas meet to discuss and view a house Salinas was considering purchasing in La Jolla.

Date: May 1993
 Participants: Amy Elliott, Raul Salinas and Paulina Castañon
 Location: Mexico City
 Summary: Elliott meets with Salinas and Castañon two times at Raul Salinas's house to discuss their investments with Citibank and their intention to transfer funds out of Mexico.

Date: May 1993
 Participants: Amy Elliott, Maggie Iriarte and Paulina Castañon
 Location: Citibank's office in Mexico City
 Summary: Elliott, Iriarte and Castañon meet regarding transfers. We believe — but are not able to confirm — that this meeting occurred in May, 1993.

Date: June 30, 1993
 Participants: Smith Freeman, Mailey Plange Rohner, Raul Salinas and Paulina Castañon
 Location: Citibank's offices in Zurich
 Summary: Freeman and Rohner meet with Salinas and Castañon to discuss Salinas's Citibank relationship and to execute a trust.

Date: August 17, 1993
 Participants: Amy Elliott, Raul Salinas and Paulina Castañon
 Location: Citibank offices in New York City
 Summary: Elliott meets with Salinas and Castañon regarding their accounts.

Date: August 17, 1993
 Participants: Amy Elliott, Raul Salinas, Paulina Castañon, G. Edward Montero, and William Rhodes
 Location: Citibank dining room, New York City
 Summary: Salinas, Castañon, Montero and Elliott meet for lunch in New York City. Topics discussed include Castañon's intention to purchase an apartment in New York City. Rhodes briefly joins the group after lunch, at which time topics discussed included developments in Mexico and President Carlos Salinas.

Date: April 1994
 Participants: Amy Elliott, Raul Salinas, and Paulina Castañon
 Location: Citibank's offices, New York City
 Summary: Elliott meets with Salinas and Castañon in New York to discuss their Citibank investments.

CB 023815

Date: July 11, 1994
 Participants: Clark Kall, Arthur Vogt, Arianna Fleischmann, Mead Arnovitz, Raul Salinas and Paulina Castañon
 Location: Citibank offices in Geneva
 Summary: Salinas and Castañon meet with Citibank (Switzerland) and Confidas officials to discuss the structure of their Citibank relationship and to apply for Eurocards.

Date: August 31, 1994
 Participants: Raul Salinas, his daughter and Rafael de la Sierra
 Location: New York City, the U.S. Open
 Summary: de la Sierra attends a U.S. Open match with Salinas and his daughter.

Date: January 15, 1995
 Participants: Arturo Gallardo and Carlos Salinas
 Location: U.N. Hyatt Plaza, New York City
 Summary: Gallardo and Salinas discuss the opening of a Citibank account by Salinas.

Date: January 18, 1995
 Participants: Citibank officials, Carlos Salinas and Victor Rojas
 Location: Citibank offices in New York City
 Summary: Salinas makes a deposit in his Citibank account.

Date: February 13, 1995
 Participants: Amy Elliott, Joanne Sciortino, and Raul Salinas
 Location: Citibank's offices, New York City
 Summary: Elliott, Sciortino and Salinas discuss Salinas's Citibank investments, as well as Salinas's request that Citibank set up a company to manage his Aspen property.

Date: February 15, 1995
 Participants: Amy Elliott and Raul Salinas
 Location: Citibank's offices, New York City
 Summary: Elliott questions Salinas regarding a Mexican newspaper article reporting allegations linking Salinas to the assassinations of Luis Donaldo Colosio and Jose Francisco Ruiz Massieu

CB 023816

Date: February 17, 1995
 Participants: Amy Elliott and Paulina Castañon
 Location: Citibank's offices, New York City
 Summary: Elliott and Castañon meet regarding the Salinas account relationship.

Date: March or April 1995
 Participants: Carlos Gomez and Carlos Salinas
 Location: Outside Citibank's offices, New York City
 Summary: Carlos Gomez delivers documents related to Raul Salinas to Carlos Salinas and to his father, Raul Salinas Lozano.

Date: October 11, 1995
 Participants: Amy Elliott, Paulina Castañon, Gustavo Diaz Ordaz.
 Location: Diaz Ordaz's home, Mexico City
 Summary: Elliott meets with Castañon and Diaz Ordaz to discuss the closing of the Salinas accounts with Citibank.

Date: November 14, 1995
 Participants: Arianna Fleischmann, Clark Kall, Paulina Castañon and Antonio Castañon
 Location: Citibank's offices in Zurich
 Summary: Paulina Castañon and her brother, Antonio Castañon, meet with Confidas officials and discuss the Trocca accounts, her intention to close them, and recent events and allegations.

CB 023816A

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Sacramento Bee

EXHIBIT # 30w

August 11, 1993, METRO FINAL

SECTION: MAIN NEWS; Pg. A14

LENGTH: 1347 words

HEADLINE: RUMORS OF CORRUPTION BESIEGE MEXICO'S PRESIDENT

BYLINE: David Schrieberg, Bee Mexico City Bureau

DATELINE: MEXICO CITY

BODY:

They say here that Jose Lopez Portillo, a former Mexican president, once got bashed over the head by outraged citizens armed with shopping bags as he ventured out from his luxury retirement estate.

"Thief," a crowd reportedly screamed at Mexico's most powerful man from 1976 to 1982, widely alleged to have robbed the government of billions of dollars during his tenure.

People tell plenty of similar stories of treasury theft about two other recent presidents. The lesson for Carlos Salinas de Gortari, whose six-year presidency has entered its last third?

Beware of shopping bags.

Rumors -- all publicly unsubstantiated -- are flying in government circles and among the national press that members of the Salinas family, and possibly even Salinas himself, are taking advantage of the president's office to build massive personal fortunes.

And rumors are the only reports likely to be heard in a country where the press does not play a watchdog role, the government essentially stands guard on itself and one political party has reined supreme over all branches of government for more than six decades.

According to some of the stories, Salinas' siblings are involved in a wide variety of unsavory business deals, peddling their influence, using other people as phony fronts and generally throwing their weight around in their commercial dealings. Then there are the whispers that Salinas himself has a secret share in the country's telephone monopoly, which was sold off along with hundreds of government-owned businesses to private investors.

Of course, in a system where all public power and thousands flow from the president and where business fortunes are created by his nod, no one who values his career or his scalp will talk of such things on the record.

But off the record, such stories are the talk of the town. They are hinted at in the media by columnists and critical opponents. They are openly discussed at

Sacramento Bee, August 11, 1993

private parties of the rich and politically influential. Even high-ranking government staffers are said by acquaintances to be troubled by the reports, which have long circulated but have been increasing lately.

"In past presidencies, you heard people talking about corruption," said one influential journalist who -- of course -- asked not to be identified. "But we're talking here about top Mexican officials . . . the ruling class. This is a huge change."

This of rumor traffic is traditional fare in the last two years of any Mexican presidency. In the past, behind the smoke there has been some fire. A bodyguard for Arturo "The Black" Durazo, Mexico City police chief and close friend of Lopez Portillo, wrote a best-selling expose that detailed astonishing official corruption.

Durazo eventually went to jail. So did Jorge Diaz Serrano, who was head of the state-owned oil company. Most recently, another Mexico City police chief was arrested and is awaiting trial. Other public officials have amassed ostentatious wealth while serving in public offices that pay less than top salaries.

In 1984, Washington columnist Jack Anderson, citing CIA sources, triggered a small scandal in Mexico when he wrote that President Luis Alvarez Echeverria had amassed from \$ 300 million to \$ 1 billion; Lopez Portillo from \$ 1 billion to \$ 3 billion and former President Miguel de la Madrid about \$ 200 million.

The current round of rumors are never accompanied by proof or testimony of knowledgeable, named witnesses. They have been emphatically denounced by Salinas' family and his spokesmen, who blame political hit men for spreading lies.

"It's absurd and there's nothing to it," one source close to the president said recently. "It's dirty tricks."

"False, slanted . . . and without the least attempt at verification," Salinas' oldest brother Raul, who has been the focus of many of the allegations, wrote recently in an angry letter to two magazines.

Despite indignant rebuttals from Los Pinos, Mexico's White House, analysts and observers say Salinas is likely to keep stumbling against public perception that Mexican press and members of their administrations consider it their right to prepare for comfortable, post-presidency lives.

Arturo Sanchez Gutierrez, a political analyst, calls it "part of Mexican political culture."

Unlike the U.S. press, Mexican reporters and editors almost never play the role of watchdog. Besides having virtually no access to incriminating documents, many publications depend on government advertising to survive and don't dare rock the boat.

As a result, one newspaper editor said, his paper's policy is one of "con negligence about following this all the way down."

What's clear in the current round of rumors is that it's the latest step in the almost predictable dance of Mexican presidential politics.

Sacramento Bee, August 11, 1993

expert at Georgetown University. "It's just as normal as in the first few months of the next administration, there will be all kinds of noises about corruption in the previous administration."

"Somebody," he added, "may even get arrest

GRAPHIC: Bee file

Rumors are flying in Mexico that President Carlos Salinas de Gortari is taking advantage of his office to build a massive personal fortune.

LANGUAGE: ENGLISH

Translation -- Spanish

Magazine Article

Source: *Proceso* (on Internet), December 4, 1995

Raul's Shady Business at CONASUPO, with the Complicity of Parents, Relatives, Friends and Collaborators

by Guillermo Correa
Mexico City

Accusations against Raul Salinas de Gortari, which were ignored since at least 1986, today confirm that part of his wealth, which was recently brought to light, was obtained from shady operations carried out while he was an official of the National Company for Basic Commodities (CONASUPO).

Raul was the first director of the CONASUPO Distributor (DICONSA) and later was the planning director of CONASUPO when the director general was Ignacio Ovalle Fernandez, who is now a federal representative of the Institutional Revolutionary Party (PRI). In 1990, Javier Bonilla, the current Minister of Labor, replaced Ovalle.

Also at CONASUPO with Raul Salinas were: Julio Cesar Ruiz Ferro, who was the director of finance and today is the interim governor of Chiapas; Juan Manuel Pasalagua Branche, his ex-brother-in-law, as director of agricultural marketing; Salvador Giordano Gomez, director of CONASUPO Industrialized Corn (MICONSA); and Guillermo Knockenhauer, director of affiliated companies.

Pasalagua and Giordano left CONASUPO at the same time as Raul Salinas, and both were appointed officials of the Ministry of the Comptroller General of the Federation under Maria Elena Vázquez Nava: Giordano as Undersecretary "B" of Public Security, and Pasalagua as a general director.

I don't even like to mention names any more, because they are only rewarded. When we know about their criminal acts and we denounce them, they punish us as if we were the real criminals,"

says Victor Manuel Dominguez de Leon, ex-auditor of CONASUPO, who in *Proceso* 958 made known the irregularities in the public sector. Last March, he submitted a document with details about these irregularities to President Ernesto Zedillo and Norma Samaniego, Comptroller General.

* * * * *

As manager and director of DICONSA since 1983, when his brother was Minister of Planning and Budget (SPP), Raul Salinas de Gortari was accused of financing the *Antorcha Campesina* organization, considered by rural offices of the PRI, such as today's National Confederation of Rural Property Owners (CNPR), as "fascist and brutal," to such a degree that it is believed to be responsible for hundreds of murders in the Sierra Norte of Puebla, a state in which the famous *Las Mendocinas* ranch is also located.

In September 1989, *Proceso* reported on the involvement of Raul Salinas de Gortari in the importation of 500,000 tons of carcinogenic corn seed that was destined for human consumption.

In March 1990, when Raul was still Director of Planning, this weekly, in issue 698, reported on the imports of powdered milk and livestock made by CONASUPO, which were so enormous that Mexico became the world's principal purchaser of milk, causing the ruin of many ranchers.

With the opening-up of commerce increasing, and negotiations for the signing of the Free Trade Agreement already underway, in July 1992, the so-called "War of the Tortillas" broke out, between those who still produce tortillas using cooked maize and those who use corn flour. A short while before, the Ministry of Commerce had virtually decreed that flour should be used, which benefitted Monterrey industrialist Roberto Gonzalez Barrera, owner of Maseca, father-in-law of Carlos Hank Gonzalez, and a friend of the Salinas family.

Raul Salinas de Gortari permitted thousands of tons of corn for animal consumption to be imported, destined for human consumption, while domestically-produced first-quality corn, also acquired by CONASUPO, was delivered to Maseca at subsidized prices.

In December 1992, Nazario Palomera Aguilar, national leader of the owners of mills and cooked maize tortilla factories, was jailed after denouncing Raul's maneuvers.

In March 1994, Jose Angel Frias Rodriguez, leader of the tortilla sellers, told *Proceso* (906) that the president's family was involved in the Maseca matter: "If it's not their dad, it is the president or his brothers, but all of them are in this."

Raul Salinas is also accused of having ordered the purchase of 10,000 tons of Chinese beans, despite the warning of the government of China that the beans were for animal consumption. The operation was carried out through the California company, Panama Holdings, Inc.

Cecilia Soto, former presidential candidate of the Labor Party, also made the accusation that rice was imported from Singapore, some 40,000 tons, destroying domestic production.

In 1990, Raul Salinas de Gortari left CONASUPO and was appointed advisor to the National Solidarity Program (PRONASOL). Nevertheless, rumors about other shady deals continued. For that reason, in 1992, the then Comptroller General, María Elena Vázquez Nava, recommended to President Salinas that he get [Raul] out of the government, which happened shortly thereafter, as the official herself has just announced, amid contradictory versions.

Victor Manuel Rodríguez de León believes that, with respect to the powdered milk, traffic exceeded 75,000 tons. "And the terrible thing is that he splashed it on his friends to the detriment of the poor people of the country."

The Minister of Labor, Javier Bonilla, has just made clear that he had nothing to do with the anomalies. How true is that?

It is true, because he came in when Raul Salinas de Gortari left for PRONASOL. But if one doesn't find a clean house, and does not denounce the irregularities immediately, in this sense, the Minister of Labor was not just inefficient, but corrupt. That is what I tell President Zedillo in the document I submitted to him.

Source: *Este País* (on Internet), August 1, 1992

July 10, 1991: Raul Cremoux, editorialist for the daily newspaper, *Excelsior*, was kidnaped by six armed men who were riding in two automobiles (apparently police dressed as civilians), who threatened him and his family while they kept him at gunpoint, and they warned him to never again write criticism about President Salinas. This brutal assault took place after Cremoux wrote an article in which he speculated that President Salinas would try to amend the Constitution to remain in power. (*Proceso* 768:32-34; 771: 26-31)

June 12, 1991: *Excelsior* society reporter Manu Dornbierer published a column in which she stated that the President's brothers, Raul and Enrique Salinas, had obtained or were about to obtain 50 per cent of the Hippodrome of the Americas concession for the next 25 years (both the president and his brothers are horse racing enthusiasts). After a furious reaction by Attorney General Ignacio Morales Lechuga, *Excelsior* canceled Dornbierer's "People" column, and refused to publish her reply to the attorney general, forcing her to abandon journalism for the rest of the six-year term of Carlos Salinas (*Proceso* 769:23-25; *El Porvenir*, July 31, 1991).

CONASUPO: controls the monopoly over the production, importation, and wholesale and retail sale of food. Although certain profitable CONASUPO operations have been sold, the monopoly continues to consume millions of dollars annually in import subsidies, and is sadly famous for its corruption, including accusations of impropriety against Raul Salinas, older brother of the president, during his period as a public official. CONASUPO is the biggest money-loser of the Mexican government, and had a cost of more than three billion dollars in 1990.

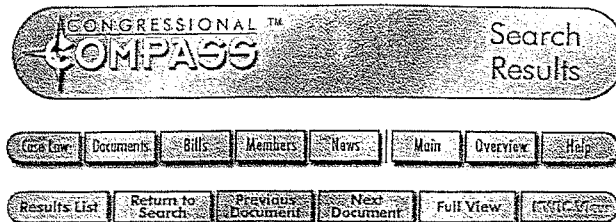
Fertimex: monopoly producer and distributor of agricultural chemicals and fertilizers, has production costs much higher than world prices. Hundreds of millions are invested annually in subsidies, and it has been a magnet for embezzlement and corruption for some time.

Federal Electricity Commission: monopoly producer and distributor of electricity and net user of

subsidies, despite the fact that it charges rates higher than those of similar companies in the United States. The astronomical increases in the tariffs to commercial and residential users, camouflaged as fees for service and other charges, are an "invisible" part of inflation in Mexico.

In accordance with the monolithic social hierarchy of the PRI, even those companies that are sold or "privatized" are transferred to groups approved in advance by the government, according to what a former government official calls "PRIvatization." The PRI pretends to transfer control of a company to "private hands" while it maintains effective control of the company within an alliance with select business and labor groups. (See "The Friends of Carlos Salinas," *Business Week*, July 22, 1991 for more details.)

Translated by Anne Kenison for the Congressional Research Service, September 3, 1999.



Document 12 of 37.

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ASAP

Copyright 1992 U.S. Department of Agriculture
Agricultural Outlook

March, 1992

SECTION: Pg. 31; ISSN: 0099-1066

LENGTH: 2910 words

HEADLINE: Agricultural trade - big business for U.S. & Mexico; U.S. Dept. of Agriculture, Econo
Research Service report

BYLINE: Link, John ; Crawford, Terry

BODY:

... crop insurance programs to stimulate production.

With price incentives, the government guaranteed the purchase of basic crops, including corn, beans wheat, sorghum, soybeans, rice, safflower, and cottonseed, at support prices through CONASUPO, regulatory agency for agricultural commodities. Support prices included adjustments for inflation, announced twice a year. Government purchases maintained average farm prices close to support level but ...

... fuel prices remained fixed for many years, and real interest rates provided by public institutions have been negative until recently.

Retail prices have been held at artificially low levels through CONASUPO for many years. The recent financial crisis and austerity measures have forced Mexico to reduce consumer subsidies substantially. As a result, consumer prices of these controlled commodities rose faster in some years than the price of other commodities. The present administration hopes to target consumption subsidies to specific groups and increase the efficiency of the operations of CONASUPO.

In addition to price controls, subsidies were provided along the marketing chain for basic commodities. The government purchased a portion of domestic agricultural production and most imports of basic commodities. It also owned and ...

... plants, and a network for distribution and retail sales.

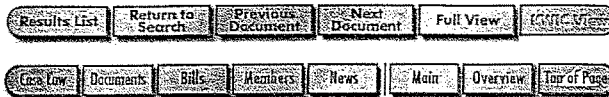
Until recently, the major thrust of agricultural trade policy was government control over imports and exports of essential food-stuffs and agricultural raw materials. CONASUPO was the sole authorized importer of most grains, oilseeds, and dairy products, and still maintains control on the final import decision for many basic commodities. As recently as 1988, nearly 41 percent of agricultural ...

... all cattle imported.

Mexico Shifts Toward

Export Promotion

Since 1988, the private sector's role in agricultural trade has increased. Import decisions are now made by a committee that includes CONASUPO and other government and private industry representatives. Many government-operated facilities are being sold to private investors. Diversification of food import sources has also been a trade policy objective, but has not been very successful. A " ...



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Senate Permanent Subcommittee
on Investigations

2:09pm Reviewer

Client Information

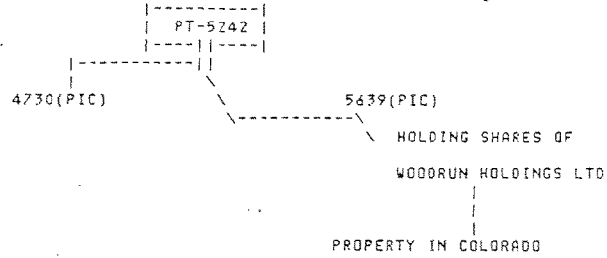
EXHIBIT# 30x.
PT-5242

C(C)L AS TRUSTEE OF PT-5242

Page : 2

Administrator's Remarks :

Last Changed : 15/02/95



By DVH, TRACS, 08/11/95 at 14:09:52.00.

C8024184

NON-RESIDENCE DECLARATION FORM (UK)

Non-Residence Declaration Form

Instructions

If you are in any doubt about the above Tax Certificate, please consult your legal adviser or accountant. This form must be completed by any client who is using or plans to use the Investment Services of the Private Bank.

ALL signatories to the account must sign below.

Foreign Dividends, Interest, Etc. (for the purposes of Section 123, Income and Corporation Taxes Act 1988)

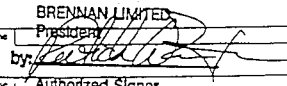
Full Name of the Company

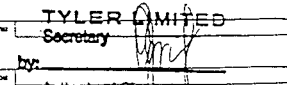
TRCCA LIMITED

Account Reference Number

| Question | Answer |
|--|--|
| 1. Is the Company the absolute owner of the securities and beneficially entitled to the income? If not please give particulars and ignore the rest of this Form. | YES |
| 2. Please state (a) the date and place of incorporation (b) the address of the Registered Office. (See Notes below.) | CAYMAN ISLANDS ON 21ST NOVEMBER 1990. P.O. BOX 1170, GEORGETOWN, GRAND CAYMAN, CAYMAN ISLANDS. |
| 3. Has the Company ever had an office or address in the United Kingdom? If so please give particulars. | NO. |
| 4. Where are the directors' meetings held? | GEORGETOWN, CAYMAN ISLANDS |
| 5. Where are the shareholders' meetings held? | ZURICH, SWITZERLAND |
| 6. Please state the full names, nationality and residential addresses of all directors who have held office during the last five years. | DONAT INVESTMENTS S.A. MADELINE INVESTMENTS S.A. HITCHCOCK INVESTMENTS S.A. ALL ARE PANAMANIAN COMPANIES WITH THEIR REGISTERED OFFICE AT: CAZA, GONZALEZ-RUIZ + REYAN, PARTADO 850, PANAMA. |
| 7. Please state the full names and residential address of any person resident in the United Kingdom (including a company) exercising or able to exercise, directly or indirectly, effective voting control through a beneficial shareholding in the Company. | N/A |
| 8. If any functions of control have been delegated by the directors, please state the full names, nationality and residential addresses of the persons concerned. | BRENNAN LIMITED - PRESIDENT & CAYMAN TYLER LIMITED - SECRETARY & ISLANDS COMPANIES P.O. AT P.O. BOX 1170, GEORGETOWN, CAYMAN ISLANDS |

Signature(s)

X BRENNAN LIMITED
Print name: President
by: 
Print name: Authorized Signer

X TYLER LIMITED
Print name: Secretary
by: 
Print name: Authorized Signer

Date Capacity (eg: director, manager)

19 JUNE 1992 PRESIDENT

Date Capacity (eg: director, manager)

Date Capacity (eg: director, manager)

19 JUNE 1992 SECRETARY

Date Capacity (eg: director, manager)

CB024579

. REGISTER OF DIRECTORS AND OFFICERS

OF

TROCCA LIMITED

| Name | Place of residence/ Registered Office | Occupation | Office | Date Elected | Date Resigned |
|--------------------------|--|-----------------|-----------|--------------|---------------|
| Donat Investments SA | PO Box N-1576, Nassau Bahamas | Nominee Company | Director | 26.11.90 | |
| Hitchcock Investments SA | PO Box N-1576, Nassau Bahamas | Nominee Company | Director | 26.11.90 | |
| Madeline Investments SA | PO Box N-1576, Nassau Bahamas | Nominee Company | Director | 26.11.90 | |
| Brennan Limited | PO Box 131,8027 Zurich | Nominee Company | President | 18.6.92 | |
| Tyler Limited | PO Box 131,8027 Zurich | Nominee Company | Secretary | 18.6.92 | 31.5.96 |
| Buchanan Limited | PO Box 131,8027 Zurich | Nominee Company | Secretary | 31.5.96 | |

CB023446

BUCHANAN LIMITED
 by: *Arlene Fleischmann*
 Authorized Signer
 Arlene Fleischmann

BUCHANAN LIMITED
 by: *E. Peter Schmidt*
 Authorized Signer
 5/6/96

DECLARATION OF TRUST

We, BRENNAN LIMITED, whose registered office is P.O. Box 1170, Grand Cayman, Cayman Islands, British West Indies.

do hereby declare that the Share Certificate bearing the number ONE, representing 1 shares of the capital of

TROCCA LIMITED

registered in our name is held by us as the property of and to the use of:

Mr. Raul Salinas de Gortari

(hereinafter referred to as the "Beneficial Owner") and that we have no beneficial interest whatsoever in the said share or in any rights usufructs, or increments thereof.

We hereby declare that this Declaration of Trust is irrevocable by us and by our personal representatives and assigns except to the extent and in manner approved by the Beneficial Owner.

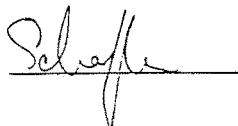
AS WITNESS our hand this 22nd day of July 1992

SIGNED by the above named)

BRENNAN LIMITED

By: 

In the presence of:



CB023686

DECLARATION OF TRUST

We, BRENNAN LIMITED, whose registered office is P.O. Box 1170, Grand Cayman, Cayman Islands, British West Indies,

do hereby declare that Share bearing the number ONE of the capital of

TROCCA LIMITED

registered in our name is held by us as the property of and to the use of

CITITRUST CAYMAN LIMITED AS TRUSTEE OF PT-5242

(hereinafter referred to as the "Beneficial Owner(s)") and that we have no beneficial interest whatsoever in the said share or in any rights, usufructs, or increments thereof.

We hereby declare that this Declaration of Trust is irrevocable by us and by our personal representatives and assigns except to the extent and in the manner approved by the Beneficial Owner(s).


AS WITNESS our hand this 30TH day of JUNE 1993

SIGNED by the above named)

BRENNAN LIMITED

By: 

In the presence of:



CB023677

From: Carlos J. Gomez (CJG/CJG)
 Date: TUE 24-NOV-92 18:28 GMT
 Subject: CONFIDENTIAL CLIENT FOOO you wish to continue? / / or Not /
 Acknowledgment sent: CMEA 23-NO-92 07:59:32 008938

PATRICK,

AMY URGENTLY NEEDS A DECLARATION OF TRUST (THAT'S WHAT CITITRUST
 BANAMAS CALLS IT) OR SOME FORM OF DOCUMENTATION THAT CONFIRMS
 TO THE CLIENT THAT HE IS THE BENEFICIAL OWNER OF THE CONFIRMS
 COMPANY. PLEASE INCLUDE THAT LETTER IN A SEALED ENVELOPE.
 WE ARE NOT SUPPOSE TO KNOW THE NAME, NOR DO WE WANT TO.
 PLEASE COURIER TO AMY ELLIOTT. SHE MUST RECEIVE THIS
 FRIDAY SINCE THE CLIENT IS LEAVING LATE MORNING FRIDAY.
 PLEASE USE WHICHEVER SERVICE GUARANTEES FRIDAY EARLY
 DELIVERY.

FINALLY, MANY THANKS. PLEASE CONFIRM TO ME TOMORROW
 WEDNESDAY.

REGARDS,

CARLOS

 Delivered: TUE 24-NOV-1992 18:28 GMT

C8023361

NOV 24 1992 18:28

Memorandum

DATE: February 16, 1995
 TO: JOANNE SCIORTTINO
 FROM: Arthur VOGT
 RE: BIRCHWOOD HEIGHTS LIMITED
 CC: Ariana FLEISCHMANN

I refer to our telephone conversation of February 14, 1995 and I am pleased to provide you with the following information :

1. The entirety of the shares of WOODRUN LTD, a Bahamian company, will be transferred into the ownership of BIRCHWOOD HEIGHTS LTD. You will arrange that the share certificates of Woodrun will be sent to Ariana Fleischmann or in case of registered shares that the change of the share holding will be done in the shareholder's book of Woodrun.
2. Through holding the U.S. assets through an offshore company U.S. inheritance tax on the U.S. assets can be avoided.
3. By having a double layer between the client's trust and the U.S. assets, the client's private financial sphere is well protected.
4. I advised you as well that the financial statements of Woodrun should be transferred once a year for our files. Please provide us with the names of the administrators of Woodrun. Thereafter, we will contact them to arrange the necessary.

Although it took a little bit of time to set up Birchwood Heights Limited, I think we have added further protection to the client's structure. I am looking forward to doing similar business with you for the benefit of our mutual clients.

Best regards,

Arthur M. VOGT

08023901

REGISTER OF SHAREHOLDERS

OF

BIRCHWOOD HEIGHTS LIMITED

| Name of shareholders | Place of residence | Date became owner | Share No. | No. of shares | From whom shares were transferred | Amount paid | Date of transfer | To whom shares are transferred |
|----------------------|--------------------|-------------------|-----------|---------------|-----------------------------------|-------------|------------------|--------------------------------|
| Graham Lockington | Cayman Islands | 05/05/93 | | 1 | Original issue | in full | 10/05/93 | Brennan Limited |
| Patricia Gibson | Cayman Islands | 05/05/93 | | 1 | Original issue | in full | 10/05/93 | Tyler Limited |
| Timothy Ridley | Cayman Islands | 05/05/93 | | 1 | Original issue | in full | 10/05/93 | Buchanan Limited |
| Brennan Limited | Cayman Islands | 10/05/93 | 1 | 1 | Graham Lockington | in full | 06/04/95 | Cancelled |
| Tyler Limited | Cayman Islands | 10/05/93 | 2 | 1 | Patricia Gibson | in full | 06/04/95 | Cancelled |
| Buchanan Limited | Cayman Islands | 10/05/93 | 3 | 1 | Timothy Ridley | in full | 06/04/95 | Cancelled |
| Brennan Limited | Cayman Islands | 06/04/95 | 4 | 1 | Original issue | in full | | |
| Tyler Limited | Cayman Islands | 06/04/95 | 5 | 1 | Original issue | in full | | |
| Buchanan Limited | Cayman Islands | 06/04/95 | 6 | 1 | Original issue | in full | | |

CB023976

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 30y.

960505165203
To: PBUS2 (LIST:), PBUS1 (LIST:), PBG-US (LIST:)
From: FRANK BURNSIDE (02USNYC:PBG)
Date: WED 05-JUN-96 16:27 GMT
Subject: New York Times article

This is our official response on this matter. Any commentary
/questions should be directed to Susan Weeks of our Public Affairs
department.

Regards,
Frank

Forward Header

Subject: New York Times article
Author: Alvaro de Souza at CITIMAIL
Date: 6/5/96 10:06 AM

As you may know, there has been media coverage in the New York
Times this morning of an investigation into the financial affairs
of a customer, Raul Salinas, brother of the former Mexican
president.

We expect more coverage in the future, including reports on
television and customer calls are likely to result. Accordingly,
we would like to help prepare you for them and I expect you to
instruct your people along these lines.

Our public statement is:

Citibank continues to cooperate fully with authorities investigating
this matter. We constantly watch for possible violations of the
laws by the bank or its employees and in this case we have found
every reason to believe that there have been none.

Some possible questions, with answers:

Q: I heard that Citibank is under investigation for doing
something illegal.

A: No. We are working WITH authorities in an investigation into the
financial affairs of a customer. In fact, we have researched the
situation and we have found no violations of the law or of our
ethical standards.

Q: Why didn't you give your side of this?

A: Like most banks, we do not make statements to the media about the
accounts of our clients. Your account, for example, is private: we
wouldn't talk about it publicly. In this case, certainly the subject

CB016996

of such scrutiny deserves his day in court to respond to charges.

Q: I'm surprised that Citibank would be involved in an account like this.

A: I want to emphasize that none of these authorities has charged Citibank or any of its employees with any wrongdoing or with any activity that is contrary to the best interests of the customers and communities that we serve around the world.

Q: Who is Amy Elliott?

A: Amy Elliott is a Private Bank officer who has been with the bank since 1967 and continues to be an employee in good standing.

----- Text Item -----
Item Description: <no item description available>

TO: Mark Musi / CITIMAIL
O=abl; C=US; A=mci; P=citicorp;
Daina H. Hill / CITIMAIL
O=abl; C=US; A=mci; P=citicorp;
DL:pbp policy / CITIMAIL
O=abl; C=US; A=mci; P=citicorp;

CC: Maria Thereza Young / CITIMAIL
O=abl; C=US; A=mci; P=citicorp;

Received: WED 5-JUN-1996 16:14 GMT

Delivered: WED 05-JUN-1996 16:27 GMT

Senate Permanent Subcommittee
On Investigations
EXHIBIT # 31a.

CMBank (Switzerland)

Form A

According to the "Due Diligence Agreement" between the banks and the Swiss Bankers Association of July 1, 1992 (the "Agreement"), information must be provided by all persons wishing to open an account with the Bank.

Account No.:

Contracting partner:

342034

CARRICORN TRADING S.A.

Verification of the Beneficial Owner's Identity (Form A as per Art. 3 and 4 CDB)

The undersigned hereby declares:
(mark with a cross where appropriate)

- ☐ that the contracting partner is the beneficial owner of the assets deposited with the bank
- ☒ that the beneficial owner of the assets deposited with the bank is:

Full name (in full)

Address / Domicile, Country

Abd. AL-Zaidan

Bitanul House Karachi (Pak)

The contracting partner undertakes to inform the bank immediately of any changes.

The undersigned is aware of the fact that banking secrecy, protected in accordance with Art. 47 of the Federal Law on Banks and Savings Banks (the "Banking Law", 1934) (1934), is not maintained. The origin, employment and movements of the bank are liable to disclosure and must be made the subject of the authorities where federal and cantonal authorities require prior to doing (e.g. in criminal proceedings). This obligation also exists in respect of information under the Swiss Confidentiality Law (the "Confidentiality Law", 1934) (1934).

The undersigned is also aware of the fact that the establishment of accounts and deposits maintained under names or pseudonyms is a punishable offense of the bank affecting in no way its obligation to provide the authorities to the full or to furnish information.

Geneva, 27.02.95

Place (city)

Signature

Abd. AL-Zaidan

CMBANK

000000

[illegible]

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X006903

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[illegible][illegible]

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ONLY

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| | | | | | | | |
|---------------------|-------------|---------------|---------|-----------|-----|--------|-----------|
| CREDIT ID: 10992154 | | | | **C 21** | | | |
| INDEX BY CREDIT ID | 30-OCT-1996 | | | | | | |
| eq 1- Global ID | Svc. SecNum | 1-2 Sender ID | Debit : | Credit ID | Cur | Amount | Dest Addr |
| | | | | | | | |

REDACTED

049 016 C0042701759201 15M 0159 0159 10992154 USD \$5,000,000.00

REDACTED

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X006900

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FTN GLOBAL ID: C0042791759201 FICHE: 049 FRAME: 016 06-OCT-1994 CUM LINE NO: 02188937

Structure Type 2 Global Id C0042791759201 Proc cost code C Post Advc Meth 0
 Currency USD Amount 000000000000.00 Status FINISHED Recv Advc Meth 0
 Charge Ind M Charge Amount 000000000000.00 Snd Corp Ref 0 Recv Time 0-OCT-1994 16:17:28.44
 Request Value M1000 Snd Party Ref 000415 Ref for Snd 0 Snd Type N Bys Spec Instr 0
 T/FAC Status CLEAN OFAC Offset 0 OFAC Pattern Length 0 PFI Vire N Qualified 0

Edit Flags 00000000 00000000
 Edit Flags No Edit Flags Set
 Ovrfl Flags 00000000 00000000
 Ovrfl Flags No Ovrfl Flags Set

ACCOUNTING ENTRIES

| Acctg Entry | 0 | 1 | 2 |
|-------------|-----------------|-----------------|-----------------|
| Acct | 0150..... | 010992154. | 010992154. |
| Dr Cr Indlc | 0 | 0 | 0 |
| Am | 000000000000.00 | 000000000000.00 | 000000000000.00 |
| Asst Val | 0 | 0 | 0 |
| Status | 2 Bal Updt 0 | 2 Bal Updt 1 | 2 Bal Updt 0 |

PARTY ENTRIES

| Party | 0 | 1 | 2 |
|-----------|--------------------------------|-----------|-----------|
| Key | 0150 | 010992154 | 010992154 |
| Rev | 0 | 0 | 0 |
| Revkey | 0150 | 010992154 | 010992154 |
| Cust Num | 0150 | 010992154 | 010992154 |
| Pynt Meth | 0 | 0 | 0 |
| Name | AMERICAN EXPRESS BANK LTD - NY | | |
| Addr | | | |
| Addr | | | |
| Addr | | | |
| Addr | | | |

P 16

Party 3 Abs Role 8 Party 4 Abs Role 1 Party 1007241 Abs Role 2

Key Y818007 Revkey 1007241
 Cust Num 0150 Org Num 0150
 Pynt Meth 0 Advc Meth 0
 Name HS CAPITAL CORP TRADING SA
 Addr USD CALL ACCT
 Addr
 Addr
 Addr

Party 5 Abs Role 0 Party 7 Abs Role 0

Key Revkey
 Cust Num 0 Org Num 0
 Pynt Meth 0 Advc Meth 0
 Name
 Addr
 Addr
 Addr
 Addr

ADVISING ENTRIES

| Ter Adv | Addr Type | Addr ID | Format | Party Index |
|---------|-----------|------------|--------|-------------|
| 0 | 16 | 00BA1ADBCP | 0 | 0 |
| 1 | 16 | 00BA1ADBCP | 1 | 1 |
| 2 | 16 | 00BA1ADBCP | 0 | 0 |
| 3 | 16 | 00BA1ADBCP | 0 | 0 |
| 4 | 16 | 00BA1ADBCP | 0 | 0 |
| 5 | 16 | 00BA1ADBCP | 0 | 0 |
| 6 | 16 | 00BA1ADBCP | 0 | 0 |

OTB Text Len 0
 OTB Text

MBI Text ATTN HWS AFSAMEH JALIL ZADEN S ENDER REF ARVIT593.94

BANK TO BANK INFO Pos 0 Len 53 Text ATTN HWS AFSAMEH JALIL ZADEN S ENDER REF ARVIT593.94

Foreign Currency Information
 File 31 FX Rate 0000.000000 Rate Override Flag Rate Indicator(R/D)
 Outgoing FX Contact

TRANSACTION ENTRIES

| TRANSACTION | Dr Ctr Locat | Cr Ctr Locat | Dr Esp Code |
|--------------------|--------------|--------------|-------------|
| Dr Ctr Locat | 12 | 11 | |
| Blat Reject Info | | | |
| Reject Code | | | |
| Alt Acct | | | |
| Owner FTRC | UT | | |
| Cr Esp Code | 5864 | | |
| Activity | | | |
| Order ID | 12 | | |
| Ref Ctr | 27968470 | | |
| Cr Ctr | 27968470 | | |
| By Ovrfl Auth Name | | | |
| INBOUND MESSAGE | | | |
| Input Date | 100994 | | |
| Sender Org | 1 = UT | | |
| Term Line | 01109 | | |
| Cr Input Seq Num | 01109 | | |
| Dr Input Seq Num | 00310 | | |
| OUTBOUND MESSAGE | | | |
| Adv RLOC | | | |
| Tested Ref | | | |

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 ONLY

Q 16

| Dr CCR Ctr | Dr CCR Sys | Term Line | Cr CCR Ctr | Cr CCR Sys |
|------------------|------------|-----------|-------------------|------------|
| Ref | | | 00BA1ADBCP | 0 |
| Date | | | Dest FTRC | |
| Feed Teleg Abbr | | | Feed Subtr | |
| Input Seq Num | | | Feed Seq Num | |
| IV Input Seq Num | 00310011 | | IV Output Seq Num | |

X006901

[illegible]

10992154 ** F03 **

| DATE | DEBIT BY CREDIT ID | DATE | DEBIT ID | CREDIT ID | CUR | AMOUNT | DEBIT | CREDIT | DEBIT | CREDIT |
|-------------|--------------------|------|----------|-----------|-----|--------|-------|--------|-------|--------|
| 24-FEB-1995 | | | | | | | | | | |

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X006905

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ITEM GLOBAL ID: F0550550100001 FICHE: 102 NAME: C10 24-FEB-1955 CUM LINE NO: 0487647
Structure Type: 2 Global ID: F0550550100001 Status: 4000 4000 C Rest Pmt Mth: 4 Rest Pmt Mth: 4 Repair Count: 1
Currency: USD Amount: 1000000000.00

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X006906

[illegible][illegible]

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Acct Entry 1 010992174
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Acct Entry 3 100001000000 10
Acct Entry 4 100001000000 10
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Acct Entry 6 100001000000 10
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Acct Entry 99 100001000000 10
Acct Entry 100 100001000000 10

```

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** C10 **
BENE INFO
Pas 0 Len 22 Text ATTN MRS AFSAMEN JALIL
Foreign Currency Information
File 51
Outgoing
TRANSACTION ENTRIES
TRANSACTION
Cr Cif Locat 12
Alt Locat Info
Reject Code
Alt Repr
Owner FTNC
Cr Cap Code
ACTIVITY
Dear ID
Rae Cif
Cr Cif
Cr Cif
INBOUND MESSAGE
Intr Date
Sender of
CM Input Sec Num
SM Input Sec Num
OUTBOUND MESSAGE
Advx Misd
Entered Ref
Dr CCM Cif
Ref
Date
Fid Teles Advx
Input Sec Num
FM Input Sec Num
Exit Fields Status Lene Word: 00000000
End Of Non-Repeating: 0 Start char per rep --: 0 End char per rep --: 0

```

REDACTED

X006908

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| | | | | | | | | | | | | | | | | | | | |
|--------------|--|---------|--|-------------|--|---------------|--|-----------|--|----------|--|--------|--|-------------|--|------|--|--|--|
| 109990233 | | | | | | | | | | ** P03** | | | | | | | | | |
| INDEX 3: | | COLT 10 | | 18-MAR-1985 | | Debit 10 | | Credit 10 | | Cur | | Amount | | Debit Asset | | Mult | | | |
| Pss Pss Q10: | | C | | Sve PssNum | | Typ Sender ID | | | | | | | | | | | | | |

REDACTED

✓ [17 080560] 01 TXN 00000000 109990233 109990233 000 40,000,000.00

REDACTED

REDACTED

X006894

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| ADVISING ENTRIES | | | | addr TO | Format | Party Index |
|------------------|-----|------|------|------------------|--------|-------------|
| Txn | Acc | addr | Type | | | |
| 1 | | 4 | | CSBCKAC/J2H..... | 2 | 1 |
| 1 | | 16 | | AL..... | 2 | 1 |
| 1 | | 12 | | CS..... | 2 | 1 |
| 1 | | 9 | | CS..... | 1 | 1 |

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CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF

[illegible]

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CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF

REDACTED

X006896

X006898

REDACTED

X006899

REDACTED

CITIBANK

REPORT DATE 10/01/95 ACCOUNT 1195-2154 ADGE OFF FROM 05/01/95 TO 05/31/95 RUN DATE 10/01/95 TIME 14:40

ACCOUNT NAME - CITIBANK DUBAI STATEMENT PAGE 1/2

| REFERENCE # | BATCH | TRACK | TRANSACTION DESCRIPTION | DEBITS | CREDITS | LEDGER BALANCE |
|-------------|-------------|---|-------------------------|---------------|---------|----------------|
| REDACTED | | | | | | |
| 10/01/95 | 39512321005 | SAME DAY DA TRANSFER | | 18,204,326.27 | | 9,733,940.51 |
| | 65065490852 | OUR REF NUM: 028512319MNOU DETAILS: ATTA GABAN AHUZZEGAN RE NUM 0 TRACT TELEX OTHER REF: 12381230113 BENEFICIARY: 140811 CAIRO/EGYPT TRADING S A ORDER PARTY: HS CAYMAN ISLAND TRADING S A CREDIT PARTY: 1999022 CITIBANK NEW ZEALAND ORDER NAME: CREDIT | | | | |

REDACTED

REDACTED

X006890

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CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF
ONLY

462

REDACTED

| | | | | | | | | | | | | | | | | | | |
|--------------------|--|--|--|--|--|--|--|--|--|------|--------|-------------|----------|-----------|-----|--------|------------|------|
| CITEBANK | | | | | | | | | | 0 14 | | | | | | | | |
| FOR TRACK BY FRONT | | | | | | | | | | | | | | | | | | |
| Exp From Global Id | | | | | | | | | | Exp | 800000 | 77-817 1115 | Debit Id | Credit Id | Cur | Amount | Debit Page | Page |
| | | | | | | | | | | | | | | | | | | |

REDACTED

126 007 0025:23:060001 TAN 00000000 10000000 10000000 USD 010.200.320.27

REDACTED

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ONLY

X006891

[illegible]

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CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF
ONLY

Citibank (Switzerland)
THE CITIBANK PRIVATE BANK
 Zurich Processing Center
 GENEVA 33ANCH 04/05/95 CREDIT ADVICE
 Account Holder
 Mailing Address
 PRIVATE & CONFID.
 CAPRICORN TRADING SA
 C/O ME JENS SCHLESCHILCH
 2 RUE BELLOT
 CH - 1204 GENEVE
 CH - 1204 GENEVE
 SWITZERLAND

PRIVATE & CONFID.
 CAPRICORN TRADING SA
 C/O ME JENS SCHLESCHILCH
 2 RUE BELLOT
 CH - 1204 GENEVE

Ref No 5951238126

INWARD TRANSFER

WE CREDIT YOUR ACCOUNT NO. 07542634/004

US \$ 10,204.326.27
 VALUE 04/05/95

FROM: CITIBANK NEW YORK
 DE: JLS 0/MS CAPRICORN TRADING SA VIA CITIBANK, NEW YORK
 U/M CREDITED
 AMOUNT RECEIVED US DOL 10.204.326.27
 (OUR CHARGES DEDUCTED US DOL 0.00)

CITIBANK

000539

MANDATE AGREEMENT

Between

Mr. Asif Ali ZARDARI
Milkawal House
Clifton, KARACHI (Pakistan)
(hereinafter "the principal")

and

Mr. Jens SCHLEGELMILCH
2 rue Bellot, 1206 GENEVA (Switzerland)
(hereinafter "the agent")

- - - - -

Concerning : BOHER FINANCE INC. (B.V.I.)

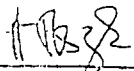
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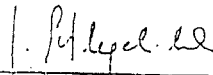
- 6 -

The courts of the Canton of Geneva will have exclusive jurisdiction.

The agent reserves the right to institute proceeding before the competent court of the principal's domicile or residence.

Made and executed in Geneva
on


The Principal


The Agent

000602

Senate Permanent Subcommittee
on Investigations
31d.
~~EXHIBIT #~~

MANDATE AGREEMENT

Between

Benqum Nusrat BHUTTO,
70 Clifton, Karachi (Pakistan)

(hereinafter "the principal")

and

Me Jens SCHLEGELMILCH
2, rue Ballot, 1206 Geneva

(hereinafter "the agent")

Concerning: Marlston Securities Inc (B.V.I)

000003

Article VI

This agreement shall be construed according to and subject to Swiss law.

The courts of the Canton of Geneva will have exclusive jurisdiction.

The agent reserves the right to institute proceeding before the competent court of the principal domicile or residence.

Made and executed in Geneva
on

N. Blatter
The Principal

J. P. L. L. L.
The Agent

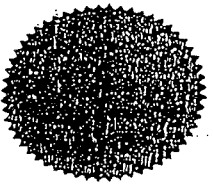
TERRITORY OF THE BRITISH VIRGIN ISLANDS
 THE INTERNATIONAL BUSINESS COMPANIES ORDINANCE
 (No. 8 of 1984)

CERTIFICATE OF INCORPORATION
 (Sections 14 and 15)

No. 165289

I, VICTOR EYRE-GRACE, Registrar of Companies of the British Virgin Islands DO HEREBY CERTIFY
 pursuant to the International Business Companies Ordinance (No. 8 of 1984) that all the requirements of the said
 Ordinance in respect of incorporation have been satisfied, CAPRICORN TRADING S.A.

is incorporated in the British Virgin Islands as an International Business Company this 5th day of January, 1984

Given under my hand and seal at Road Town
 in the Island of Tortola

 VICTOR EYRE-GRACE
 ACTING REGISTRAR

000005

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 31f.

COTECNA INSPECTION S.A.

TELEX: 888/754 83 88 114 12-681
 TELEMI: 412 107 007 011
 FAX: 022/784 30 48
 GAULES: COTECNA GENEVE

RESPONSES:
 P.O. BOX 6181 - 1211 GENEVE 1
 SWITZERLAND

MAIUSTON SECURITIES INC. (BY)
 C/o Maître J. SCHLEGELMULCH
 Rue Bellet 2
 1206 - GENEVE

YOUR REF.

OUR REF. 212/TUMM/11

GENEVE, June 29th, 1994
 25, rue de la Tonnellerie

Dear Sirs,

We have the pleasure of confirming hereby the following :

Should we receive, within six months from today, a contract from the Government of Pakistan for the inspection and the price verification of goods imported in Pakistan, we COTECNA INSPECTION S.A., Geneva will pay you 6 % (six percent) on the total amount invoiced and paid to us by the Government of Pakistan for such a contract during the whole duration of that contract and its renewal.

These payments will be made to you by us quarterly, on the basis of amounts effectively received by us in Geneva.

Yours sincerely,

COTECNA INSPECTION S.A.


 Robert M. MASSEY
 Managing Director

000597

155 E. 53rd Street
New York, NY
10043

December 11, 1997

Senate Permanent Subcommittee
on Investigations
Jesse S. Brown
Chairman
EXHIBIT # 31g.

REDACTED

REDACTED

REDACTED

REDACTED

STRICTLY CONFIDENTIAL - NOT FOR
CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF
ONLY

CS007464

473

-2-

REDACTED

REDACTED

REDACTED

I have updated you on the Salinas issue. We have another issue with the husband of ex-prime Minister Bhutto of Pakistan. I do not yet understand the facts but I am inclined to think that we made a mistake. More reason than ever to rework our Private Bank.

REDACTED

Best regards,



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SUBCOMMITTEE MEMBERS AND STAFF
ONLY

CS007465

Meetings, Events, or Functions at which Benazir Bhutto, Asif Ali Zardari,
or Both Were Present

Date: Late January/Early February 1994
 Participants: William Rhodes, Shaukat Aziz, Benazir Bhutto, Asif Ali Zardari and others
 Location: Davos, Switzerland
 Summary: William Rhodes and Shaukat Aziz attend Davos economic conference. During conference, they are guests at a dinner hosted by Benazir Bhutto and attended by approximately 150 others.

Date: February 1994
 Participants: John Reed, Paul Collins, Shaukat Tarin, Benazir Bhutto and Asif Ali Zardari
 Location: Islamabad
 Summary: Discussion of Pakistani and world affairs.

Date: August 1994
 Participants: Sajjad Razvi, Paul Collins, Shaukat Tarin, Benazir Bhutto and others
 Location: Prime Minister's Residence, Islamabad
 Summary: General courtesy call, discussion of Citibank, macroeconomics and socio-political issues.

Date: December 1994
 Participants: Shaukat Aziz, Benazir Bhutto, Asif Ali Zardari, Benazir Bhutto's economics advisor, Pakistani ambassador to Washington and others
 Location: Prime Minister's Residence, Islamabad
 Summary: Discussion of Pakistani economy during a dinner meeting.

Date: March 7-10, 1995
 Participants: Shaukat Aziz, William Rhodes, Benazir Bhutto, Asif Ali Zardari and others
 Location: Singapore
 Summary: During a state visit to Singapore by Benazir Bhutto, William Rhodes and Shaukat Aziz meet with Benazir Bhutto and her advisors in Benazir Bhutto's hotel suite to discuss the Pakistani economy. At several official events during this state visit, Shaukat Aziz exchanges greetings with Benazir Bhutto and Asif Ali Zardari.

- Date: March 7-10, 1995
 Participants: Shaukat Aziz, William Rhodes, Benazir Bhutto, Asif Ali Zardari and others
 Location: Singapore; Dinner hosted by the Pakistani Ambassador
 Summary: Shaukat Aziz exchanges greetings with Benazir Bhutto and Asif Ali Zardari. Benazir Bhutto's economic adviser asked Benazir Bhutto if she had ever visited Shaukat Aziz's home in Singapore. She replied that she had never been invited. Shaukat Aziz stated that the Prime Minister was welcome.
- Date: March 7-10, 1995
 Participants: Shaukat Aziz, Shaukat Aziz's wife, Benazir Bhutto, Asif Ali Zardari, protocol chiefs for Pakistan and Singapore, the Pakistani Ambassador, and numerous aides and security officials
 Location: Shaukat Aziz's home in Singapore
 Summary: During a state visit to Singapore, Benazir Bhutto makes a surprise visit to Shaukat Aziz's home. The Benazir Bhutto party remains for approximately one hour.
- Date: July 1995
 Participants: Shaukat Aziz, Benazir Bhutto, Asif Ali Zardari and others
 Location: Kuala Lumpur, Malaysia
 Summary: Shaukat Aziz exchanges greetings with Asif Ali Zardari and Benazir Bhutto at a lunch given by Malaysian foreign minister in connection with Benazir Bhutto's state visit to Malaysia. Shaukat Aziz may also have exchanged greetings with Benazir Bhutto and Asif Ali Zardari at other events during the state visit.
- Date: Sometime during Benazir Bhutto's second term as prime minister
 Participants: Shaukat Aziz, Shaukat Tarin, Asif Ali Zardari and others
 Location: Prime Minister's Residence, Islamabad
 Summary: Shaukat Aziz, Shaukat Tarin meet, perhaps on two different occasions, with Asif Ali Zardari and his aides for informal discussions regarding the Pakistani economy.
- Date: September or October 1995
 Participants: Sajjad Razvi, Paul Collins, Shaukat Tarin, Benazir Bhutto and others
 Location: Prime Minister's Residence, Islamabad
 Summary: General courtesy call, discussion of Citibank, macroeconomics and socio-political issues.

Date: December 1995
 Participants: Shaukat Aziz, Paul Collins, Asif Ali Zardari and 1,500 others
 Location: Karachi
 Summary: Asif Ali Zardari is a guest at the wedding of Shaukat Aziz's daughter.

Date: During Benazir Bhutto's second term as prime minister
 Participants: Shaukat Aziz and representatives of various banks
 Location: Karachi
 Summary: Asif Ali Zardari arrives at the end of dinner gathering of bank representatives in Pakistan.

Date: Late in Benazir Bhutto's second term as prime minister
 Participants: Shaukat Aziz, Benazir Bhutto, Benazir Bhutto's Finance Secretary and other economic advisors
 Location: Prime Minister's Residence, Islamabad
 Summary: Discussion of Pakistani Economy

Date: February 1996
 Participants: Nadeem Hussain, Shaukat Tarin, Asif Ali Zardari and Javed Pasha
 Location: Prime Minister's Residence, Islamabad
 Summary: Courtesy meeting to introduce Hussain as Citibank's new consumer bank head in Pakistan.

Date: March 1996
 Participants: Sajjad Razvi, possibly Shaukat Tarin, Margaret Thatcher, Benazir Bhutto and others
 Location: Prime Minister's Residence, Islamabad
 Summary: Courtesy call with Lady Thatcher, whose speaking tour was sponsored by Citibank.

Date: August 1996
 Participants: Paul Collins, Citibank Country Corporate Officer for Pakistan and Benazir Bhutto
 Location: Probably Islamabad
 Summary: Discussion regarding Citibank, the Pakistani economy, and regional economic and political developments.

Date: Fall 1996
 Participants: Shaukat Aziz, Benazir Bhutto, Nusrat Bhutto, Sanam Bhutto, Dr. Bunyad Haider and others
 Location: Waldorf Astoria, New York City
 Summary: Discussion of Pakistani economy. Shaukat Aziz expressed condolences regarding the death of Benazir Bhutto's brother. Following this meeting, Shaukat Aziz, Benazir Bhutto and 20 others have dinner at the hotel.

Date: 1998
 Participants: Shaukat Aziz, Shaukat Aziz's wife, Benazir Bhutto, Dr. Bunyad Haider and his wife and several other couples
 Location: The Haider's New Jersey home
 Summary: Meeting among Pakistanis in the New York area and Benazir Bhutto.

ATTACHMENT A

EXHIBIT # 32aSTRICTLY CONFIDENTIAL — NOT FOR CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF ONLY

Client 1a

Client 1a's relationship with Citibank dates back to 1970 and continues today, although his accounts are in the process of being closed. In 1990, the funds in his Private Bank accounts were transferred to accounts in the name of client 1b, a private investment company beneficially owned by client 1a. Those accounts are located in New York and London. Client 1a is also a client of Private Banking Group Paris and Citibank Libreville, Gabon. Client 1a also used to be a client of the Private Banking Group Switzerland; account balance information about that account is not included herein because of customer confidentiality laws in Switzerland.

On October 24, 1995, a special name account was created for client 1a to receive proceeds of a transaction initiated by client 1c on behalf of client 1a. Client 1c has full power of attorney over the account.

Client 1a's source of wealth includes compensation from the government of Gabon and interests in various oil companies, including Elf Gabon. Client 1a's daughter is Chairman of the Board of Elf Gabon. Client 1a is also the majority shareholder in corporations engaged in rice distribution, salt processing, and banking. He also owns an interest in an automobile dealership.

The following approximate annual average balances represent the majority of client 1a's relationship with the bank.^{1/} Specifically, they include client 1b's worldwide investments, but do not include checking accounts, which are comparatively far smaller. We are in the process of determining the amounts in these additional accounts and will provide them to the Committee to the extent we are able to under applicable law as soon as we obtain accurate balances.

| | |
|---------------------|---------------------|
| 1985 — \$54,000,000 | 1993 — \$70,000,000 |
| 1986 — \$55,000,000 | 1994 — \$63,000,000 |
| 1987 — \$57,000,000 | 1995 — \$62,000,000 |
| 1988 — \$56,000,000 | 1996 — \$38,000,000 |
| 1989 — \$60,000,000 | 1997 — \$58,000,000 |
| 1990 — \$61,500,000 | 1998 — \$62,000,000 |
| 1991 — \$65,000,000 | 1st Quarter 1999 — |
| 1992 — \$68,000,000 | \$65,000,000 |

^{1/} Unlike other relationships discussed herein, available records for this account permit Citibank to provide balance information from 1985 forward.

Senate Permanent Subcommittee
On Investigations
EXHIBIT # 32b.

| Tandin Investments, Ltd. | Year | YrQtr | Market Value | Performance Quarterly | Performance YTD | Performance Cumulative | Distributions | Investment Mix Bonds | Stocks | Cash | Other |
|--------------------------|------|-------|--------------|-----------------------|-----------------|------------------------|----------------|----------------------|--------|------|-------|
| | | | \$52,412,000 | | | | | | | | |
| 1985 | 851Q | | \$53,434,000 | 1.95% | 1.95% | | | | | 100% | |
| | 852Q | | \$54,475,000 | 1.95% | 3.90% | | | | | 100% | |
| | 853Q | | \$55,538,000 | 1.95% | 5.85% | | | | | 100% | |
| | 854Q | | \$56,500,000 | 1.95% | 7.80% | 7.80% | | | | 100% | |
| 1986 | 861Q | | \$57,446,375 | 1.68% | 1.68% | | | | | 100% | |
| | 862Q | | \$52,700,000 | 1.68% | 3.36% | | (\$5,710,000) | | | 100% | |
| | 863Q | | \$53,582,725 | 1.68% | 5.11% | | | | | 100% | |
| | 864Q | | \$57,000,000 | 1.68% | 6.70% | 15.02% | \$2,500,000 | | | 100% | |
| 1987 | 871Q | | \$58,700,000 | 2.58% | 2.58% | | | 87% | 13% | 0% | |
| | 872Q | | \$58,500,000 | (0.34%) | 2.63% | | | 87% | 13% | 0% | |
| | 873Q | | \$59,300,000 | 1.37% | 4.04% | | | 87% | 13% | 0% | |
| | 874Q | | \$54,200,000 | (8.60%) | (4.51%) | 9.37% | | 45% | 20% | 35% | |
| 1988 | 881Q | | \$56,000,000 | 3.32% | 3.32% | | | 74% | 19% | 7% | |
| | 882Q | | \$56,900,000 | 0.89% | 4.24% | | | 59% | 26% | 15% | |
| | 883Q | | \$56,900,000 | 0.71% | 4.96% | | | 35% | 25% | 40% | |
| | 884Q | | \$58,500,000 | 2.81% | 7.83% | 18.05% | | 32% | 28% | 42% | |
| 1989 | 891Q | | \$59,500,000 | 1.71% | 1.71% | | | 40% | 16% | 43% | |
| | 892Q | | \$61,700,000 | 3.70% | 5.47% | | | 41% | 16% | 43% | |
| | 893Q | | \$63,000,000 | 2.11% | 7.59% | | | 46% | 18% | 36% | |
| | 894Q | | \$61,000,000 | (3.17%) | 4.27% | 23.09% | | 46% | 19% | 34% | |
| 1990 | 901Q | | \$60,700,000 | (0.49%) | (0.49%) | | | 53% | 22% | 25% | |
| | 902Q | | \$61,700,000 | 1.66% | 1.15% | | | 64% | 15% | 20% | |
| | 903Q | | \$62,200,000 | 0.81% | 1.97% | | | 64% | 19% | 17% | |
| | 904Q | | \$63,400,000 | 1.93% | 3.93% | 27.93% | | 47% | 10% | 43% | |
| 1991 | 911Q | | \$64,700,000 | 2.05% | 2.05% | | | 63% | 15% | 22% | |
| | 912Q | | \$64,500,000 | (0.31%) | 1.74% | | | 59% | 17% | 24% | |
| | 913Q | | \$67,800,000 | 5.12% | 6.94% | | | 60% | 13% | 21% | |
| | 914Q | | \$66,007,049 | (2.54%) | 4.11% | 33.18% | | 77% | 15% | 8% | |
| 1992 | 921Q | | \$65,862,545 | 1.27% | 1.27% | | (\$986,000) | 73% | 19% | 8% | |
| | 922Q | | \$67,515,221 | 2.68% | 3.95% | | (\$110,751) | 68% | 22% | 10% | |
| | 923Q | | \$69,584,295 | 3.06% | 7.08% | | | 65% | 24% | 10% | |
| | 924Q | | \$70,437,590 | 1.38% | 8.54% | 44.56% | (\$109,825) | 65% | 24% | 11% | |
| 1993 | 931Q | | \$69,747,843 | 4.30% | 4.36% | | (\$3,760,000) | 64% | 25% | 11% | |
| | 932Q | | \$70,821,895 | 2.20% | 6.54% | | (\$461,856) | 63% | 26% | 11% | |
| | 933Q | | \$69,899,285 | 3.51% | 10.07% | | (\$3,406,013) | 62% | 29% | 9% | |
| | 934Q | | \$71,909,417 | 0.30% | 10.36% | 59.53% | \$1,800,000 | 63% | 29% | 8% | |
| 1994 | 941Q | | \$64,408,447 | (2.41%) | (2.41%) | | (\$5,767,553) | 66% | 34% | 0% | |
| | 942Q | | \$63,159,896 | (1.82%) | (3.59%) | | (\$208,486) | 65% | 32% | 3% | |
| | 943Q | | \$63,552,217 | 2.20% | (1.87%) | | (\$1,000,000) | 65% | 30% | 5% | |
| | 944Q | | \$63,445,762 | (1.41%) | (3.26%) | 54.33% | \$791,652 | 63% | 29% | 8% | |
| 1995 | 951Q | | \$62,893,595 | 4.66% | 4.66% | | (\$3,437,193) | 64% | 34% | 2% | |
| | 952Q | | \$65,381,947 | 4.39% | 9.45% | | (\$384,289) | 59% | 33% | 8% | |
| | 953Q | | \$61,178,450 | 2.51% | 12.20% | | (\$5,783,268) | 65% | 32% | 3% | |
| | 954Q | | \$61,277,786 | 1.05% | 13.37% | 74.97% | (\$535,735) | 62% | 35% | 3% | |
| 1996 | 961Q | | \$58,135,662 | 1.48% | 1.48% | | (\$4,279,046) | 67% | 33% | 0% | |
| | 962Q | | \$28,311,732 | 2.24% | 3.74% | | (\$31,104,591) | 30% | 28% | 42% | |
| | 963Q | | \$32,225,893 | 2.96% | 6.94% | | \$3,000,000 | 65% | 35% | 0% | |
| | 964Q | | \$33,795,168 | 4.86% | 12.04% | 96.04% | \$0 | 61% | 39% | 0% | |
| 1997 | 971Q | | \$55,202,707 | (0.79%) | (0.79%) | | \$21,900,000 | 67% | 33% | 0% | |
| | 972Q | | \$58,427,384 | 5.85% | 5.01% | | | 63% | 37% | 0% | |
| | 973Q | | \$60,193,820 | 3.17% | 8.34% | | | 59% | 42% | 0% | |
| | 974Q | | \$59,537,001 | (0.98%) | 7.29% | 110.33% | | 64% | 35% | 1% | |
| 1998 | 981Q | | \$63,149,850 | 6.19% | 6.19% | | | 63% | 38% | 1% | 4% |
| | 982Q | | \$64,179,857 | 1.63% | 7.92% | | | 61% | 35% | 0% | 4% |
| | 983Q | | \$59,988,926 | (8.66%) | 0.73% | | | 56% | 39% | 1% | 4% |
| | 984Q | | \$64,743,867 | 7.92% | 8.71% | 128.64% | | 56% | 39% | 1% | 4% |
| 1999 | 991Q | | \$65,672,947 | 1.44% | 1.44% | 131.93% | | 56% | 39% | 1% | 4% |

X0002557

TENDIN INVESTMENTS LTD

- FORMALLY ESTABLISHED 1985, BUT PBG CONTACT/SERVICES GO BACK TO BRANCH OPENING IN '76 (ROGERS/THORNTON).
- BAHAMAS CUSTOM TRUST + PRIVATE INVESTMENT COMPANY (PACT).
- CONSERVATIVE BALANCED INVESTMENTS, AS OF 5/95, \$ 62.8 MM, IN VARIOUS PORTFOLIOS: FRN, US FIXED INCOME, INTERNATIONAL FIXED INCOME, BALANCED GROWTH, INTERNATIONAL EQUITIES, EUROPEAN ENTERPRISE, 64 PCT BONDS, 34 PCT STOCKS, 2 PCT CASH.
- OUTSTANDING LOAN: \$ 36.6 MM (LIBOR + 1.25 %)
CONSOLIDATION OF SEVERAL LOANS (COLLATERALISED AGAINST THE ABOVE INVESTMENTS) TAKEN FOR LOCAL LIQUIDITY NEEDS.
SEMI-ANNUAL REPAYMENT OF 10 PCT OF PRINCIPAL.
- PROFITABILITY:
MAY 1995: \$ 385 M
1994: \$ 1.163 MM
1993: \$ 1.491 MM

REDACTED

- RELATIONSHIP IS MANAGED FROM PBG NEW YORK (ALAIN OBER, SAL MOLLIKA) WITH ACTIVE AND ONGOING COORDINATION WITH AFRICA GLOBAL MARKET MANAGEMENT (C. ROGERS) AND WITH CCO GABON (R. THOMSON). CLIENT IS VISITED THREE TIMES A YEAR. AS A SENSITIVE RELATIONSHIP, IT IS REVIEWED FORMALLY AT LEAST ONCE A YEAR WITH ED MONTERO, DIVISION HEAD. CURRENTLY, THE RELATIONSHIP IS GOOD.
- FULL AUDIT COMPLIANCE CHECK RECENTLY COMPLETED SATISFACTORILY AS A RESULT OF EMEA DIVISIONAL "PRODUCT SUITABILITY - CUSTOMER PROFILE" REVIEW.

X0004318

Senate Permanent Subcommittee
On Investigations
EXHIBIT # 32 d.

Client File [966241 TENDIN INVESTMENTS LTD. PC-2623N 1] Client Profile Form

Summary

Name: TENDIN INVESTMENTS LTD. PC-2623N Expense Code: 00565 COID: 5000
TENDIN INVESTMENTS LTD. PC-2623N Domicile: Bahamas
☐ Prospect Segment: A: Trgt AUM>\$1MM CNR>\$10M; HI CNR Gr Pot Client Number: 966241

Bankers

Name: ALAIN OBER Banker ID: 0A02
 Title: Private Banker Type: Primary Banker Team ID: MEND4
 Division: PBG - WH Required: Yes
 Phone: (212) 559 - 9194 Ext. _____ Stunt Display: 1st Line
 Fax: (212) 793 - 6493 Ext. _____ Source: Client / Account

Client Telephones

1 () - Ext. _____ Type: Business Telephone

 1 () - Ext. _____

 1 () - Ext. _____

 1 () - Ext. _____

 1 () - Ext. _____

 1 () - Ext. _____

 1 () - Ext. _____

REDACTED

Business Data

Company Name: _____ ☐ Own Business
Date Started: _____

Nature Of Business: HEAD OF STATE FOR OVER 25 YEARS

Any Useful Details/Changes Anticipated:

Source of Wealth / Business Background: Self-Made
AS A RESULT OF POSITION. COUNTRY IS OIL PRODUCER.

Partners
(None)

Contacts

Name: _____ 1 (____) _____ - _____ Ext. _____
Information: _____ Function: Unspecified

C/O CITITRUST (BAHAMAS) LTD./P. O. BOX N-1576
NASSAU, BAHAMAS ATTN: DONELLE KNOWLES, T.O.

Name: _____ 1 (____) _____ - _____ Ext. _____
Information: _____ Function: Unspecified

Name: _____ 1 (____) _____ - _____ Ext. _____
Information: _____ Function: Unspecified

X 002448

STRICTLY CONFIDENTIAL - NOT FOR
CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF
ONLY

Client File [966241 TENDIN INVESTMENTS LTD. PC-2623N 1] Client Profile Form

Special Considerations

Business/Professional:

PAST HEAVY BORROWING USED TO FINANCE LAST REELECTION CAMPAIGN

(liquidity needs, new business, future credit needs, standing instructions)

Personal:

(retirement, educational needs, special care, taxes, standing instructions)

Citicorp Major Business Opportunities

Immediate Needs:

GROWTH AND INCOME

Long Term Needs:

PACT TO BENEFIT WIFE AND CHILDREN

Strategy:

Products at PBG and Elsewhere

| | Uses at PBG | Past User at PBG | Uses at Other Inst | Interested in Prod. | Averse to Prod. | Estimated AUM |
|------------------|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------|
| BANKING | | | | | | |
| Checking | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| USD Money Market | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| FX Money Market | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| FIDUCIARY | | | | | | |

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Client File [966241 TENDIN INVESTMENTS LTD. PC-2623N 1] Client Profile Form

Products at PBG and Elsewhere (continued)

| | | | | | | |
|--------------------------|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------|
| Trust | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| PKC | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| PACT | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 62,000,000 |
| Estate Planning | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| INVESTMENT | | | | | | |
| Managed Equity | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| Managed Fixed Income | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| Managed Combo | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| Managed Intl. Equity | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| Managed Intl. Fixed Inc. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| Managed Intl. Combo | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| Performance Portfolio | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| Custody | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| Precious Metal | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| Real Estate | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| Mutual Funds | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| USD Time Deposits | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| FX Time Deposits | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| INVESTMENT ADVISORY | | | | | | |
| M and A | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |
| Debt/Equity Swap | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | \$ 0 |

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Client File [966241 TENDIN INVESTMENTS LTD. PC-2623N 1] Client Profile Form

Operational Considerations/Cautions

SECURITY IS VERY IMPORTANT. MAIN CONTACT IS PERSONAL ASSISTANT, LAURE G.

Last Updated By

| | | |
|-------------------------|------|---------------------------|
| ALAIN OBER | | PSG - WH |
| Private Banker | 0A02 | Europe/Middle East/Africa |
| (212) 559 - 9194 Ext. | | Last Revised: 08/12/1996 |

X0002454

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Client File [966241 TENDIN INVESTMENTS LTD. PC-2623N 1] Client Profile Form

Business Data

Company Name: _____ ☐ Own Business
Date Started: _____

Nature Of Business: HEAD OF STATE FOR OVER 29 YEARS

Any Useful Details/Changes Anticipated: _____

Source of Wealth / Business Background: Self-Made

PRESIDENT OF AFRICAN OIL PRODUCING COUNTRY FOR 30 YEARS. WEALTH CREATED AS A
RESULT OF POSITION AND CONNECTION TO FRENCH OIL COMPANIES (ELF) SINCE COUNTRY IS
MAJOR OIL SUPPLIER TO FRANCE. WEALTH INVESTED IN REAL ESTATE LOCALLY AND IN
FINANCIAL INSTRUMENTS OVERSEAS. IT IS BELIEVED THAT SUBJECT THROUGH AFFILIATED
ENTITIES RETAINS OWNERSHIP IN MANY OIL RELATED VENTURES IN THE COUNTRY WHICH
OVER THE PAST 30 YEARS RESULTED IN SIGNIFICANT ACCUMULATION OF WEALTH ESTIMATED
AT \$200MM. OF THAT ABOUT \$100MM IS INVESTED OVERSEAS WITH FRENCH AND OTHER
INTERNATIONAL BANKS. THE RELATIONSHIP WITH CITIBANK DATES BACK TO 1970. THE
AMOUNT INVESTED CURRENTLY HAVE BEEN STABLE OVER THE PAST 10 YEARS WITH MINIMAL
IN OR OUT FLOW. HOWEVER SUBJECT HAS USED HIS HOLDINGS TO BORROW AGAINST, BUT
ALL LOANS WERE REPAYED DURING JULY '96 GIVEN THE INTEREST AND MARKET RETURN
CRITERIA. THE FUNDS AT CITIBANK ARE LONG TERM INVESTMENTS WITH DESCRIPTION
GIVEN TO CITIBANK TO BEST PLACE THOSE FUNDS WITH A MODERATE RISK PROFILE.
INFORMATION ON PRESIDENT IS VERY MUCH COVERED BY THE LOCAL MEDIA (OPPOSITION
PRESS). PRESIDENT IS ALSO A LOCAL CLIENT OF OUR CITIBANK BRANCH.

Partners

(None)

Contacts

Name: _____ 1 () _____ Ext. _____
Information: _____ Function: Unspecified

C/O CITITRUST (BAHAMAS) LTD./P. O. BOX N-1576
NASSAU, BAHAMAS ATTN: DONELLE KNOWLES, T.O.

Name: _____ 1 () _____ Ext. _____
Information: _____ Function: Unspecified

X0004328

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FULL PROFILE (individual): CLIENT/ACCOUNT HOLDER or RELATED ACCOUNT HOLDER

Profile On: Client (PBG Definition) ☒ Other Account Holder ☐
Related Account Holder ☐

| | |
|--|-----------------------------------|
| Name: <u>Omar BONGO</u> | Private Banker: <u>ARON OBER</u> |
| Primary Address: (for KYC Purposes only) <u>Présidence de la République</u> | Banker Location: <u>CCC/16/14</u> |
| <u>B.P. 546</u> | Market Region: <u>EMEA</u> |
| <u>Libreville</u> | Business: |
| <u>GABON</u> | Nationality: <u>Gabonese</u> |
| Phone: <u>241 - 72 77 12</u> | Legal Domicile: <u>Gabon</u> |

Name & Relationship to Primary Client: (for Related Account Holders)

Name of Client: _____ Personal/Business
Relationship to Client: _____

SDN Check: Name Not Found ☒
Special Status: No Special Status ☐ Special Name? ☐
Public Figure? ☒ Employee? ☐
Non-Target Market ☐ Money Manager? ☐
Client ☐

Detail: (if special status is indicated)
Head of State (GABON)

Identification: [See Appendix A of the KYC Policy. Documentation must be on file]

| Type | Country | State/Province | ID Number | Valid Until (expiration) |
|---|---------|----------------|-----------|--------------------------|
| <u>Waived in 1970 (opening of the account)</u> | | | | |
| <u>Client was already client of CITIBANK, Libreville (GABON)</u> | | | | |
| <u>Cover photo of Omar Bongo ("Jeune Afrique" magazine) attached.</u> | | | | |

References: Verbal (complete & in documentation file) ☐ Written (& in documentation file) ☐

| Type* | Name | Date | Area/Location |
|------------|------|------|---------------|
| <u>N/A</u> | | | |
| Results: | | | |

Verbal (complete & in documentation file) ☐ Written (& in documentation file) ☐

| Type* | Name | Date | Area/Location |
|-------|------|------|---------------|
| | | | |

X0006695

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FULL PROFILE (Individual): CLIENT/ACCOUNT HOLDER OR RELATED ACCOUNT HOLDER

RELATIONSHIP Structure: [Not for Related Account Holders]

| Individual or Entity Name | Personal Relationship | Account Holder Relationship* | Individual or Entity Name | Personal Relationship | Account Holder Relationship* |
|---------------------------|-----------------------|------------------------------|---------------------------|-----------------------|------------------------------|
| T. L. B. Investments | — | Gen. Owner | | | |
| OS | — | Gen. Owner | | | |
| | | | | | |
| | | | | | |

*Related or joint account holders; authorized signers, owners/principals of entities in the relationship (own 25% or more)

Sources of Wealth, Past and/or Present:

- Inherited Wealth ☐ Investor ☐
 Top Executive ☐ Professional or Public Figure ☒
 Business Owner ☐

Detail: [Use back or attach additional pages- see table below and end of profile for detail prompts]

SL 1771010 D

Table below is optional and for your convenience. Fill out details of each company in the text section above.

| Company Name | Title/Position | % Owned (if any) | Since |
|--------------|----------------|------------------|-------|
| | | | |
| | | | |
| | | | |

Occupation: Is the individual engaged in any of the following occupations? Please check all applicable:

- | | |
|--|---|
| <input type="checkbox"/> Travel Agencies | <input type="checkbox"/> Real Estate Brokers |
| <input type="checkbox"/> Casinos | <input type="checkbox"/> Art & antique dealers |
| <input type="checkbox"/> Import/Export Companies | <input type="checkbox"/> Broker/Dealers |
| <input type="checkbox"/> Jewel/gems/precious metal dealers | <input type="checkbox"/> Leather goods stores |
| <input type="checkbox"/> Car/boat/plane dealerships | <input type="checkbox"/> Pawn Shops |
| <input type="checkbox"/> Textile businesses | <input type="checkbox"/> Custom jewelry exporters |
| <input type="checkbox"/> Telemarketers | |
| <input type="checkbox"/> Sole practitioner (or small, little known law firms) | |
| <input type="checkbox"/> Wholesalers and retailers of consumer electronics | |
| <input type="checkbox"/> Used truck/auto/machine part manufacturers or dealers | |
| <input type="checkbox"/> Cash intensive business (i.e., restaurants, retail stores, parking garage, stadiums, movie theaters, etc.) | |
| <input type="checkbox"/> Off-shore corporations (or their subsidiaries) and banks set up in tax and/or secrecy havens | |
| <input type="checkbox"/> Non-Traditional Financial Entities (Currency Exchange Houses (Casas de Cambios, Giro Houses) Money Transmitters, Check Cashers, FX Houses, Remittance Services) | |
| <input type="checkbox"/> None of the above | |

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FULL PROFILE (individual): CLIENT/ACCOUNT HOLDER OR RELATED ACCOUNT HOLDER

Relationship Team:

| Name | Function & Location | Name | Function & Location |
|-----------------|--|------|---------------------|
| Akin OBER | Private Banker/ CCC/16 | | |
| Huwahak Bibi | Supervisor CCC/16 | | |
| Amer Nima | Back-up Banker/ CCC/16 | | |
| Aida Charnas | Service Officer/ CCC/16 | | |
| Lisa de Gregory | Product Specialist/ C/H/Neat Schornas | | |
| | | | |

Financial Summary:

| Categories | Amount (USD 000's) | Other Categories | Amount (USD 000's) |
|-------------------|--------------------|------------------|--------------------|
| Total Assets | \$ 200,000 | | |
| Total Liabilities | 0 | | |
| Net Worth | \$ 200,000 | | |
| Current Income | 20,000 | | |
| | | | |
| | | | |

Additional Financial Information:

The above information is conservatively understated since it is extremely difficult to obtain precise information because of the identity of our client. Breakdown of income sources (Residency, oil related, other businesses) cannot be provided.

Other Citibank Relationships:

| Contact Name | Phone | Citibank Area | Location | Account Type |
|---------------|----------|---------------|-------------------|--------------|
| Fernando Havi | 44434501 | PBG | Paris | |
| Nahad Siliba | 730383 | Branch | Libreville, GABON | |
| | | | | |
| | | | | |

Detail:

X006697

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EL HADJ OMAR BONGO

El Hadj Omar Bongo (OB) is President of Gabon since 1967 (he is running for reelection 12/98):

- o born 1935 (Gabon).
- o 1962-65: Chief of Staff of Gabon's first President, Leon Mba.
- o 1965-66: Minister of Defence and Coordination.
- o Since 1967: elected President of the Gabonese Republic and reelected several times (with the blessing of the French Government). Gabon is considered a multi-party democracy.

Married to Josephine Kama (1959), three children (Albertine - deceased -, Ali Ben and Pascaline). 1990, second marriage to Edith Sassou Nguesso, daughter of the President of the Congo (ex. French), two young children. Josephine is now pursuing a career as a pop singer under the name of Patience Dabany (she resides in Los Angeles).

Created wealth is conservatively estimated in excess of \$200 MM. As head of State, in excess of \$100 MM of the State Budget (= 8%) are put at OB's disposal on a yearly basis to cover all expenses related to the Presidency. Moreover, a major part of his wealth is invested in the major sectors of the economy (timber, oil) and real estate (Gabon, France). Gabon is a major oil producer. The major oil company is Elf Gabon (owned by France, Gabon and some Gabonese - including OB -) which exports production to France. The Bongo family are major personal shareholders of Elf Gabon (Pascaline Bongo, currently Chief of Staff of the President, is Chairman of the Board of Elf Gabon). Besides Elf Gabon, known majority shareholdings of OB include: CIE (rice distribution), Societe Grant 241 (GM car dealership), SISAG (salt) and FIBA (Banque Francaise Intercontinentale). FIBA has offices in Libreville, Brazzaville and Paris. The Bongos are majority shareholders while Elf is the minority shareholder.

Of total estimated wealth, half is invested overseas with French (FIBA, Paribas) and other international banks. The relationship with Citibank N.Y. dates back to 1970 (personal account, then fiduciary account in the Bahamas). Invested amount has been relatively stable over the last decade, with minimum in or outflows. OB is a balanced investor (several portfolios in New York and London). Several years ago, he used his holdings as collateral for borrowing, but the outstandings were finally repaid in 1996 when the differential interest rate/portfolio return was not any more in his favor. OB is also a client of PBG Paris and Citibank Libreville, Gabon.

Information on President Bongo is readily available from the Gabonese (especially from the Opposition parties newspapers) and French media. Alain Ober visits OB three times a year since 1991 (all call reports are in client's file).

OB is also holder of the Special Name account "OS" (985345), opened in 1995 to receive the proceeds of a private oil related transaction.


Other Bongo family members have currently accounts at PBG New York: Edith Bongo-Sassou, his wife and Pascaline Bongo, his daughter.

Late 1996 and early 1997, this relationship was examined in depth by the Federal Reserve and the O.C.C. The relationship is reviewed and approved every year by the Head of the Private Bank, the Head of EMEA, the Market Manager for Africa and the N.Y. EMEA Vice President.

X 006698

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KYC CLIENT ACCEPTANCE CHECKLIST
98348400

CITIBANK 
THE CITIBANK PRIVATE BANK
LONDON

UBN 301605 Doc No. # 111
Doc Date 16/11/98 Subject FULL PROFILE **FORM 1**
Comments 1-17
Sender ADU

Client Name TENDIN INV'S UBN 301605

PUBLIC FIGURE - Omar Bongo, President of Gabon Where Documented

Opening Diary Note must clearly describe the circumstances that makes a prospect a public figure **KYC 9.2**

Note: - Public Figures may not be Isolators

Private Banker must notify the following:-

1. For non-US prospects or clients: the Country Corporate Officer for UK/Ci **KYC 10.1**

Please send David Richards a citimall and he will notify Michael Kirkwood

OR

2. For US prospects or clients: the Corporate State Officer for the state where the account is booked

AND

If UK/Ci is not prospect's domicile: Market Region Head for UK/Ci, Philippe Hotterbeke

PLEASE ATTACH COPIES OF NOTIFICATIONS IN ALL CASES

☐ DONE

EXISTING PUBLIC FIGURES - PART OF ANNUAL REVIEW SUBMITTED TO EXECUTIVE COMMITTEE.

☐ NOTIFIED

OR

☐ NOTIFIED

AND

☐ NOTIFIED

IN ALL CASES, SUPPORTING DOCUMENTATION MUST BE ATTACHED.
IF ALL THE ABOVE HAVE BEEN SATISFIED, A CLIENT WILL BE APPROVED BY:-

Private Banker see attached A01/56 PRINT NAME SIGN DATE

By signing this you are confirming that the above information has been collected and has been verified by you in accordance with approved Citibank procedures.

Private Banker's Supervisor see attached will PRINT NAME SIGN DATE

By signing this you are confirming that you have read the attached information and are satisfied with its contents.

Global Market Manager see attached CCH PRINT NAME SIGN DATE

(Where client is domiciled)

Investment Center Head A. A. Edouard Johnson PRINT NAME SIGN DATE

(unless client is UK domiciled)

Market Region Head see attached PRINT NAME SIGN DATE

(client's domicile)

To be kept under close review

X0006320

ADU QUALITY ASSURANCE APPROVAL Donna Adams SIGN DATE 16/11/98

Donna Adams
Manager

check - 16/12/97

REVIEWED ANNUALLY
BY HEAD OF PRIVATE
BANK, HEAD OF EMEA,
NY EMEA VP.

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EXISTING CLIENT KYC APPROVALS

| | | | |
|---|--|--|---|
| DATE | <u>14/9/98</u> | | |
| CA Review Date (if applicable) | <u>N/A</u> | | Interim Review <input type="checkbox"/> |
| Next Review Date | <u>N/A</u> | | Annual Review <input type="checkbox"/> |
| Name of Account: | <u>TENDIN INVESTMENTS</u> | USN | <u>301605</u> |
| Name of Individual (if relevant) | <u>OMAR BONGO</u> | Market Domicile | <u>GABON</u> |
| Status: | Account Holder (Full Profile) <input checked="" type="checkbox"/> Related Acct. Holder (Partial Profile) <input type="checkbox"/> Joint Acct. Holder (Full Profile) <input type="checkbox"/> Authorised Signer (Basic Information) <input type="checkbox"/> Beneficial Owner (Full Profile) <input type="checkbox"/> | | |
| | <u>No P/P.</u> | | |
| Status: | Standard <input type="checkbox"/> Public Figure <input checked="" type="checkbox"/> Non-Target Market (if applicable) <input type="checkbox"/> | Special Name <input type="checkbox"/> Employee <input type="checkbox"/> Money Manager <input type="checkbox"/> | |
| Private Banker | <u>PAM - ALAN DEER</u> | | Location <u>NEW YORK.</u> |
| Approvals: (signature and printed name) | | | |
| Private Banker | <u>LONDON ALO</u> (signature) | <u>SHARON BARK</u> (print name) | <u>14/9/98</u> (date) |
| Supervisor | <u>W. Rodger</u> (signature) | <u>W. Rodger</u> (print name) | <u>4/11/97</u> (date) |
| Quality Assurance | <u>Christopher L. ROBERTS</u> (signature) | <u>Christopher L. ROBERTS</u> (print name) | <u>15/11/98</u> (date) |
| Global Market Manager (if applicable) | <u>Christopher L. ROBERTS</u> (signature) | <u>Christopher L. ROBERTS</u> (print name) | <u>15/11/98</u> (date) |
| Investment Centre Head (if applicable) | <u></u> (signature) | <u></u> (print name) | <u></u> (date) |
| Market Region Head (if applicable) | <u></u> (signature) | <u></u> (print name) | <u></u> (date) |

X0006321

Transaction Profile

CITIBANK
THE CITIBANK PRIVATE BANK - London

| | |
|---|-----------------------|
| UBN: TENDIN INVESTMENTS | Account Title: 331805 |
| Is this UBN to be placed on the Transaction Monitor List? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | |
| If yes please tick reason(s) | |
| <input checked="" type="checkbox"/> Public Figure <input type="checkbox"/> Special Name <input type="checkbox"/> Employee <input type="checkbox"/> Money Manager <input type="checkbox"/> HAM Agmt missing <input type="checkbox"/> Other (please specify) _____ | |
| Provide a detailed summary of how this account (UBN) is going to be used overall. If possible, include a breakdown of transactional activity. (attach a separate memorandum if necessary): | |
| BO is president of Gabon. Large investment portfolio; \$8.5MM in GBA and \$34MM in FGP. No inflows/outflows. BO does not liaise with London, but with is PAM in New York. | |

The following sections refer to Incoming and Outgoing transactions i.e. cash deposits; cash withdrawals, cheques in/out; funds transfers in/out. (include payments to/from other UBNs within the London Booking Centre)

| | |
|--|--|
| Expected number of incoming transactions monthly <input checked="" type="checkbox"/> 0 - 15 <input type="checkbox"/> 16 - 25 <input type="checkbox"/> 26 - 50 <input type="checkbox"/> over 50 | Expected number of outgoing transactions monthly <input checked="" type="checkbox"/> 0 - 15 <input type="checkbox"/> 16 - 25 <input type="checkbox"/> 26 - 50 <input type="checkbox"/> over 50 |
| Expected monthly total value (USD) of incoming transactions: <input type="checkbox"/> \$0 - \$50M <input type="checkbox"/> \$51M - \$100M <input type="checkbox"/> \$101M - \$250M <input type="checkbox"/> \$251M - \$500M <input type="checkbox"/> \$501M - \$1MM <input checked="" type="checkbox"/> over \$1MM | Expected monthly total value (USD) of outgoing transactions: <input type="checkbox"/> \$0 - \$50M <input type="checkbox"/> \$51M - \$100M <input type="checkbox"/> \$101M - \$250M <input type="checkbox"/> \$251M - \$500M <input type="checkbox"/> \$501M - \$1MM <input checked="" type="checkbox"/> over \$1MM |
| Private Banker: SHARON BAHL print name and sign <i>Sharon Bahl</i> | Date: 11-9-98 |
| Supervisor: W. GORDON RODGERS print name and sign <i>W. Gordon Rodgers</i> | Date: 4/11/98 |

Upon completion, forward to: Transaction Monitoring Unit, Griffin House

X0006326

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HWIS466.DOC/11/09/98/1

| Extended Entity Profile (including KYC) | | | | |
|---|---|------------------------------|--|------------------------|
| Information On | Tendin Investments | | Relationship Name | Tendin Investments |
| Relationship Structure | | | | |
| Member Name | Account Holding Relationship | | | |
| Relationship Team Members | | | | |
| Name | Role | | | |
| Bahl Sharon | Lead Banker | | | |
| Dajani Munib | Banker (Backup) | | | |
| Ahmed Naveed | Banker (Backup) | | | |
| Marsden Dion | Service Officer | | | |
| Myers Debra | Administrator | | | |
| Jennings Belma | Service Officer | | | |
| Burke Karen | Administrator | | | |
| Relationship Info | | | | |
| Status: | Active Rel. Head | Entity Category: | | |
| Market Region: | EMEA | Country: | | |
| Market Segment | Global: Business Owner | Regional: | Local: | |
| Based on DDC or Profile from Elsewhere? | | From: | | |
| Dates | | | | |
| Rel Since | Rel Initiation (Sys) | Became Lead | Became Prospect | Became Active Rel Head |
| | 05/27/1999 | | | |
| Relationship Source | | | | |
| Source: | Paid Referral Agent: _____ | | | |
| Detail: | Citibank New York | | | |
| Present Relationship Value (US\$000) | | | | |
| AUM in 12 Mo.: | AUM in 24 Mo.: | | | |
| CNR in 12 Mo.: | CNR in 24 Mo.: | | | |
| Notes: | Alain Ober (PAM), Citibank New York Tel: 00 1 212 559 9194 | | | |
| Entity Detail | | | | |
| Legal Name | Tendin Investments | Private Banker: | Sharon Bahl | |
| Directory Name | Tendin Investments | Banker Location: | | |
| Entity Category (Rel Head Only): | | | | |
| Entity Type: | PIC | | | |
| Address: | Cititrust Bahamas PO Box N-1576 Nassau Bahamas | | Rel to Rel Head: | |
| Phone: | | | | |
| Contact: | Alain Ober (New York PAM) | | Contact Phone: | |
| Detail: | | | | |
| Account Holding Relationship to Rel Head: | | | | |
| Country of Formation: | Gabon | State/Province of Formation: | STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION SUBCOMMITTEE MEMBERS AND STAFF ONLY | |

X0006301

06/09/1999 10:02:28

X 0006302

| Information On | Tendin Investments | Relationship Name | Tendin Investments |
|---|--|-------------------|--------------------|
| | <p>(salt) and FIBA (Banque Francaise Intercontinentale). FIBA has offices in Libreville, Brazzaville and Paris. The Bongos are majority shareholders while Elf is the minority shareholder.</p> <p>Of total estimated wealth, half is invested overseas with French (FIBA, Paribas) and other international banks. The relationship with Citibank NY dates back to 1970 (personal account, then fiduciary account in the Bahamas). Invested amount has been relatively stable over the last decade, with minimum in/out flows. OB is a balanced investor (several portfolios in New York and London). Several years ago, he used his holdings as collateral for borrowing, but the outstandings were finally repaid in 1996 when the differential interest rate/portfolio return was no longer favourable. OB is also a client of PBG Paris and Citibank Libreville, Gabon.</p> <p>Information on President Bongo is readily available from the Gabonese (especially from the Opposition parties newspapers) and French media. Alain Ober visits OB three times a year since 1991 (all call reports are in client's file in NY).</p> <p>OB is also holder of a Special Name account "OS" (985345), opened in 1995 in New York to receive the proceeds of a private oil related transaction.</p> <p>Other Bongo family members have accounts at PBG New York: Edith Bongo-Sassou, his wife, and Pascaline Bongo, his daughter.</p> <p>Late 1996 and early 1997 this relationship was examined in depth by the Federal Reserve and the OCC (Office of the Controller of the Currency). The relationship is reviewed and approved every year by the Head of the Private Bank, the Head of EMEA, the Market Manager for Africa and the NY EMEA Vice President.</p> <p>Source of funds is covered above.</p> <p>PBG NY A/C No. : 10215064 - Attn Alain Ober, who is the PAM, in partnership with Chris Rogers.</p> <p>Large GBA portfolio, managed by Mary Fleming in London. Substantial additional assets with PBG New York.</p> <p>Trust run out of Citi Bahamas. Primary relationship manager, Alain Ober in PBG New York, to whom we extend a TPC backed by clients GBA.</p> <p>Extremely profitable relationship to PBG and other centres</p> <p>Our relationship here is purely reactive and governed by the PAM.</p> <p>Investment PAM relationship. KYC provided by NY PAM 26/8/98 Investment account. No relationship to other clients.</p> | | |
| References | | | |
| References on File : | | | |
| References Comments: | | | |
| Was the entity sourced? | | | |
| Source of initial account funding? | | | |
| How does the entity expect to use the relationship? | | | |
| How was the information on this entity obtained? | | | |
| If PIC/Trust: Purpose of PIC/Trust? | | | |
| Additional Information | | | |
| 301605 | | | |
| no contact with the client; in London. Wealth Management by PAM in New York | | | |
| Key Info | | | |
| Status(For Rel. Head Only): Active Rel. Head | | | |
| Expense Code: | Affinity Group: | | |
| Dates | | | |

Client File [985359 OS 1] Relationship Inquiry Form

CPS

Client Summary

OS 1 Non-Individual PBG Client COID: 5000
 OS Expense Code: 00565
 CATS: CitiGold: N/A Enrolled: 10/25/1995
 Tracking Code: A: Trgt AUM>\$1MM CNR>\$10M; Hi CNR Gr Pot SSN:
 Fiduciary Rel.: No Marketing Domicile: Gabon

Telephone Numbers

1 () - Ext. Primary residence
727711
 1 () - Ext. Primary residence
740710
 1 () - Ext. Primary residence
763317

Account Summary

US\$ Client Assets: 1,097,625.28 US\$ Client Liab.: 0.00 COID: 5000

Entitlement Group: 98535901 Title: OS

10359148 NY DDA Individual 80 \$ 3,515.07

37024284 Nassau TD 370 \$ 1,094,110.21

Related Open Accounts

US\$ Client Assets: 1,097,625.28 US\$ Client Liabilities: 0.00

10359148 New York DDA Individual 80 Active
 PBG Client COID: 5000 Exp: 00565 05/14/1999 \$ 3,515.07

37024284 Nassau U.S. Dollar TD 370 Active
 PBG Client COID: 5000 Exp: 00565 05/13/1999 \$ 1,094,110.21

X0003340

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Client File [985359 OS 1] Relationship Inquiry Form

Banker Team

Team ID: MEN04 Team Desc.: EMEA - MIDDLE EAST - NEW YORK
Source: Client / Account Stmt Print: Yes Actual # of Bankers: 1

Bankers

Name: ALAIN OBER Banker ID: OA02
Title: Private Banker Type: Primary Banker Team ID: MEN04
Division: PBG - WH Required: Yes
Phone: (212) 559 - 9194 Ext. Stmt Display: 1st Line
Fax: (212) 793 - 6493 Ext. Source: Client / Account

Client Addresses

C/O SAMUEL DOSSOU-AWORET
CP7Z Tie: 1 COID: 5000
Usage: Business Address
CH-1211 GENEVA 21 Effective: 08/06/1996
Switzerland Expires: NONE

PRESIDENCE Tie: 1 COID: 5000
Usage: Primary Residence
LIBREVILLE Effective: 03/24/1998
Gabon Expires: NONE

Related Clients

SAMUEL DOSSOU AWORET Client Group
EL HADJ OMAR BONGO Client Group

Contacts

Name: 1 () - Ext.
Information: Function: Unspecified
MAILING ADDRESS: HAM

X0003341

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Client File [985359 OS 1] Relationship Inquiry Form

Contacts (continued)

Name: _____ 1 () - _____ Ext. _____
Information: _____ Function: Unspecified
SPECIAL NAME AC FOR EL HADJ OMAR BONGO, PRESIDENT GABON

Related Statements

Statement: Primary Single Entitlement 985359010-0 COID: 5000
Mailing Name: OS Client Relationship: OWNER
Statement Name: _____

Borrowing Power Summary

Market Value: \$ 1,097,625.28
Loanable Value: \$ 1,094,110.21
Exposure: \$ 0.00
Surplus/Shortfall: \$ 1,094,110.21
Approved Line of Credit: *****
Borrowing Power: *****

BORROWING POWER
Amount is the Loanable Value of assets in
pledged Entitlement Groups under this
client number, less current exposure.

***** Cross-Collateral: Refer to
Credit Admin. for Details

Borrowing Power Details

| Ent Group | Market Value | Loanable Value | Exposure | Surplus/ Shortfall(-) | Credit Collat Relat. Out |
|--------------|-----------------|-------------------|----------|--------------------------|-----------------------------|
| 01 | \$ 1,097,625.28 | \$ 1,094,110.21 | \$ 0.00 | \$ 1,094,110.21 | Y Y |

Related Closed Accounts

38515829 Nassau CRA Individual 58 Purgable
PBG Client Ent. Group: _____ COID: 5000 Exp: 00565 Date Closed: 06/28/1996

37020179 Nassau U.S. Dollar TD 370 Closed
PBG Client Ent. Group: _____ COID: 5000 Exp: 00565 Date Closed: 03/04/1998

37020375 Nassau U.S. Dollar TD 370 Closed
PBG Client Ent. Group: _____ COID: 5000 Exp: 00565 Date Closed: 06/14/1996

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500

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Client File [985359 OS 1] Relationship Inquiry Form

| | | | | |
|--|----------------------------------|-------------------|-------------------|--------------------------------|
| <u>Related Closed Accounts (continued)</u> | | | | |
| <u>37022561</u> | <u>Nassau U.S. Dollar TD 370</u> | <u>Closed</u> | | |
| <u>PBG Client</u> | <u>Ent. Group:</u> | <u>COLD: 5000</u> | <u>Exp: 00565</u> | <u>Date Closed: 03/03/1997</u> |

X0003343

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ONLY

*Both references
waived as
AC holder is
already
client under
Cams 966241.*

ALAIN OBER, V.P.
CC/1611/10mg 14
Ext. 9194


OCT 24 1995

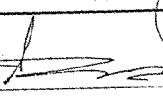
| REFERENCE FORM | |
|--|-----|
| THE CITIBANK PRIVATE BANK | |
| Date (MM/DD/YY) | / / |
| Name of institution | |
| Address | |
| Attn: Credit Manager | |
| Client Authorization | |
| I hereby authorize you to provide references and other information about any of my account(s) to Citibank, N.A., Sort 2230, New York, NY 10043, Attn: WH/DCU, RE: Ref. # | |
| Account title | |
| Account no. | |
| Name(s) | |
| Signature(s) X | |
| © 1994 Citibank, N.A. AC200C REF/SH/APP/OK 12/94 10M | |
| CITIBANK | |

| REFERENCE FORM | |
|--|-----|
| THE CITIBANK PRIVATE BANK | |
| Date (MM/DD/YY) | / / |
| Name of institution | |
| Address | |
| Attn: Credit Manager | |
| Client Authorization | |
| I hereby authorize you to provide references and other information about any of my account(s) to Citibank, N.A., Sort 2230, New York, NY 10043, Attn: WH/DCU, RE: Ref. # | |
| Account title | |
| Account no. | |
| Name(s) | |
| Signature(s) X | |
| © 1994 Citibank, N.A. AC200C REF/SH/APP/OK 12/94 10M | |
| CITIBANK | |

X0003353

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ONLY

| SIGNATURE CARD | |
|---|--|
| THE CITIBANK PRIVATE BANK | |
| Relationship Entitlement no. _____ | Current Account no. 10359148 |
| Relationship Title OS | |
| Print name below. Sign in box at right. | |
| Name El Hadj Omar Brigo |  |
| Title | |
| Name | |
| Title | |
| <input type="checkbox"/> Power of Attorney | Organization Signing Instructions <input type="checkbox"/> Singly <input type="checkbox"/> Any two <input type="checkbox"/> Other |
| If more than one individual, accounts are joint with right of survivorship. | |
| CITIBANK | |

| SIGNATURE CARD | |
|---|--|
| THE CITIBANK PRIVATE BANK | |
| Relationship Entitlement no. _____ | Current Account no. 10359148 |
| Relationship Title OS | |
| Print name below. Sign in box at right. | |
| Name El Hadj Omar Brigo |  |
| Title | |
| Name | |
| Title | |
| <input type="checkbox"/> Power of Attorney | Organization Signing Instructions <input type="checkbox"/> Singly <input type="checkbox"/> Any two <input type="checkbox"/> Other |
| If more than one individual, accounts are joint with right of survivorship. | |
| CITIBANK | |

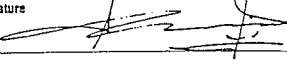
X0003354

Applicant Signatures

By signing this Application, you affirm that you have received and read this Application, the Terms and Conditions, Fee Schedules, and auxiliary forms for this relationship; and you agree to notify us of any changes in the information you provided. You agree to be bound by the Terms and Conditions as modified and amended over time, including provisions on funds transfer verification procedures, payment place for deposits, limited types of deposits with FDIC insurance, indemnifications, your grant of security interest to us, your submission to New York jurisdiction, and your waiver of jury trial, among others.

Please note: Securities, including shares of mutual funds, and other non-deposit investments purchased or held in Investment or Portfolio Management Accounts are neither obligations of, nor guaranteed by Citibank/Citicorp or any of their affiliates, are not FDIC insured, and are subject to investment risks including possible loss of the principal amount invested.

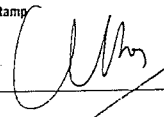
Individuals

| Print name | Signature | Date (MM/DD/YY) |
|----------------------|--|-----------------|
| ① El Hadj Omar BONGO | X  | OCT 24 1995 |
| ② | X | |
| ③ | X | |
| ④ | X | |

Organizations

| Print name and title | Signature by | Date (MM/DD/YY) |
|----------------------|--------------|-----------------|
| ① | X | |
| ② | X | |

Citibank Approvals

| Signature and stamp | Date (MM/DD/YY) | Verification |
|--|-----------------|--------------|
|  ALAIN OBER, VP CCC/ISFI / Zone 14 Ext. 9194 | OCT 24 1995 | |
| Prepared by | | |
| Approved by | | |

Internal Use

| | | |
|--|------------------------------|----------------------|
| Relationship Entitlement no. | Private Banker initials AOB | Salutation code |
| Expense code 0565 | Current Account no. 10359148 | Language code French |
| Country code 5241 | Marketing domicile GABON | Tax domicile GABON |
| Fee: <input type="checkbox"/> W <input type="checkbox"/> C Ref: <input type="checkbox"/> Ops <input type="checkbox"/> PB <input type="checkbox"/> O | | |
| Special instructions: Special name A/C - because of identity of A/C holder. AK holder has already PACT under name 966241. | | |

X0003355

In-Trust-for Information

Please provide the beneficiary information requested below.

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ONLY

Beneficiary's name

Home address

Place of birth

Date of birth (MM/DD/YY) / /

Relationship to account holder

Citizenship

Selections**Banking Services****Current Account**☒ No checkbook☐ No title on checkbook

Amount to be deposited \$ 300,000

Source of funds

Investment Services**Confirmation Waiver**For a complete explanation, see the Terms and Conditions section entitled, "Confirmations," under Investment Account. *Please check one only.*☒ No, you do *not* wish to receive individual confirmation of each securities or other transaction in your account; instead, you will receive confirmation of transactions through your monthly account statement.☐ Yes, you wish to receive written confirmations of each securities transaction in your account. If you have Hold All Mail, confirmations will be sent to your Release Address.**Shareholder Information Disclosure**Unless you direct us otherwise, government regulations require us to release your name, address, and share positions to companies in which you own voting shares, so these companies can communicate with you. *Please check one only.*☒ No, you do *not* agree to disclosure. We will *not* release this information.¹☐ Yes, you agree to disclosure. We *will* release this information.**Other Services**

Please check below to receive information on the following products and services.

- ☐ Investment Funds (Non-U.S.)²
- ☐ Trust and Private Investment Company
- ☐ Foreign Exchange³
- ☐ Derivatives⁴
- ☐ Art Advisory
- ☐ Real Estate Advisory
- ☐ Credit
- ☐ Life Insurance Referral⁴

¹ Selection will not be applicable to mutual funds held in managed accounts.² Available to non-U.S. residents/citizens only. Information and offering materials may only be delivered outside the U.S. or to a non-U.S. address.³ Subject to certain eligibility requirements.⁴ Insurance products offered by third parties. At your request, your name will be referred to an insurance broker, who may or may not be affiliated with us.

Y0003356

About This Relationship

Please indicate the type of account ownership you want to establish under this relationship.

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ONLY**Individuals**

- ☒ Individual accounts (one account holder)
☐ Joint accounts with right of survivorship (more than one account holder) ▶ ☐ In-Trust-for (applies only to certain deposits)
Beneficiary name

Relationship Last Name *Spiral name account**OS*

Relationship Title Please provide names for each account holder.

*El. Hadj Omar BONGO***Organizations** Please check one only.

- ☐ Corporation
☐ Trust
☐ Not-for-profit organization
☐ Other: (please specify partnership, unincorporated association, etc.)

Name

Organized under the laws of

Address

We will contact you at this address, unless you tell us to hold all mail (see below).

Mailing Address

HAM

Phone

Telex/Fax

Hold All Mail Service

- ☒ By checking this box, you formally request that we hold all mail for this relationship at our offices, as specified in the Terms and Conditions.
 You must provide a Release Address below.

Release Address

*40 Mr. Samuel Dossou-Aworet**CP 72**CH - 1211 Geneva 21**SWITZERLAND***Internal Use**

Relationship Entitlement no.

Date (MM/DD/YY)

X0003358

10359148

CITIBANK, N.A.
NEW YORK, NEW YORK

OCT 24 1995

Dated:

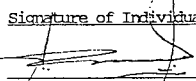
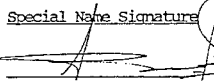
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SPECIAL NAME ACCOUNT AGREEMENT

The undersigned hereby enter into a bank-depositor agreement with Citibank, N.A., hereinafter referred to as "Depository", and request that an account be opened with and carried by Depository under the special name or trade style of OS

All funds which may be placed on deposit in said account shall be the property of the undersigned as:

_____ an individual _____ joint tenants, with right of survivorship (X appropriate box). Funds may be withdrawn by any _____ or more of the following and you are hereby requested, authorized and directed to honor all checks, drafts, or other orders for payment which bear or purport to bear any _____ or more of the following special name signatures:

| Name of Individual (type) | Signature of Individual | Special Name Signature |
|---------------------------|---|--|
| El Hadj Omar BONGO |  |  |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

Checks, drafts, or other orders with regard to any funds on deposit in said account may be issued in said special name, and Depository shall not have any liability for the payment or disposition of funds against said accounts so long as it exercises ordinary care in seeing that the signature(s) upon such item compares favorably to or reasonably resembles those which appear above.

Depository may receive for deposit to said account any items payable to the undersigned or to said special name, whether or not endorsed; each such item shall be deemed to have been endorsed by the undersigned or each of them.

If this account is indicated above to be a joint tenancy account, any _____ or more of the undersigned may withdraw funds or issue stop payment instructions, except that in the event of conflicting demands Depository may require all signatures of the undersigned; Depository may accept for deposit to said account all checks payable to any or all of the undersigned when endorsed by any one or more of them.

X0003360

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ONLY

-2-

Depository is authorized to mail all statements, vouchers or notices to:

In the event of the death of any one or more of us, the Depository will be promptly provided with an official death certificate(s) and the amount to the credit of the account shall belong to the survivor(s) of us and may be disposed by you as such. The undersigned have complied with and agree to continue to comply with all applicable laws and regulations relating to the use of such special name or trade style, and agree that this account shall be governed by all applicable rules and regulations of Depository and/or applicable tax or other estate requirements.

In any and all transactions effected and documents executed by or between the Depository and the undersigned, and by or between the Depository and the special name (including, without limitation, loans, advances, overdraft facilities, assignments or pledges of collateral) and/or for the purpose of determining the availability of any legal and equitable remedies to the Depository or any branch subsidiary or affiliate thereof, the special name shall be deemed to refer to the undersigned and the undersigned shall be deemed to include the special name.

The undersigned, jointly and severally, their respective heirs, and legal representatives, agree to hold you and keep you harmless and indemnify you (your successors or assigns) from any loss, damage, claims, suits, actions, or demands in any way growing out of or related to the use of such special name by the undersigned or any of them.

Note: NOT to be accepted
unless approved by a Vice President
of Private Banking Group - WH.

Approved by: _____

OCT 24 1995

ALAN OSER, VP
DCL/ISPL/Zone 14
Ext 9194

10/24/95
SAVATORE, MOUNDA
PRESIDENT
15th Floor, Zone 16
Ext 9005

Ref. No. _____

375

X0003361

Feb. 09, 1996

Citibank
Citicorp Center - 16th Fl.
153 East 53 Street
New York, NY 10043

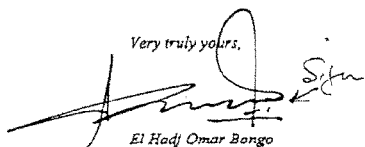
Att: Mr. Alain Ober

Dear Mr. Ober,

You are hereby authorized to "block" the Time Deposit account #37020179 w/o OS
and issue a guarantee to secure credit of \$1,000,000 in favor of Societe Geant 241.

I have completed the Security Agreement form in compliance with this request.

Very truly yours,


El Hadj Omar Bongo



MONSIEUR BONGO
Monsieur El Hadj Omar Bongo
2/13/96

to account from the
Societe Geant 241

000739

OK TO ACCEPT IN CONNECTION WITH THE CREDIT AGREEMENT
 ORIGINAL TO PERSON *2/13/96*
 MADE EAST RICHMOND, VA
 200/16 PL/20 14
 Est. 1147



THE CITIBANK PRIVATE BANK

DATED: 02 / 09 / 96
 m m d d y y

1. DEFINITIONS of capitalized words used in this agreement.

GRANTORS means: Each of the following and their executors, successors and assigns:

OS

(Name(s) of Collateral owner(s); add place of organization if non-individual)

BORROWERS means: The Grantors and/or each of the following, and their executors, successors and assigns:

SOCIETE GEANT 241

(Name(s) of borrower(s); if different from Grantors; add place of organization if non-individual)

LOANS means:

Any and all present and future financial accommodations provided by the Bank in any currency anywhere to, or on the guarantee of, any Borrower, including without limitation, credits, loans, overdrafts, credit lines, letters of credit requested by any Borrower, and any debt arising in connection with a contract or agreement of any kind between the Bank and any Borrower, whether related to foreign exchange, currency, interest rates, bonds, equities, commodities, deposits, or indices or baskets thereof (including without limitation options, swaps, forwards and other derivatives contracts), custody, portfolio management, credit cards, margin or other; all as provided, amended, increased or renewed from time to time, with or without notice to any Grantor.

CREDIT

AGREEMENTS means: One or more note, application, contract, confirmation, account statement, agreement or Bank record, and amendments thereto, evidencing or relating to any Loan.

OBLIGATIONS means: Any and all present and future, joint or several, direct or indirect, actual or contingent, debts and obligations of any Borrower and any Grantor to the Bank under the Credit Agreements, this Agreement, any other agreement with the Bank or otherwise, whether for principal, interest, taxes, fees, legal and other expenses of any kind.

BANK means:

One or more of Citicorp, Citibank, N.A., their branches, subsidiaries and affiliates wherever located, and their successors and assigns.

COLLATERAL means:

All Property of any kind now or hereafter held, booked, owed, traded, or acquired anywhere by, through or on behalf of any unit of the Bank (the "Account Unit"), in any capacity whatsoever (as custodian, portfolio or asset manager or otherwise) for the account of any Grantor (singly or jointly with others). "PROPERTY" includes without limitation goods, documents, instruments, general intangibles, chattel paper, cash, currencies, deposits, accounts, claims, securities, dividends, commodities, contract rights, options, warrants, swaps, artworks, all related documents, certificates, and receipts, all additions, renewals, investments, substitutions and redesignations, interest, redemptions, distributions, monies, from, of and to the above; and all income and other proceeds and products thereof.

[Handwritten signature]

CITIBANK

000737

XII. **GOVERNING LAW, JURISDICTION, WAIVER OF IMMUNITY.** This Agreement shall be governed by the laws of New York State as to validity, construction, performance and remedies. For any disputes related hereto, each Grantor submits to the non-exclusive jurisdiction of the courts in New York City and agrees not to invoke a forum non conveniens defense in such courts. Service of process on the Grantors shall be valid when made by mail to the Grantors at the address below. Each Grantor agrees that a final judgment in such action or proceeding will be conclusive and can be enforced by the Bank in other jurisdictions. The Bank may also bring an action or proceeding against any Grantor or its property in the courts of other jurisdictions.

Each Grantor enters this Agreement as a commercial agreement and irrevocably waives any sovereign or other immunity from legal or other actions to enforce this Agreement (including without limitation immunity from service of process, jurisdiction, execution of judgment, attachment or prejudgment attachment).

XIII. **MISC.** The Bank may refrain at any time from exercising any of its rights hereunder without being barred from exercising such rights at a later time. The Bank's rights under this Agreement are cumulative and in addition to others provided by law or otherwise. No waiver by the Bank of any part of this Agreement shall be valid unless in a writing signed by the Lender and then only as to stated matters. Notices shall be valid and effective, from the Bank, when sent to the Grantors at the address below, from the Grantors, when received by the applicable Lender (in the case of Citibank, N.A., New York, PBG-WH, at 153 East 53rd St., Attn: PBG-WH Credit Administration).

XIV. **TERMINATION.** This Agreement shall remain in full force and effect until the Bank and the Grantors agree in writing to terminate it, in whole or in part.

XV. **SEVERABILITY.** If any provision of this Agreement is held illegal or unenforceable, the validity of the remaining provisions shall not be affected.

XVI. **EACH GRANTOR WAIVES ANY RIGHT IT MAY HAVE TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF THIS AGREEMENT.**

ADDRESS:
(Not H.A.M.)

INDIVIDUAL(S):

S/O Mr. SAMUEL BOSSOU - ANKRET
CP 72

Print Name

CH 1211 GENEVA 21
SWITZERLAND

Print Name

X

Print Name

ORGANIZATION:

NAME:

OS

BY:

Print Name/Title

EL HADJ DIAR BONGO

REC.AGR.-CREDIT/MC (Rev 2/94) SM

000738

511

MEMORANDUM TO: CREDIT

FROM: LUELLA GE


DATE: FEB. 12, 1996

13

RE: OS (Special Name Account)
DDA #10359148 - Ste. Grp. #98535901

The individual owner of this account is: President El Hadj Omar Bongo of Gabon.

The account was opened less than a year ago and has assets totalling \$5,351,207. He has given written authorization and a security agreement to pledge \$1,000,000 of his assets to secure a loan for a like amount to Societe Geant 241, a corporation owned by one of our clients, Alfred Mabika-Mouyama.


Luella A. Gentles
Sr. Account Officer

000736

Senate Permanent Subcommittee
On Investigations
EXHIBIT # 32f.

CMNA 9-MAR-95 21:45:29 005496
To: Donnelle Knowles (CSNAS:PBG)
CC: N. Jarostchuk (USNYC:PBGWH), Salvatore Mollica (USNYC:PBG),
Luella Gentles (USNYC:PBGWH)
From: Alain Ober (USNYC:PBGWH)
Date: THU 09-MAR-95 21:46 GMT
Subject: Tendin Investments, Ltd.

During my last visit to Tendin (accompanied by Sal Mollica), his assistant asked us to consider setting codes for amounts and a code name for Tendin. I would like to propose the following:

1. Coding of amounts:
use of the words NEW YORK USA whereby N=1, E=2, W=3, Y=4, O=5, R=6, K=7, U=8, S=9 and A=0. Thus \$1,550,200 becomes NOOAEAA.
2. Coding of Tendin Investments, Ltd.:
I propose to use "Fort Knox Securities".

Please confirm that this would be acceptable to the Trust company. I also have to discuss it with Nick Jarostchuck of our Compliance area.

Best regards,

Alain

Delivered: THU 09-MAR-1995 21:46 GMT

X0002371

EXHIBIT # 32g.

Union-Travail-Justice

Montréal, le 14 Juin 1992

Please debit my account # 10224163, the sum of (\$100,000.00) and give the money to Mr. Sangchul Park. He has proper identification also a copy of my passport.

DEBIT

Citibank, N.A.

ACCOUNT NEW YORK
NUMBER 10224-63

DATE JUNE 17 1960

RECEIVED FROM

DATE JUNE 17, 1992

Citibank, N.A.

PRIVATE BANK/CITICORP CENTER
153 EAST 53 STREET/NEW YORK, N.Y. 10043
(DEPT OR BRANCH)

\$100,000.00

ONE HUNDRED THOUSAND DOLLARS CASH PAID FOR DELIVERY TO ALI BEN BONGO.

51-7416
[Signature]
CHARLES A. BOBBIT/SANG CHUL PARK

ITEM 150250 (SF 1014 REV 9-76) PKG 250

LE QUATRE SAISONS MONTREAL

FOUR SEASONS - OTEIS Canada, White, England, 1965 - 1966, United States, Austin, San Jose, Chicago, Chicago, The Pitt, Carmon, Houston
FOUR SEASONS (TECH) Canada, White, England, 1965 - 1966, United States, Austin, San Jose, Chicago, Chicago, The Pitt, Carmon, Houston
FOUR SEASONS (TECH) Canada, White, England, 1965 - 1966, United States, Austin, San Jose, Chicago, Chicago, The Pitt, Carmon, Houston

000734

Senate Permanent Subcommittee
on Investigations

Roscardine LIPPEVILLE
 Directeur du Cabinet du
 President de la Republique
 EXHIBIT # 32h.

13 MAI 1994

Mr. Alain OBER
 CITIBANK
 Private International Banking
 155 East 53 Street
 New York, New York 10023

#7

Dear Mr. OBER:

Please find enclosed a check made out to you for the amount of \$69,135.00
 (Sixty-nine thousand and thirty-five US dollars) which I would like to deposit
 this amount into my account for immediate transfer to CITIBANK
 LIPPEVILLE

I am requesting that the operation be carried out in this manner because
 I received the check in my official capacity as Presidential Chief of Staff
 and consequently the money does not belong to me personally.
 Unfortunately CITIBANK LIPPEVILLE would only have been able to cash the
 check after a three-week wait.

Thank you for your expeditious handling of this very important matter.

Yours truly,

RECEIVED

| Deposit Checking | | Date | 19 | Citibank No. | Dollars | Cents |
|------------------|------------------------------|------|----|--|--------------------------|-------|
| Account No. | For "Personal" Accounts Only | | | | Cash | |
| Address | Zip Code | | | | Checks - List Separately | |
| | | | | Deposits may not be available for drawal | | |
| Account No. | | | | Check Count | Total | |

Customer's Receipt When Validated

000714

| | | |
|---------------------|-----------------|--|
| BORROWER ROAM SJ | CA 12 5/7/86 | Senate Permanent Subcommi On Investigations EXHIBIT # 321. |
|---------------------|-----------------|--|

REMARKS

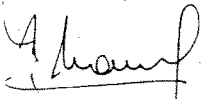
This is a highly confidential transaction given the identity of the borrower. It is therefore recommended that this package not be circulated as usual by the Credit Department, but directly reviewed by the CCO, the IPB in charge (deputy CCO at the same time) and the senior CBG Unit Head (as third initial). All related documents legal or otherwise should also be kept in the double custody (CCO IPB in charge) located in the CCO's office.

The only risk really associated with this credit is the so-called "political" one, i.e. the supposedly negative consequences which may result from a public knowledge of the transaction. The undersigned presents that notion on two grounds :

- 1) A stigma is more likely to be attached to the large deposits the client has with us overseas if this were to be known. A credit relationship does not have the same impact.
- 2) The country being under the french political influence, the U.S. press would give political disturbances very limited coverage.

Besides the 138 % cash collateral indicated overleaf, Citibank has over \$ 50 MM - deposits overseas belonging to the same client.

The involvement of an institution of the government is explained by the borrower by the fact that the funds are to be used for highly confidential expenditures (non military however) which were to be covered by funds from the investment budget administered by the Commissariat General au Plan, hence its involvement in the first way out. It is however clear that we look directly to the client for the responsibility of seeing to it that the loan is reimbursed on time, which he has clearly demonstrated his capacity to do during the long relationship he has entertained with the bank.



Jardin File

GWD011 9-JAN-90 15:04:43 350 1

To: William Owen (USNYC:PBOWH)
 CC: Christopher L. Rogers (EUPAR:IND)
 From: C.O. Grant (EUGVA:INV)
 Date: TUE 9-JAN-90 15:04 GMT

Per our telephone discussion of January 3 this is to confirm that the details of your #1 customer from Gabon has been discussed with ~~Phillipe Markert~~ and Allan Goldie during our briefing session in London mid December '89.

Phillipe and Allan did not seem to have any problems with the large sums of deposits with us in New York. As we all know, the Central Bank of France (Banque de France), gives special consideration to individuals from Gabon and how they handle their deposits outside of France.

Should you require further information or details, please let me know.

Regards,
 Cedric

Received: TUE 9-JAN-1990 15:51 GMT

*Require some
 from Maciste*

000769

517

Christopher L. Rogers (BUPAK:IND), C.O. (BUPAK:IND),
To: Len Maestre (AFLEB:IB)
Date: THU 30-AUG-90 15:31 GMT
Subject: GABON HNWI

DO NOT HAVE ANY PROBLEMS WITH THE LARGE DEPOSITS HELD IN NEW
YORK BY J1, PROVIDING INFORMATION CONCERNING THEM IS KEPT
COMPLETELY CONFIDENTIAL.

MEERS, LEN MAESTRE.

Received: THU 30-AUG-1990 15:37 GMT

Delivered: THU 30-AUG-1990 19:26 GMT

Our file

TENW

000770

BORROWER'S CAMS #: 966241
 EXPENSE CODE: 0563
 DOA TO CHARGE: 10215064
 CLIENT NAME AS ON CAMS: Tendin Investments Ltd.

DATE: _____
 CA REVISION DATE: 4/30/93
 ANNUAL REVIEW or INITIAL CA or INTERIM CA

BORROWER'S NAME & LOCATION: Tendin Investments Ltd.
 Nassau, Bahamas

CONTROL UNIT: PBG-WH or _____ ORIGINATING UNIT: PBG-WH or _____

| FACILITY # | \$000's | \$000 CHANGE | % SECURED | CREDIT FACILITIES |
|------------|----------|--------------|-----------|--|
| 1 | 15,900 | + 5,000 | 100 % | LOAN: Demand <input checked="" type="checkbox"/> Time _____ |
| | | | | Overdrafts in DOA _____ |
| | | | | Letters of Credit: Clean _____ Documentary _____ Sight _____ Usance _____ Days _____ |
| | | | | Foreign Exchange: Aggregate: \$ _____ Clean Risk: \$ _____ Max. Potential Loss: \$ _____ |
| 2 | 4,543 | -0- | 100 % | Code One Approval to Citibank, Paris Branch for borrowings of Tendin Investments Ltd. (CA or telex attached) |
| 3 | 2,408 | -0- | 100 % | Other Code 1 Approval to Citibank, Monte Carlo |
| 4 | 700 | -0- | 100 % | Facilities extended to other borrowers related to other AS securities client's same CAMS number: 966241 |
| | \$24,451 | | | TOTAL CREDIT RISK TO BE APPROVED OF WHICH \$ -0- UNSECURED |

TOTAL THIRD PARTY COLLATERAL (TPC'S) FOR CLIENT \$ _____

| RATES: | Facility# | % | Over Base | Other Rate | Monthly | Quarterly |
|--------|-----------|------|--|------------|-------------------------------------|-----------|
| | 1 | 2.25 | 6 months Libor | | <input checked="" type="checkbox"/> | |
| | 2 & 3 | | 1/4 of 1% of principal amounts charged quarterly | | | |

| COLLATERAL: | Facility# | Account# | Type | In name of | Loanable Value | Amount to be Pledged |
|-------------|-----------|----------|-------|------------|----------------|----------------------|
| | 1 - 4 | 572668 | FIPMS | Tendin | \$12,651,159 | |
| | | 572667 | TAMS | Tendin | \$14,499,527 | \$24,451,000.00 |

Purpose & Source of Repayment - New or Increased Facilities only (if annual review, all)
 Purpose: Local liquidity needs - *see memo 7/93*
 Repayment: Managed portfolios, outside sources

Basic Client Information is ☒ on CAMS Screens 3, 4, and 5 or _____ attached

Documentation Deficiencies - if "None," so state

New \$5MM Libor Demand Note enroute from Citicredit, Nassau.

cc: Citicredit, Nassau
 PBG/Paris
 PBG/Monte Carlo

Approved/Recommended in accordance with the Rules Governing the Extension of Credit
 W.P. OWEN, V.P.
 International Private Banker
 Citicorp Center, 15th Fl., Zn. 120
 Ext. 9120

ALBERT L. MILLER, V.P.
 PBG-WH Division Credit Officer
 One Citicorp Center, Ext. 9469

EDWARD MONTERO
 PBG-PARIS Division Executive
 One Citicorp Center, 17th Fl., Ext.
 See PBG-WH Credit, 17th Fl., Ext.

CREDIT APPROVAL

BORROWER'S CAMS #: 966241

DATE:

EXPENSE CODE: 0565

CA REVISION DATE: 4/30/93

DDA TO CHARGE: 10215064

ANNUAL REVIEW or INITIAL CA or INTERIM CA

CLIENT NAME AS ON CAMS: Tendin Investments Ltd.

BORROWER'S NAME & LOCATION: Tendin Investments Ltd.
Nassau, Bahamas

CONTROL UNIT: PBG-WH or

ORIGINATING UNIT: PBG-WH or

CREDIT FACILITIES

| FACILITY # | \$000's | \$000 CHANGE | % SECURED | |
|------------|---------|--|-----------|---|
| 1 | 19,870 | + 1,670 | 100 % | LOAN: Demand <input checked="" type="checkbox"/> Time |
| | | | | Overdrafts in DDA |
| | | | | Letters of Credit: Clean <input type="checkbox"/> Documentary <input type="checkbox"/> Sight <input type="checkbox"/> Usance <input type="checkbox"/> Days |
| | | | | Foreign Exchange: Aggregate: \$ <input type="checkbox"/> Clean Risk: \$ <input type="checkbox"/> Max. Potential Loss: \$ <input type="checkbox"/> |
| 2 | 4,543 | -0- | 100 % | Code One Approval to Citibank, Paris Branch for borrowings of Tendin Investments Ltd. (CA or telex attached) |
| 3 | 2,408 | -0- | 100 % | Other Code 1 approval to Citibank, Monte Carlo |
| 4 | 700 | -0- | 100 % | EXHIBIT 10215064 TO CREDIT FACILITIES As security for EXHIBIT 10215064 TO CREDIT FACILITIES overdraft for |
| \$ 27,521 | | TOTAL CREDIT RISK TO BE APPROVED OF WHICH \$ -0- UNSECURED | | |

TOTAL THIRD PARTY COLLATERAL (TPC'S) FOR CLIENT \$

| RATES: | Facility# | % | Over Base | Other Rate | Monthly | Quarterly |
|--------|-----------|--|-----------|----------------|-------------------------------------|-----------|
| | 1 | 2.50 | | 6 Months Libor | <input checked="" type="checkbox"/> | |
| | 2 & 3 | 1/2 of 1% of principal amounts charged quarterly | | | | |

| COLLATERAL: | Facility# | Account# | Type | In name of | Loanable Value | Amount to be Pledged |
|-------------|-----------|----------|-------|------------|----------------|----------------------|
| | 1 - 4 | 572667 | TAMS | Tendin | \$13,221,590 | \$27,521,000 |
| | | 572668 | FIPMS | Tendin | \$15,795,913 | |

Purpose & Source of Repayment - New or Increased Facilities only (if annual review, all)

Purpose: Local liquid needs and \$70M for deposit to Pascaline B ~~XXXX~~ account no. 10031185 in NY. Repayment: Managed portfolios, outside sources.Basic Client Information is ☒ on CAMS Screens 3, 4, and 5 or ☐ attached

Documentation Deficiencies - if "None," so state

cc: Citicrust, Nassau

Original Demand Note to follow.

000756

Approved/Recommended in accordance with the Rules Governing the Extension of Credit

International Private Banking
Citicorp Center, 15th Fl., Zn. 12
New York, NY 10036ALBERT G. MILLER, V.P.
PBG-WH Division Credit Officer
PBG-WH DivisionG. EDWARD MONTERO
Division Executive

CMEA 16-FEB-93 16:54:3 006200
 To: Angelica De Robien (EUPAR:PBG), Christopher L. Rogers (EUPAR:PBG),
 William Owen (USNYC:PBGW), Donnell Knowles (CSNAS:PBG)
 Keyembe Nqongola (AFLEV:IB), Alain Ober (USNYC:PBGW)
 From: Rudolph Thomson (AFLEV:IB)
 Date: TUE 16-FEB-93 17:06 GMT
 Subject: COVERAGE/DISBURSEMENT PROCEDURE - TENDIN INVESTMENTS LTD.

This refers to Tendin's standing instructions to Nassau dated
 as of January 29th, 1993, authorizing Nassau to do the following :

1. When an overdraft occurs in Tendin's account with Citibank
 Libreville, Rudy Thomson will send a Citimail to request Nassau
 to authorize PBG Paris by telex to remit cover to
 Libreville under Paris's FF 20mm AX line. Rudy will copy all of
 the above addressees for purposes of coordination.

As per this citimail, Libreville is hereby requesting cover
 from Paris in the amount of CFA 370mm / FF 7.4 mm.

2. Each time the usage under the Paris line exceeds the equivalent
 ** Type return to continue **, F to finish:
 of US Dls 2mm at the spot rate, PBG Paris (Rogers / De Robien)
 will so inform Nassau by citimail; Nassau will then send a
 telex to New York authorizing it to clean up the overdraft
 in Paris, and re-book the outstandings under the dollar facility
 in New York.

As per this citimail, this is advance notice from Paris to the
 effect that when operation nbr 1) above is finalized, outstandings
 under the Paris AX line will approximate FF 12.8 mm, and so will
 be eligible for rebooking in New York. I ask Bill and Angelica
 to coordinate this re-booking with Nassau in due course.

Regards,

Chris Rogers

Rudy Thomson

Delivered: TUE 16-FEB-1993 17:06 GMT
 Command:

A/C in charge of Tendin in Paris

*authorization by fax restating the client's letter dtd Jan 29/93.
 on Tendin letterhead. Each time Cit Libreville request
 cover for drawing. cover auto. under FF 20mm credit
 line available to us. Once it's under FF 2mm
 remain equiv of 2mm, we auto. pass to
 tell NY request to re-book your infl
 to create new line.*

*This is new
 procedure including
 request for 7.4mm*

000047

TENDIN INVESTMENTS LIMITED

P. O. BOX N 1576

NASSAU, BAHAMAS

11 ter

February 17, 1993

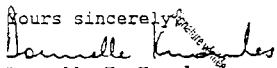
Ms. Angelica De Robien
PBG-Citibank N.A.
17-19 Avenue Montaigne
75008 Paris
FRANCE

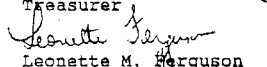
Dear Angelica:

This is your authorisation to debit our account and immediately wire the sum of FF7,400,000.00 to our account #600271016 with Citibank N.A. Libreville.

In addition, you should note that from time to time Citibank, Libreville will be requesting funds from you for our account there, and you are hereby authorised to remit such amounts to them by drawing against the FF20,000,000.00 approved credit line that we have with you. You should note however, that once the credit line with you reaches the equivalent of US\$2,000,000.00, you should contact Mr. William Owen at Citibank N.A., New York who will create an additional loan facility of \$2,000,000.00 and transfer the proceeds in French Francs to you to reduce the outstandings under the FF20MM overdraft line.

These instructions are to remain in full force and effect until such time as you are directed otherwise by us.

Yours sincerely,

Donnelle K. Knowles
Treasurer


Leannette M. Ferguson
Asst. Secretary

cc: Mr. William Owen
Citibank N.A., New York

000048

Tendin Investments Ltd.

PBG/WH/0565

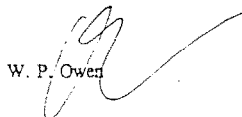
February 18, 1993

Alain Ober and I recently met with the client to discuss his overall borrowing needs and loan repayment schedule. As there are considerable current needs locally in Libreville, urgent cash requirements are met by Citibank, Libreville making funds available immediately, and in order not to have any overdraft showing on the local branch books, Libreville will cover immediately by drawing upon the existing FF 20MM approved overdraft line at Citibank, Paris. However, since French Franc interest charges are in the 13% range, when the Paris overdraft line is utilized to the equivalent of \$2MM, Paris will automatically request that we cover them by creating an additional dollar loan in New York, thus saving our client considerable interest charges. The enclosed two facility memos for \$6,130,000 and \$2,600,000 are for recent current borrowings under this new arrangement which the client has confirmed to us by his January 29, 1993 letter.

As per the attached investment summary, note that the client's current investment assets with the PBG total just in excess of \$70MM, and in order to have sufficient collateral for current outstandings, PBG-London is sending us a TPC for \$16,800,000 as per Cititrust, Nassau's attached letter dated Feb. 17th. We also have additional collateral for \$4MM in New York in the international equities account which we have not pledged.

On Feb. 26th we will start our 5-year semi-annual loan reduction agreement that was postponed 4 months. We will be reducing the loans outstanding of \$28,600,000 plus \$700,000 for a family member's overdraft on Feb. 26th for a total of \$3,560,000, and the New York loans outstanding will then be renewed for an additional 6-month period.

After our loan repayment on Feb. 26th, our Demand Loan in New York will be \$25,740M and the \$700M security overdraft will be cancelled, and the outstandings repaid. Also, prior to annual review on April 30 the \$2,408M to Citibank, Monte Carlo will probably be completely repaid from outside sources.



W. P. Owen

000755

CONTROL UNIT: PBG-WH or _____ ORIGINATING UNIT: PBG-WH or _____

TOTAL THIRD PARTY COLLATERAL (TPC'S) FOR CLIENT'S:

| ATERAL: | Facility# | Account# | Type | In name of | Loanable Value | 11/4/93 | Amount to be Repaced |
|---------|-----------|-----------|----------|------------|----------------|------------------|----------------------|
| | 1-3 | 57266 | TRANS | TRANS | 16,243,582 | | |
| | | 57268 | TRANS | TRANS | 3,711,089 | | |
| | | 766241 CF | WARRANTY | WARRANTY | 3,711,652 | | |
| | | WARRANTY | WARRANTY | WARRANTY | 3,712,677 | | \$47,733,000 |
| | | TPC | TPC | TPC | 10,125,000 | | |
| | | | | | | * as of 11-8-93: | |
| | | | | | | 57266 | 16,111,020 |
| | | | | | | 57268 | 13,615,040 |
| | | | | | | WARRANTY | 10,125,000 |
| | | | | | | WARRANTY | 3,712,677 |
| | | | | | | | 4,083,250 |

ie & Source of Repayment - New or Increased Facilities only (if annual review, all)

re: Local Equity needs.

grant: managed facilities and outside sources.

** indicate change.

Basic Client Information is X on CAMS Screens 3, 4, and 5 or attached.

Documentation Deficiencies - if "None," so state
None.

NOV 4 1993

Approved/Recommended in accordance with Board Policy Governing the Extension of Credit

ALAN OSER, VP
CC, 16FI / Zone 14

PSG/EMEA
One Capitol Center
16th Floor, Room 16

000751

BORROWING DOCUMENTATION

| DOCUMENTS | DATE OF DOCUMENT | FACILITY # |
|--|------------------|------------|
| OVERDRAFT AGREEMENT | | |
| LOC APPLICATION/AGREEMENT | | |
| DEMAND NOTE * | | 1 |
| TIME/TERM NOTE | | |
| SPECIAL NAME AGREEMENT | | |
| * 7-1-89, 7-2-91, 1-22-92, 2-6-92, 2-25-92, 7-20-92, 7-22-92, 8-17-92, 2-1-93, 2-18-93, 6-8-92, 9-29-93, 10-12-93, 10-29-93. | | |
| CORPORATE DOCUMENTS | DATE OF DOCUMENT | FACILITY # |
| ARTICLES OF INCORPORATION | 5-1-89 | 1-3 |
| GENERAL RESOLUTIONS | 9-7-89 | 1-3 |
| | | |
| | | |
| | | |

COLLATERAL DOCUMENTATION

| DOCUMENTS | DATE OF DOCUMENT | FACILITY # |
|---------------------------|------------------|------------|
| SECURITY AGREEMENT | 7-12-90 | 1-3 |
| CA Chibank Paris | 6-29-92 | 2 |
| Telle Chibank Monaco | 7-16-93 | 3 |
| TPC - P86 London | | 1 |
| | | |
| | | |
| CORPORATE DOCUMENTS | DATE OF DOCUMENT | FACILITY # |
| ARTICLES OF INCORPORATION | | |
| GENERAL RESOLUTIONS | | |
| SHAREHOLDERS' CONSENT (1) | | |
| | | |
| | | |

(1) Only needed when borrower is not the grantor of collateral and when grantor's articles of incorporation do not allow the pledge of assets for the benefit of third parties.

CA prepared and documents found in order by

Alain Ober

ALAIN OBER, VP
CCO/IS/IT/Zone 14
Ext. 9194
NOV 4 1993
(Account Officer name/stamp)

Collateral reviewed and pledged by

(Margin Control Specialist)

CA and documentation reviewed by

000752

CREDIT APPROVAL

BORROWER'S CAMS #: 966241 DATE: _____
 EXPENSE CODE: 0565 CA REVISION DATE: April 30, 1994
 DDA TO CHARGE: 10215064 ANNUAL REVIEW or INITIAL CA or INTERIM CA
 CLIENT NAME AS ON CAMS: Tenden Investments, Ltd.

BORROWER'S NAME & LOCATION: Tenden Investments, Ltd.
Nassau, Bahamas

CONTROL UNIT: PBG-WH or _____ ORIGINATING UNIT: PBG-WH or _____

| FACILITY # | \$000's | \$000 CHANGE | % SECURED | CREDIT FACILITIES |
|------------|----------|--------------|-----------|---|
| 1 | 43,136 | +1,500 | % | LOAN: Demand <input checked="" type="checkbox"/> Time _____ |
| | | | % | Overdrafts in DDA _____ |
| | | | % | Letters of Credit: Clean _____ Documentary _____ Sight _____ Usance _____ Days _____ |
| | | | % | Foreign Exchange: Aggregate: \$ _____ Clean Risk: \$ _____ Max. Potential Loss: \$ _____ |
| 2 | 4,543 | -0- | 100 | Code One Approval to <u>Citibank Paris</u> Branch for borrowings of <u>Tenden Investments Ltd.</u> (CA or telex attached) |
| 3 | 2,424 | -0- | 100 | Code 1 approval to <u>Citibank Monte Carlo</u> Other _____ |
| | | | % | Facilities extended to other borrowers related to the client's same CAMS number |
| | \$50,103 | | | TOTAL CREDIT RISK TO BE APPROVED OF WHICH \$ -0- UNSECURED |

TOTAL THIRD PARTY COLLATERAL (TPC'S) FOR CLIENT \$ _____

RATES: Facility# 1 % 6 (inclusive) Over Base Approved 2.625% over bank Libor for this 12 month
2 & 3 % 1/4 % of principal amounts, charged semi-annually.

| COLLATERAL: Facility# | Account# | Type | In name of | Loanable Value | Amount to be Pledged |
|-----------------------|----------------------|------|------------|----------------|----------------------|
| 1-3 | CF 966241-01 | TD | Tenden | 4,118,472 | |
| | 572,667 | TD | " | 16,783,010 | \$50,103,000 |
| | 572,668 | TD | " | 16,138,379 | |
| | 2nd Equity Portfolio | TD | " | 4,160,443 | |

Purpose & Source of Repayment - New or Increased Facilities only (if annual review, all) 573,874,750 1,678,443
London TPC 10,125,000
Purpose: Local liquidity needs. \$51,027,869
Repayment: managed portfolios and outside sources.

Basic Client Information is ☒ on CAMS Screens 3, 4, and 5 or _____ attached

Documentation Deficiencies - if "None," so state
original of demand note to follow.

Approved/Recommended in accordance with the Rules Governing the Extension of Credit

2/18/94
ALAN OBARA VP
CCC-1811/100114
Ext 5154
SALVATORE, MICHAEL E.
VP
Ext 5154
Center

EDWARD MONTERO
PBG - WH
Ext 1708 FL, Ext 5154

000730

CONFIDENTIAL - NOT FOR
CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF
ONLY

THE CITIBANK PRIVATE BANK

REVISION DATE _____

CREDIT APPROVAL / ANNUAL REVIEW

CLIENT: TENDIN INVESTMENTS LTD ID# 700081 SIC # 6799 P/B AOB EXP. CODE 0565

BORROWERS / COLLATERAL OWNERS
NAME

STMT GROUP

BASE#

TENDIN INVESTMENTS LTD. PC-2623N
TENDIN INVESTMENTS LTD. PC-2623N96624101 513094
700081

| LINE DESCRIPTION | CURRENT REV DATE | AMOUNT | NEW AMOUNT | RISK RATING |
|------------------|------------------|---------------|------------|-------------|
| STC | 30/04/94 | 49,260,000.00 | SAME | 2,2 |

| | | | |
|--------------------------|--------|---------|-----|
| SECURITIES CONCENTRATION | (X) NO | () YES | (*) |
| COLLATERAL EXCEPTIONS | (X) NO | () YES | (*) |
| VARIOUS ASSETS | () NO | (X) YES | (*) |
| DOCUMENTATION DEFICIENCY | () NO | () YES | (*) |

* IF YES, SUBMIT JUSTIFICATION AND OBTAIN NECESSARY APPROVALS OVERLEAF

PRIVATE BANKER ATTESTS THAT:

- RELATIONSHIP CONTINUES TO BE WITHIN PBG TARGET MARKET AND TO MEET CLIENT ACCEPTANCE CRITERIA (X) YES () NO **
 - PURPOSE OF FACILITY(IES) IS IN FULL COMPLIANCE WITH CITIBANK CREDIT POLICIES AND STANDARDS OF CONDUCT (X) YES () NO **
 - ORIGINALLY APPROVED PRICING CONTINUES TO APPLY (X) YES () NO **
- ** IF NO, SUBMIT JUSTIFICATION & OBTAIN NECESSARY APPROVAL(S) OVERLEAF

PBG - WH

APPROVAL: DATE: APR 26 1994

INITIALS / DATE
ALAN OBER VP
CC/19C/700081
Ext 9134JAMES K. BROWN VP
CC/19C/700081
Ext 9134
P/A 6/0000000000 C.O.
AS DEPUTY TO Ext 258
S. WALLACE 4/27/94

FOR CREDIT ADMINISTRATION USE ONLY

MARGIN SYSTEM UPDATE: () ID-LB-BA
() MGTH
() MGOB () MGLV

DATE

MAKER

DATE

CHECKER

DOCUMENTATION SYSTEM UPDATE: () ALMS
() N/A

DATE

NAME & INITIAL

KERRI STEWART
PRIVATE BANKING GROUP, WH
ONE CITICORP CENTER
40 FL/2N, 10, EXT 3398

X0002536

4/25/94

STRICTLY CONFIDENTIAL - NOT FOR
CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF
ONLY

TENDIN INVESTMENTS, LTD.

April 26, 1994:

This is the annual review of Tendin Investments, Ltd.

As of today, the exposure is:


- o Loans: \$40,722,690
- o Code 1/PBG Paris: \$2,700,000
- o Code 1/PBG Monaco: \$100,000
- o TOTAL EXPOSURE: \$43,522,690

The total exposure in principal is fully collateralized by the assets (\$43,850,891 as of 4-22-94). However, it must be noted that with the addition of accrued interest, there is a small shortfall of \$44,279 which is considered acceptable since total assets amounts to 148% of principal exposure. Nevertheless, our client has been notified of the situation and invited to increase the level of assets in order to allow for additional borrowing.

The reasons for the heavy borrowings of 1992-1993 (local liquidity needs) have disappeared. Tendin Investments, Ltd. have agreed to a semi-annual 10% repayment of principal of the outstanding loans.

The major issue in 1994 will not be increased borrowing, but rather return on the investments. As of March 31, 1994, the portfolio (\$64,635,874) had a negative result of 2.15% for the first quarter of 1994. It will become more difficult to convince our client not to decide to repay the loans by liquidating assets while the differential return on investments/interest rate on the loans is not any more in his favor.

All documentation is in order. Approval is recommended.


Alain Ober
Vice President/Africa
April 26, 1994

ALAIN OBER, V.P.
CCC/ISFL/Zone 14
Ext. 9134

*Shortfall covered
exclusively by accrued interest.
In any event, repayments only
0.19% of the exposure -
4/4/94*

X0002537

| CREDIT APPROVAL | | THE CITIBANK PRIVATE BANK | |
|---|--|---|--|
| PBG-WH SECURED CREDIT PROGRAM | | STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION SUBCOMMITTEE MEMBERS AND STAFF ONLY | |
| Expense Code: <u>0565</u> | Date: <u>4/12/95</u> | For Credit Admin. use only | |
| Client Number: <u>166241</u> | Revision Date: <u>4/13/96</u> | Liability # <u>761001</u> | |
| Client Name: <u>TENDIN INVESTMENTS, L.H.</u> | | | |
| BORROWER(S) <u>TENDIN INVESTMENTS, L.H.</u> | Statement Group <u>01</u> | Base # | |
| | <u>513044</u> | | |
| COLLATERAL OWNER(S) (other than the above) | | | |
| | | | |
| 5000's <u>39,623</u> | SHORT TERM CREDIT IN ANY FORM (Subject to availability of collateral) Facility Memorandum required to activate specific facility (OD, Loan, L/C, Code 1 TPC, FX line) | New <input type="checkbox"/> Increase <input type="checkbox"/> | |
| PRICING | | | |
| Loans: <u> </u> % over Base <u>1.25</u> % over <u>6</u> months LIBOR | | | |
| L/Cs: <u> </u> Standard Fees <u> </u> Other | | | |
| Code 1/TPC: <input checked="" type="checkbox"/> Standard Fee (1/4%, \$250 min.) <u> </u> Other | | | |
| PURPOSE (including source of repayment when different from liquidation of collateral): <u>Local liquidity needs.</u> <u>Annual Review</u> | | | |
| COLLATERAL | | | |
| <input checked="" type="checkbox"/> Assets In House <u>+</u> <input checked="" type="checkbox"/> Other (TPC, Code 1, etc.—specify) <u>TPC PBG Lndm \$10,125,000</u> | | | |
| <input type="checkbox"/> No Exception <input type="checkbox"/> Exception (see overleaf) | | | |
| DOCUMENTATION | | | |
| Security Agreement required from each Collateral Owner, unless Facility is backed by a TPC, code 1 or L/C borrowing Documentation (Note, OD Agreement, L/C Application) to be submitted with Facility Memorandum. | | | |
| <input checked="" type="checkbox"/> No Exception <input type="checkbox"/> Deferral (see overleaf) <input type="checkbox"/> Waiver (see overleaf) <input type="checkbox"/> (requires Credit Committee approval) | | | |
| <ul style="list-style-type: none"> Relationship is within PBG target market and meets client acceptance criteria Purpose of facilities is in full compliance with credit policies and standard of conduct | | | |
| Private Banker | ALAIN OBER, VP CEC/16FL/Zone 14 Ext. 9134 (Initial/Date) <u>APR 12 1995</u> | | |
| Credit approved including collateral/documentation exceptions (if any) | SALVATORE J. MOLICA, VP PBG/ENCA One Occor Center 16th Floor, Zone 16 Ext. 9005 (Initial/Date) <u>4/12/95</u> | | |
| Credit Officer | ALBERT G. MILLER, VP PBG-WH Division Credit Officer One Citicorp Center, Ftr. 9400 (Initial/Date) <u>4.13.95</u> | | |
| Credit Committee | G. EDWARD MONTERO PBG-WH/DIVISION EXECUTIVE ONE CITICORP CENTER (212) 512-9087 (Initial/Date) <u>4.13.95</u> | | |

X002528

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ONLY

TENDIN INVESTMENTS, LTD.

April 12, 1995:

This is the annual review of Tendin Investments, Ltd.

As of today, total exposure amounts to \$39,623,883 and includes:

- o Loan: \$36,650,421 (1.25% over 6 month Libor, next rollover date and repayment of 10% of principal: August 31, 1995). There has not been any new borrowing since April 1994.

- o Code 1 to PBG Paris for borrowings of Tendin Investments Ltd.: \$2,637,000 (or FF 12,000,000).

- o Accrued interest on the above mentioned loan.

The exposure is fully collateralized (\$43,910,677) by several portfolios (FRN, US Fixed Income, Balanced Growth, International Equities) and a PBG London TPC for \$10,125,000 (International Fixed Income).

The undersigned and Salvatore Mollica met the client last February. We discussed the 1994 results (- 3.25%) as well as the possibility of full repayment of the outstanding loan. We explained the long term strategy and assets diversification approach followed in the context of historical results. Our client is reviewing the situation. During our next meeting (Ober/May 1995), specific information on the various portfolios will be discussed.

This is a sensitive relationship in view of the identity of our client. This relationship has been reviewed recently by the Division Head as well as Legal and Business Risk and Compliance and there is constant communications with the Global Finance Head and the local CCO of our client's country.

All documentation is in order.

Alain Ober
Vice President

ALAIN OBER, V.P.
CCC/1671/Zone 14
Ext. 9134

*Noted & discussed
4.13.95*

ALBERT G. MILLER, V.P.
PBG-WH Division Credit Officer
One Citicorp Center, Ext. 9467

X 0002530

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Remarks : TENDIN INVESTMENTS LTD

C/A N° 95/012

The purpose of this CA is to renew facility Nbr 1.

Borrower

The beneficial owner of Tendin Investments Ltd. is among our most select and important Public Sector customers in Gabon (G-77). The PBG Paris Head and the Global Africa market Head (C. Rogers) have accepted and approved our public figure criteria for this client.

PBG's long-standing relationship has been satisfactory and very profitable. As client of New York, Monte Carlo, Paris and Libreville, he is well known to Rudolf Thomson, Alain Ober and Chris Rogers. Alain Ober meets with him in Libreville regularly.

The facility

The client wishes to withdraw funds from our Libreville branch easily and rapidly. To meet this requirement, Libreville requests Paris to cover which we are authorized to do immediately up to the amount of our facility.

Background

Here in Paris, facilities have been extended to this client for similar amounts since 1990. We have received several cleanups; interest has always been current.

Security

The borrower keeps a managed portfolio in excess of USD 70MM with PBG abroad. These assets are pledged in favor of Citibank New York for several facilities, including our own. The Code 1 approval given by PBG NY on our facility includes:

| | MMFF |
|-----------------------------|---------------|
| - Capital | 10.500 |
| - 20% FX Risk | 2.100 |
| - 2 months interest (9.42%) | 0.164 |
| | <u>12.764</u> |

X007043

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ONLY

- 2 -

Ways Out

Cash flow from worldwide investments.

Recommendation

We recommend this facility based on PBG NY's Code 1 approval.



Angelica de Robien,
Vice President.
April 10, 1995.

X007044

CMNA 20-JUN-95 15:22:08 006219

To: Salim Raza (EULON:FBG)
 CC: Salvatore Mellica (USNYC:FBG), Lokhi Banerji (EUZRH:FBG),
 CC: Byron Coombs (EULON:FBG), Christopher L. Rogers (EUPAR:FBG)
 From: Alain Ober (USNYC:PBGWH)
 Date: TUE 20-JUN-95 19:47 GMT
 Subject: Product Suitability/Tendin Investments, Ltd.

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In answer to Chris Rogers' CM of 6-19-95:

A. Product Suitability:

Here are the answers to the 7 questions (Hap Russell's CM of 6-13-95):

1. yes.
2. yes. Client is conservative. Overall portfolio is conservative/balanced (as of 4-95, assets mix was: fixed income-53%, equity-47%).
3. yes.
4. yes.
5. yes. Client was given (5/95) a description of each component of his portfolio indicating time horizon, risk/reward, objective, features and benefits.
6. no.
7. not applicable.

F. Documentation requirements (Philippe Holderbeke's CM of 6-12-95):

We have currently on file for our client:

- up-to-date client profile.
- call reports in client's file documenting our 3 visits a year for the last few years.
- IOS form.
- all account opening documentation is complete.
- in addition to regular monthly statements in HAM, monthly consolidation of various portfolios and commentary from David Cripps, CGAM.
- copies of various product literature given to our client.
- Overall, there is no outstanding discrepancy in investment documentation as well as fiduciary concerning our client.

Because of the sensitivity of the relationship, it is reviewed at least once a year with Ed Montero, Division Head.

Hope the above answers your questions. Please feel free to contact me if you wish me to elaborate on any of the above answers.

Best regards,

Alain

Delivered: TUE 20-JUN-1995 19:47 GMT

X0002286

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THE CITIBANK PRIVATE BANK
FACILITY MEMORANDUM
INTERNATIONAL

FEB 27 1996

| | | | | | | | | | |
|---|--|---|--------------------|--|---------|---|--------|------------------------|-----|
| CITIBANK | | LOANS | OFFSHORE/NEARSHORE | LETTER OF CREDIT | FX HELD | LC'S | FCY LC | FCY LC | DOA |
| LOAN | | <input checked="" type="checkbox"/> LOAN | | | | | | | |
| # EXISTING LOAN OR LC # IF ANY OR DOA # FOR C/D LINE: | | | | | | | | | |
| 20059785 | | NEW | | <input checked="" type="checkbox"/> RENEWAL/Decrease | | INCREASE | | AMENDMENT | |
| AMOUNT | | \$ 29,686,842 | | VALUE DATE | | 2/29/96 | | MATURITY DATE | |
| BORROWER'S LEGAL TITLE | | Tendin Investments Ltd. | | CAMS ST. GROUP NO. | | 96624101 | | LEAVE BLANK IF OCM AND | |
| COMPLETE MAILING ADDRESS: | | P.O. Box N-1576 | | NY DOASTAAR TITLE FOR INTEREST SCHEDULE | | Tendin Investments Ltd | | | |
| | | Nassau, Bahamas | | NY DOASTAAR A/C NO. FOR INTEREST SCHEDULE | | 10215064 | | | |
| STATE | | ZIP | | DISPOSITION OF PROCEEDS: | | BORROWER B.I.C. CODE | | RISK RATING | |
| | | | | CREDIT BORROWER'S DOA: | | | | | |
| EXPENSE CODE | | COUNTRY OF ORIGIN/RESIDENCE | | NCTS OFF. INITIALS | | LC FEE RATE | | | |
| 0565 | | Bahamas | | AOB | | | | | |
| INTEREST BASIS | | INTEREST SCHEDULE | | MONTHLY | | BANK-ANNUAL | | COMMENCING | |
| <input checked="" type="checkbox"/> BANK | | <input checked="" type="checkbox"/> CHANGE | | <input type="checkbox"/> QUARTERLY | | <input type="checkbox"/> MATURITY | | 08/29/96 | |
| 365/360 | | BILL | | | | | | MONTH DAY YEAR | |
| INTEREST RATE SUBJECT TO N.Y.S. USURY LAW? | | PRINCIPAL SCHEDULE | | MONTHLY | | BANK-ANNUAL | | COMMENCING | |
| <input type="checkbox"/> YES <input type="checkbox"/> NO | | <input type="checkbox"/> CHANGE | | <input type="checkbox"/> QUARTERLY | | <input type="checkbox"/> ANNUAL | | MONTH DAY YEAR | |
| | | BILL | | | | | | | |
| SPECIAL INSTRUCTIONS: Decrease of Principal (- \$3,298,536.90) and rollover of \$29,686,842 for 6 months. Next rollover date: 08-29-96. | | | | | | | | | |
| BORROWER RATE | | RATE TYPE | | IF FLOATING ENTER | | 1.25 % OVER | | FOR WH TREASURY USE | |
| 6.4375 % | | <input type="checkbox"/> FLOATING (BASE) | | % OVER CITIBANK BASE | | 6 MONTH LIBOR | | LIBOR RATE: | |
| | | <input checked="" type="checkbox"/> LIBOR (CPM) | | | | 5.0625 COST OF FUNDS | | SPREAD: | |
| | | <input type="checkbox"/> FIXED | | | | | | | |
| HIGH COLLAR | | ELIGIBLE FOR SALE | | GUARANTEED | | COLLATERALIZED | | REMIT DATE: | |
| <input type="checkbox"/> YES | | <input type="checkbox"/> YES | | <input type="checkbox"/> YES | | <input checked="" type="checkbox"/> YES | | | |
| LOW COLLAR | | <input type="checkbox"/> NO | | <input type="checkbox"/> NO | | <input type="checkbox"/> NO | | COMMONS REP #: | |
| | | | | | | | | | |
| FOR SERVICE USE | | | | | | | | FOR WH TREASURY USE | |
| | | | | | | | | FOR WH TREASURY USE | |
| TOTAL AMOUNT APPROVED: \$ 29,686,842 | | | | FOR LC OVERNIGHT DELIVERY | | FAX COPY OF LC TO: | | NAME: | |
| AMOUNT O/S WITH THIS FACILITY: \$ 29,686,842 | | | | PROVIDE UPS A/C # | | | | PHONE: | |
| CREDIT AUTHORIZATION | | SIGNATURE/STAMP | | REQUIRED FINAL APPROVAL* | | SIGNATURE/STAMP | | DATE | |
| ALAIN OBER, VP | | VINCENT J. LASALA, VP | | | | | | | |
| CCC/151/1/01/14 | | NYS/151/1/01/14 | | | | | | | |
| Ext. 3154 | | Ext. 2387 | | | | | | | |
| CREDIT ADMINISTRATION APPROVAL | | | | | | | | | |
| DOC SPECIALIST | | COLL SPECIALIST | | SUPERVISOR | | INPUT BY | | VERIFIED BY | |
| | | | | | | | | | |

FEB 27 1996

X002525

| CREDIT APPROVAL | | THE CITIBANK PRIVATE BANK | |
|---|---|---|--|
| PBG-WH SECURED CREDIT PROGRAM | | STRICTLY CONFIDENTIAL - NOT FOR CIRCULATION SUBCOMMITTEE MEMBERS AND STAFF ONLY | |
| Expense Code: <u>0565</u> | Date: <u>4-19-96</u> | For Credit Admin, use only | |
| Client Number: <u>98624101</u> | Revision Date: <u>4-30-97</u> | Liability # | |
| Client Name: <u>Tendin Investments Ltd.</u> | | | |
| BORROWER(S) | Statement Group | Base # | |
| <u>Tendin Investments Ltd.</u> | <u>01</u> | | |
| COLLATERAL OWNER(S) (other than the above) | | | |
| <u>PBG London</u> | | | |
| \$000's | SHORT TERM CREDIT IN ANY FORM (Subject to availability of collateral) | New <input type="checkbox"/> | |
| <u>33,177</u> | Facility Memorandum required to activate specific facility (OD, Loan, L/C, Code 1 TPC, FX line) | Increase <input type="checkbox"/> | |
| PRICING | | | |
| Loans: <u> </u> % over Base <u>1.25</u> % over <u>6</u> months LIBOR (= 6.4375%) | | | |
| L/Cs: <u> </u> Standard Fees <u> </u> Other | | | |
| Code 1/TPC: <input checked="" type="checkbox"/> Standard Fee (1/4%, \$250 min.) <u> </u> Other | | | |
| PURPOSE (including source of repayment when different from liquidation of collateral): | | | |
| <u>Annual Review</u> | | | |
| <u>Local liquidity needs.</u> | | | |
| COLLATERAL | | | |
| <input checked="" type="checkbox"/> Assets In House + <input checked="" type="checkbox"/> Other (TPC, Code 1, etc.—specify) <u>TPC PBG London \$10,125,000</u> | | | |
| <input type="checkbox"/> No Exception <input type="checkbox"/> Exception (see overleaf) | | | |
| DOCUMENTATION | | | |
| Security Agreement required from each Collateral Owner, unless Facility is backed by a TPC, code 1 or L/C Borrowing Documentation (Note, OD Agreement, L/C Application) to be submitted with Facility Memorandum. | | | |
| <input checked="" type="checkbox"/> No Exception <input type="checkbox"/> Deferral (see overleaf) <input type="checkbox"/> Waiver (see overleaf) <input type="checkbox"/> (requires Credit Committee approval) | | | |
| <ul style="list-style-type: none"> Relationship is within PBG target market and meets client acceptance criteria Purpose of facilities is in full compliance with credit policies and standard of conduct | | | |
| ALAIN OBER, VP CCL/1561/June 14 Ext. 9384 Private Banker APR 19 1996 (Initial/Date) | | | |
| Credit approved including collateral/documentation exceptions (if any) | | | |
| Credit Officer | | Credit Committee | |
| (Initial/Date) | | (Initial/Date) | |

X 002522

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TENDIN INVESTMENTS, LTD.

April 19, 1996:

This is the annual credit review for Tendin Investments, Ltd.

Total exposure amounts to \$33,177,387 and includes:
 o Loan: \$29,686,842 (1.25% over 6 month Libor, i.e. 6.4375%, next rollover date and repayment of 10% of principal: August 29, 1996). There has not been any new borrowing since April 1994.
 o Accrued interest on the above mentioned loan: \$955,545 (6 month period).
 o Code 1 to PBG Paris for borrowings of Tendin Investments Ltd.: \$2,535,000 (FF 10,500,000 + accrued interest and 20% FX fluctuation).

This exposure is fully collateralized by Tendin's NY portfolios (US Fixed Income, Balanced Growth and US portion of International Equities) and a PBG London TPC \$10,125,000 (International Fixed Income). As of February 29, 1996 the market value of Tendin's total portfolio amounted to \$56,844,695. YTD return at the end of February was only 0.48% (the year 1995 earned 13.37%).

The undersigned meets our client three times a year in his home country. During our last meeting (January 31, 1996), while he expressed satisfaction at 1995 results, he pointed out again the high level of his borrowings and indicated that he would send new money to repay his loan. As of today, nothing was received and this topic will be brought up again during our next meeting, planned during May, 1996. 1996 may be a difficult year since the return on the portfolio may not exceed the cost of the borrowing which is the benchmark used by our client to appreciate the quality of the return on his portfolio. A full repayment of the loan would result in a major loss in CNR but would eliminate our implied obligation to obtain portfolio returns in excess of the borrowing cost. Since our client is a conservative investor, it would then become easier to reach mutually satisfying objectives.

This is a sensitive relationship in view of the identity of our client. This relationship is regularly reviewed by the Market Region Division Executive and there is constant communication with the local CCO of our client's country.

All documentation is in order.

Alain Ober, Vice President

ALAIN OBER, VP
CCC/16FI/Zone 14
Ext. 9194

X0002524

MUHAFFAK A. BILAL, VP
Middle East/Africa Unit Head
CCC/16 FI/Zone 14
Ext. 1147 4/30/96

Need to have Global
plait change - Salim
fets - due to nature of

2-011- 201- 73 23 22

CMEA 1-JUL-96 13:02:23 004424
 To: Alain Ober (USNYC:PBGWH)
 CC: Nuhad Saliba (AFLBV:IB), Miklos Vasarhelyi (EUMCM:PBG),
 CC: Christopher L Rogers (EUPARZ05:PBG)
 From: Kayembe Nzongola (AFLBV:IB)
 Date: MON 01-JUL-96 13:23 GMT
 Subject: Tendin
 Reading this message will send an acknowledgment.
 Do you wish to continue? (Y or N): Y
 Acknowledgment sent. CMNA 1-JUL-96 16:06:04 009488

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Alain,

We have had lots of discussions since last year regarding PBG NY providing code 1 approval to sub-allocate client's FF OD facility to Citi Libreville. Your position has been that the client should request such a facility and that we should approach him so that he could issue appropriate instructions to you. From our side, it has always been felt that you were the most appropriate channel so as not to upset the customer. If we approached him directly, he would consider such a request as lack of confidence, which could be detrimental to the global relationship.

If we do not have your Code 1 and the arrangement set out in his letter of January 29, 1993 is cancelled (per your Citimail below), this leaves us in an awkward situation (i.e. of not being able to extend a temporary OD to a major PBG client). Can we assume that the relationship is being terminated? If it is not (which I believe to be the case), there must be a way that we as an institution can do to protect the franchise. Based on his needs, a facility in the order of CFA 300 - 400MM would be required.

CFA 400,000,000 - \$ 200,000 -
 What can you offer? Can Monaco help?

While on the subject, could you advise whether the OD facility in Paris has ever been referred to Credit Policy Committee? Understand this requires consultation under existing policy (CCCP Section 4.2.1.8).

Regards
 Tony

 Forwarded Message

CMNA 21-JUN-96 14:32:24 009387
 To: Kayembe Nzongola (AFLBV:IB), Nuhad Saliba (AFLBV:IB)
 CC: Francois Ogier D'Ivry (EUPARZ05:PBG),
 CC: Angelica De Robien (EUPARZ05:PBG), Donnelle Knowles (CSNAS:PBG)
 From: Alain Ober (USNYC:PBGWH)
 Date: FRI 21-JUN-96 15:01 GMT
 Subject: T.I. Ltd.
 Reading this message will send an acknowledgment.
 Do you wish to continue? (Y or N): Y
 Acknowledgment sent. CMEA 21-JUN-96 16:52:44 004309

X007059

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You are aware that T.I. Ltd is in the process of covering all his liabilities with PBG. This includes his OD at PBG Paris which will be covered as of July 1, 1996 (or shortly thereafter). By letter instructions dated 1-29-93, T.I. Ltd had authorized you to cover his local account overdrafts by his account at PBG Paris which in turn refinanced themselves on PBG New York when the amount of the Paris OD exceeded \$2,000,000. All these instructions are now cancelled.
Best regards,
Alain

Delivered: FRI 21-JUN-1996 15:01 GMT

Delivered: MON 01-JUL-1996 13:23 GMT

X007060

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THE CITIBANK PRIVATE BANK

REVISION DATE 10/31/97

CREDIT APPROVAL / ANNUAL REVIEW

CLIENT: TENDIN INVESTMENTS LTD ID# 702995 SIC # 6799 P/B OA02 EXP. CODE 0565

BORROWERS / COLLATERAL OWNERS
NAME

STMT GROUP

BASE#

TENDIN INVESTMENTS LTD. PC-2623N
TENDIN INVESTMENTS LTD. PC-2623N

96624101

513094
702995 *End.*

| LINE DESCRIPTION | CURRENT REV DATE | AMOUNT | NEW AMOUNT | RISK RATING |
|------------------|------------------|--------------|------------|-------------|
| STC | 31/10/97 | 1.000.000,00 | | 2,2 |

| | | |
|--------------------------|----------------|-----|
| SECURITIES CONCENTRATION | (X) NO () YES | (*) |
| COLLATERAL EXCEPTIONS | (X) NO () YES | (*) |
| VARIOUS ASSETS | (X) NO () YES | (*) |
| DOCUMENTATION DEFICIENCY | () NO () YES | (*) |

* IF YES, SUBMIT JUSTIFICATION AND OBTAIN NECESSARY APPROVALS OVERLEAF

NOTE: Pls. approve facility memo

PRIVATE BANKER ATTESTS THAT:

- RELATIONSHIP CONTINUES TO BE WITHIN PBG TARGET MARKET AND TO MEET CLIENT ACCEPTANCE CRITERIA ☒ YES () NO **
- PURPOSE OF FACILITY(IES) IS IN FULL COMPLIANCE WITH CITIBANK CREDIT POLICIES AND STANDARDS OF CONDUCT ☒ YES () NO **
- ORIGINALLY APPROVED PRICING CONTINUES TO APPLY ☒ YES () NO **

** IF NO, SUBMIT JUSTIFICATION & OBTAIN NECESSARY APPROVAL(S) OVERLEAF

PBG - WH

APPROVAL: DATE: 10/15/97

OCT 15 1997

INITIAL(S)/DATE:

ALAIN OBER, V.P.
CC/1561/1004 14
Ext. 9134P/B *[Signature]* OR DELEGATED C.O.

FOR CREDIT ADMINISTRATION USE ONLY

MARGIN SYSTEM UPDATE: () ID-LB-BA
() MGTH

DATE

MAKER

DATE

CHECKER

() MGOB () MGLV

DOCUMENTATION SYSTEM UPDATE: () ALMS
() N/A

DATE

NAME & INITIAL

V0002504

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ONLY

THE CITIBANK PRIVATE BANK

REVISION DATE 6.5

CREDIT APPROVAL / ANNUAL REVIEW

CLIENT: TENDIN INVESTMENTS LTD ID# 702995 SIC # 6799 P/B 0A02 EXP. CODE 0565

BORROWERS / COLLATERAL OWNERS

| NAME | STMT GROUP | BASE# |
|----------------------------------|------------|--------|
| TENDIN INVESTMENTS LTD. PC-2623N | 96624101 | 513094 |
| TENDIN INVESTMENTS LTD. PC-2623N | | 702995 |

| LINE DESCRIPTION | CURRENT REV DATE | AMOUNT | NEW AMOUNT | RISK RATING |
|------------------|------------------|--------------|------------|-------------|
| STC | 31/10/1998 | 1.000.000,00 | | 2,2 |

| | | | |
|--------------------------|--------|---------|-----|
| SECURITIES CONCENTRATION | (X) NO | () YES | (*) |
| COLLATERAL EXCEPTIONS | (X) NO | () YES | (*) |
| VARIOUS ASSETS | (X) NO | () YES | (*) |
| DOCUMENTATION DEFICIENCY | (X) NO | () YES | (*) |

* IF YES, SUBMIT JUSTIFICATION AND OBTAIN NECESSARY APPROVALS OVERLEAF

1: The Rev. complete for memo attached

PRIVATE BANKER ATTESTS THAT:

- RELATIONSHIP CONTINUES TO BE WITHIN PBG TARGET MARKET AND TO MEET CLIENT ACCEPTANCE CRITERIA (X) YES () NO **
- PURPOSE OF FACILITY(IES) IS IN FULL COMPLIANCE WITH CITIBANK CREDIT POLICIES AND STANDARDS OF CONDUCT (X) YES () NO **
- ORIGINALLY APPROVED PRICING CONTINUES TO APPLY (X) YES () NO **

** IF NO, SUBMIT JUSTIFICATION & OBTAIN NECESSARY APPROVAL(S) OVERLEAF

ALAIN OBER, V.P.
PRIVATE BANK
CCC/16th FLOOR
(212) 559-9194

APPROVAL DATE: OCT 6, 1998 INITIAL(S)/DATE: _____
P/B &/OR DELEGATED C.O. _____

FOR CREDIT ADMINISTRATION USE ONLY

MARGIN SYSTEM UPDATE: () ID-LB-SA _____/_____/_____
() MGTH _____/_____/_____
() MGOB () MGLV _____/_____/_____ DATE MAKER DATE CHECKER

DOCUMENTATION SYSTEM UPDATE: () ALMS _____/_____/_____
() N/A _____/_____/_____ DATE NAME & INITIAL X0002418

| Account # | Account Name | Sensitivity Hot Sheet | Watch List | On List | Made list by | AC | Open | Business | Private | Banker | Manager | Ex | Code | Reason for making list | 09/23/1999 14:52 | Repeat last mo | Months repeated |
|-----------|-----------------------|-----------------------|------------|-----------------|--------------|------------|------|--|---------|--------|---------|------|------|------------------------|------------------|----------------|-----------------|
| 10197172 | Jamie Lusich | 909 | 494 | Private Banker | H. Heller | R. Alvarez | 467 | Sensitivity of Client | 0 | 4/94 | 0 | 4/94 | 0 | 4/94 | 0 | 4/94 | 0 |
| 10215064 | Trend Investments Ltd | 7/93 | 2095 | Significant Bal | M. Bee | A. Ober | 565 | Large amounts of Wire Transfers In and Out of account. | 7 | 9/96 | 7 | 9/96 | 7 | 9/96 | 7 | 9/96 | 7 |

541

MEMORANDUM TO: ALAIN OBER

RE: UNUSUAL WIRE TRANSFER ACTIVITY

FROM: ANGELO FUSARO COMPLIANCE & CONTROL

DATE: OCTOBER 21, 1996

ACCOUNT NAME: TENDIN INVESTMENTS LTD

ACCOUNT NUMBER: 10215064

In our sensitivity review of client account activity, we have identified the above account for the unusually high amount of transfer activity for a Private Banking account. At this time we request additional information from you in order to better understand why the customer conducts transactions in this matter. This request helps us in complying with the "Know Your Customer" regulations, but is also a good opportunity to learn more about your customer's banking habits and financial needs. If you do not already have a thorough understanding of your customer's transactions, approach the customer with the intention of learning more about their transactions so that you may provide improved service and/or take advantage of new sales opportunities. For example, the customer may be using the account for business purposes, if so provide an explanation of the business, name of the business, address, etc.

Citibank is required to "Know It's Customers," to monitor unusual activity, and to report transactions for which there is no adequate explanation. Please provide an explanation for the wire transfer activity and return it to me by October 30, 1996, so that we may conclude this investigation.

If you have any questions, feel free to call me on 212-559-1987.

Thank you.

cc: Edward Kowalczyk
N.Jarostchuk

000835

Account File [Hogan DDA/CRA 10215064] DDA Account TJ Form

Account Summary

Account: 10215064 Entitlement Group: 96624101
 Product: Hogan DDA/CRA Type: New York DDA Corporation 81 COID: 5000
 Status: Post/No Restrict. As of: 09/12/1996 CATS: SSN:
 Title: TENDIN INVESTMENTS LTD. PC-2623N Expense Code: 00565
 Cycle: Calendar Monthly On: End of Month Opened: 07/19/1990
 Personalized Acct Name: Closed:

Selection Criteria

Effective Start Date: 01/01/1996 Effective End Date: 08/31/1996
 Type: All Types Transaction Code: ALL
 From Amount: \$ 0.00 To: \$ 99,999,999,999.99

Transaction Journal

| Effective Date | Post Date | Amount | Running Balance | BTX Number |
|---------------------------|------------|-----------------|------------------|----------------|
| 08/31/1996 | 08/31/1996 | \$ 25.00 | \$ 3,265.47 | 96083100001667 |
| MINIMUM BAL. FEE REVERSAL | | | | |
| 08/31/1996 | 08/31/1996 | \$ 25.00 | \$ 3,240.47 | 96083100001666 |
| MINIMUM BALANCE FEE | | | | |
| 08/31/1996 | 08/31/1996 | \$ 1,734.53 | \$ 3,265.47 | 96083100001665 |
| OVERDRAFT INTEREST CHARGE | | | | |
| 08/26/1996 | 08/26/1996 | \$ 11,126.00 | \$ 5,000.00 | 566000173344 |
| TO CASH RESERVE ACCOUNT | | | | |
| 08/23/1996 | 08/23/1996 | \$ 3,000,000.00 | \$ 16,126.00 | 566000034344 |
| FROM CASH RESERVE ACCOUNT | | | | |
| 08/22/1996 | 08/22/1996 | \$ 2,000,000.00 | \$(2,983,874.00) | 929000215345 |
| WITHDRAWAL | | | | |

Account File [Hogan DDA/CRA 10215064] DDA Account TJ Form

| <i>Transaction Journal (continued)</i> | | | | | |
|--|------------|-----------------|-----------------|----------------|--|
| 08/21/1996 | 08/21/1996 | \$ 1,000,000.00 | \$(983,874.00) | 929001835345 | |
| WITHDRAWAL | | | | | |
| 08/21/1996 | 08/21/1996 | \$ 10,352.72 | \$ 16,126.00 | 929000655345 | |
| DEPOSIT | | | | | |
| 08/08/1996 | 08/08/1996 | \$ 30.00 | \$ 5,773.28 | 3590155344 | |
| FUNDS TRANSFER FEE | | | | | |
| 08/07/1996 | 08/07/1996 | \$ 655,410.93 | \$ 5,803.28 | 657009821344 | |
| OUTGOING FUNDS TRANSFER | | | | | |
| 08/06/1996 | 08/06/1996 | \$ 655,410.93 | \$ 661,214.21 | 929001765345 | |
| DEPOSIT | | | | | |
| 08/06/1996 | 08/06/1996 | \$ 833.44 | \$ 5,803.28 | 929001175345 | |
| DEPOSIT | | | | | |
| 08/06/1996 | 08/06/1996 | \$ 38.47 | \$ 4,969.84 | 4360039344 | |
| INTEREST CHARGED ADJ | | | | | |
| 07/31/1996 | 07/31/1996 | \$ 38.47 | \$ 4,931.37 | 96073100001666 | |
| OVERDRAFT INTEREST CHARGE | | | | | |
| 07/31/1996 | 07/31/1996 | \$ 2,961,500.49 | \$ 4,969.84 | 566000095344 | |
| TO CASH RESERVE ACCOUNT | | | | | |
| 07/30/1996 | 07/30/1996 | \$ 110,000.00 | \$ 2,966,470.33 | 657002851344 | |
| OUTGOING FUNDS TRANSFER | | | | | |
| 07/30/1996 | 07/30/1996 | \$ 110,000.00 | \$ 3,075,470.33 | 929000215345 | |
| DEPOSIT | | | | | |

000837

Account File [Hogan DDA/CRA 10215064] DDA Account TJ Form

Transaction Journal (continued)

| | | | | |
|-------------------------|------------|-----------------|-----------------|--------------|
| 07/30/1996 | 07/30/1996 | \$ 2,961,500.49 | \$ 2,966,470.33 | 657004361344 |
| INCOMING FUNDS TRANSFER | | | | |
| 07/25/1996 | 07/25/1996 | \$ 16,000.00 | \$ 4,969.84 | 929000175345 |
| DEPOSIT | | | | |
| 07/18/1996 | 07/18/1996 | \$ 30.00 | \$ (11,030.16) | 3590037344 |
| FUNDS TRANSFER FEE | | | | |
| 07/17/1996 | 07/17/1996 | \$ 16,000.00 | \$ (11,000.16) | 657010451344 |
| OUTGOING FUNDS TRANSFER | | | | |
| 07/16/1996 | 07/16/1996 | \$ 30.00 | \$ 4,999.84 | 3590046344 |
| FUNDS TRANSFER FEE | | | | |
| 07/15/1996 | 07/15/1996 | \$ 265,000.00 | \$ 5,029.84 | 657014611344 |
| OUTGOING FUNDS TRANSFER | | | | |
| ✓ 07/15/1996 | 07/15/1996 | \$ 265,000.00 | \$ 270,029.84 | 929000195345 |
| DEPOSIT | | | | |
| 07/09/1996 | 07/09/1996 | \$ 30.00 | \$ 5,029.84 | 3590038344 |
| FUNDS TRANSFER FEE | | | | |
| 07/08/1996 | 07/08/1996 | \$ 55,750.00 | \$ 5,059.84 | 586000313344 |
| TO CASH RESERVE ACCOUNT | | | | |
| 07/08/1996 | 07/08/1996 | \$ 3,200,000.00 | \$ 60,809.84 | 657010351344 |
| OUTGOING FUNDS TRANSFER | | | | |
| 07/08/1996 | 07/08/1996 | \$ 3,200,000.00 | \$ 3,260,809.84 | 929000995345 |
| DEPOSIT | | | | |

Account File [Hogan DDA/CRA 10215064] DDA Account TJ Form

Transaction Journal (continued)

| | | | | |
|---------------------------|------------|------------------|------------------|--------------|
| 07/05/1996 | 07/05/1996 | \$ 30.00 | \$ 60,809.84 | 3590043344 |
| FUNDS TRANSFER FEE | | | | |
| 07/03/1996 | 07/03/1996 | \$ 14,053,286.93 | \$ 60,839.84 | 657010861344 |
| OUTGOING FUNDS TRANSFER | | | | |
| 07/03/1996 | 07/03/1996 | \$ 14,053,286.93 | \$ 14,114,126.77 | 566000226344 |
| FROM CASH RESERVE ACCOUNT | | | | |
| 07/02/1996 | 07/02/1996 | \$ 30.00 | \$ 60,839.84 | 1760004344 |
| FUNDS TRANSFER FEE | | | | |
| 07/02/1996 | 07/02/1996 | \$ 2,000,000.00 | \$ 60,869.84 | 566000039344 |
| TO CASH RESERVE ACCOUNT | | | | |
| 07/02/1996 | 07/02/1996 | \$ 45,199.07 | \$ 2,060,869.84 | 1760003344 |
| FOREIGN CURRENCY TRANSFER | | | | |
| 07/02/1996 | 07/02/1996 | \$ 2,000,000.00 | \$ 2,106,068.91 | 929002155345 |
| DEPOSIT | | | | |
| 07/01/1996 | 07/01/1996 | \$ 80,000.00 | \$ 106,068.91 | 566000191344 |
| TO CASH RESERVE ACCOUNT | | | | |
| 07/01/1996 | 07/01/1996 | \$ 250.00 | \$ 186,068.91 | 657023981344 |
| OUTGOING FUNDS TRANSFER | | | | |
| 07/01/1996 | 07/01/1996 | \$ 652,955.90 | \$ 186,318.91 | 3650007344 |
| LOAN INTEREST PAYMENT | | | | |
| 07/01/1996 | 07/01/1996 | \$ 29,686,842.00 | \$ 839,274.81 | 3650009344 |
| LOAN PRINCIPAL PAYMENT | | | | |

Account File [Hogan ODA/CRA 10215064] DDA Account TJ Form

Transaction Journal (continued)

| | | | | |
|---------------------------|------------|------------------|------------------|--------------|
| 07/01/1996 | 07/01/1996 | \$ 80,000.00 | \$ 30,526,116.81 | 929005885345 |
| DEPOSIT | | | | |
| 07/01/1996 | 07/01/1996 | \$ 30,441,000.00 | \$ 30,446,116.81 | 566000400344 |
| FROM CASH RESERVE ACCOUNT | | | | |
| 06/28/1996 | 06/28/1996 | \$ 20,580,000.00 | \$ 5,116.81 | 566000169344 |
| TO CASH RESERVE ACCOUNT | | | | |
| 06/28/1996 | 06/28/1996 | \$ 11,000,000.00 | \$ 20,585,116.81 | 566000289344 |
| TO CASH RESERVE ACCOUNT | | | | |
| 06/28/1996 | 06/28/1996 | \$ 8,500,000.00 | \$ 31,585,116.81 | 566000157344 |
| TO CASH RESERVE ACCOUNT | | | | |
| 06/28/1996 | 06/28/1996 | \$ 1,690,000.00 | \$ 40,085,116.81 | 566000175344 |
| TO CASH RESERVE ACCOUNT | | | | |
| 06/28/1996 | 06/28/1996 | \$ 20,580,000.00 | \$ 41,775,116.81 | 929000485345 |
| DEPOSIT | | | | |
| 06/28/1996 | 06/28/1996 | \$ 8,500,000.00 | \$ 21,195,116.81 | 929000515345 |
| DEPOSIT | | | | |
| 06/28/1996 | 06/28/1996 | \$ 1,690,000.00 | \$ 12,695,116.81 | 929000505345 |
| DEPOSIT | | | | |
| 06/28/1996 | 06/28/1996 | \$ 11,000,000.00 | \$ 11,005,116.81 | 657018011344 |
| INCOMING FUNDS TRANSFER | | | | |
| 06/12/1996 | 06/12/1996 | \$ 307,976.05 | \$ 5,116.81 | 566000063344 |
| TO CASH RESERVE ACCOUNT | | | | |

Account File [Hogan DDA/CRA 10215064] DDA Account TJ Form

Transaction Journal (continued)

| | | | | |
|---------------------------|------------|---------------|---------------|----------------|
| 05/11/1996 | 05/11/1996 | \$ 307,976.05 | \$ 313,092.86 | 657000091344 |
| INCOMING FUNDS TRANSFER | | | | |
| 06/07/1996 | 06/07/1996 | \$ 26.81 | \$ 5,116.81 | 929000215345 |
| DEPOSIT | | | | |
| 05/31/1996 | 05/31/1996 | \$ 1.66 | \$ 5,090.00 | 96053100001778 |
| OVERDRAFT INTEREST REFUND | | | | |
| 05/31/1996 | 05/31/1996 | \$ 1.66 | \$ 5,088.34 | 96053100001777 |
| OVERDRAFT INTEREST CHARGE | | | | |
| 05/21/1996 | 05/21/1996 | \$ 217,725.13 | \$ 5,090.00 | 566000037344 |
| TO CASH RESERVE ACCOUNT | | | | |
| 05/21/1996 | 05/21/1996 | \$ 217,725.13 | \$ 222,815.13 | 929001525345 |
| DEPOSIT | | | | |
| 05/14/1996 | 05/14/1996 | \$ 5,300.00 | \$ 5,090.00 | 566000178344 |
| FROM CASH RESERVE ACCOUNT | | | | |
| 05/13/1996 | 05/13/1996 | \$ 210.00 | \$(210.00) | 1380011344 |
| ISSUE BANK CHECK | | | | |
| 05/07/1996 | 05/07/1996 | \$ 102,781.40 | \$ 0.00 | 5330107344 |
| TO CASH RESERVE ACCOUNT | | | | |
| 05/06/1996 | 05/06/1996 | \$ 111,457.68 | \$ 102,781.40 | 929001445345 |
| DEPOSIT | | | | |
| 05/03/1996 | 05/03/1996 | \$ 6,337.50 | \$(8,676.25) | 3650025344 |
| FEE | | | | |

Account File [Hogan DDA/CRA 10215064] DDA Account TJ Form

Transaction Journal (continued)

| | | | | |
|---------------------------|------------|---------------|----------------|----------------|
| 05/03/1996 | 05/03/1996 | \$ 2,396.30 | \$(2,338.76) | 4360012344 |
| INTEREST CHARGED ADJ | | | | |
| 04/30/1996 | 04/30/1996 | \$ 25.00 | \$(4,735.06) | 96043000001854 |
| MINIMUM BAL. FEE REVERSAL | | | | |
| 04/30/1996 | 04/30/1996 | \$ 25.00 | \$(4,760.06) | 96043000001853 |
| MINIMUM BALANCE FEE | | | | |
| 04/30/1996 | 04/30/1996 | \$ 4,016.88 | \$(4,735.06) | 96043000001852 |
| OVERDRAFT INTEREST CHARGE | | | | |
| 04/30/1996 | 04/30/1996 | \$ 228,365.48 | \$(718.18) | 929000645345 |
| DEPOSIT | | | | |
| 04/17/1996 | 04/17/1996 | \$ 162,173.89 | \$(229,083.66) | 929000385345 |
| DEPOSIT | | | | |
| 04/03/1996 | 04/03/1996 | \$ 4,670.72 | \$(391,257.55) | 4360043344 |
| INTEREST CHARGED ADJ | | | | |
| 03/31/1996 | 03/31/1996 | \$ 25.00 | \$(395,328.27) | 96033100001924 |
| MINIMUM BAL. FEE REVERSAL | | | | |
| 03/31/1996 | 03/31/1996 | \$ 25.00 | \$(395,953.27) | 96033100001923 |
| MINIMUM BALANCE FEE | | | | |
| 03/31/1996 | 03/31/1996 | \$ 7,815.06 | \$(395,928.27) | 96033100001922 |
| OVERDRAFT INTEREST CHARGE | | | | |
| 03/22/1996 | 03/22/1996 | \$ 278,355.28 | \$(388,113.21) | 657000071344 |
| INCOMING FUNDS TRANSFER | | | | |

Account File [Hogan DDA/CRA 10215064] DDA Account TJ Form

Transaction Journal (continued)

| | | | | |
|----------------------|------------|-----------|----------------|------------|
| 03/13/1996 | 03/13/1996 | \$ 291.35 | \$(665,468.49) | 4360066344 |
| INTEREST CHARGED ADJ | | | | |

000043

550

MEMORANDUM TO: ALAIN OBER

RE: UNUSUAL WIRE TRANSFER ACTIVITY

FROM: ANGELO FUSARO, COMPLIANCE & CONTROL

DATE: OCTOBER 21, 1996

ACCOUNT NAME: TENDIN INVESTMENTS LTD

ACCOUNT NUMBER: 10215064

In our sensitivity review of client account activity, we have identified the above account for the unusually high amount of transfer activity for a Private Banking account. At this time we request additional information from you in order to better understand why the customer conducts transactions in this matter. This request helps us in complying with the "Know Your Customer" regulations, but is also a good opportunity to learn more about your customer's banking habits and financial needs. If you do not already have a thorough understanding of your customer's transactions, approach the customer with the intention of learning more about their transactions so that you may provide improved service and/or take advantage of new sales opportunities. For example, the customer may be using the account for business purposes, if so provide an explanation of the business, name of the business, address, etc.

Citibank is required to "Know It's Customers," to monitor unusual activity, and to report transactions for which there is no adequate explanation. Please provide an explanation for the wire transfer activity and return it to me by October 30, 1996, so that we may conclude this investigation.

As a result of a loan repayment (\$30MM) which triggered the liquidation of \$30MM of various portfolios on 7-1-96, we restructured our client's overall portfolio to make it heavily "balanced/aggressive", then the numerous transfers during May and early August 96 see attached e-mails for details

If you have any questions, feel free to call me on 212-559-1987.

Thank you.

cc: Edward Kowalczyk
N.Jarostchuk

ALAIN OBER VP
CCC, 1611/Zone 14
Ext 9194

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SUBCOMMITTEE MEMBERS AND STAFF
ONLY

DEC 4 1996

X 0068

CMNA 8-AUG-96 15:42:42 009878
 To: Ronald Chapman (USNYC:CGAM)
 CC: Norman Macbeth (USNYC:CGAM), Donnelle Knowles (CSNAS:PBG),
 CC: Belma Kusoglu (EULON:PBG), David Sprindzunas (USNYC:PBG)
 From: Alain Ober (USNYC:PBGWH)
 Date: THU 08-AUG-96 15:42 GMT
 Subject: Tendin Investments, Ltd.

The restructuring of the Tendin portfolio is now complete. To help you establish the new monthly report, here is the pertinent information:

Portfolio 572667 (Balanced Growth): fully liquidated for total amount of \$20,676,833.44 as follows:
 \$20,580,000 6-28
 \$80,000 7-1
 \$16,000 7-16
 \$833.44 8-5

Portfolio 572668 (US Fixed income): decreased by \$8,500,000 on 6-28

Portfolio 573791 (International Equities): fully liquidated for total amount of \$7,920,410 as follows:
 \$1,690,000 6-28
 \$2,000,000 7-2
 \$3,200,000 7-8 +
 \$265,000 7-15
 \$110,000 7-30
 \$655,410 8-7 *\$10,322,000 2/1/1996 + \$352,000 9/19/96*

Portfolio International Fixed Income (London): decreased by \$11,000,000 value 6-28.

New FGP portfolio in London now fully funded for total amount of \$18,299,697 as follows:
 \$14,053,286.93 7-3
 \$3,200,000 7-8
 \$265,000 7-15
 \$16,000 7-16
 \$110,000 7-30
 \$655,410.93 8-7

Ron, I hope all this information helps you to establish the July statement. FYI, I shall need July and August statements at the latest Friday, September 13th to take them on my next African trip.

Chip, \$2,961,500.49 new money came on 7-30. They are currently in CRA at a very good rate. I shall call you on 8-12 upon your return from vacation to discuss a new home for this amount, hopefully in NY! Donnelle, we'll keep you posted.

Regards to all.

Alain

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 SUBCOMMITTEE MEMBERS AND STAFF
 ONLY

X006876

**PRIVATE BANKING GROUP
CALL REPORT****NAME:** Tendin Investments, Ltd.
(Bahamas)**BANKER:** Alain Ober**ADDRESS:****ACCOMPANYING OFFICER:** Muwaffak
Bibi**LOCATION OF CALL:** His office**DATE OF CALL:** 6/12/98

| EXISTING CLIENT | POTENTIAL CLIENT | CURRENT LEVEL | | POTENTIAL LEVEL |
|----------------------|---------------------|---------------|---------------|--------------------|
| X | | | | |
| CALL INITIATED BY | CLIENT | PBG X | AUM \$64MM | AUM \$ |
| | | | CNR\$ | CNR\$ |

| PURPOSE OF CALL: | NEEDS ANALYSIS X | PROPOSAL | A/C OPENING | SERVICE |
|---------------------|---------------------|----------|----------------|---------|
|---------------------|---------------------|----------|----------------|---------|

CALL OBJECTIVES:

- Attempted fraud.
- Reduced US Fixed Income \$2.5MM for \$2MM Legion Fund and \$0.5MM private equity portfolio.

RESULTS OF CALL:

- AUMs: 64MM (including Portfolios \$63.9MM. YTD 4/98: +7.45% vs. 1997: 7.29% full year)
TPC \$1MM to Citi Libreville for A/C of O.B.
- Very happy with results!
- However, once again he raised the issue of not being visited by Citibank Paris to be shown results on the "Leontine" A/C.
- He confirmed that the attempted fraud on his account was indeed one.
- Agreed to replace Europe Enterprise '92 with \$2MM Legion Fund and \$0.5MM Private Equity Ltd.

FOLLOW UP / NEXT STEP:

- Mrs. Gondjout raised issue of wanting to secure an internship for the son of a Gabonese Ambassador at Citibank Paris. She had already mentioned it to Chris Rogers and asked me to do it again.
- Follow up on Legion Fund & Private Equity.

DOC
A. KYC
B. OPEN
C. SERVICE
D. CREDIT

X0002479

Senate Permanent Subcommittee
on Investigations

EXHIBIT #

32k.

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SUBCOMMITTEE MEMBERS AND STAFF
ONLY

Author: Alain Ober at CITIMAIL
 Date: 12/10/96 6:58 PM
 Priority: Normal
 Receipt Requested
 TO: Christopher L Rogers at EUPARZOS
 CC: N. Jarostchuk at Citimail
 CC: Socorro Lopez at Citimail
 CC: Muwaffak Bibi at Citimail
 CC: Salim Raza at Citimail
 Subject: Tendin Investments, Ltd.

----- Message Contents -----

As I told you recently on the phone, the Federal Examiners are auditing the Tendin account. I have already spent several hours with them and overall they appear to be satisfied with my answers. However, there is one major issue which remains unresolved for which you may be of help.

You may remember that this account was opened in 1985 at PBG NY with \$52MM coming from a time deposit at Citibank Bahrain which was opened by Citibank Libreville on behalf of our client. At the time someone in the Branch suggested that the money would be better managed at PBG New York and that's how the account was opened in NY. I spoke to Bill Owen who was the officer in NY at the time and Bill indicated that the \$52MM were accumulated over several years at the Branch at the time that you were there. Neither Bill nor myself ever asked our client where this money came from. My guess, as well as Bill's, is that in view of the importance of our client's country as a provider of cheap oil to France, it was (and still is) important that our client stayed in power and thus the French Government/French oil companies (Elf) made "donations" to him (very much like we give to PACs in the US!). Since you were at the Branch at the time of accumulation of these monies, do you remember specifically where they came from and if so, could you please let me know as soon as possible in a citimail.

Many thanks for your assistance,
 Alain

X0002283

Author: Christopher L Rogers at EUZREHUB
 Date: 12/11/96 4:39 PM
 Priority: Normal
 TO: Alain Ober at Citimail
 CC: N. Jarostchuk at Citimail
 CC: Sandra Lopez Bird at Citimail
 CC: Muwaffak Bibi at Citimail
 CC: Salim Razvi at Citimail
 Subject: Tendin Investments, Ltd.

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 ONLY

----- Message Contents -----

1. Just a few details on the development of the relationship as I recall them.

- a) I believe we opened an "ISD" account in N.Y. as early as 1976-1977 to accommodate cash transfers to Libreville needed for official trips abroad. This was before Bill Owan's time.
- b) I'm not sure that the Bahrain deposit grew out of the accrual of balances in Libreville per se. The late 70's were the first big oil production years, and there were significant USD transactions with OPEC, foreign contractors, etc., which led up to the OAU summit of 1978. It seems to me we worked out an agreement with Bahrain Treasury at that time because they had the expertise to handle large investments at a decent return.

In either the case, our role was strictly limited to intermediating transfer and investment requests in the most effective way possible.

2. Gabon resembles a Gulf Emirate in that oil (300 M barrels p/d) accounts for 95 pct of revenues for a population of less than 1 million. It is clear therefore that Tendin Investments draws most of its wealth from oil, but we have no way of being more specific. You should know that since the mid 70's, by law, a significant portion of oil revenues have been ploughed back each year into infrastructural joint-ventures under the so-called PID (Provisions pour les Investissements Diversifies) scheme. The public sector has had a leading role in this scheme, and it has been a major aspect of business activity and GNP growth in all sectors. This is the best way to place Tendin's activity and revenues into context.

I think what is important for us is that we maintain our very professional "arm's length" role as funds custodians while ensuring that we continue to "know our customer" as thoroughly and as personally as possible.

Regards,
 Chris

0007056

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CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF
ONLY

CMNA 26-FEB-97 15:41:36 011589

Nuhad Saliba (AFLBV:IB)
Cc: Kayembe Nzongola (AFLBV:IB)
From: Alain Ober (USNYC:PBGWH)
Date: WED 26-FEB-97 15:41 GMT
Subject: Tendin Investments, Ltd.

Since we are always discussing this relationship, you should be aware that the Federal Examiners recently audited this relationship at length (over 3 weeks and three meetings - total 5 hours!).

They are satisfied by the way we are managing it. They only made one comment which created a lot of excitement and became shortly thereafter a non event. As you know, Tendin borrowed heavily through the years and the Fed Examiners raised the point that according to our Credit Policy Manual, any loan to a political figure requires the approval on an exceptional basis of John Ingraham, head of Credit for the Bank. However, this policy does not apply to Tendin for the following reasons:

1. This was margin loan borrowing which we suggested to our client since the interest rate differential worked in his favor (as know, when the trend reversed, he repaid all the loans).
2. Since it is margin lending, the Bank does not take any credit risk and thus is not making any favor to a political figure. This policy is really meant for US domestic political lending where there could be potential conflict of interest.

By the way, Tendin is on the list of approved political figures signed by Alvaro de Souza, head of PBG.

Best personal regards,

Alain

.S. re. my last visit: Merci to all.

Senate Permanent Subcommittee
On Investigations
EXHIBIT # 321.

CMEA 26-DEC-96 07:43:58 006671

To: Alain Ober (USNYC:PBGWH)
CC: David Sprindzunas (USNYC:PBG)
From: Kayembe Nzongola (AFLBV:IB)
Date: THU 26-DEC-96 07:44 GMT
Subject: Re: Tendin

EXACTLY. FUNDS HAVE COME FROM THE STATE TREASURY. THE TREASURER CALLED ME
TO ADVISE THAT THE PAYMENT IS BY ORDER OF THE "PATRON".

SEE YOU IN JANUARY.

CHEERS
TONY

Forwarded Message:

CMNA 24-DEC-96 13:27:21 011155

To: Kayembe Nzongola (AFLBV:IB)
CC: David Sprindzunas (USNYC:PBG)
From: Alain Ober (USNYC:PBGWH)
Date: TUE 24-DEC-96 13:34 GMT
Subject: Tendin

Many thanks for your CM of today. Please indicate the by-order party of
the transfer to us (the State Treasury?) since I need to know the source
of the funds. Thanks and Season's Greetings (did you receive my Xmas card?)
Alain

PS: I'll be in Libreville from 1/27 to 2/1. Details to follow early Januar

Delivered: TUE 24-DEC-1996 13:34 GMT

Delivered: THU 26-DEC-1996 07:44 GMT

X007063

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8-1-809 302 8699
8649

CMNA 7-JAN-97 19:14:40 011137

To: Donnelle Knowles (CSNAS:PBG)
CC: David Sprindzunas (USNYC:PBG), Norman Macbeth (12USNYC:CGAM),
CC: Ronald Chapman (12USNYC:CGAM), Muwaffak Bibi (USNYC:PBG)
From: Alain Ober (USNYC:PBGWHR)
Date: TUE 07-JAN-97 19:34 GMT
Subject: Tendin Investments, Ltd.

Greetings for 1997!

On 12-24-96, we received a transfer for \$1,886,792.45 for Tendin (by order of the State Treasury via Citibank Gabon). Thus, we must invest this amount (it was "parked" in CRA for a few days).

After meeting with Chip Macbeth, we agreed to invest \$1,900,000 as follows (we must keep \$103,492 for your 1997 fees!):

1. \$1,000,000.00 to a New Markets Bond Fund Ltd in New York. In order to open this portfolio, I would need an original copy of our PMS-Investor Agreement completed by yourselves. I'll take care of the other forms which do not require your signatures.

2. \$450,000 as addition to the International Fixed Income Portfolio in London (you may want to advise Mary Fleming).

3. \$450,000 as addition to the International Equities Portfolio in New York. Please send me your instructions and document as soon as possible.

Many thanks for your usual kind and efficient assistance.

Best personal regards,

Alain Ober

ALAIN OBER, VP
CCNY/1861/1200 18
Ext 9154

X007064

STANDARD CIRCULATION
CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF
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CMNA 20-FEB-97 16:48:15 013135

To: Salim Raza (EULON:PBG)
Cc: Alain Ober (USNYC:PBGWH)
From: Muwaffak Bibi (USNYC:PBG)
Date: THU 20-FEB-97 16:48 GMT
Subject: Tendin Investments, Ltd.

Very good news, which will partly offset the lost AUM's of last year.

Regards-Muwaffak

Forwarded message:

CMNA 18-FEB-97 20:23:07 011507

To: Norman Macbeth (12USNYC:CGAM), Ronald Chapman (12USNYC:CGAM)
Cc: Donnelle Knowles (CSNAS:PBG), David Sprindzunas (USNYC:PBG),
Cc: Muwaffak Bibi (USNYC:PBG)
From: Alain Ober (USNYC:PBGWH)
Date: TUE 18-FEB-1997 03:23 PM EST
Subject: Tendin Investments, Ltd.

Fred suggested that I send you a CM since you are travelling in Japan. Well, I am back from Africa without the Ebola Virus (as of today) but with an additional \$13,000,000 (even) into Tendin's account. He was very pleased with 1996 results and the new strategy and indicated on the spot that he would send at least \$10 MM (increased to \$13MM, possibly 15MM). The money was received value 2-14-97 (from Swiss Bank Corp and Credit Suisse First Boston, Zurich). The transfers were arranged by his personal advisor and the money comes from the sale of investments in South Africa in the oil sector.

Thus, we need to allocate these new AUMs. Ron, can you do the January numbers A=AP. Chip, may be Ron could fax you the January numbers when done and

this basis we could have a phone conversation? I have no problem increasing the FGP but would like some form of credit for the AUMs booked in London (currently \$23.5 MM). Fred promised to look into it (when we resupplied the portfolio last Summer I was told by several persons that it could not be done!).

Hope you are enjoying your trip to Japan.

Ron, please call me when you come back.

Regards to all,

Alain

Delivered: TUE 18-FEB-1997 03:23 PM EST

To: Norman Macbeth (12USNYC:CGAM), Ronald Chapman (12USNYC:CGAM)
Cc: Donnelle Knowles (CSNAS:PBG), David Sprindzunas (USNYC:PBG),
Cc: Muwaffak Bibi (USNYC:PBG)
From: Alain Ober (USNYC:PBGWH)
Date: WED 19-FEB-1997 10:31 AM EST
Subject: Tendin Investments, Ltd.

Happy to report that an additional (and final) \$2,000,000 were received value 2-18-97 from Bank Edouard Constant, Switzerland by order of Frorriep Renggli (law firm) as previous transfers. Thus, we have \$15 MM to invest! Chip, Fred sent a CM to Victoria Rock re. potential CNR credit for AUMs booked in London (you were copied on it).

Regards to all,

in

X007065

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Facsimile Cover Sheet

Personal file

To: Donnelle Knowles
Company: Cititrust Bahamas
Phone:
Fax: 8 1 809 302 8699/8649

From: Alain Ober
Company: PBG New York
Phone:
Fax:

Date: 02/25/97

Pages including this
cover page:

Comments:

Dear Donnelle,

This is a follow up to our phone conversation of today during which you indicated that you were unable to send me instructions to invest the \$15.3 MM for Tendin since the Trust company has compliance concerns with these funds.

I confirmed to you that I had already given instructions to invest the funds since:

- a. you did not react to my citimails of 2-18 and 2-19-97 informing you of the arrival of these funds, giving you the names of the banks and the source of the funds. You mentionned that Carmen Butler/Leona Mitchell are concerned and thinking about this problem: how long does it take to make a determination and contact me (since I am the source of information!)? If you want to return funds, the sooner the better...
- b. the funds having been in a CRA account for a week earning a small interest, I felt that it was urgent to invest the funds. I did not foresee any problems at your end in sending me the usual instructions.
- c. I am also amazed that your office has problems with 12/96

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\$1.9MM received from the State Treasury of our client's country. No one so far has expressed any concerns to me about it.

As I mentioned to you, the Tendin relationship was reviewed at length by the Federal Examiners earlier this year and this transfer and others were discussed and they had no problem with them (neither do I).

d. The political figure behind Tendin has been approved as a political figure by Mr. Alvaro de Souza.

In addition, you will find on the following pages, the following documents:

- a. Tendin's current profile. Please pay attention to the section on the source of wealth.
- b. My CM to you of 2-18 and 2-19 were sent by Mr. Muwaffak Bibi (head of EMEA in NY) to Mr. Salim Raza, head of PBG Emerging markets (including Africa) for PBG. Both Messrs. Bibi and Raza are satisfied with the source of these monies.

I would appreciate your sharing this information with Carmen/Leona as soon as possible. I remain at your disposal to discuss this problem. Mr. Bibi would like to get involved if the problem persists.

Please send me your instructions ASAP.

Best personal regards,

Alan

4007068

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CMNA 26-FEB-97 19:36:24 011591

To: Norman Macbeth (12USNYC:CGAM), Ronald Chapman (12USNYC:CGAM),
T.: Donnelle Knowles (CSNAS:PBG)
CC: Muwaffak Bibi (USNYC:PBG), Salim Raza (EULON:PBG),
David Sprindzunas (USNYC:PBG)
From: Alain Ober (USNYC:PBQWH)
Date: WED 26-FEB-97 19:36 GMT
Subject: Tendin Investments, Ltd.

On 2-19-97, we received \$5,000,000 from Chase Manhattan Bank for the account "OS" which is a special name account in the name of the same beneficial owner of Tendin. Mr. Samuel Dossou-Aworet who is the President's special advisor on issues of hydrocarbons/petroleum has a full power of attorney on the "OS" account and is the person who initiated the recent \$12 and 3 MM transfers to Tendin's account.

The beneficial owner of Tendin called me on the phone today to express surprise that the \$5MM was transferred to "OS" and not Tendin and indicated that the total amount of the transfer to Tendin should have been \$20MM (proceeds from the sale of some investments in the oil business in South Africa). I contacted Mr. Dossou who immediately sent me transfer instructions to debit "OS" for \$5MM on 3-3-97 and credit Tendin.

Thus, on 3-3-97, Tendin's AUMs will increase by \$5MM. Please note the following:

1. Chip: we shall invest this amount in the same proportions as the current overall portfolio.
2. Ron: please take note of the incoming credit.
3. Donnelle: please send me instructions ASAP to invest these monies as follows:

US Fixed Income (NY) \$750,000
Global Bond Portfolio (London) \$700,000
M&M Markets Bond Fund (NY) \$150,000
Flexible Global Portfolio (London) \$3,000,000
US Equity earning Growth (NY) \$150,000
International Equities \$250,000
Total: \$5,000,000

Greetings to all,

Alain

X000431

THE CITIBANK PRIVATE BANK

Senate Permanent Subcommittee
on Investigations
EXHIBIT # 32m.TELEFAX

Please call 33-1-44.43.45.31 if this transmission is incomplete.

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To : Alain OBER
Muwaffak BIBI
cc : Salim RAZA
Nuhad SALIBA
François HERVE
Fm : C.L. ROGERS
Date : 9 April 1997
Number of pages (including cover) : 3

Fax : 1-212-793.64.93
1-212-793.64.93
44-171-409.72.45
241-73.37.86
Paris
Fax : 33-1-40.70.90.55

Re : Tendin cash flow

I had a lengthy meeting today with a senior Gabonese civil servant, a consultant to the President, whom I have known for 20 years, I was pretty direct in my probing and the answers I received, although not comprehensive, give a better picture of Gabonese public finances as they relate to the Presidency.

1. OFFICIAL STATE BUDGET

This document, traditionally patterned on the French model, includes three basic categories : operating, investment and debt.

Every year, an overall allocation, loosely referred to as "security" or "political" funds, is voted into the budget across the operating and investment categories. Although not spelled out for obvious reasons, these funds are understood to be used at the discretion of the Presidency.

The relative "security" allocations for 1995 are as follows :

SECURITY FUNDS - 1995

| FF/\$ MM | Operating | Inv. | Tot. FF | Tot. \$ |
|---|-----------|------|---------|---------|
| Centralized management - "Special endowments" | 219 | 33 | 252 | 45 |
| Direct administration - "Payments to Treasury" | 300 | | 300 | 54 |
| Presidency - "Special endowments" | 10.3 | | 10.3 | 2 |
| Presidency - "Permanent balance" | 42 | 11.7 | 53.7 | 10 |
| Total | 571.3 | 44.7 | 616 | 111 |
| Overall Budget | | | 7300 | 1300 |
| % | | | | 8.5 |

X0004315

OVERALL BUDGET

| FF/\$ B. | 1995 | | 1996 | | 1997 (not yet voted) | |
|--------------|--------|--------|--------|--------|----------------------|--------|
| | FF 7.3 | \$ 1.3 | FF 7.6 | \$ 1.4 | FF 8.5 | \$ 1.5 |
| of which Oil | | | | | FF 5.3 | \$ 1.0 |
| % | | | | | 62 | |

- Please note that I am working with Libreville to develop security funds breakdown for 1996-1997.
- If you consider that 1996 was an austerity year for Gabon (despite a strong oil performance), and that IMF objectives were achieved in the context of a basically flat budget over 95/96, security funds would have remained below 10 %;
- In 1997, the budget increase will be built principally on internal demand (exports, including oil, will remain basically flat); I would hazard a marginal increase in the percentage of security funds, but it would still be in single digits.

2. OIL RECEIPTS - 1997 Est.

The data below comes from Price Waterhouse, Paris and Libreville. Their Africa Head in Paris was resident manager in Gabon for 8 years, and does work for President Bongo's chief oil consultant.

| FF/\$ MM | FF | \$ |
|---|------|-------|
| • Non Fiscal | | |
| mining royalties | 1748 | 312 |
| sharing agreements | 133 | 24 |
| area royalties | 2 | .4 |
| fees from exploration permits | 15 | 2.6 |
| dividends from equity holdings (see below Elf) | 100 | 17.7 |
| Total | 1998 | 356.7 |
| • Fiscal | 3273 | 584 |
| • Total oil fiscal + non fiscal | 5271 | 940.7 |
| • Total receipts | 8491 | 1516 |
| • % oil/total receipts | 62 | |
| • % "Security Funds" ('95 numbers) to oil | 11.8 | |

• ELF GABON

This company, the largest in Gabon as well as the largest in the Elf Group, is 58 % owned by Elf parent, 25 % by the Republic of Gabon (which yielded part of the \$ 17 MM dividend payment to the government in 1996 as per above) and 17 % by private investors, of which almost certainly President Bongo. The company is listed in the CAC 40, and its stock has risen 23 % since January, which will yield a dividend of \$ 30 against \$ 16.5 in '95. 1996 net earnings were FF 775 MM/\$ 136 MM. If the trend continues in 1997, the State's 25 % equity share in the company could yield significantly more than the \$ 17.7 MM forecasted above. Perhaps Elf Gabon is not included, because of special considerations. We will need to find out.

It should be noted that Elf Gabon divested itself of an unprofitable 65 % owned subsidiary last year (CPIH) which resulted in a net profit of FF 1.9 B/\$ 335 MM. All of this profit will be distributed to stockholders, which will be the equivalent of \$ 75 per share. A link to our \$ 20 MM transfer from Switzerland is possible.

All in all, an Elf Gabon shareholder will receive \$ 105 per share this year. I will try and obtain more information on the President's equity holding in the company.

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There is no easy or obvious way to determine how oil receipts find their way to security fund allocations through 4 budget categories but we will try to develop a feel for it as we go forward.

Price Waterhouse know of no regulatory or statutory provision linking any portion of oil receipts to either the Presidency or "special"/"security" funds.

The so-called PID (Provision pour les Investissements Diversifiés") law requiring oil companies to invest in non-oil related joint ventures with the government as a function of their earnings has faded markedly over the last 10 years, under IMF pressure. In its heyday, according to my source in 1) above, it could easily reach the FF 100-500 MM p.a. level, and constitute a sort of parallel budget.

Hope the above helps.


C.L. ROGERS

X0004317

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PBG-WHEMEA NY

To: File
From: Alain Ober
Date: April 11, 1997
re: TENDIN INVESTMENTS, LTD/966241

Christopher L. Rogers, our African marketing head based in Paris, recently had a meeting with a very high ranking government official of our client's country. This person, who keeps PBG accounts in Paris and New York (well known to me) has been involved in the country's financial affairs for the last twenty years. The main purpose of the meeting was to determine the amount of funds put at our client's disposal in the national budget of his country.

The national budget is patterned after the French budget and the expense side is divided into three categories: operating expenses, investments and debt. In every yearly budget, an overall allocation is voted across the operating expenses and investments categories. These funds are understood to be used at the discretion of our client.

In the last published budget (1995), the various allocations were as follows (converted into USSMM):
Centralized management/Special endowments: \$45MM
Direct Administration/Payments to Treasury: \$54MM
Presidency/Special endowments: \$2MM
Presidency/Permanent Balance: \$10MM
Total: \$111MM, representing 8.5% of the Budget for 1995 (\$1.3MMM).

We can assume that the same level of allocations exist in the 1996 Budget (\$1.4MMM) and the 1997 Budget (\$1.5MMM - yet to be voted).

Moreover, based on information provided by Price Waterhouse (Paris and our client's country), it is interesting to note that in the 1997 Budget, 62% of receipts come from oil revenues.



X006694

| PBG-WH/EMEA NY | |
|----------------|--------------------------------|
| DATE: | April 14, 1997 |
| TO: | File |
| FROM: | Alain Ober |
| SUBJECT: | TENDIN INVESTMENTS, LTD/966241 |

Christopher L. Rogers, our African marketing head based in Paris, recently had a meeting with a very high-ranking government official of our client's country. This person, who keeps PBG accounts in Paris and New York (well known to me) has been involved in the country's financial affairs for the last twenty years. The main purpose of the meeting was to determine the amount of funds put at our client's disposal in the national budget of his country.

The national budget is patterned after the French budget and the expense side is divided into three categories: operating expenses, investments and debt. In every yearly budget, an overall allocation is voted across the operating expenses and investments categories. It is understood that these funds are at the disposal of the Presidency, without any limitation.

in the last published budget (1995), the various allocations were as follows (converted into US\$MM):

| | |
|---|---|
| • Centralized management/Special endowments: | \$45MM |
| • Direct Administration/Payments to Treasury: | \$54MM |
| • Presidency/Special endowments: | \$2MM |
| • Presidency/Permanent Balance: | \$10MM |
| Total: | \$111MM representing 8.5% of the Budget for 1995 (\$1.3MMM) |

While, we can assume that the same level of allocations exist in the 1996 Budget (\$1.4MMM) and the 1997 Budget (\$1.5MMM - yet to be voted), we continue trying to obtain additional information about these figures.

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GO220CC 28-APR-97 14:53:57 509307
To: Alain Ober (USNYC:PBGWH), Muwaffak Bibi (USNYC:PBG)
Cc: Jean-Francois Hubert (EUPARZ05:PBG), Salim Raza (EULON:PBG),
Francois Herve (EUPARZ05:PBG)
Cc: Christopher L. Rogers (EUPARZ05:PBG)
From: MON 28-APR-97 14:49 GMT
Date: MON 28-APR-97 14:49 GMT
Subject: France-Gabon Paris Press clippings

I see that Jean-Francois was able to get you the clippings you required in my absence, and I thank him for doing so diligently and thoroughly.

At the same time, Francois Herve and I feel quite strongly that all of us need to be very thoughtful and selective about the press coverage we choose to interpret and share about our top customers.

In the case at hand, the information which has come to light recently is part of an ongoing controversy which stretches back well into last year, and which largely transcends the sole question of our customer's personal financial dealings.

I am unable to interpret the current press allegations insofar as they might touch upon the Bank but would not be tempted to try because of the doubts it could raise in people's minds about our own relationship with our customer. If this is the case, we ought to be extremely careful about sharing such information with regulatory authorities, because we can't answer for it.

I think our course of action should be to stay informed about what is being carried in the newspapers, and consult regularly amongst ourselves about what appears to be germane for the Bank. Only then should we seek more interpretation and possible further dissemination.

I'll volunteer the first recommendation as to our course of action in this matter:

- 1) the character of our customer is not compromised from a compliance standpoint, insofar as our relationship is concerned;
- 2) we should stay as far away as possible from this mess, unless and until any one of us has firm or verifiable evidence which would lead us to suspect the Bank's interests are at risk.

Regards,

Chris

NB: Muwaffak/Alain

Please take out a subscription to "Le Monde" in New York. Sabine goes to great lengths to photocopy and mail the "Lettre du Continent", but,

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with respect, cannot be expected to scan and clip the local press on a daily basis. I'll send along what I think is important as per 2) above and you should do likewise.

Received: MON 28-APR-1997 14:05 GMT

Delivered: MON 28-APR-1997 14:49 GMT

X007055

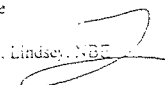


MEMORANDUM

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

To: Bank File

From: Steven D. Lindsey, NBE 

Date: June 18, 1997

Subject: Related files of El Hadi Omar Bongo
President of Gabon (Africa)

Background

During the fourth quarter 1996, the Federal Reserve Bank of New York (FRB) conducted an examination of Citibank's Global Private Banking operations. The FRB asked the OCC if they could test the FRB's new know your customer (KYC) examination procedures at Citibank, NA due to the size of its domestic and international private banking presence. Following the FRB's exit meeting with Citibank management, the FRB asked to meet with the OCC. On February 18, 1997, Ralph Sharpe (DC for MNB), Grace Dailey (EIC), Mike Linowes (NE District E&C Attorney), Jerry Cassel (NBE at Citibank) and I met with the FRB. During that meeting the FRB shared with us the concerns listed below.

Although the FRB had concerns, they did not discuss them with Citibank management during the exit meeting. However, they asked that we follow-up on them. Following that meeting and on February 19, 1997, Mike Linowes and I met with the FRB examination team and supervisory office. During that meeting the FRB gave us a copy of their Bongo file and discussed their findings in more detail.

As part of the examination scope, the FRB reviewed the bank's internal program that monitors unusual account activity. The report identified a \$31 million decline (September 1996) in President Bongo's fiduciary account, Tendin Investments. The reduction in the Tendin investment portfolio was the basis for FRB's decision to review account activity. The FRB identified the following as issues:

- o There is nothing in the file that explains the source of the initial funds beyond alluding to the oil revenues and a relationship with the French oil companies.

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- o Mr. Alain Ober, Citibank private banker responsible for the Bongo relationship, told the FRB (during interviews) of President Bongo having a courier pick up suitcases full of cash from the oil companies.
- o In October 1996, President Bongo opened another account at Citibank. This account was to be used to collect payments from his relationship with oil companies.

Assets from the Tendin Investment account were used to pay off existing debt with Citibank, NA. According to the loan terms, repayment of the debt was to come from liquidation of Tendin Investments. The bank's unusual account activity report reflected a \$29 million increase in the Tendin Investment Account during the fourth quarter of 1996. The increase was the result of replenishing the investment account. According to Alain Ober, President Bongo was pleased with how Citibank managed Tendin Investments and wanted to rebuild the portfolio to a level similar to what it was prior to paying off existing debt. As of September 1996 and after the debt repayment, assets under management (AUM) for Tendin Investments were \$32 million. As of April 30, 1997, its assets increased to \$56 million. The increase in the account is due to earnings on the account and the additional funds deposited to replenish the account (\$29 million).

OCC Evaluation

What follows is a discussion of OCC's evaluation of the Bongo relationship. During the first quarter of 1997 and in response to the FRB's findings, we conducted an extensive review of all Bongo relationships. This review included all current and past files pertaining to the following:

- o El Haji Omar Bongo -- President of Gabon and Primary Client
- o Tendin Investments
- o Edouard Bongo-Sassou -- Wife of President Bongo -- Non-Client Accountholder
- o Pascaline Bongo -- Daughter of President Bongo -- Non-Client Accountholder
- o Ali Ben Bongo -- Son of President Bongo -- Non-Client Accountholder

What follows is a discussion of our file review and interview of Alain Ober relating to the issues identified above:

Issue: *There is nothing in the file that explains the source of the initial funds beyond alluding to the oil revenues and a relationship with the French oil companies.*

We agree with the FRB that no documents exist to detail the wealth source or future wealth expectations. While this was not an item that banks would generally collect in the early 1980's when Citibank entered this relationship, present KYC expectations strongly encourage banks to complete a thorough analysis of clients, including documenting their attempts to find out the original source of wealth. Over the past two years, Citibank private banking units have made good progress in

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capturing this information on all new clients and have embarked on a plan to update all existing accountholders.

Mr. Ober states that President Bongo does not provide sufficient information to identify the source of wealth except to say it is from his position as Head of State and revenues from oil businesses. However, as a proxy for source of wealth, Citibank - Paris performed an analysis of Gabon's last published budget (1995) and found that President Bongo had approximately \$111 million, or 8.5% of the total 1995 budget of Gabon, at his disposal. It is the understanding of bank management that these funds are available to the Presidency, without limitation. According to Mr. Ober, President Bongo has substantial oil interests in Gabon and other African countries. When combined, these factors serve as support for the source of Tendin Investments' funds. With the exception of the transactions that paid off existing debt and replenished the account, growth in the account has come from investment earnings on the Tendin assets.

Issue: Mr. Ober told the FRB (during interviews) of President Bongo having a courier pick up suitcases full of cash from the oil companies.

In determining cash transactions through Citibank, N.A., we reviewed the files of President Bongo and each nonclient accountholder (e.g., wife, daughter, and son). Our review revealed many transactions, typically cash-outs, in excess of \$10 thousand made on behalf of each accountholder. Only two deposits included cash in excess of \$10 thousand. These deposits were for \$100 thousand each, one made on behalf of his daughter and one on behalf of his wife. Mr. Ober stated that the source of these funds was the remaining portion of a \$1.6 million wire transfer converted into cash for the President and his entourage's use during the 50th anniversary of the United Nations (UN). One million dollars came from the President's personal account, and \$600 thousand came from the Gabonese Treasury.

During an interview, Mr. Ober told us that President Bongo always pays cash when visiting the US. During the UN visit, President Bongo and his entourage took two full floors at the Plaza Hotel in NYC. Mr. Ober discussed other currency transactions for the President, family members and personal assistants. These transactions can be supported based on the estimated 8.5% of the annual national budget received by the President. Copies of related CTRs were in the files.

Issue: In October 1996, President Bongo opened another account which is supposed to collect payments from his relationship with oil companies.

Based on a discussion with Mr. Ober, we learned that this account was opened when President Bongo purchased oil interests in Africa. Mr. Samuel Dossou-Abovet, President Bongo's oil partner and personal advisor, has full power of attorney for this account. Deposits into this account represent earnings from President Bongo's oil interests in Africa.

000691

Conclusion: Based on our review of the information in all related files and interviews with Mr. Ober, we conclude that this relationship and related transactions do not meet the level of suspicion expected for filing a Suspicious Transaction Report because of the following reasons:

- o President Bongo receives 8.5% of Gabon's annual budget for the Presidency's unrestricted use. In 1995, that totaled \$111 million.
- o The large transactions related to Tendin Investments account are reasonable based on the debt repayment through the liquidation of assets. The FRB confirmed the debt repayment during their review.
- o The AUM of Tendin Investments is reasonable based on President Bongo's budget allocation and oil interest.
- o Mr. Ober is very familiar with his client's financial activities and understands the transactions after reviewing available facts, including the background and purpose of the transactions.
- o Based on the interview with Mr. Ober, the transactions conducted through Citibank NA are the sort of transactions that the customer has historically been making and are normal for the Head of State of an African country.

What the bank needs to do

The bank needs to continue its efforts to improve its PBG client profiles, including the need to collect information regarding the source of wealth, future wealth expectations, account monitoring, and relationship manager monitoring.

What the OCC needs to do

Conduct a follow-up PBG NYC examination to assess steps taken in response to the 1qtr-96 OCC and the 4qtr-96 FRB examinations. This examination will cover PBG clients with Fiduciary relationships and those clients without Fiduciary relationships. This examination will commence on July 14, 1997, and conclude no later than August 14, 1997. Staffing will include two OC 18-Compliance (Steve Lindsey and Darryl Marcus), one OC 18-Fiduciary (Rusty Vaden), and fiduciary support. Examiner Vaden will provide staffing and levels for the fiduciary team.

Quality Assurance - KYC ScorecardSenate Permanent Subcommittee
on Investigations
EXHIBIT # 32n.

Banker: Ober Alain
QA Analyst: Leezenbaum Ralph

Division: EMEA
Department: EMEA
Location: New York

DOC
A. KYC
B. OPEN
C. SERVICE
D. CREDIT

Client Information:
Client Number: 966241
Last Name: ~~TENDIN INVESTMENTS LTD.~~ PC-2623N
Entitle Number: 96624101 First Name:
Last Name: TENDIN INVESTMENTS LTD. PC-2623N
Client Type: Priority
Primary Client: ☒ Yes ☐ No

Marketing:
Trust Client: ☒ Yes ☐ No
Trust Location:
Profile Type: Full
Country: BAHAMAS
MM Approval: ☐ Yes ☐ No ☒ N/A
MRH Approval: ☐ Yes ☐ No ☒ N/A
IPH Approval: ☐ Yes ☐ No ☒ N/A

Profile Requirement: Client
AUM: 14,878,080
Special Approvals: Public Figure
Client SOW: Professional Occupation
Addendum: ☒ Yes ☐ No
Related Party 1: TENDIN INVESTMENTS LTD
Related Party 2:
Related Party 3:
Related Party 4:

Profile Dates:

Initial: Reminder/Management
Review: 07/22/97 Alert Date:
Initial Follow Up: Pending
Target Date: Past Due Date:
Annual Review: Client Window
Date: Last Updated: 10/02/97

Initial Profile:

Banker Score: Score Date:
QAO Score: Pass Score Date: 07/22/97
Reject Reasons:
☐ Incomplete IOS ☐ Incomplete Source of Wealth/Business Backgro
☐ Incomplete Source of Funds ☐ Incomplete Suitability

Current Profile:

QAO Score: Pass - Not Signed Score Date: 05/20/98
Reject Reasons:
☐ Incomplete IOS ☐ Incomplete Source of Wealth/Business Backgro
☐ Incomplete Source of Funds ☐ Incomplete Suitability

Deficiencies:

Quality Assurance - KYC Scorecard

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ONLY

| | |
|--|--|
| SOW Questions Answered for Current Profile | SOW Questions Required to Meet Current Profile |
| SOF Questions Answered for Current Profile | SOF Questions Required to Meet Current Profile |

Comments: Initial Review Gloria Huber 7/22/97
Current Review covers all KYC elements

Prior Review 1/23/98

- 1) Need separate Partial Profile of President
- 2) SOW: Estimate of income from oil related ventures, Presidency, and CIE, STE Geant and SISAGI and FIBA
- 3) Value of Real Estate portfolio
- 4) Verification: How do you know this?
- 5) Put: "Call Reports in client's file."
- 6) Relationship team?
- 7) Sign-offs for Public Figure: Banker, Supervisor, GMM, and IC Head

CURRENT REVIEW: 5/20/98
Pass-Not Signed

Created By: Bernadette McKeivitt/NA/CITICORP
Created On: 10/31/97 01:17:08 AM
Last Modified By: Ralph Leezenbaum/NA/CITICORP
Date Last Updated: 05/26/98 04:13:26 PM

X0002478

Quality Assurance - KYC ScorecardSTRICTLY CONFIDENTIAL -- NOT FOR
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SUBCOMMITTEE MEMBERS AND STAFF
ONLYBanker: Ober Alain
QA Analyst: Leezenbaum RalphDivision: EMEA
Department: EMEA
Location: New YorkDOC
A. KYC
B. OPEN
C. SERVICE
D. CREDITClient Information:

| | |
|---|---|
| Client Number: 985359 | First Name: |
| Last Name: El Hadj Omar Bongo | |
| Entire Number: | 98535901 First Name: |
| Last Name: El Hadj Omar Bongo | |
| Client Type: Priority | Marketing: |
| Primary Client: <input checked="" type="radio"/> Yes <input type="radio"/> No | Trust Client: <input type="radio"/> Yes <input checked="" type="radio"/> No |
| Profile Requirement: Client | Profile Type: Full |
| AUM: 1,545,939 | Country: GABON |
| Special Approvals: Special Name Account | MM Approval: <input type="radio"/> Yes <input type="radio"/> No <input checked="" type="radio"/> N/A |
| Client SOW: Professional Occupation | MRH Approval: <input type="radio"/> Yes <input type="radio"/> No <input checked="" type="radio"/> N/A |
| Addendum: <input checked="" type="radio"/> Yes <input type="radio"/> No | IPH Approval: <input type="radio"/> Yes <input type="radio"/> No <input checked="" type="radio"/> N/A |
| Related Party 1: El Hadj Omar Bongo | |
| Related Party 2: | |
| Related Party 3: | |
| Related Party 4: | |

Profile Dates:

| | |
|-----------------------|------------------------|
| Initial | Reminder/Management |
| Review: 03/11/97 | Alert Date: |
| Initial Follow Up | Pending |
| Target Date: 02/23/98 | Past Due Date: |
| Annual Review | Client Window |
| Date: | Last Updated: 03/06/97 |

Initial Profile:

| | |
|-----------------|----------------------|
| Banker Score: | Score Date: |
| QAO Score: Pass | Score Date: 03/11/97 |

Reject Reasons:

| | |
|---|--|
| <input type="checkbox"/> Incomplete IOS | <input type="checkbox"/> Incomplete Source of Wealth/Business Background |
| <input type="checkbox"/> Incomplete Source of Funds | <input type="checkbox"/> Incomplete Suitability |

Current Profile:

| | |
|------------------------------|----------------------|
| QAO Score: Pass - Not Signed | Score Date: 05/19/98 |
|------------------------------|----------------------|

Reject Reasons:

| | |
|---|--|
| <input type="checkbox"/> Incomplete IOS | <input type="checkbox"/> Incomplete Source of Wealth/Business Background |
| <input type="checkbox"/> Incomplete Source of Funds | <input type="checkbox"/> Incomplete Suitability |

Deficiencies:

X0003414

Quality Assurance - KYC Scorecard

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| | |
|--|--|
| SOW Questions Answered for Current Profile | SOW Questions Required to Meet Current Profile |
|--|--|

| | |
|--|--|
| SOF Questions Answered for Current Profile | SOF Questions Required to Meet Current Profile |
|--|--|

Comments:

Initial Review: Gloria Huber 3/11/97
Current Review covers all KYC elements

Prior Review: Ralph Leezenbaum 1/23/98
This Special Name Account, has it been cleared with IC Head?

- 1) For all accounts related to President Bongo need one good Partial Profile of President Bongo.
- 2) Need Basic Information on Dossou as POA
- 3) SOW: Have to explain more fully the SMM/year income.
Does he receive income on own oil trading as well as through shares of ELF Gabon? Should break out income of: ELF Gabon shares, oil trading, FIBA (Bank), Other.
- 4) Verification: how do you know this to be true?
- 5) Need Financial Summary
- 6) Change domicile to Gabon by putting in Gabon Address/ phone number
- 7) Put "Call Reports on file." in Call Log.
- 8) Banker Team?
- 9) Sign-offs: Banker, Supervisor, GMM, IC Head?

CURRENT REVIEW: 5/19/98
Pass-Not Signed

Created By: Bernadette McKeivitt/NA/CITICORP
Created On: 10/31/97 01:27:03 AM
Last Modified By: Ralph Leezenbaum/NA/CITICORP
Date Last Updated: 05/26/98 04:19:54 PM

Senate Permanent Subcommittee
on Investigations

320.

Salim Raza

From: Christopher L. Rogers
 Sent: 06 November 1998 10:57
 To: Salim Raza
 Subject: TENDIN

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We ought to ensure that we face this issue and its possible implications with our eyes wide open.

Whatever internal considerations we satisfy, the marketing fallout is likely to be serious.

You may find the following considerations of some use if you are able to speak to Anjum today at 10:00 a.m. London time.

1. Both Muwaffak and Nuhad are already beyond Gabon. They will not be around to pick up the pieces.
2. At the end of the day, Sam gets his marching orders from Tendin. If the latter is snubbed, Sam will not risk being bruised in the fallout.
3. Tendin has been vitally instrumental in our franchise's success over the years. The latter has borne a matter of personal pride for him. Tendin got the franchise back on its feet after the Mazumdar / Gopaul nadir, through personal intervention. Sam helped the Branch considerably over the last two years to obtain a more reasonable and rightful share of public sector deposits, with Tendin's blessing. The probability of this support being reversed indefinitely should be weighed seriously.
4. We should bear in mind that the Tendin relationship is deeply anchored in a trust. As such, it is a very personal matter involving much of his family, vis-a-vis which he cannot afford to lose face. This is likely to magnify his reaction, with a further blow to our credibility as a Private Bank.
5. Tendin and Mandela are the foremost African leaders today, and they are friends. Tendin's position in Francophone Africa, including Congo K, is preeminent. Although we can't measure how far the negative vibes could go, there is no doubt that they will spread and that will include France. Tendin's family and friends extend far.
6. The fallout from Tendin will coincide with the news from Monaco, and the two will magnify each other. The impact on PBS marketing in Francophone Africa will be serious. Beyond this, there would be legitimate grounds for concern in many people's minds about whether Citibank was abandoning this part of the Continent.

Regards
 Chris

X007045

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Salim Raza

From: Christopher L. Rogers
Sent: 24 December 1998 12:06
To: Salim Raza
Cc: Alain Ober; Muwaffak Bibi
Subject: Tend'n Investments, Ltd.

Alain and I have obviously given considerable individual thought to this issue, and discussed it at length together. We have also both spoken to Roland Jacquard, and Francois Herve has been consulted.

It is possible that through our joint efforts, we could induce Tendin to maintain a completely transparent relationship, with respect to all investment and account activity, i.e. sources, uses and performance.

We can discuss later why we feel this way but we believe, for several good reasons, that the proposal would appeal to him.

The idea of setting new target and acceptance criteria for top public figures who are whistle-clean and agree to total transparency in exchange for the privilege of banking with us might be compelling to Shaukat and others. We would be adapting to the times instead of jettisoning quality assets because we have not adjusted the fit. In extremis, we could demonstrate to anyone that our customer is not bleeding a poor country because all balances and sources of funds would have been vetted by us at the source. In effect our "public" figure waives all "sovereign immunity" and agrees to be managed like a private one.

Let's discuss in first week Jan.

Regards

Chris

Forward Header

Subject: Tend'n Investments, Ltd.
Author: Alain Ober at 20USNYC
Date: 21/12/1998 4:48 PM

Last Thursday (12/17), I received the impromptu visit of Mr. Shaukat Aziz who was accompanied by Ed Montero, Head of Western Hemisphere in NY. Mr. Aziz was making the "Season's Greetings" rounds. In my office, Ed Montero asked me about our Gabonese client. I told them about his recent reelection. I told Mr. Aziz that I understood that the Bank wants to terminate the relationship. We discussed briefly the situation and Mr. Aziz asked me to come and see him mid-January to continue the discussion at more length. I would be very grateful if we could discuss this situation prior to my meeting.
Best regards,
Alain

X007048

Salim Raza

From: Christopher L. Rogers
 Sent: 15 January 1999 11:48
 To: Anjum Z. Iqbal
 Cc: Nuhad Saliba; Salim Raza; Alain Ober
 Subject: TENDIN

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I think we now have the necessary background information and internal consensus to articulate our termination strategy against this name and to implement it progressively.

I think we should keep it short and straightforward.

1. I have asked a confidant of the President and a good customer of the PBG, who operates equally among Gabon, France and the US, to warn the President about the changed environment of international finance and the greatly heightened sensitivity of Private Banking, especially in the US, and especially vis-à-vis senior public figures. This has been done in person early this year, in Libreville. The President has been told to expect significant changes, which we would explain to him in person next month, and which would be in his own best interest.
2. We are going to tell the President that, in order to take immediate pressure off his case, he must reduce his global outstandings with us by 20 - 25 pct (\$15 - 20 MM) by March 31st, 1999.
3. There are strong signs of a US-Gabonese rapprochement underway, which will culminate in an official state visit to Washington in April. For this reason, we prefer not to terminate the relationship in one go before that time, because of the risk that it will be misunderstood and could lead to precisely the sort of publicity in the US which we wish to avoid at all costs. In addition, we might well seize the occasion in New York or Washington of further underlining the downside of maintaining a relationship in the current context. We could parade out a senior manager or compliance expert. The President is impressed by "experts".
4. By the end of the second quarter, we can envisage reducing outstandings by a further 20 - 25%, with the remainder to follow by September 30th, in one sum or in two successive quarterly instalments.
5. We agree with Nuhad that there is no need for overkill or for risking the success of the above strategy by insisting on closing his personal convenience account in Libreville. The latter is a matter of personal pride and standing for him and the least important consideration in our game plan.

I remain at your disposal to discuss this matter further if necessary.

Regards
 Chris

X007049

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Salim Raza

From: Eric Swats
Sent: 01 February 1999 08:00
To: Christopher L. Rogers
Cc: Alain Ober; Salim Raza
Subject: RE: TENDIN - USD 36 MM FGP IN LONDON

Thanks for keeping us informed. When you have the authorization, go through the normal channels. Until then, we will continue to manage the account as fully invested.

Eric

-----Original Message-----
From: Rogers, Christopher L.
Sent: 01 February 1999 07:55
To: Swats, Eric
Cc: Ober, Alain; Raza, Salim
Subject: TENDIN - USD 36 MM FGP IN LONDON

In the strategic interest of this customer and for internal policy reasons, Alain Ober (PAM - NY) and I (GMM Africa) will be seeing the client in mid-February and receiving his confirmation to disinvest USD 12 MM of the above portfolio and to transfer it out of the Bank.

I wanted to give you advance notice of this intention and to provide any help that might be necessary to carry it out.

Please confirm by phone (27-11-343-9002/5 or em).

Regards
Chris

X007051

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Salim Raza

From: Chris Rogers
Sent: 01 March 1999 10:22
To: Salim Raza; Anjum Z. Iqbal
Subject: TENDIN DISENGAGEMENT

I saw the BO twice in Paris on February 25th. He understood our concern and took it well. I have spoken to Nuhad and told him I don't see any negative consequences for our Gabonese franchise. There will be an initial outflow of USD 15 MM this month in line with our strategy outlined in my January 15th message.

Regards
Chris

X007052



Transaction Monitoring

THE CITIBANK PRIVATE BANK - London

To : Sharon Bahl

From : Transaction Monitoring Unit, Griffin House

Date : 14th JUNE 1999

UBN : 301605 Account Title : Tendin Investments

Re : Transaction Monitoring for the month of MAY 1999

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The attached report of consolidated monthly activity for the captioned UBN shows a variance to the existing transaction profile as follows :

- ☐ Total VOLUME of incoming items was _____ versus the profile of _____
- ☐ Total VOLUME of outgoing items was _____ versus the profile of _____
- ☐ Total VALUE of incoming items was USD _____ versus the profile of USD _____
- ☒ Total VALUE of outgoing items was USD 15MM versus the profile of USD 0-50

Private Bankers comments / explanation :

Account is being closed - as per the Agmt. Between
signed end 1999. we anticipate ~~that~~ further withdrawals
of a similar magnitude. Current outstandings \$30MM
R. had already advised us that this was
in the process of happening

Private Banker : Sharon Sharon Bahl
print name and sign Resident Vice President Date : 14 / 6 / 99

Supervisor : Gordon Rodgers
print name and sign Date : 15 / 6 / 99

☐ Updated Transaction Profile is attached GORDON RODGERS
VICE PRESIDENT

CITIBANK INDICATED CLOSURE OF UBN

Transaction Monitoring Unit

- ☐ Transaction Profile updated
- ☒ Exception reviewed and explanation accepted

Print & sign name : Donna Adams Date : 25 / 6 / 99
Donna Adams
Resident Vice President

After completion, Private Banker to return form to : Transaction Monitoring Unit, Griffin House

OTM Exception doc
X0006284

El-Hadj Omar BONGO
PRÉSIDENT DE LA RÉPUBLIQUE
GABONAISE
R. P. 346
LIBREVILLE

UNION — TRAVAIL — JUSTICE

Libreville, le 27 juillet 1999

A Monsieur le Directeur Général *St*
THE CITIBANK PRIVATE BANK 9.2.99
17-19 Avenue MONTAIGNE
75008 — Paris

FRANCE

Paris

Monsieur le Directeur Général,

Au cours de mon dernier séjour à Rabat, j'ai souhaité ouvrir un compte à CITIBANK afin de me permettre de régler différentes factures à l'aide d'un chéquier lors de mes voyages au MAROC.

Grande a été ma surprise de me voir opposer un refus catégorique au prétexte que ledit compte ne présentait aucun intérêt pour la banque selon les instructions de la Direction Générale de la CITIBANK.

Compte tenu de cet affront que je ne saurais admettre pour un ancien client de votre institution, j'ai décidé de clôturer tous mes comptes sur vos livres. En conséquence, vous voudrez bien transférer immédiatement la totalité de mes avoirs enregistrés sous l'intitulé LEONTINE LTD n° 161 134 et n° 661 134 au compte de la Banque Gabonaise et Française Internationale (BGFI) chez Crédit Commercial de France, 103 Avenue des Champs Elysées, 75008 Paris, code banque : 30056, code guichet : 00020, n° de compte : 00203505992 FRF.

A cet effet, je constitue pour mandataire spécial Monsieur OYIMA Henri-Claude, Administrateur Directeur Général de la Banque Gabonaise et Française Internationale, à qui je donne tous pouvoirs à l'effet d'effectuer dans les comptes susvisés toutes les opérations nécessaires qu'il jugera utiles.

Dans l'attente, je vous prie d'agréer, Monsieur le Directeur Général, mes salutations distinguées.


EL-HADJ OMAR BONGO

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CS002150

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7

Glanzmann, Walter

From: Rogers, Chris
Sent: 18 August, 1999 4:33 PM
To: Hogarth-Jones, Bruce
Cc: D'Ivry, Francois-Ogier, Hill, Daina; Huisman, Jan; Lehiff, Thomas; Ober, Alain; Raza, Salim; Saliba, Nuhad; Glanzmann, Walter
Subject: Tendin/Leontine Disengagement

Without risking a major incident, I would anticipate being able to swing another USD 15MM transfer this year (London: \$ 7.5 FGP and 8.2 Fixed Income), thereby leaving only the N.Y. portion (\$16.4 MM) to be disposed of within 6 months.

Regards
Chris

Original message

From: Bruce Hogarth-Jones
Sent: August 17th, 1999
To: Francois Ogier D'Ivry, Francois Hervé, Daina Hill, Jan Huisman, Thomas Lehiff, Alain Ober, Salim Raza, Nuhad Saliba

Subject: Tendin/Leontine Disengagement

Thankyou for the update. Can you give your estimate when the whole of the balances of all accounts will have been transferred so that the accounts of this S.O. and the associated accounts scheduled for closure can actually be terminated?

Bruce Hogarth-Jones
BBG-SMER, Head of Legal and C&C
Phone: +44 171 508 8457
Fax: +44 171 508 8472
Internet e-mail: bruce.hogarth-jones@citicorp.com

-----Original Message-----

From: Chris Rogers
Sent: 16 August 1999 12:04
To: Salim Raza; Bruce Hogarth-Jones; Thomas Lehiff; Daina Hill; Alain Ober; Nuhad Saliba; Francois Hervé; Francois-Ogier D'Ivry; Jan Huisman
Subject: TENDIN/LEONTINE DISENGAGEMENT

1. TENDIN

I have pouched Alain today with Tendin's approval to transfer another USD 15 million from the FGP in London to a Swiss bank.

2. LEONTINE

Paris hold instructions to transfer the Leontine portfolio (FF40MM) to a bank in Paris, and the S.O. suggested (and I agreed) that his personal account (FF1.5MM) be transferred

585

as well.

Regards
Chris

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2

CS002157

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#7

Glanzmann, Walter

From: Lesjongard, Alain
Sent: 31 August, 1999 1:48 PM
To: Glanzmann, Walter
Subject: FW: Public Figures : O.B. and Leontine

-----Original Message-----

From: Francois Harve
Sent: 20 August 1999 11:11
To: Chris Rogers; Alain Ober
Cc: Bruce Hogenh-Jones; Alain Lesjongard; Catherine Macanovic; Hans-Peter Baschler; Colin Woodcock
Subject: Public Figures : O.B. and Leontine

B/O's nephew and PoA on both of the above accounts was here this morning to remit instructions to liquidate the portfolio and transfer proceeds of both accounts to CCF Paris for onwards transfer to the bank he manages. We are executing immediately. Maybe some delay to clear out the Global Natural Resources position

Paris, France

Briefly discussed the rationale of our P.F. policy and told him to discuss with both of you the next steps for accounts held elsewhere in the bank.

Individual is very open and understanding. Attended college in Washington D.C. and had a spell with Citi in NY as a trainee.

Regards,
Francois

CS002158

#7

Bongo

Tendin

\$ MM

| | | | | | |
|----------|-------------------|----------|--------|-------------|----------------------------|
| Outflows | 15.0 PGP | London | My 99 | done | |
| | 15.0 | London | August | this month | |
| | 7.0 Leontine | Paris | August | this month | - Paris personal file need |
| | 15.8 FGP/Equities | London | | by year-end | in chm - 2000 |
| | 52.8 | | | | |
| | 78% done | | | | |
| | 18.4 remaining | New York | | working on | March 2000 |
| Total | 69.2 | | | | |

Paris Personal file

CH:

Tendin / Leontine
disengagementGlobal Nat Resources: ^{12/99} ~~June 2000~~STRICTLY CONFIDENTIAL - NOT FOR
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CS002149

99-7539

FRANCE

Brief History and Current Status of the French Investigation of the Elf Money Laundering Scheme

Discovery of the Elf-Biderman Fraud Scheme--Role of Former Elf Executives

On August 18, 1994, the Paris public prosecutor's office opened a formal judicial investigation following the receipt of a report drafted by the *Commission des opérations de bourse* (COB) concerning the ties between the oil giant Elf Aquitaine and the ailing textile group Biderman.¹

The COB is an independent administrative authority responsible for ensuring the protection of investors in securities and other types of publicly offered investments, overseeing the information supplied to investors, and overseeing and ensuring the proper functioning of the French stock exchanges. In its report, the COB had denounced loans and investments up to 800 million Francs (approximately US\$157 million) via offshore accounts by Elf to Biderman between 1989 and 1993.

Mrs. Eva Joly, an investigating judge who specializes in financial cases and who has a reputation as one of the toughest anti-corruption magistrates, was assigned to the case. No particular suspect was named in the original *régquisition*² from the prosecutor (*information contre X.*), and the offenses described in the prosecutor *régquisition* included misuse of corporate funds, receiving and concealing stolen goods, and publishing false accounts.

In April 1995, Philippe Jaffre, Elf chairman since 1994, joined the investigation as a civil party on behalf of Elf, which had been privatized. Elf wanted to be a party to the state's case to have access to the legal information and thus defend the company's interests.³

By the beginning of July 1996, eight people had been placed under formal investigation by Mrs. Joly, with some of them on preventive detention to avoid the manipulation of evidence. They included Maurice Biderman, head of the Biderman group, Loik Le Floch-Prigent, Elf chairman from 1989 to 1993, together with his former wife Fatima Belaid, André Tarallo, the head of Elf Gabon and Elf Congo, and the two heads of CIPH (*Compagnie de participation et d'investissements*), a Luxembourg registered holding company controlled by Elf Gabon.⁴ Mrs. Joly had been placed under 24-hour police protection in June 1996, after receiving death threats.

¹ Pietro Angel Gay, *Enquête sur le groupe Biderman*, LE MONDE, Apr. 8, 1995, & *Maurice Biderman a été placé en détention provisoire*, LE MONDE, May 27, 1996, via LEXIS/NEXIS.

² An investigating judge cannot initiate an inquiry unless so requested by the public prosecutor, the victim, or the victim's family in the case of the victim's death. The request issued by the prosecutor is called *régquisition*.

³ *Le juge Eva Joly relance l'enquête sur l'affaire Biderman*, LE MONDE, Mar. 27, 1996, via LEXIS/NEXIS.

⁴ *Le PDG d'Elf Gabon a été mis en examen*, LE MONDE, July 5, 1996, via LEXIS/NEXIS.

At that time, her probe had also widened to include illicit real estate investments by Elf executives in the amount of 900 million francs (\$150 million) which had occurred between 1991 and 1993 and may have resulted in the payments of 147 million francs (\$25 million) in commissions through Elf Gabon Luxembourg subsidiary CIPH to unknown intermediaries.⁵ On February 14, 1996, the Paris prosecutor's office had issued an additional *réquisition* authorizing the judge to proceed on this new matter.⁶

Mrs Joly also looked into alleged commissions made in two oil operations said to have involved several million francs and concerning the Spanish refiner Ertol and the US oil group Occidental Petroleum, whose North Sea operation Elf acquired in 1991. Nathan Meyohas, a businessman of Turkish origin, was to be paid a 75 million franc (\$13 million) commission via Claude Richard, the attorney for the Biderman group, to intervene on behalf of Elf in the deal with Occidental Petroleum. Richard is said to be hiding in Israel and is wanted on an international warrant. Several million francs may have also been paid to an Iraqi businessman, Nadhmi Auchli, who is close to Saddam Hussein, in the purchase of Ertol.⁷ In addition, the judge had identified another key player in the Elf scandal, Switzerland-based Alfred Sirven, former Director of Elf and personal advisor of Le Flock Pringent.

Implication of the President of Gabon

In April 1997, the probe into commissions and payoffs saw a new development, when former Elf Director André Guelfi, after spending five weeks in preventive detention, revealed that in connection with Elf's lobbying activities in Venezuela, a sum of 55 million francs (\$10 million) was divided between André Tarallo, the president of Elf Gabon, and Alfred Sirven. The funds received by Mr. Tarallo were deposited in a Swiss account named "Colette," his wife's name. Mr. Guelfi claimed that Mr. Tarallo used \$2.5 million to pay off the President of Gabon, Omar Bongo. This revelation infuriated President Bongo, who was already very angry that the Swiss judicial authority, at the request of Judge Joly, had frozen the account of the Kourtas investment company in the British Virgin Islands.⁸

The Kourtas company account had been opened in May 1993 by Mr. Samuel Dossou, President Bongo's special adviser. At the beginning of 1997, the account showed a balance of only a few thousand francs, while it had shown balances of 15 million dollars in 1993, 303 million Swiss francs in 1994, and 71 million French francs in 1995. President Bongo sent an affidavit to Judge Joly on March 19, 1997, stating that the funds in the account were the property of the Gabon Presidency. He appealed the decision of the Swiss authorities to freeze the account, claiming diplomatic immunity. The Geneva accusation chamber rejected his appeal on July 3, 1997. The General Prosecutor called President Bongo "the head of an association of criminals" during the June 17, 1997 hearing of the accusation chamber. The investigation has shown that funds for the Biderman group transited through the Kourtas account. It is reported that Omar Bongo placed a long call to French President Chirac to protest the actions of Judge

⁵ *Elf Aquitaine aurait constitué une caisse noire au Luxembourg*, LE MONDE, June 14, 1996, & Erich Incyau. *Menace, le juge Eva Joly a été placé sous protection policière*, LE MONDE, June 20, 1996, via LEXIS/NEXIS.

⁶ *Hervé Gattegno, Un ancien dirigeant du groupe Elf placé en détention provisoire*, LE MONDE, June 1, 1996, via LEXIS/NEXIS.

⁷ *Suspects sur deux opérations pétrolières*, LE MONDE, June 14, 1996, via LEXIS/NEXIS.

⁸ *Selon Omar Bongo, l'affaire ne concerne pas l'état gabonais*, LE MONDE, Apr. 3, 1997. *Omar Bongo pourrait être mis en cause dans l'affaire Elf*, LE MONDE, Apr. 8 1997, & Hervé Gattegno. *La justice helvétique refuse de lever la saisie d'un compte bancaire du président gabonais*, LE MONDE, Aug. 6, 1997, via LEXIS/NEXIS.

Joly and threatened to end the privileged position of the French oil companies in his country.

The German Side of the Elf Probe

In April and September 1997, the public prosecutor's office allowed Mrs. Joly to investigate the payment of two other alleged commissions, one of 256 million francs (\$43 million) paid by Elf in connection with a project to construct a refinery at Leuna, near Leipzig, Germany, and the other of approximately 50 million, for the acquisition of the Minol service station chain. The payments were made through a Swiss bank account held by Noblepac, a company registered in Liechtenstein and managed by André Guelfi. The French press reported that some of the commission may have been paid to Chancellor Helmut Kohl's Christian Democratic Union party.⁹ A few days ago, *Le Monde* reported that the commission of 256 million francs was shared by Pierre Lethier (an ex-member from the Direction Générale de la Sécurité Extérieure, State Security Directorate), the German businessman Dieter Holzer, (correspondant from the German secret service), and André Golf, former Elf director.¹⁰

A second French investigating judge, Laurence Vichnievsky, was appointed at the request of Mrs. Joly in May 1997. Mrs. Joly also had to oversee the investigation into the theft of a sealed crate of documents relating to the investigation, which occurred during the weekend of April 19-20, 1997, at the French fraud squad headquarters in Paris. The computers of the investigators working on the case had also been tampered with.¹¹ Much speculations as to who committed the theft, including the possibility that the German secret service was involved, appeared in the French press.

Implication of the President of the Constitutional Council

On November 4, 1997, a new front was opened, when the public prosecutor's office set in motion a formal investigation into the employment by Elf of Christine Deviers-Joncour, an intimate friend of Roland Dumas, former Foreign Minister and President of the Constitutional Council. The case was again assigned to Mrs. Joly and her colleague Laurence Vichnievsky. The judges found that Mrs. Deviers-Joncour had received 59 million Francs (\$10 million) from former Elf Director General Alfred Sirven to convince Dumas to reverse his opposition to the sale of six French Frigates to Taiwan by the French Company Thomson-CSF. Mr. Dumas had originally opposed the sale on the grounds that it would damage France's relations with China.

At present, Mr. Dumas, who has temporarily stepped down from the Constitutional Council, has been put under formal investigation on suspicion of complicity and possession of misappropriated corporate funds. The judges are trying to establish whether and to what extent he has received funds either directly from Elf or from Ms. Deviers-Joncour.

Judicial Cooperation with the Swiss Judicial Authorities

⁹ *Le parquet autorise les juges de l'affaire Elf à enquêter sur la piste allemande*, LE MONDE, Sept 23, 1997, via LEXIS/NEXIS.

¹⁰ Hervé Gattegno, *L'ombre des services secrets plane sur le volet de l'affaire Elf*, LE MONDE, Sept 22, 1999, available in LEXIS/NEXIS.

¹¹ *Le parquet ouvre une information judiciaire après la disparition, à la PJ, de documents sur l'affaire Elf*, LE MONDE, Apr. 23, 1997, via LEXIS/NEXIS.

The two French judges have been working actively with their Swiss counterpart Jean Paul Perraudin. Since October 1996, he has received approximately 30 to 40 letters rogatory (*commissions rogatoires*) from them.¹² He has frozen the account of Christine Deviers-Joncour in the Bahamas. He is said to have turned over a list of 200 Swiss accounts to the French magistrates. These accounts are believed to hold around 3.5 billion francs (\$615 million) of illicit money acquired between 1989 and 1993. This sum covers payments of commissions and bribes to several former Elf executives and various go-betweens such as Jeffrey Steiner, a New York business man, who was placed under formal investigation in May 1998 by Judge Joly for his role in the purchase by Elf of the US company Marathon Oil.¹³ These accounts were managed by Alfred Sirven, the former Elf Director who disappeared in 1997. He is under an international arrest warrant, and in March 1999, both French judges went to South Africa, where he is supposed to have fled with the help of Pierre Lethier.

In addition to his assistance to the French Judicial authorities, Perraudin oversees a formal judicial investigation on money laundering opened by the Swiss authorities in September 1997. His inquiries seem to have identified two different banking networks, one around Mr. Sirven and the other around Mr. Tarallo.¹⁴

Judge Perraudin is also investigating two Elf subsidiaries located in Switzerland, Sofineg and Elf-Aquitaine International (EAI), which were respectively presided over by Mr. Tarallo and Mr. Sirven. Created in 1992, Sofineg was the subject of an investigation by the *Cour des comptes* (French national audit court). The investigation showed that 85 million francs, the whereabouts of which could not be identified, had been taken out of the company. In addition, 68 million francs in personnel expenses were reported, while the company could not provide the list of employees involved. EAI was created in the 1980s to facilitate the payment of the foreign employees of Elf, but instead was allegedly used under the direction of Mr. Sirven to finance the pro-Mitterrand magazine *Glode-Hebdo*, to finance the campaign of Mr. Roland Dumas, and to pay Christine Deviers-Joncour and political figures.¹⁵

Judge Perraudin is said to be further investigating the German facet of the case. On September 13, 1999, he issued an international arrest warrant for André Guelfi, former Elf Director. Guelfi had put his Liechtenstein-based company, Noblepac, at Elf's disposal for the transfer of secret commissions paid out in the Leuna-Minol acquisitions. Mr. Guelfi presently resides in Malta. He is wanted for embezzlement and money laundering.¹⁶

¹² Hervé Gattegno, *A Genève, un juge et deux dossiers*, LE MONDE, May 19, 1999, via LEXIS/NEXIS.

¹³ Hervé Gattegno, *L'enquête suisse sur l'affaire Elf accuse le clan Le Flock-Prigent*, LE MONDE, May 19, 1999, via LEXIS/NEXIS.

¹⁴ *Supra*, note 12.

¹⁵ *Id.*

¹⁶ *Affaire Elf: un mandat d'arrêt international contre André Guelfi*, LE MONDE, Sept 17, 1999, via LEXIS/NEXIS.

Secrecy of the French Investigation

In theory, all stages of the judge's investigation are closed to the public.¹⁷ Only the prosecution and the attorneys for the person(s) under investigation and the victims have liberal access to the file. The rule of secrecy is designed to protect the reputation of the persons investigated, should no trial proceedings be ordered at the end of the inquiry, or alternatively to insure a fair trial by preventing potential jurors from receiving prior knowledge of the case. However, this purpose is often frustrated by the fact that the prohibition on divulging information does not apply to the persons investigated, the victims, or any of the witnesses, and "leaks" to the press often occur in major cases.

As a result of the secrecy rule, the *réquisitions* of the Paris prosecutor and the letters rogatory sent to the Swiss judge may be obtained only by a third country from France under an applicable treaty on mutual assistance in criminal matters.

Prepared by Nicole Atwill
Senior Legal Specialist
Western Law Division
Law Library of Congress
October 1999

¹⁷ CODE DE PROCEDURE PENALE, art. 11.

Relations Between France and Gabon Worsened over the Elf Affair. Acting upon a Letter Rogatory Issued by Judge Eva Joly, a Geneva Judge Ordered the Sequester of a Swiss Bank Account Which Allegedly Contains Funds Belonging to Gabon. On March 18, a Furious President Bongo Wrote to Jacques Chirac to Relay His Concerns, LE MONDE, April 2, 1997, via LEXIS/NEXIS.

HIGHLIGHTS:

Acting upon an international letter rogatory issued on October 3, 1996, by Judge Eva Joly, who is in charge of the Elf affair investigation, the Geneva investigating judge, Paul Perraudin, ordered the sequester of a bank account opened at the Canadian Imperial Bank of Commerce in Geneva in the name of the Kourtas corporation. This corporation may be sheltering funds belonging to the Gabonese state, or indeed even to president Omar Bongo himself. On March 18, nine days after notification to President Bongo of the sequester, the Gabonese ambassador to France went to the Elysée Palace to remit a letter in which the Gabonese President expressed his concerns as to the turn taken by Mrs. Joly's investigation. At the heart of this inquest are the close, strange relations existing between the Gabonese Republic, Elf Gabon, and Maurice Bidermann.

ARTICLE:

President Omar Bongo is angry. Really angry. Thursday, March 27, his Swiss attorney informed him that a Geneva judge had ordered the sequester of a bank account opened at the Canadian Imperial Bank of Commerce (CIBC) in Geneva in the name of a company called Kourtas. Registered in the British Virgin Islands, the Kourtas company is in reality a fiduciary society which may be sheltering the funds of the Republic of Gabon, indeed even of the head of the country. This is why the protective measure taken by Judge Paul Perraudin, following the international letter rogatory issued on April 3, 1996, by his Parisian counterpart Eva Joly, was considered in Libreville to be a real intrusion into the interior affairs of Gabon, justifying the fears experienced and expressed for almost a year by the members of President Bongo's entourage as the investigation proceeded.

Mrs. Joly has rarely witnessed the discreet tension between Libreville and Paris, tension of which she is indirectly the cause. On March 18, at the end of the afternoon, the Gabonese ambassador to France, Honorine Dossou-Naki, took a letter to the Elysée Palace addressed by Omar Bongo to Jacques Chirac, in which the Gabonese President expressed his concern regarding the expansion of the judicial investigation towards his country. The letter was given to the Elysée Secretary General, Dominique de Villepin. The same day, the powerful Mr. Africa of the Elf group, André Tarallo, friend and confidant of several African heads of state, flew to Libreville at the request of Mr. Bongo. On March 19, President Bongo's absence was noticed at a ceremony organized for the former Cooperation Minister Michel Roussin, who was receiving the *légion d'honneur*. Less than a week later, on March 24, the Gabonese President, to show his discontent, chose not to attend the funeral of Jacques Foccart, the former advisor for African affairs to General de Gaulle, although he had described Jacques Foccart as a friend and a wise man in the last issue of the weekly newspaper *Jeune Afrique*.

Apparently dismayed by the intractability of the French magistrate, but still hoping for a happy ending, President Bongo had finally sent a Parisian attorney to Mrs. Joly. During his first meeting with

the judge, a few weeks ago, this attorney had clearly asked her to stop issuing letters rogatory to Switzerland. On Thursday March 27, he again went to the Paris Palace of Justice, in order to give Mrs Joly a letter restating this request. Attached to the letter, there was an affidavit signed by President Bongo, certifying that it was on his order that Samuel Dossou-Aworet-Special Advisor to the Presidency and spouse of the Gabonese ambassador to France—had bought the Kourtas corporation and then opened an account at the CIBC of Geneva. But, on the same day, the news of the sequester of the account came from Switzerland...

Did the investigating judge let Mr. Bongo's emissary believe that she was satisfied with the presidential affirmation and would interrupt her research on Kourtas? Even though President Bongo claimed the responsibility [in the purchase of Kourtas], the intervention of this company in the complex financial movements set up by the heads of Elf to come to the help of the Bidermann group remains difficult to understand.

If the Kourtas company was sheltering Gabonese funds, what interest had this company to come to the help of a group which was already heavily indebted to Elf-Gabon (read below)?

Avoided by African heads of state, who reproach him with having contributed to the degeneration of the judicial investigation for reasons linked to his personal rivalry with Mr. Le Floch-Prigent, the Elf chairman Philippe Jaffré tried to reassure his precious partners; 85% of the Elf oil is extracted from the Gulf of Guinea. On March 3, to erase a bad memory, he pronounced the dissolution of the *Compagnie de participations et d'investissements holding* (CPIH), a subsidiary of Elf Gabon registered in Luxemburg whose participation in the rescue of the Bidermann group was the subject of much attention from the *Commission des opérations de bourse* (COB), the *Cour des comptes*, and Judge Joly. This selling off permitted Elf to recover 2.2 billion francs in liquidities and the Gabonese State to recover 490 million francs, in conformity with President Bongo's wishes. However, this was not sufficient to alleviate the Gabonese fears resulting from Mrs. Joly incursions into the African connection of the Elf group.

Just before André Tarallo was put under formal investigation, both the President of Gabon and the President of Congo addressed messages stating their concerns to the Elysée (*Le Monde*, June 14, 1996). Mr. Jaffré had answered, sending a confidential letter on July 2, 1996, in which he assured them that he still maintained full confidence in the Mr. Africa of the oil group.

I assure you that I will not spare my efforts to help our friend, as far as he will be concerned, he wrote then. Mr. Tarallo, who is 78 years old, retired from Elf, keeping only the direction of the African subsidiaries and the influence that comes with them. On March 27, when the bad news came from Geneva, President Bongo again turned to him. A few hours later, André Tarallo, for the second time in less than ten days, flew to Libreville.

On Tuesday morning, the Elysée refused to comment on this affair.

FILE: PAPERS

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April 8, 1997

SECTION: THE GUARDIAN FOREIGN PAGE; Pg. 7

LENGTH: 560 words

HEADLINE: GABON CHIEF THREATENS OIL DEALS AFTER FRAUD CHARGES

BYLINE: Paul Webster In Paris

BODY:

THE president of Gabon, Omar Bongo, has cancelled a visit to France and threatened to end the privileged position of the French oil company Elf in his country, over allegations that he has been a beneficiary in an international fraud.

Elf imports 16 per cent of its oil from Gabon, which itself owns a quarter of the oil company. There has been constant suspicion that much of the revenue from the oil deals ends up in the hands of the presidential entourage.

At the weekend, a French examining magistrate, Eva Joly, ordered the temporary custody of Andre Tarallo, chairman of Elf's Gabon subsidiary and a close friend of Jacques Chirac, the French president.

Mr Tarallo, who runs Elf's affairs in several African states, including Nigeria, allegedly handled an account which held millions of pounds believed to be destined either for himself or for other associates, including Mr Bongo.

Even before the allegations over the account emerged, Mr Bongo had protested to Mr Chirac about a Geneva magistrate's decision - based on a request by Ms Joly - to block an account in the British Virgin Islands. The account contained funds which had been deposited by Mr Bongo.

According to Le Monde newspaper, Mr Bongo telephoned Mr Chirac a week ago accusing France of infringing Gabonese sovereignty and told him he was considering sanctions against French oil interests.

Mr Bongo, president of Gabon for the last 30 years, has frequently threatened to favour the American oil industry whenever there has been a dispute over Elf Gabon, a company set up in 1949 which has become one of the most prosperous on the French stock exchange. French soldiers have repeatedly been sent to patrol Gabon's oil cities after mutinies and rebellions.

Yesterday, after consultation with Elysee aides, Mr Tarallo, who has been allowed bail of nearly pounds 1 million, and the chairman of the Elf parent company, Philippe Jaffre, left for Libreville in an attempt to appease Mr Bongo.

1999-7858

TRANSLATION FROM THE FRENCH

LE MONDE, April 8, 1997, via LEXIS/NEXIS

HEADLINE:

Omar Bongo could be implicated in the Elf affair; the Gabonese president is cited by businessman André Guelfi as being one of the beneficiaries of a commission paid in 1992 by the oil group. The information is not confirmed by André Tarallo, Chairman of Elf Gabon.

HIGHLIGHTS:

Discharged after five weeks of preventive detention, businessman André Guelfi finally talked on April 4. He revealed to Judge Eva Joly, who is in charge of the Elf investigation, the identity of the beneficiaries of a commission of \$10 million paid by the oil group in 1992. Among those, in addition to André Tarallo, Chairman of Elf Gabon, and Alfred Sirven, the former right arm of Loik Le Floch-Prigent, we found the President of Gabon, Omar Bongo. Mrs. Joly has also issued an international arrest warrant against Mr. Sirven, who currently resides in Switzerland. During a telephone conversation with Jacques Chirac, which took place on the night of March 29-30, Omar Bongo protested against these attacks on his country's sovereignty.

BODY:

The Elf affair has definitively changed into a State affair. Or more exactly, into a States affair. A second time under formal investigation, this time for receiving and concealing corporate assets, André Tarallo, the permanent "Mr. Afrique" of the French oil group, is only the visible party of an unexpected new development which occurred on Friday April 4, in the office of the investigating judge Eva Joly (Le Monde, Apr. 6-7). Later in the night, M. Tarallo freely left the Palace of Justice after paying a bond of 10 million francs. However, the main event took place several hours earlier. At the beginning of the afternoon, doubtless worn out by five weeks of detention, businessman André Guelfi, 78 years old, had finally delivered to the judge what she wanted: numbers, names, and documents. Mentioning the payment by ELF of a commission of \$10 million (approximately 57 million francs), he had cited, among the beneficiaries, André Tarallo and Alfred Sirven, the former right arm of Loik le Floch-Prigent. The official record of his testimony also mentioned the name of the president of the Gabonese Republic, Omar Bongo....

Released by Elf in 1992 for the remuneration of lobbying work in Venezuela, where the group sought to obtain their first exploitation permit, the millions landed in a bank in Geneva, the CBI-TDB Union Private Bank, in an account of a Swiss company named Blu, held by André Guelfi himself. Who afterward benefitted from this money? Mentioning this operation for the first time, in a letter from his cell to the judge, Mr. Guelfi had not been specific.

Panamanian Company

Interrogated by Mrs. Joly on April 1st, Genevieve Gomez, former director to the ELF presidency--

in charge of financial participation for the present Chairman, Philippe Jaffré, until a few months ago--had confirmed the existence of the payment of \$20 million in 1992, in performance of a contract passed via Mr. Guelfi with an intermediary Panamanian company, named Sulina, which itself was managed by a fiduciary company of Lausanne.

On Thursday, April 3, Mrs. Joly progressed one step on the trail of this commission, thanks to the arrival of two facsimiles, sent by the Swiss management. The first facsimile, affirmed, at Mr. Guelfi's request, that he had been only a temporary representative of Sulina at the time of the Venezuelan operation, and he was neither a shareholder nor an associate of this Panamanian company. The second indicated, with the authorization of the client, the identity of the rightful owners of the Sulina company: a Canadian businessman residing in London and his now-deceased associate. The same day, Mrs. Joly addressed a summons to the Canadian intermediary, by facsimile. The next morning, the man crossed the Channel to bring the judge the statements of the Swiss account of Sulina. These documents established that of the \$20 million paid by ELF, only \$10 million was cashed in conformity with the contract signed with ELF.

Colette account

Interrogated Friday afternoon, André Guelfi found himself obliged to explain where the missing \$10 million was. The sum, he explained, was divided into three: \$5 million was, according to him, transferred into a numbered account held by Alfred Sirven; \$2.5 million to an account named Colette and opened by André Tarallo; and the remaining \$2.5 million was kept by him, used in part to compensate his other suppliers. The Colette account, named after Mr. Tarallo's spouse, however, Mr. Guelfi assured [his listeners], served in reality to pay money to Omar Bongo.

An important part of the other \$10 million, paid to the Panamanian company Sulina for the account of the Canadian intermediary, was, according to Guelfi, divided among several political personalities in Venezuela. Married to a Venezuelan, a close friend of the Head of State of this country, the businessman had been charged by ELF to favor the accession of the French group to Venezuelan oil deposits, closed until then to foreign companies. Over the course of the preceding years, his actions permitted ELF to obtain two exploration permits. In 1992, his lobbying contract did not specify the means to be used. Mr. Guelfi's testimony will have brought to light during the course of the judge's investigation; it is a practice used in foreign markets, which is not exceptional.

Alfred Sirven--cited repeatedly in the file of Mrs. Joly, described as the "grey eminence" behind Mr. Le Floch-Prigent, and considered as an essential witness in the embezzlements ascribed to the former chairman of the ELF group--has never been available for questioning by the investigators. Living in Switzerland, where he has resident status, M. Sirven had not deferred to a summons from the financial squad, dated August 6, 1996, alleging a business trip (*Le Monde*, Aug. 10, 1996). He seems to have avoided France since then, although he had not been the subject of police research. Friday, April 4, after signing a warrant ordering André Tarallo to appear, Mrs. Joly issued an international arrest warrant against Sirven.

That night, at last, M. Tarallo acknowledged before the judge the existence of the Colette account and of the transfer, alleging that he played, himself, the role of the manager of the accounts for others. However, he refused to say exactly who the commission was really destined for, even though the personality of the chairman of ELF-Gabon, friend of many African heads of state, and from now on the

personal advisor to President Bongo, may give one the idea that it is a high African dignitary. A letter rogatory must be transmitted to the Swiss justice, in order to determine in what directions, and for the profit of whom, the funds paid by ELF were then transferred.

Economic sanctions

If the lead opened by M. Guelfi is good, the pursuit of Mrs. Joly 's investigation in Switzerland may further infuriate the Gabonese president in regard to the French authorities. On March 18, Mr. Bongo remitted a letter to Jacques Chirac, through his ambassador to Paris in which he told his French counterpart of his concerns and protests, following the judge's investigation. On March 27, following a letter rogatory delivered on October 3, 1996, by Mrs. Joly, the Geneva judge Paul Perraudin placed the account of a company registered in the British Virgin Islands and sheltering the funds belonging to Mr. Bongo under sequester. After the account of these events in our column (*Le Monde*, Apr. 2), the Gabonese presidency denied the existence of any tension with France, speaking of malevolent rumors (*Le Monde*, Apr. 3).

However, these official denials did not allude to the content of the long telephone conversation between MM Bongo and Chirac, during the night of March 29-30, about 48 hours after the seizure of the Swiss account. According to our sources, the Gabonese head of state had sharply protested against what he described as attacks on the sovereignty of his country, going as far as threatening France with economic sanctions. President Bongo had already canceled a stay he had planned in France, much to the annoyance of the directors of the Crillon Hotel, in Paris, who were to welcome the presidential entourage. In addition, the tone of the letter he addressed last week to the Chairman of ELF-Aquitaine, Philippe Jaffré, to reproach him for contributing to turning the investigation of Mrs. Joly into a scandal was of a rare virulence, sources close to the oil group have indicated to *Le Monde*.

Monday April 7, MM Jaffré and Tarallo were scheduled to fly to Libreville, where President Bongo awaits them, to attempt to prevent the ELF affair from turning into a diplomatic crisis.

Pointers

BRITAIN/AFRICA

Labour intensive

The election of the Labour government on 1 May, after 13 years in opposition, comes at a time of growing Anglophone influence in Africa (see page 1) and more optimism about the region's economic prospects. The new government wants to reinforce Whitehall's concentration on Southern Africa. Many new ministers - such as South Africa-born Peter Hain (Minister of State at the Welsh Office) and Anglo-Ghanaian Paul Boateng (Minister of State for Health) - were active in the Anti-Apartheid Movement and have close ties with the African National Congress government in South Africa. Fast-rising black MP Una King, who worked in Euro-MP Glenys Kinnock's office on issues such as the Western Sahara dispute, takes a keen interest in Africa as does Guyana-born MP Bernie Grant, who has campaigned for the return of the Benin Bronzes, now in the British museum.

Labour's election manifesto depicted a smiling Tony Blair with Nelson Mandela during the leader's visit to South Africa in October 1996. On Pretoria's problems with European protectionism, Blair promised: 'A new Labour government will be South Africa's champion in the EU'. The former Labour MP, now Chairman of Action for Southern Africa, Bob Hughes, got 92 MPs to sign a pledge supporting fairer trade and debt relief for Southern Africa generally and in the renegotiation of the Lomé Convention.

Both new Foreign Secretary Robin Cook (51) and International Development Minister (upgraded to a cabinet post) Clare Short (51) are on the Labour left. Both want Britain to take a tougher stance against human rights abuses and military dictatorship, and to take more radical action to reduce poor countries' debt burden. Cook has called for tougher economic sanctions against General Sani Abacha's regime in Nigeria, following the hanging of Ken Saro-Wiwa in November 1995, as has Minister of State for Foreign and Commonwealth Affairs Tony Lloyd (47), who described the treason charges against Nobel laureate Wole Soyinka and 11 others in March as 'a mark of this regime's arrogance and stupidity', adding 'Britain and the international community must put pressure on Abacha to release all political prisoners immediately.'

With apparent unanimity among Cook, Short and Lloyd on tougher action on Nigeria, government policy is likely to emerge at the European Union, where they will push for a ratcheting up of measures against Abuja, and in the Commonwealth Ministerial Action Group, which must recommend either

admittance of Nigeria before this year's Commonwealth summit in Edinburgh. But the new ministers are unlikely to act precipitously. Whitehall just dispatched a new High Commissioner to Abuja, Graham Burton, a veteran of oil-fired economies with experience in Indonesia and Abu Dhabi.

Abuja is playing the oil card: the state oil corporation is moving its European offices from London to Paris. Oil Minister Dan Etete has indicated that if London initiates sanctions, Abuja will insist that all traders in Nigerian oil move their operations to Paris. Just as France's Elf Aquitaine (after its Gabon embarrassments - see below) has now found itself an new intermediary in Abuja, Etete's threats are music to Elf Chairman Philippe Jaffré's ears.

SUDAN

Body of evidence

An opposition attack on government forces at a little known mountain called Togan, about 100 kilometres north of Kassala, has produced shelves of documents detailing the National Islamic Front (NIF)'s use of Eritrean oppositionists. The offensive began in mid-March on the east side of mountain, when more than 700 National Islamic Front and People's Defence Force troops were killed. In late March, opposition forces attacked west of the mountain, where NIF, PDF and Eritrean Islamic Jihad had a camp called *Tamkeen* ('entrenchment', here of Islam).

The NIF and its allies put up their strongest resistance yet. Fighting continued into the third week of April and after six attacks, the Sudan Alliance Forces took the camp. For the first time, a small group of the Sudan Federal Democratic Alliance of Ahmed Ibrahim Dirraige took part (Vol 38 No 3). The NIF lost over 350 men; the National Democratic Alliance lost 6, with over 20 injured (first SFA deaths). The opposition captured some 250 AKs, 26 artillery pieces of various calibre, 33 anti-tank mines, six trucks and a tank, and destroyed two tanks. The NIF withdrew in disorder. The opposition pursued them as far as Aroma on the Port Sudan-Khartoum road, 55 km. north of the key regional capital, Kassala.

A bonus for the opposition are the piles of documents they seized. These detail targets for Eritrean Jihad inside Eritrea, including names, internal structures and links to the NIF. Much of this confirms what they had learned, a few weeks earlier, when NDA forces captured 30 or so Sudanese infiltrators in their ranks. The infiltrators confessed to being assigned to carry out assassinations among the opposition and also told of their links to the NIF, Islamist 'aid agencies' and Osama bin Laden.

● The death in mid-April of General Fathi Ahmed Ali, head of the Legitimate Command from which the SAF split in 1993, has shocked the opposition. However it will make more

political than military difference as Fathi had virtually no forces since the SAF's breakaway. In the early 1980s, as Commander of the Navy under President Ja'afar Numeiri, Fathi was a secret member of the opposition Free Officers group, led by Abdel Aziz Khalid Osman, now head of SAF which includes other former members of the group.

FRANCE/GABON

Pas si joli

It is turning out worse than they had feared in Paris. President Omar Bongo's government in Gabon has cut out his old ally, France's Elf Aquitaine, in favour of a deal with Energy Africa, an affiliate of the fast-rising South African firm Engen. Bongo is disgusted that French magistrate, Eva Joly, goes on digging into reports of side-deals by Elf bosses, allegedly for his (and sometimes their) benefit.

Bongo expected the French government to shut Joly up. The affair grew more embarrassing for President Jacques Chirac when it began to seem that Elf paid secret commissions in 1992, via Switzerland, for acquiring a distribution network in the former East Germany. The alleged recipients were officials of Germany's Christian Democratic Union; its leader, Chancellor Helmut Kohl is Chirac's most important ally, and he is furious.

Bongo has encouraged Energy Africa, not Elf-Gabon, to buy the Gabonese state's share in a rich new offshore area, with rights to future concessions to be shared with other companies. The newcomer (seen by French oilmen as an Anglo-Saxon interloper) promptly began recruiting people from Elf. The Gabonese side of the deal was done by Minister-Delegate Emmanuel Agokge Mba. Energy Africa's side was arranged by its Managing Director, John Bentley, from the London office. The company's Gabonese partners are said to include senior officials.

Bongo was furious when Magistrate Joly ordered the freezing of two bank accounts containing US\$20 million from an Elf 'lobbying' account in Venezuela; some of it allegedly for him. The President will no longer speak to Elf Chairman Philippe Jaffré, who had to bring Joly in to examine the affairs of his predecessor, Loïc le Floch-Prigent, after an auditors' report. Le Floch, backed by senior Gaullists in the French intelligence network, was a good friend of Bongo's regime. Now he is in 'protective custody'.

André Tarallo, a veteran of the late Jacques Foccart's politico-financial network in Africa, was until April President of Elf-Gabon. He refused to tell Joly where the Venezuelan money was going, for which he escaped imprisonment only by posting a bond of 10 mn. francs (US\$ 1.7 mn.) with the court. Driven out of Elf, he set up a consultancy in Gabon with Samuel Dassou-Awurel, Bongo's personal oil adviser if he tells all, heads will roll.

1999-7844

TRANSLATION FROM THE FRENCH

The Swiss Justice Refuses to Unfreeze the Bank Account of President Bongo; Jacques Verges Becomes the Attorney of Omar Bongo in the Elf Affair, LE MONDE, August 6, 1997, via LEXIS/NEXIS.

A new comer has appeared on the scene of the Elf affair: the attorney Jacques Verges, who was appointed attorney for the Gabonese state in 1981 by decree, has recently been asked by President Omar Bongo to reorganize his defense. Already, considerably annoyed by the association of his name with Judge Joly's investigation, the head of the Gabonese state has suffered an additional affront. On July 3, the Geneva accusation chamber rejected the appeal by Kourtas investment, a company registered in the British Virgin Islands, of the decision to freeze its bank account, a decision made on February 21, 1997, by the Swiss investigating judge Paul Perraudin at the request of Mrs. Joly. It happened that the ownership of this account was claimed by Mr. Bongo in an affidavit dated March 19 and given to the French judge (*Le Monde*, Apr. 2).

The Kourtas account brings us back to the first chapters of the Elf affair, to the loans the oil company, under chairman Loik Le Floch-Prigent, made to his friend Maurice Bidermann, who was the head of the textile group. In the letter rogatory sent on October 3, 1996, to her Swiss colleague, Mrs. Joly evoked the complex operations worked out through Elf Gabon to hide part of the help provided to Maurice Bidermann. From the various fund movements, it seems that the Kourtas corporation appeared at the right time to provide Mr. Bidermann with approximately 150 million francs, to help him reimburse his debt to Elf Gabon (approximately 163 million francs.)

The providential intervention from the Virgin Islands corporation had a double advantage: It helped Mr Bidermann, who was incapable of reimbursing the amount of money owed, and at the same time it help restore the accounts of Elf Gabon, presided over at the time by Mr. Tarallo. What was behind Kourtas? Kourtas was either created or used by the Gabonese party for this operation, André Tarallo told the judge, on October 21, 1996. He added that the decision to substitute Kourtas for Elf Gabon was taken in Gabon at a very high level. The seizure of the account-opening documents at the Canadian Imperial Bank of Commerce (CIBC) of Geneva four months later and the freezing of the account brought the reaction from President Bongo. It was then that he asked the Parisian attorney Pierre Benoliel to give the "famous" affidavit. Signed by him, the affidavit stated that the Kourtas account had been opened on his order and by his special adviser, Samuel Dossou, then provisioned with funds from the presidency.

The presidential intervention had then shaken the French judge. On March 27, after receiving Mr. Benoliel's visit, Mrs. Joly informed her Swiss colleague, by facsimile, that the investigation she had requested could not be justified any more, under French law alone. One hour later, another facsimile addressed to Mr. Perraudin asked him to postpone her withdrawal, until further research had been done on the reality of the immunity claimed by Mr. Bongo. Finally, on April 2, based on the documents produced by Mr. Bongo's attorney, Mrs. Joly stated in a third facsimile that the Kourtas account did not appear to be directly related to the activity of the Head of the Gabonese State, who was not the holder and could not totally control the account, and she asked the Swiss authorities to resume the investigation he had requested previously.

LAW LIBRARY OF CONGRESS - 2

Considering that it is up to the French justice and not to the Swiss justice to decide on the possible protections that may benefit the Kourtas account, the Geneva accusation chamber validated the option chosen by the Parisian Judge. Although the Swiss attorney for Kourtas, Michel Halperin, in his recourse, claimed the immunity and inviolability of the foreign state, of its president and its diplomatic agents, and of their assets to shield the account from the judicial investigation, the Geneva general prosecutor, Bernard Bertossa, went as far as to call President Bongo the head of an association of criminals, during the June 17 hearing.

In its judgment, dated July 3, the Swiss court stated that Kourtas was a private law entity, distinct from the head of the Gabonese State or the State of Gabon, as Mr. Bongo was neither the holder nor the beneficiary of the account, and did not have a power of attorney according to the documents seized. In fact, the opening account documents dated May 11, 1993, showed Mr. Dossou's signature and not Mr. Bongo's signature. The bank records showed that the balance of the account was only a few thousand French francs after showing, on different sub-accounts, balances of \$15 millions in 1993, 303 million Swiss francs in 1994, and 71 million franc in 1995.....

Controlled by a Swiss Law office specializing in business law, Fonriep and Rengli, which had management authority, the Kourtas corporation was provisioned on May 12, 1993, following a transfer from a third account to its CIBC account; on that date, 81.3 million francs destined for the reimbursement of Mr. Bidermann's debts were credited from account 105, opened in the same bank, whose holder is as of today unknown. On August 4, interviewed by *Le Monde*, Mr. Verges simply stated. "I will let no one hide behind President Bongo's shadow."

73RD STORY of Level 1 printed in FULL format.

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AFP News

August 27, 1998, Thursday

SECTION: Company News; Regulatory Actions; Other; General News

LENGTH: 211 words

HEADLINE: Swiss investigators seize Gabon president's bank account

BODY:

GENEVA (AFX) - A Swiss investigating magistrate ordered the seizure of a bank account whose ultimate beneficiary is Gabonese President Omar Bongo, as part of a corruption and money-laundering investigation involving Elf-Aquitaine, judicial sources said.

Paul Perraudin ordered the seizure on May 11 of a bank account at the Canadian Imperial Bank of Commerce in Geneva opened in the name of Bongo's adviser Samuel Dossou-Aworet, the sources said.

But the Gabonese president said he is the beneficiary of the account, allowing him to invoke presidential immunity to block the judge's inquiry, they added.

The president's lawyers yesterday argued in a session held in camera to lift the seizure and prevent the bank documents from being used in the inquiry.

The court is expected to rule soon, the sources said.

Judge Perraudin ordered the seizure of the account because it was used on June 3, 1991 to move 1.5 mln usd into another account at a bank in Lausanne in the name of Alfred Sirven, who was adviser to the then chairman of Elf-Aquitaine

Loick Le Floch-Prigent between 1989 and 1993.

nma/cmr

LANGUAGE: ENGLISH

LOAD-DATE: August 28, 1998

61ST STORY of Level 1 printed in FULL format.

Copyright 1998 Associated Press
AP Worldstream

November 02, 1998; Monday 12:50 Eastern Time

SECTION: International news

LENGTH: 260 words

HEADLINE: President of Gabon's appeal against account block rejected

DATELINE: GENEVA

BODY:

A Geneva court has rejected an appeal by the president of Gabon, Omar Bongo, against the blocking of a bank account, State Prosecutor Bernard Bertossa said Monday.

Bongo's lawyers had appealed the order, made last May in an investigation connected to a French kickback scandal, on the grounds that the president had diplomatic immunity from such action.

They argued that Bongo was the legal owner of the account, opened at a foreign bank in Geneva in the name of a Panamanian firm.

Those arguments were dismissed Friday by the Geneva appeal court, Bertossa said. An appeal to the Swiss supreme court is possible.

The account was frozen after France requested legal assistance from Geneva authorities over the scandal. Lawyers for Bongo say it was opened by Samuel Dossou, his personal adviser.

The key player in the Elf scandal is former French Foreign Minister Roland Dumas. As head of the Constitutional Council, Dumas is France's fifth-highest official.

At issue is a 59 million French franc (dlrs 10 million) payment made through a Swiss bank account to Dumas' friend, Christine Deviers-Joncour, after the dlrs 2.5 billion sale of six frigates to Taiwan.

Prosecutors allege that Deviers-Joncour got the money as a lobbying commission from Elf-Aquitaine, the French oil giant pushing the warships' sale on behalf of the smaller state company that built them, Thomson.

Judges are investigating whether Dumas used his influence to obtain a post for Deviers-Joncour with Elf, and whether he then accepted part of a kickback.

(gm)

LANGUAGE: ENGLISH

LOAD-DATE: November 02, 1998

A Swiss Account, LA LETTRE DU CONTINENT, November 19, 1998, via LEXIS/NEXIS.

President Omar Bongo completely changed his legal strategy regarding Swiss account number 10 200 at the CIBC (Canadian Imperial Bank of Commerce) of Geneva, an account frozen by the judicial authorities. At first, his attorney Jacques Verges argued that the account was the property of the Gabonese President and benefitted from his immunity as Head of State. The appeal court having rejected his appeal, a Gabonese official statement finds today that the court decision is "the proof that the account is not the property of the Gabonese President." It is true that the Swiss accusation chamber ruled that Samuel Dossou, the true holder of the account of the Davenport Associated SA—a Panama corporation that received \$ 1.5 million from the CIBC account for account 136 153, named Mineral, opened by Alfred Sirven at the *Banque de Depot et de Gestion de Lausanne*—had only received an order from Omar Bongo, "after the creation of Davenport," however, the investigating judge found that the document from the Gabon Presidency dated April 6, 1987, had been "either partly blocked out or signed blank." Furthermore, "this mandate does not imply that Samuel Dossou Aworet was authorized to declare himself the beneficiary of the Davenport assets." The Gabonese presidency, nevertheless, has filed an appeal before the *Tribunal Fédéral*, the highest judicial authority in Switzerland.

Translated by Nicole Atwill
Senior Legal Specialist
Western Law Division
Law Library of Congress
October 1999

No Immunity in Switzerland, LA LETTRE DU CONTINENT, April 15, 1999, via LEXIS/NEXIS.

The *Tribunal Fédéral* (highest court in Switzerland) on Tuesday March 23 rejected the appeal from President Bongo to prevent the seizure of the "Davenport" account (number 01.10200.0) opened at the Canadian Imperial Bank of Commerce (CIBC) of Geneva. The Gabonese President had already lost his case before the Geneva Accusation Chamber last September. Judge Paul Perraudin, who is investigating the Elf case, will be able to use the information from the account. Since then, he has discovered that \$1.5 million from the account went to an account at the *Banque de Dépôts et de Gestion de Lausanne*, the holder being Alfred Sirven, former Elf Director.

According to a person close to the case, other French personalities may have received "gifts" from "Davenport." The *Tribunal Fédéral* considered that the account holder was officially not Bongo but his adviser Samuel Dossou-Aworet. Mr. Dossou also tried to claim immunity, without success, arguing that he was the spouse of the Gabonese ambassador to France.

In addition, considering that to benefit from immunity, a head of state should deposit his money in a "public law corporation" of his country (and not in a fiscal paradise), the decision of the *Tribunal Fédéral* will become jurisprudence. In this case, the "Davenport" account was opened in the name of the corporation.....Davenport, which has been dissolved.



Congressional Research Service . The Library of Congress . Washington, D.C. 20540-7000

November 16, 1997

TO :

FROM : David Skelly - CRS-Language Services/FDT

SUBJECT : Translation of article from *Le Monde*

SOURCE: *Le Monde*, October 25, 1999

HEADLINE: Judge Perraudin's investigation uncovers ELF's secret African affairs. More than 600 million francs passed through the Swiss bank accounts of the "Mr. Africa" of the oil multi, André Tarallo. These accounts are alleged to have been used to disburse secret payments to African presidents, one of whom was the Gabon chief of state, Omar Bongo.

BYLINE: Gattegno, Hervé

HIGHLIGHTS:

JUSTICE DEPT. The investigation carried out in Geneva by Swiss examining magistrate Paul Perraudin has revealed some of ELF's African secrets. Between 1990 and 1997 more than 600 million French francs passed through the Swiss bank accounts of the former The "Mr. Africa" of the ELF Aquitaine group, André Tarallo. Upon being questioned by the judge, Tarallo stated that these sums of money came from carrying out certain commitments on behalf of the ELF group, for which payments had to be made secretly to African presidents. In an interview with *Le Monde*, Tarallo explained the bonus system which had been set up in the oil sector: official bonuses, which are provided for in the contracts themselves and parallel bonuses, which can be given in order to secure a better chance of obtaining a license. (See also our editorial on page 17).

BODY

The camouflage is intentional and the erasures are legal -- possibly diplomatic-- as validated by the signature of the examining magistrate in Geneva, Paul Perraudin, and in many places they conceal the name of the president of the Republic of Gabon. El Hadj Omar Bongo, on the documents sent in mid-October to his French colleagues Eva Joly and Laurence Vichnievsky, who are handling the ELF affair. This sort of dissimulation is inadequate to cover up in the dossier, now in the hands of French investigators, the compromising nature of the financial relations between the Gabonese chief of state and the oil group. It has actually had the effect of keeping Bongo from appealing to Swiss jurisdictions to prevent -- or at least delay -- transmission of these new items revealing the most sensitive side of ELF Aquitaine's African secrets.

Among the articles which have been handed over are statements from bank accounts kept at several Swiss banks between 1990 and 1997 by the former director of hydrocarbons at the ELF-Aquitaine Group, André Tarallo. According to the [transcript of the] investigation, some 610 million French francs passed through these accounts, and a large part of the money was consisted of commissions paid by ELF on the fringes of oil contracts. Interrogated by the Swiss judge on four occasions, March 9 and 10, May 4, and June 22, Tarallo denied having taken such amounts for himself, explaining that he had managed these sums for his principal – a highly placed person whose identity I [sic. This sentence was apparently carelessly cut and pasted– Trans] do not wish to reveal because of the responsibilities of a national scope which he has assumed. Nevertheless, research done at the banks at Lausanne, and Zurich where Tarallo held his accounts have revealed that it was definitely the head of state of Gabon who was involved, as his signature appeared on certain documents found in the bank archives.

Feared by some, brandished as a weapon by others to dampen judicial ardor, the threat of seeing the ELF affair degenerate into a French/African scandal has definitely taken shape. Often referred to as the Mr. Africa of the ELF Group, the liaison with the rulers of the countries of the Gulf of Guinea – where the major oilfields being exploited by the French oil company are located – Tarallo carefully refrained from mentioning by name any of the real recipients of these sums of money, but it was obvious that the money came from carrying out commitments to ELF, named “sovereignty contracts,” they called for secret remuneration of African presidents.

Replying with masterful subtlety to Judge Perraudin’s questions, he explicitly mentioned the existence of written agreements between ELF and his principal, stating among other things: “I cannot believe that there was a contractual relation between the two parties.”

In any event, Tarallo told the Swiss judge that the written dispositions had been taken between himself and President Bongo, specifying that “They are in the hands of my principal.”

During his May 4 hearing he added that he had kept account of the financial movements of these account and concluded: “I am going to ask my principal to authorize me to hand them over to you.

Relieved of his operational responsibilities in 1991 by then CEO, Loik Le Floch-Prigent, and then officially retired in March of 1993, the former strong man of ELF’s African affairs told Judge Perraudin that Alfred Striven, former Director of General Affairs for ELF, considered the key person in the affair and a fugitive for two years, was the one who ordered the secret transfers to the African heads of state. In fact, Judge Perraudin’s investigation shows the movement of funds between certain front companies managed by Sirven and bank accounts whose names were mentioned explicitly by Tarallo: from Centuri, from the village where he was born in Corsica – to the Banque de Dépôt et Gestion and the Bondpartners in Lausanne, Bonifacio, his residence on the island – to the Hottinger Bank in Geneva, and Colette, his wife’s first name – to the Union Bancaire Privée in Geneva.

The articles handed over by the Swiss judge to his French counterparts include two letters from President Bongo, dated 1996 in which he demanded ownership of the Colette and Centuri accounts from the Swiss banks. On the same date, Tarallo had informed his bankers that the funds in these accounts did not belong to him, thus facilitating their transfer to new accounts. The titular of one of these new accounts was the personal consultant to the President of Gabon for oil questions, Samuel Dossou.

Tarallo explained that very many global operations (paying of commissions) undertaken by Servin had led to replenishing the accounts cited... "This practice is the only one I am aware of which permits carrying out the so-called sovereignty contracts in conditions of discretion, which is indispensable. As far as I know, this practice has been in use since the foundation of the ELF Group and is also in use in many other companies.

During one of these hearings held by Judge Perraudin, Tarallo stated: "Obviously, the formation of clandestine, off-the-books funds was indispensable. This has been the case with every oil company I've ever known.

For example, so that every one can understand, the former director of ELF even revealed that in 1998 several oil companies had disbursed more than a billion dollars in secret commissions -- 'bonuses' in the language of the oil companies -- in Angola to obtain licenses for exploration in that country's territorial waters.

Tarallo, the former CEO of ELF Gabon had been indicted in 1996, just before the incarceration of former ELF Director Loik Le Floch-Prigent, because of his intervention in the financial set-up designed to profit the textile group Biderman, whose networks were already going via Libreville (see *Le Monde*, July 5, 1995). He was indicted a second time the following year after a payment from the old Colette account had been exhumed, a commission amounting to some 2.5 million dollars in the margins of an oil operation in Venezuela.

Under threat of imprisonment on the day of his 70th birthday, Tarallo defended himself by posing as the administrator of the accounts for other people, saying that he did not want to point a finger at anyone. He then stated that he had opened the Geneva account at the request of Dossou, Bongo's personal consultant. During the preceding weeks the president of Gabon had informed his French counterpart, Jacques Chirac, first in writing, then on the telephone, that he was worried about the judicial investigation of the ELF affair (*Le Monde*, April 8, 1997).

Investigations subsequently carried out in France by the finance brigade have established that this same 'Colette' account opened in 1991 and closed in August 1996 had been credited with considerable sums, culminating in 38.5 million francs in September of 1994. In a summary addressed to Judges Joly and Vichnievsky, French investigators estimated that the personal expenses paid by Tarallo from this account amounted to some 3.91 million francs, most of which

was spent on construction of his villa in south Corsica, the total costs for which will approach 90 million francs (see opposite page). Judge Perraudin's investigations at the Swiss banks show that the Bonifacio account was used chiefly for the purchase and construction of this sumptuous residence, as well as for the acquisition of artworks.

"I am the legal owner of this villa, which was designed as a reception house for French/African meetings," Tarallo told Perraudin, specifying that the directors of the ELF Group were well aware of the construction project.

Translated by
David Skelly
CRS-Language Services/FDT
November 11, 1999

ATTACHMENT D

Item 2(l)^{1/}

Citibank has not located any Private Bank accounts in the name of the third individual identified in Item 2(l). The first and second individuals identified in Item 2(l) jointly held a special-name account at the Private Bank in London. This account was opened on October 14, 1994, and remains open. The first individual identified in Item 2(l) died in 1996, and the special-name account is now jointly held by the second individual and the younger brother of the first and second individuals. In late July 1999, the balance in this account was \$14,783,684.96.

The second individual identified in Item 2(l) is also the partial owner of a private investment company that opened an account in London on May 2, 1995. The first individual identified in Item 2(l) was a signatory in respect of this account until his death in 1996, and the younger brother of the first and second individuals is now a signatory. In late July 1999, the balance in this account was \$3,492,581.51.

The brother of the third individual identified in Item 2(l) has had a Private Bank account in London since 1989. This account is relatively small and, in late July 1999, had a balance of \$36,249.50.

The second individual identified in Item 2(l) owns an airline business and a volume trading business in pharmaceuticals. He is also involved in providing supplies for government-tendered engineering projects.

Citibank will provide additional basic information as it becomes available.

^{1/} Item 2(l) is listed as the second Item "2(j)" in the August 5 letter.

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 33b.

WILMER, CUTLER & PICKERING
2445 M STREET, N.W.
WASHINGTON, D.C. 20037-1420C. BOYDEN GRAY
DIRECT LINE (202) 663-6088
INTERNET BGRAY@WILMCKR.COMTELEPHONE (202) 663-6000
FACSIMILE (202) 663-6363100 LIGHT STREET
BALTIMORE, MD 21202
TELEPHONE (410) 969-2600
FACSIMILE (410) 969-2828520 MADISON AVENUE
NEW YORK, NY 10022
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FACSIMILE (212) 235-68884 CARLTON GARDENS
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FACSIMILE GB (0447) 833-3537RUE DE LA LOI 18 WETSTRAAT
B-1040 BRUSSELS
TELEPHONE GB (022) 285-4000
FACSIMILE GB (022) 285-4549FRIEDRICHSTRAßE 95
D-10117 BERLIN
TELEPHONE GB (4930) 3022-0400
FACSIMILE GB (4930) 3022-0500

September 27, 1999

*By Facsimile and Hand Delivery*Robert L. Roach, Esquire
Minority Counsel
Permanent Subcommittee on Investigations
Committee on Government Affairs
193 Russell Senate Office Building
United States Senate
Washington, D.C. 20510

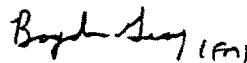
Dear Bob:

In the course of reviewing Citibank materials, we have discovered additional information that was not included in the attachments to our August 9, 1999 letter. Enclosed are updates to those attachments containing the new information. Consistent with previous correspondence, the client names refer to the individuals listed in Schedule A of the May 13 letter.

For your convenience, the new information we have added is as follows:

"The first and second individuals identified in Item 2(f) also were joint owners of two special name accounts at the Private Bank in New York. For both accounts, there was a third joint owner, who does not appear to be related to any of the individuals identified in Item 2(f). The first account was opened in early 1992, the second was opened in late 1994. Both accounts were closed by October 1997."

Sincerely,


C. Boyden Gray

cc: K. Lee Blalack, Esq.

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 33c.

Client File [978622 GELSOBELLA 1] Client Profile Form

Summary

Name: GELSOBELLA Expense Code: 00565 COID: 5000
 GELSOBELLA Client Domicile: Nigeria
 Prospect Segment: B: Trgt AUM>\$1MM CNR>\$10M; Lo-Mod Gr Pot Client Number: 978622
 Acquisition Code: To Be Determined

Bankers

Name: SOCRATES E. CRUZ Banker ID: CS03
 Title: Service Officer Type: Primary Banker Team ID: EUN05
 Division: PBG - WH Required: Yes
 Phone: (212) 559 - 2387 Ext. Stmt Display: 1st Line
 Fax: (212) 793 - 6493 Ext. Source: Client / Account

Client Telephones

1 () - Ext. Type: Primary residence
 1 () - Ext.
 1 () - Ext.
 1 () - Ext.
 1 () - Ext.
 1 () - Ext.

REDACTED

Mon, Oct 18, 1999
 04:56:06 PM

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Page 1

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CS007178

Client File [978622 GELSOBELLA 1] Client Profile Form

Business Data

Company Name: SELCON AIRLINES Own Business
 Date Started: 01/01/1995
 Nature Of Business: CHARTER PRIVATE AIRLINES

Any Useful Details/Changes Anticipated:

SELCON AIRLINES & SABACO LTD (LAGOS, NIGERIA) AIRLINE TRANSPORT BETWEEN NY ANAN
 D LAGOS, NIGERIA.. WORKS IN CONJUNCTION WITH AMERICAN TRANSAIR

Source of Wealth / Business Background: Inherited

CHARTER AIRLINE CO OWNED BY TWO SONS OF PRESIDENT OF NIGERIA, GENERAL SANI ABACH
 A (IBRAHIM AND MOHAMED) AND YAYA ABUBAKAR, A PILOT. WEALTH COMES FROM FATHER WH
 O ACCUMULATED WEALTH AS HEAD OF STATE OF MAJOR OIL PRODUCING COUNTRY. SPECIAL N
 AME AC. BCSE OF ATTEMPTED FRAUD, AC REOPENED UNDER "CHINQUINTO". AC DORMANT FO
 LLOWING DEATH OF IBRAHIM SANI, EARLY 1996 IN PLANE CRASH.
 PLEASE REFER TO PROFILE UNDER "CHINQUINTO". A/C USED MOSTLY FOR CLEARING
 PURPOSES. LARGE RELATIONSHIP WITH PBG LONDON.

Partners

(None)

Contacts

Name: 1 () - Ext.
 Information: Function: Unspecified
 WE HOLD MAIL IN PBG/NY

Mon, Oct 18, 1999
 04:56:06 PM

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CS007182

Client File [978622 GELSOBELLA 1] Client Profile Form

Contacts (continued)

Name: _____ 1 () _____ Ext. _____
 Information: _____ Function: Unspecified _____
 IBRAHIM & MOHAMMED SANI (BROTHERS)
 YAYA ABUBAKAR - BUSINESS PARTNER

Name: _____ 1 () _____ Ext. _____
 Information: _____ Function: Unspecified _____
 IBRAHIM SANI, PRESIDENT - CODE NAME A/C - PARTNERS
 MOHAMED SANI, BROTHER - PARTNERS

Clients Financial Summary

On-Shore: United States Not Identified As of: 08/05/1996
 Off-Shore: United States Not Identified

| Estimated - | On-Shore | Off-Shore | Total | Citi-Adjusted |
|----------------------|----------|-----------|-------|---------------|
| Current Income: | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Current Assets: | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Current Liabilities: | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Net Worth: | \$ 0 | \$ 0 | \$ 0 | \$ 0 |

US Maximum PBG Potential: AUMS: \$ 2,000,000 CNR: \$ 0
 Liquidity Requirements:
 EST. TOT NET WORTH: /EST. OFFSHORE ASSETS:

Other Major Providers and Products Owned

Provider: LIBERTY MERCHANT BANK Est. AUMs: \$ 0
 Location: /VICTORIA IS./LAGOS, NIGERIA
 Products / Services: Other
 Comment:

Mon, Oct 18, 1999
 04:56:06 PM

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CS007183

Client File [978622 GELSOBELLA 1] Client Profile Form

Special Considerations

Business/Professional:

(liquidity needs, new business, future credit needs, standing instructions)

Personal:

IBRAHIM SANI (BORN:01/16/66)/YAYA ABUBAKAR (BORN:10/15/58)/ PIN# 4141
 SPECIAL NAME ACCT. OPENED FOR: IBRAHIM SANI, MOHAMMED SANI AND YAYA ABUBAKAR.
 ALL THREE ARE NIGERIANS.PARTNERS IN SELCON AIRLINES LTD. ACCT. OPENED 6/5/92
 (retirement, educational needs, special care, taxes, standing instructions)

Citicorp Major Business Opportunities

Immediate Needs:

PASSPORTS: I

REDACTED

Long Term Needs:

Strategy:

Products at PBG and Elsewhere

| | Uses at PBG | Past User at PBG | Uses at Other Inst | Interested in Prod. | Averse to Prod. | Estimated AUM |
|------------------|----------------|---------------------|-----------------------|------------------------|--------------------|---------------|
| BANKING | | | | | | |
| Checking | | | | | | \$ 0 |
| USD Money Market | | | | | | \$ 0 |

Mon, Oct 18, 1999
 04:56:06 PM

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CS007185

Client File [978622 GELSOBELLA 1] Client Profile Form

Transaction Activity

Monthly Expected Transaction Activity In

● Low (1-15) Medium (16-25) High (26-50) Govt/Non-Profit (51-100)

Monthly Expected Transaction Activity Out

● Low (1-15) Medium (16-25) High (26-50) Govt/Non-Profit (51-100)

Expected Transaction Balance In

● \$0 - 50,000 >\$50,000 - 100,000 >\$100,000 - 250,000
>\$250,000 - 500,000 >\$500,000 - 1,000,000 >\$1,000,000

Expected Transaction Balance Out

● \$0 - 50,000 >\$50,000 - 100,000 >\$100,000 - 250,000
>\$250,000 - 500,000 >\$500,000 - 1,000,000 >\$1,000,000

Call Log

(None)

Operational Considerations/Cautions**Last Updated By**

ALAIN OBER

PBG - WH

Private Banker

GA02

Europe/Middle East/Africa

(212) 559 - 9194 Ext.

Last Revised: 06/19/1997

Mon, Oct 18, 1999
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CS007189

Client File [983666 CHINQUINTO 1] Client Profile Form

Summary

Name: CHINQUINTO Expense Code: 00565 COID: 5000
 CHINQUINTO Client Domicile: Nigeria
 Prospect Segment: B: Trgt AUM>S1MM CNR>S10M; Lo-Mod Gr Pot Client Number: 983666
 Acquisition Code: To Be Determined

Bankers

Name: SOCRATES E. CRUZ Banker ID: CS03
 Title: Service Officer Type: Primary Banker Team ID: EUN05
 Division: PBG - WH Required: Yes
 Phone: (212) 559 - 2387 Ext. Stmt Display: 1st Line
 Fax: (212) 793 - 6493 Ext. Source: Client / Account

Client Telephones

| Line | Phone Number | Ext. | Type |
|------|--------------|------|--------------------|
| 1 | () - | Ext. | Business Telephone |
| 1 | () - | Ext. | |
| 1 | () - | Ext. | |
| 1 | () - | Ext. | |
| 1 | () - | Ext. | |
| 1 | () - | Ext. | |

REDACTED

Mon, Oct 18, 1999
 04:52:12 PM

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CS007159

Client File [983666 CHINQUINTO 1] Client Profile Form

Business Data

Company Name: SELEON TRAVELS AND TOURS Own Business
 Date Started: 01/01/1992
 Nature Of Business: PRIVATE CHARTER AIRLINE

Any Useful Details/Changes Anticipated:

COMMERCIAL AIR TRANSPORT/TOURISM/ ONLY COMPETITION TO NIGERIAN AIRWAYS
 ON LAGOS-NY ROUTE

Source of Wealth / Business Background: Inherited

SPECIAL NAME A/C OPENED BY TWO SONS OF GENERAL ABACHA, PRES. OF NIGERIA TO COVER
 ACTIVITIES OF CHARTER AIRLINE (SELCON AIRLINE CO) NIGERIA/US AND MECCA FLIGHTS.
 WEALTH COMES FATHER IN CONNECTION WITH OIL INDUSTRY (NNPC) SINCE NIGERIA IS
 MAJOR OIL PRODUCING COUNTRY. A/C REFERRED BY PBG LONDON (MATHEWS)
 DORMANT A/C SINCE 1996 DEATH OF IBRAHIM SANI. A/C CURRENTLY DORMANT PENDING
 REACTIVATION OF U.S. BUSINESS (FLIGHTS U.S.-NIGERIA WITH AMERICAN TRANSAIR).
 FATHER OF IBRAHIM AND MOHAMMED, GENERAL SANI ABACHA IS THE CURRENT MILITARY
 RULER OF NIGERIA WHERE THERE IS A LOT OF CORRUPTION IN CONNECTION WITH THE
 PETROLEUM INDUSTRY. HOWEVER, OUR PAST EXPERIENCE WITH THE SIGNERS OF CHINQUINTO
 HAS BEEN GOOD AND VERY PROFESSIONAL, ESPECIALLY WITH IBRAHIM SANI. A/C WAS USED
 MOSTLY TO PAY AMERICAN TRANSAIR AND BILLS CONNECTED TO PLANE USAGE. CONSERVATIVE
 INVESTOR (TIME DEPOSITS).

Partners

(None)

Contacts

Name: 1 () Ext.
 Information: Function: Unspecified
 IBRAHIM SANI & MOHAMMED SANI ARE BROTHERS - YAYA ABUBAKAR FRIEND & PARTNER
 (SIGNERS)

Mon, Oct 18, 1999
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Client File [983666 CHINQUINTO 1] Client Profile Form

Clients Financial Summary

On-Shore: United States Not Identified As of: 08/06/1996
Off-Shore: United States Not Identified

| Estimated - | On-Shore | Off-Shore | Total | Citi-Adjusted |
|----------------------|----------------|---------------|----------------|---------------|
| Current Income: | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Current Assets: | \$ 100,000,000 | \$ 10,000,000 | \$ 110,000,000 | \$ 0 |
| Current Liabilities: | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Net Worth: | \$ 100,000,000 | \$ 10,000,000 | \$ 110,000,000 | \$ 0 |

US Maximum PBG Potential: AUMS: \$ 10,000,000 CNR: \$ 0
Liquidity Requirements:
EST. TOT NET WORTH: /EST. OFFSHORE ASSETS:

Other Major Providers and Products Owned

Provider: LIBERTY MERCHANT BANK Est. AUMs: \$ 0
Location:
Products / Services: Other
Comment: -(A/C VN/O SELCON ENTERPRISES) LAGOS,NIG.

Provider: UNITED COMMERCIAL BANK Est. AUMs: \$ 0
Location: LAGOS, NIGERIA
Products / Services: Other
Comment:

Provider: NIGERIAN AND UK BANKS Est. AUMs: \$ 0
Location:
Products / Services: Other
Comment:

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CS007164

Client File [983666 CHINQUINTO 1] Client Profile Form

Summary of Citicorp Relationship

Total Citicorp Credit Assets Under Management: \$ 0

Total Credit Customer Net Revenue: \$ 0

Total Citicorp Investment Assets Under Management: \$ 0

Total Investment Customer Net Revenue: \$ 0

Overall Satisfaction with Citicorp (if current client)

Excellent ● Good Fair Poor No History

Potential Referral Source

How:

Characterize Client / Explain Any Issues:

PLEASANT/ REL.:GOOD

Total Assets Under Management Elsewhere in Citicorp:

| Location | Estimated AUM |
|----------|---------------|
| (None) | |

Special Considerations**Business/Professional:**

A/C REFERRED BY PBG LONDON (M. MATTHEWS)

I. SANI KILLED AIRCRAFT ACCIDENT

(liquidity needs, new business, future credit needs, standing instructions)

Personal:

SPECIAL NAME ACCT.- OPENED 11/15/94 TO REPLACE GELSOBELLA #10266128/CLOSED FOR

BREACH OF SECURITY/PRINCIPALS: IBRAHIM SANI/MOHAMMED SANI/YAYA ABUBAKAR

TRANSACTIONS MUST BE SIGNED BY ANY TWO.- CODE NAMES MUST ACCOMPANY TRANSFER

(retirement, educational needs, special care, taxes, standing instructions)

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CS007165

Client File [983666 CHINQUINTO 1] Client Profile Form

Call Log

(None)

Operational Considerations/Cautions**Last Updated By**

DAVID SPRINDZUNAS

PBG - WH

Service Officer

SD

Europe/Middle East/Africa

(212) 559 - 9971 Ext.

Last Revised:

07/09/1997

Mon, Oct 18, 1999
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CS007170

Combined Client Profile / Account Plan
(To be completed only where applicable)

Relationship Details

| | |
|-------------------|----------|
| Relationship Name | REDACTED |
| Client ID / UBN | 305382 |
| Current Status | Client |

Classification

| | |
|---------|------------------|
| Segment | Core |
| Type | Direct |
| Source | Direct Marketing |

Name :

Passport details Number:

Country:

Number:

Country:

Number:

Country:

PBS Account Officers Details

| | | Telephone | Location | Since |
|-----------|----------------|---------------|----------|-------|
| London AO | Melanie Walker | 171 508 8050 | | |
| Global AO | | | | |
| Backup 1 | David Filmer | 0171 508 8012 | London | |
| Backup 2 | Naved Ahmed | 171 508 8073 | | |
| Backup 3 | | | | |

Intermediaries

| | |
|--|-----------|
| Name: Profession: Telephone 1: Telephone 2: Fax: Telex: | |
| Address: Country: Postal Code: | A97183098 |

Notes on Intermediaries :

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CS003250

Combined Client Profile / Account Plan
 (To be completed only where applicable)

Financial Details- Personal Balance Sheet (US\$M) :

| Country | Income | Assets | Liabilities | Net Worth | Onshore/Off |
|---|--------|--------|-------------|-----------|----------------------|
| | | | | | |
| Total Net Worth | | | | | <input type="text"/> |
| Principal Business: Trading, importation of pharma goods, airline | | | | | |
| | | | | | Since: (years only) |

Other activities / Sources of wealth:

Source of wealth is from an airline business, and a volume trading business in pharmaceutical goods; also supplies for government-tendered engineering projects

Est NW: \$100MM

Notes on Wealth Plan :

True economic owner: REDACTED

Transaction profile: regular significant inflows by TT, representing earnings from trade transactions, commissions paid by pharmaceutical companies, and surpluses moved from other prim

Long Term prospects and opportunities
 (Plans for deepening the relationship over next 1-3yrs)

Latest updated:
 Previously updated:

Long-standing global relationship, with us for eight years, with regular contact. Funds are used actively as support for a range of projects such as ~~airline~~ ^{airline}, commodity imports, supporting tenders for major public sector contracts etc. We have provided trade finance, overdraft facilities, and fiduciary services. Investments have been discussed, but liquidity and maximum LTV is usually a key requirement, so assets have tended to remain in cash. Lots of potential to do further deals going forward - it will be very much in an opportunistic basis, as offers crop up. CRR has been good, and we are one of several favoured banks. We continue to explore opportunities on a regular basis.

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CS003252

Combined Client Profile / Account Plan
 (To be completed only where applicable)

Other Citibank Contacts for NAVARRIO :

Relationship Tickler Notes :

REDACTED

**Faxes MUST be confirmed by phone. Code list in operation in 'Statements' desk file.

17/11/95 REDACTED collected his Diners card.

Preferred Visa for REDACTED put in S/X 11/9/95.

22/9/95: Amex cards received for REDACTED Placed in Safekseping. 17/11/95 REDACTED collected his Amex card.

18/1/96: REDACTED :# telephoned with the sad news that REDACTED was killed REDACTED in 1 REDACTED. Reports confirmed in National press. The funeral is said to have taken place Diners notified/Amex notified/CM sent to James Vernon to notify Preferred visa.

8/5/96 - Amex card number REDACTED placed in S/X for REDACTED

11/96: REDACTED will be adding his brother REDACTED to the accounts; I asked him to send a formal authority. REDACTED

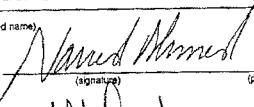
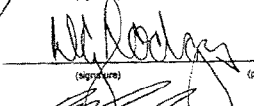

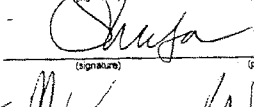
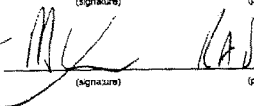
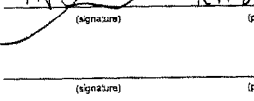
Account Officer's Name _____

Signature _____

Date _____

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CS003253

| EXISTING CLIENT KYC APPROVALS | | | |
|---|---|--|------------------------------------|
| DATE | 11/09/98 | UBN | 305 332, 305 332, 305 332, 305 332 |
| CA Review Date (if applicable) | N/A | Doc No. # | 111 |
| Next Review Date | | Doc. Date | 15/09/98 |
| | | Subject | KYC - FULL PROFILE |
| | | Comments | |
| | | Sender | ADU |
| | | Interim Review | <input type="checkbox"/> |
| | | Annual Review | <input type="checkbox"/> |
| 98327047 | | | |
| Name of Account: | REDACTED J & RELATED ACCOUNTS | UBN | 305 332, 305 332, 300 890 |
| Name of Individual (if different) | REDACTED | Market Domicile | NIGERIA |
| Status: | <input checked="" type="checkbox"/> Account Holder (Full Profile) <input type="checkbox"/> Related Acct. Holder (Partial Profile) <input type="checkbox"/> Joint Acct. Holder (Full Profile) <input type="checkbox"/> Authorised Signer (Basic Information) <input checked="" type="checkbox"/> Beneficial Owner (Full Profile) | | |
| Status: | <input type="checkbox"/> Standard <input checked="" type="checkbox"/> Public Figure <input type="checkbox"/> Non-Target Market (if applicable) | <input type="checkbox"/> Special Name <input type="checkbox"/> Employee <input type="checkbox"/> Money Manager | |
| Private Banker | DR NAVEED AHMED | Location | PBG LON |
| Approvals: (signature and printed name) | <div style="display: flex; justify-content: space-between;"> <div>  <small>(signature)</small> </div> <div> Dr. Naveed Ahmed Vice President </div> <div> 14/9/98 <small>(date)</small> </div> </div> | | |
| Private Banker | | | |
| Supervisor | <div style="display: flex; justify-content: space-between;"> <div>  <small>(signature)</small> </div> <div> W. GORDON RODGERS VICE PRESIDENT </div> <div> 14/9/98 <small>(date)</small> </div> </div> | | |
| Quality Assurance | <div style="display: flex; justify-content: space-between;"> <div>  <small>(signature)</small> </div> <div> Anthony Marsden Vice President </div> <div> 15/9/98 <small>(date)</small> </div> </div> | | |
| Global Market Manager (if applicable) | <div style="display: flex; justify-content: space-between;"> <div>  <small>(signature)</small> </div> <div> S. RAMI </div> <div> 15-9-98 <small>(date)</small> </div> </div> | | |
| Investment Centre Head (if applicable) | <div style="display: flex; justify-content: space-between;"> <div>  <small>(signature)</small> </div> <div> K. A. SANKAR </div> <div> 16/9/98 <small>(date)</small> </div> </div> | | |
| Market Region Head (if applicable) | <div style="display: flex; justify-content: space-between;"> <div>  <small>(signature)</small> </div> <div> Anthony Marsden </div> <div> <small>(date)</small> </div> </div> | | |

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NOTE: Lack of detail in source of wealth on these profiles.
Discussed with Naveed and agreed to add 10A on basis *
that we are existing these relationships.

Anthony Marsden
Vice President

65002733

Individual Participant Profile
Client

REDACTED

REDACTED

(305382)

| | | | |
|--------------------|----------------------------|-----------------|-------------------|
| Full Name | REDACTED | Initiation Date | 21/01/98 10:44:00 |
| Participation Type | Individual | Nickname | |
| Language | English | Salutation | |
| Reference Currency | United States - Dollars | Alias | REDACTED |
| Participant UBN | 305352 305525 300890 | | |

REDACTED

Alerts Do not telephone Client in Nigeria - see communication preference notes.

Roles and Functions in this Relationship

| | | |
|------------------------------|--------------------------------------|------------------|
| Role In Relationship | Client | Other Functions: |
| Initiation Date | 21/01/98 10:44:00 | |
| Primary Relationship Contact | <input checked="" type="checkbox"/> | |
| Primary Decision Maker | <input checked="" type="checkbox"/> | |
| Power of Attorney | <input type="checkbox"/> Limitations | |

Other Functions in the Relationship

Address Information

| | |
|----------|---|
| Home | Prof. <input type="checkbox"/> |
| | Prof. <input type="checkbox"/> |
| Business | Prof. <input checked="" type="checkbox"/> |

REDACTED

Phone / Fax Information

| | |
|-------|---|
| Phone | Prof. <input checked="" type="checkbox"/> |
| Phone | Prof. <input type="checkbox"/> |
| Phone | Prof. <input type="checkbox"/> |
| Phone | Prof. <input type="checkbox"/> |
| Phone | Prof. <input type="checkbox"/> |
| Phone | Prof. <input type="checkbox"/> |
| Fax | Prof. <input checked="" type="checkbox"/> |
| Fax | Prof. <input type="checkbox"/> |
| Fax | Prof. <input type="checkbox"/> |
| Fax | Prof. <input type="checkbox"/> |

REDACTED

Email Address

Personal and Instructions

| | | | |
|----------------|---------|-------------|---------|
| Gender | M | Citizenship | Nigeria |
| Marital Status | Married | Domicile | Nigeria |
| Date of Birth | | Residency | Nigeria |

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CS002734

Business Name REDACTED Job Title n/a
 Occupation Businessman Tax ID n/a

Passport Information

Professional Background

REDACTED

Additional Personal Information

Instructions

Mailing Status

☐ Hold all Mail ☒ Send all Mail ☐ Other

Communicate To Client via

☒ Fax ☐ Letter ☐ Telex ☒ Telephone

Accept Clients Instructions Via

☒ Fax ☐ Letter ☐ Telex ☒ Telephone

☒ Communications Waiver on File ☐ Production Restriction Information

☐ Standing Instructions on File

Communication Preference Notes

Any contact has to be made via REDACTED. If urgent then on the B.O's Satellite phone's or fax no. **Incoming or outgoing faxes MUST be confirmed by phone.

Pricing Instructions

Standard pricing on deposits @0.25% spread

Interests and Affiliations

| Special Interests | Interest Level |
|-------------------|----------------|
|-------------------|----------------|

Other Interests

Not Known

Political Affiliations

REDACTED

He personally

has no political ambition or affiliations.

Charitable Interests

N/A

Degrees and Certifications

Not known

Sources Of Wealth

Sources Of Wealth and Current Financial Situation

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3002735

Long-standing global relationship, with regular contact. Funds are used actively as support for a range of projects such as a charter airline, commodity imports, supporting lenders for major public sector contracts etc. We have provided trade finance, overdraft facilities, and fiduciary services. Investments have been discussed, but liquidity and maximum LTV is usually a key requirement, so assets have tended to remain in cash. Lots of potential to do further deals going forward - it will be very much in an opportunistic basis, as offers crop up. CNR has been good, and we are one of several favoured banks. We continue to explore opportunities on a regular basis.

Source of wealth is from an airline business, and a volume trading business in pharmaceutical goods; also supplies for government-tendered engineering projects. Trading base (REDACTED) visited by M. Matthews.

REDACTED

1 in November 1997. Main business:

Americal Airlines. They own and occupy a large building:
employed.

REDACTED

Aircraft leased from
Approximately 60-70 people

REDACTED

Transaction profile: regular significant inflows by TT, representing earnings from trade transactions, commissions paid by pharmaceutical companies, payments received in respect of Haj trips: REDACTED
REDACTED also payments from LNG (Liquefied Natural Gas Co), and surpluses moved from other prime banks known to us.

Average transaction size US\$1mm-5mm, up to 3/4 x per month.

(client also deals with an ex-PBG a/c officer at Credit Suisse, amongst others). No cash transactions.
Trade deals are invariably of a large size, with large profit margins in Nigeria, which explains the size of the inflows.

RELATIONSHIP STRUCTURE:-

305382 REDACTED opened 1994

Signatories on this account are:

IMPORTANT Limited Power of Attorney granted to REDACTED (contact details in Marketing Addresses) - see Power of Attorney document in Account Opening on imaging to check specific powers. General guide - open discussion allowed, debits/charges/borrowings not allowed.

300890 - REDACTED - opened 1987
Courtesy account

305625 - REDACTED opened 1995
Signatory on this account is.

Wealth Plan Notes

17/11/95 - REDACTED collected his Diners card.

Preferred Visa for REDACTED put in SK 11/9/95.

22/9/95: Amex cards received for REDACTED Placed in Safekeeping. 17/11/95 REDACTED collected his Amex card.

REDACTED telephoned with the sad news that REDACTED (REDACTED) The funeral is said to have taken place in (REDACTED) Reports confirmed in National press. Diners notified/Amex notified/CM sent to James Vernon to notify Preferred visa.

8/5/96 - Amex card REDACTED placed in SK for REDACTED

11/96 REDACTED will be adding his brother REDACTED to the accounts; I asked him to send a formal authority.

Income Notes

Substantial funds with other institutions

Asset Notes

Liability Notes

None to our knowledge.

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Income (\$)

| Type | Description | Amount |
|-------------------|----------------------------|--------------|
| Investment Income | from deposits with Cit | 3,000,000.00 |
| Investment Income | Rent for REDACTED | 150,000.00 |
| Investment Income | Rent from Germany REDACTED | 500,000.00 |

00002736

| | | |
|-------------------|-------------------------------------|--------------|
| Investment Income | Return on funds held with Citibank | 250,000.00 |
| | REDACTED | |
| Other | Salary/comm from trading activities | 1,000,000.00 |
| | REDACTED | |
| Total | | 4,900,000.00 |

Assets (\$)

| Type | Category | Description | Citi Amount | Other Institution | Verified | Amount |
|------------------|----------------------|--------------------------------------|---------------|-------------------|--------------------------|---------------|
| Liquid Asset | Cash and Equivalents | on deposit with Citi | 55,000,000.00 | 0.00 | <input type="checkbox"/> | 55,000,000.00 |
| Non-Liquid Asset | Business Interests | Trading companies | 7,000,000.00 | 0.00 | <input type="checkbox"/> | 7,000,000.00 |
| Non-Liquid Asset | Real Estate | Residential - Victoria Island, Lagos | 1,000,000.00 | 0.00 | <input type="checkbox"/> | 1,000,000.00 |
| Non-Liquid Asset | Real Estate | Germany - commercial property | 5,000,000.00 | 0.00 | <input type="checkbox"/> | 5,000,000.00 |
| Non-Liquid Asset | Real Estate | REDACTED offices in Lagos | 5,000,000.00 | 0.00 | <input type="checkbox"/> | 5,000,000.00 |
| Non-Liquid Asset | Real Estate | 3-story office building, Lagos | 2,000,000.00 | 0.00 | <input type="checkbox"/> | 2,000,000.00 |
| Total | | | | | | 75,000,000.00 |

| | |
|---------------------------|----------------|
| Estimated Net Worth (\$) | 100,000,000.00 |
| Calculated Net Worth (\$) | 75,000,000.00 |

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CS002737

REDACTED

RELATIONSHIP SUMMARY

| | | | |
|---------------------------------|------------------|-------------|-------------------|
| Relationship Name | REDACTED | Last Update | 14/09/98 19:18:00 |
| Relationship Manager | Ahmed, Dr Naveed | | |
| Relationship Status | Client | | |
| Market Region | Emerging | | |
| Market Segment | Entrepreneur | | |
| Value of Relationship | \$600 | | |
| Relationship AUM | 59,000,000 | | |
| Relationship CNR YTD | 140,000 | | |
| Relationship CNR Last 12 Months | 90,000 | | |

Relationship Source

B.O's account introduced through uncle REDACTED). A/C since April 89.

Citibank Contacts

The only contacts should be:

Dr Naveed Ahmed: PBG London
 Melanie Hill (Walker): PBG London
 Michael Mathews: PBG Geneva

Relationship Team

| Name | Role | Comment |
|------------------|----------------------------------|-----------------------|
| Ahmed, Dr Naveed | Relationship Manager (Lead) | Lead PBG Staff Member |
| Bahl, Sharon | Relationship Manager (Back Up) | |
| Hill, Melanie | Relationship Manager (Back Up) | |
| Kusoglu, Belma | Relationship Support Team Member | |
| Marsden, Dion | Relationship Support Team Member | |
| Rodgers, Gordon | Team Leader | Team Leader |
| Myers, Debra | Administrator | |

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CS002738

KYC DEFICIENCIES**CITIBANK**

Account Documentation Unit 0

Date: 25/6/97

Maker: P.C.

Senate Permanent Subcommittee
on Investigations

Re: REDACTED

UBN: 305382

EXHIBIT #

33d.

- ☒ Beneficial Owner Details - name - addresses - references - passport
AIC name is REDACTED, however a/c application is
an individual in two other names
- ☒ Source of wealth
- ☒ Business backgrounds
- ☒ Business affiliations
- ☒ Source of knowledge
- ☒ Public figure - investment centre head approval
N/A
- ☒ Use of account
- ☒ Type, volume and frequency of transaction through account
- ☒ Client profile for all account holders
- ☒ Source of funds used to open account
- ☒ Other details

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CS003281

EXHIBIT # 33e.

Name: IBRAHIM SANTI
Address: LAGOS, NIGERIA

Private banker: ALAIN OBER
Accompanying officers: L. GENTLES

Phone GE 508-2224 Date of call: FEBRUARY 28, 1992
Location of call: PBG-NY
Existing client (or) Prospect
Current Business Asset CNR

| Current Business Asset CNA | | | |
|----------------------------|--------------------------|-----------------------|-----------------|
| Type of call | Profiling/needs analysis | Presentation/proposal | Account Opening |
| | Service | Follow-up | Telephone |

Call Objectives: (resources needed, possible obstacles) - Advance vs. Continuation situation, Problem, Implication, Needs-Pay-off Questions to ask

- Chairman of 2 air charter companies, "Selcon Airlines" and SABACO Ltd" (Lagos, Nigeria).
- Already client of PEG London (M. Mathews).
- Deal with American Trans Air a U.S. charter company, attempting to compete with Nigerian Airways on the N.Y.-Lagos route.

Results of Call:

- Wants to open a joint account (with his brother Mohamed): \$500M to 1MM will be invested (potential use for O/D line) and \$2MM in/out every month (with 1-3 weeks use of funds) via 3/4 transfer weekly.

Issues:

- Wants a special name a/c to reduce fraud potential.

Follow-up/Next Steps:

- Will come to N.Y. in 2 weeks to open a/c.
- Check reference with M. Mathews.

Focus for Next Call/Planned Date:

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CS002064

GELSBELLA Ref.

10266(2), 77822-1

CMEA 3-MAR-92 17:55:00 002728

To: Alain Ober (USNYC:PBGWH)
 From: Michael Mathews (EULON:PBG)
 Date: TUE 03-MAR-92 17:55 GMT
 Subject: Re: Ibrahim and Mohamed SANI, Nigeria
 From: Alain Ober Date: FRI 28-FEB-92 21:39 GMT
 Message ID: CMNA 28-FEB-92 21:39:14 000768

AUG 31 1992

ALAIN OBER, V.P.
 CCC/15th FL/ZA S
 Ext 9194

Ibrahim and Mohamed Sani are the son and adopted son of Zachary Abacha, a well-connected and respected member of the Northern Nigerian community. He has given his sons power to operate his accounts, and for the last three years they have been trading commodities through us, and the account has operated entirely satisfactorily, although balances have fluctuated wildly.

In contrast to other Nigerians we have dealt with, I have found Ibrahim and Mohamed unfailingly charming, polite and, above all, reliable, and I have a lot of faith in their ability to deliver against their commitments. They are clearly looking for new avenues in the competitive jungle that is the Nigerian economy, and some may succeed, others may not, but they are clearly target market by association, and the section of the Nigerian community that we should be dealing with.

** Type return to continue **, F to finish:
 device margins/ basic modes 150 49 COMMAND file HELP EXIT

Ibrahim and Mohamed Sani are the son and adopted son of Zachary Abacha, a well-connected and respected member of the Northern Nigerian community. He has given his sons power to operate his accounts, and for the last three years they have been trading commodities through us, and the account has operated entirely satisfactorily, although balances have fluctuated wildly.

In contrast to other Nigerians we have dealt with, I have found Ibrahim and Mohamed unfailingly charming, polite and, above all, reliable, and I have a lot of faith in their ability to deliver against their commitments. They are clearly looking for new avenues in the competitive jungle that is the Nigerian economy, and some may succeed, others may not, but they are clearly target market by association, and the section of the Nigerian community that we should be dealing with.

** Type return to continue **, F to finish:
 Let me know if you need further information.

Best regards,
 Michael

Delivered: TUE 03-MAR-1992 19:08 GMT

Command:
 device margins/ basic modes 157 10 COMMAND file HELP EXIT

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CS002071

Call Plan/Report

| | | | | | | | | | | | | | | | | | | | | | |
|---|---|-------------|--|---------------------|--|-------------|-------------------------------------|---------------|-------------------------------------|---------------|-------------------------------------|----------------|---|------------------------------------|--|--|--|------------|--|--|--|
| Client Name: REDACTED Represented by: REDACTED Type of conversation: Meeting at 41 Berkeley Square | Date: Thursday, 29th July 1993 Officer: Michael Mathews Initiated by: PBG Type of Call: Needs Analysis | | | | | | | | | | | | | | | | | | | | |
| Call objectives: (Problem/Implications/Information Required) To update ourselves on a relationship that has gone quiet of late. | | | | | | | | | | | | | | | | | | | | | |
| Summary of Call: REDACTED is one of REDACTED sons, who together with REDACTED runs the active businesses of the family. They have in the past traded in sugar through us, with substantial volumes, and more recently have been manufacturing steel sheets from imported billets. We therefore had very regular contact in the past, though very little just lately. Their major preoccupation at the moment, however, is their new venture in Nigeria, called: REDACTED. REDACTED REDACTED The sons are delightful fellows, and we have built a good relationship over the years, but like everyone in Nigeria at the moment they are being plagued by the uncertainty caused by the chaotic political situation in their country, and the knock-on effect it has had on the business community. No one is getting paid for Government contracts, foreign exchange is not available in sufficient quantities, and inflation and the exchange rate are out of control. This puts a severe strain on anyone doing business in Nigeria at the moment. REDACTED tells me that Northerners in the South are returning to their homes, just like Southerners are returning to Lagos, and Iboe to the East. This has distinct undertones of tribal strife, should the Presidential vacuum not be resolved soon. I reminded REDACTED that our relationship from an account point of view had dropped steadily. The family are well aware of this, and are trying to rectify the situation, but, as I fully understand, conditions are tough just now, and we will have to be patient in the interests of a long term relationship. If and when things pick up in Nigeria, we will be their main offshore bank and stand to benefit from any deals that they enter into. They also have started an account, at my suggestion, with Alain Ober at PBG New York. | | | | | | | | | | | | | | | | | | | | | |
| The call resulted in: Continuation Client satisfaction: Very Satisfied Comments: | <table border="1"> <tr> <td colspan="2">Client Name</td> </tr> <tr> <td colspan="2">Client No. REDACTED</td> </tr> <tr> <td>Header/Plan</td> <td><input type="checkbox"/> Call Memos</td> </tr> <tr> <td>Documentation</td> <td><input type="checkbox"/> Investment</td> </tr> <tr> <td>Limits/Credit</td> <td><input type="checkbox"/> Operations</td> </tr> <tr> <td>Correspondence</td> <td><input type="checkbox"/> Statement file</td> </tr> <tr> <td colspan="2">Permanent <input type="checkbox"/></td> </tr> <tr> <td colspan="2">Call in _____ (mo & Yr) (Min 2 yrs W/H 4 Yrs)</td> </tr> <tr> <td colspan="2">Date _____</td> </tr> <tr> <td colspan="2">Signed: <u>MICHAEL MATHEWS</u> 29/7/93</td> </tr> </table> | Client Name | | Client No. REDACTED | | Header/Plan | <input type="checkbox"/> Call Memos | Documentation | <input type="checkbox"/> Investment | Limits/Credit | <input type="checkbox"/> Operations | Correspondence | <input type="checkbox"/> Statement file | Permanent <input type="checkbox"/> | | Call in _____ (mo & Yr) (Min 2 yrs W/H 4 Yrs) | | Date _____ | | Signed: <u>MICHAEL MATHEWS</u> 29/7/93 | |
| Client Name | | | | | | | | | | | | | | | | | | | | | |
| Client No. REDACTED | | | | | | | | | | | | | | | | | | | | | |
| Header/Plan | <input type="checkbox"/> Call Memos | | | | | | | | | | | | | | | | | | | | |
| Documentation | <input type="checkbox"/> Investment | | | | | | | | | | | | | | | | | | | | |
| Limits/Credit | <input type="checkbox"/> Operations | | | | | | | | | | | | | | | | | | | | |
| Correspondence | <input type="checkbox"/> Statement file | | | | | | | | | | | | | | | | | | | | |
| Permanent <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | |
| Call in _____ (mo & Yr) (Min 2 yrs W/H 4 Yrs) | | | | | | | | | | | | | | | | | | | | | |
| Date _____ | | | | | | | | | | | | | | | | | | | | | |
| Signed: <u>MICHAEL MATHEWS</u> 29/7/93 | | | | | | | | | | | | | | | | | | | | | |
| Distribution: File, Michael Le Poidevin | | | | | | | | | | | | | | | | | | | | | |

CamS Standard Call Memo printed 29-JUL-93

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CS002937

NUMBERED ACCOUNT OPENING FORM

Client Name: _____ Date: 11.11.94

Client Address: _____ Number: REDACTED,

REDACTED

Rationale: The client is extremely well known to us, and highly valued holding an account in Jersey. He wishes to establish a personal a/c here which we expect to receive around \$10mm over the next few months. Being Nigerian, and REDACTED

REDACTED he is concerned about fraud on his a/c, and simply wishes to change his a/c name so that it can

Persons to have access: PBG-UK/CI Head _____ remain

Compliance Officer _____ anonymous

He appreciated that this financial is simply an alias, and carries no advantages, tax, or other.

Approved:

[Signature]
Private Banker

[Signature]
Unit Head
(ACTING) *[Signature]*

[Signature]
PBG-UK/CI Head
15 NOV 94
MICHAEL C. RUSSELL

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CS003285

ATTN: L. Gables.

AK # 10336456

- | | |
|-------------|----------------|
| 1 CHUNG. | 14 KWALABE. |
| 2 KARIM. | 15 JATO. |
| 3 BAE. | 16 HOLLANDER |
| 4 KURMA. | 17 PUNJAB. |
| 5 BACHAN. | 18 NAGASAKI. |
| 6 GOLAS. | 19 MOGADISHU. |
| 7 MUNCHEN. | 20 JAYOLA. |
| 8 KURA. | 21 SOUTHGATE. |
| 9 NICOLA. | 22 CONTACT. |
| 10 JANIS | 23 KILMANJARO. |
| 11 KOMO | 24 NAGARATI. |
| 12 ASOKUMBO | 25. MIDLAND. |
| 13 KANTI. | |

Above the code we had discussed for
future reference. Thank you.

| AUTHENTICATION | |
|-------------------------------------|---|
| Telephone Contact | Sig. Verif. <input checked="" type="checkbox"/> |
| From: _____ | Testword _____ |
| To: _____ | As Per: _____ |
| In Person: <input type="checkbox"/> | Completed By: _____ |
| Date: _____ | Time: _____ |

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CS001970

CITIBANK NA.
CITICORP CENTER,
NEW-YORK, NY.
ATT: L GENTLES.

A/c # 10336456

RECEIVED
JUN 14 1971
L.A. CENTRAL

Dear Sir,

Due to the recent fraud attempt on our operating account, you are kindly requested to operate with the following instructions to prevent a recurrence.

1. All future request correspondence shall be in hand writing.
2. All future request correspondences must be confirmed by phone by at least two of the signatories.
3. Future transfers must be coded in reference to the attached code from number one to twenty five.
4. All future transfer of funds must be automatically transferred from the GELSOBELA account to the new CITINQUINTO account. Thank you very much for the cooperation.

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[Signature]

| AUTHENTICATION | |
|-------------------------------------|---|
| Telephone Contact | Sig. Verif. <input checked="" type="checkbox"/> |
| From: _____ | Testword _____ |
| To: _____ | As Per: _____ |
| In Person: <input type="checkbox"/> | Completed |
| Date: _____ | Time: _____ |

[Signature]

CS001971

CHINQUINTO - DDA #10336456 FUNDS TRANSFER CODES

DO NOT REMOVE FROM FILES

| | | |
|----|-------------------|-----------|
| 1 | <u>CHUNG</u> | 11/23/45 |
| 2 | <u>KARIM</u> | 1/31/45 |
| 3 | <u>BAE</u> | 1/2/22/45 |
| 4 | <u>KURMA</u> | 1/10/45 |
| 5 | <u>BACHAN</u> | 1/27/45 |
| 6 | <u>GOLAS</u> | 2/2/45 |
| 7 | <u>MUNCHEN</u> | 3/12/45 |
| 8 | <u>KURA</u> | 3/22/45 |
| 9 | <u>NICOLA</u> | 7/3/45 |
| 10 | <u>JANIS</u> | 4/12/45 |
| 11 | <u>KOMO</u> | 4/27/45 |
| 12 | <u>ASOKUMBO</u> | 5/15/45 |
| 13 | <u>KANTI</u> | 6/1/45 |
| 14 | <u>KWALABE</u> | 6/19/45 |
| 15 | <u>JATO</u> | 7/13/45 |
| 16 | <u>HOLLANDER</u> | 10/1/45 |
| 17 | <u>PUNJAB</u> | |
| 18 | <u>NAGASAKI</u> | |
| 19 | <u>MOGADISHU</u> | |
| 20 | <u>JAYOLA</u> | |
| 21 | <u>SOUTHGATE</u> | |
| 22 | <u>CONTACT</u> | |
| 23 | <u>KILMANJARO</u> | |
| 24 | <u>NAGARATI</u> | |
| 25 | <u>MIDLAND</u> | |

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CS001967

ATTN: Michael Matthews
Citibank. London.

9th Feb. 95.

Subject - Codes.

REDACTED

1. SUZUKI
2. ASGULU
3. SHEKARA
4. TAMALO
5. KUTERA
6. OMOLE
7. BAMBU
8. TILUNG
9. USUN
10. LAUTI
11. KAMARA
12. WAYA
13. TEBAR
14. MISARA
15. TATOO
16. MADARA
17. LEMA
18. SNOWY
19. JAMIE
20. AKWATI
21. DUTSE
22. ITACHE
23. KAFA
24. HAWKACHL
25. ROGO

REDACTED



REDACTED

| | |
|---|-------------------------------------|
| Client Name | |
| Client No. | |
| <input type="checkbox"/> Location | <input type="checkbox"/> Call Memo |
| <input type="checkbox"/> Documentation | <input type="checkbox"/> Investment |
| <input type="checkbox"/> Loans/Credit | <input type="checkbox"/> Operations |
| <input type="checkbox"/> Correspondence | <input type="checkbox"/> S/mnt file |
| Consent <input type="checkbox"/> | |
|(Mo & Yr) | |
| (Min 2 yrs Min 4 yrs) | |
| 13.2.95 | |
| KUSOGLI | |

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CS003157

MRS MELONY WALICER
CITIBANK N.A.
BERKELEY SQUARE
LONDON.

26-3-97

REDACTED

Dear Sir -

I wish to purchase REDACTED which is a two bedroom flat.
I would like, for the flat to be owned by my existing trust company, or to receive your advice on the most efficient form of ownership and that you act on my behalf with the purchase.

The current asking price is £395,000 which I think is high and you should instruct your Valuers to negotiate a lower price.

Please liaise with Mr REDACTED of REDACTED property. REDACTED, who will identify the REDACTED, has my authority to give instructions regarding this transaction.

Thank you for your usual cooperation.

REDACTED

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REDACTED FAX
CS003189

FACSIMILE

CITIBANK 
THE CITIBANK PRIVATE BANK

Page 1 of 2

TO: David K Marsden
Matthew Arnold & Baldwin

FAX: 01923 215000

FROM: Melanie Walker

DATE: 11th July 1997

SUBJECT: REDACTED

Dear Mr Marsden,

Further to your letter of 20th June, 1997, we confirm that the above property will be purchased in the name of REDACTED

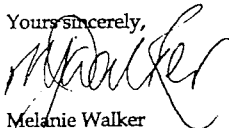
As I mentioned to you on the telephone, this is a cash purchase and therefore will require little in the way of security documentation at this end. We will simply respond to your request for funds when exchange and/or completion takes place, obviously with the consent of our client.

I attach the bank reference required for the service charge.

Please let me know if you need anything else at this stage.

With kind regards.

Yours sincerely,



Melanie Walker
Resident Vice President
THE CITIBANK PRIVATE BANK

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642

FACSIMILE TRANSMISSION

| | |
|----------|-------------------------|
| REDACTED | |
| REDACTED | TEL : REDACTED FAX : |

To : Citibank
Attention : Melanie Walker
From : REDACTED
Date : 13 August 1997
Ref no : K 215
No of Pages : 3, including this page.

Re : REDACTED

Further to our earlier telephone conversation I append a letter from Matthew Arnold & Baldwin (David Marsden) together with their account.

Would you please arrange to transfer the sum of £363,475.50 to their account without delay.

kind regards,

REDACTED

A97287123

| | |
|-------------------|----------|
| Client Name | REDACTED |
| UEN | 305382 |
| RELATIONSHIP FILE | |
| Doc. No. | 89 |
| DATE | 13-8-97 |
| Property | |

Purchase - Various

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CS003171

STATEMENT OF ACCOUNT
01MAY96

THE CITIBANK PRIVATE BANK
LONDON

Account Holder

Mailing Address

305382

REDACTED

Statement Period : 30MAR96 - 30APR96

| Account No. 0305382/027 CALL ACCOUNT USD | | | Statement No. 14 | | Page No. 1 Of 1 | |
|--|------------|---|------------------|--------------|-----------------|-------------------|
| Date | Ref. No. | Description | Value | Transactions | USD | Daily Balance USD |
| 30MAR96 | | OPENING BALANCE | | | | 656,74- |
| 03APR96 | 3960944048 | CABLE TRANSFER ORDER PAYMENT USD 300,000.00 +COMMISSION CHARGES USD 38.14 +POST/CABLE CHARGES USD 9.15 BEN: STANDARD AND CHTD BANK FAVOUR: SMITH & TYERS LTD CABLE TRANSFER ORDER | 03APR96 | | 300,047.29- | |
| | 3960944049 | PAYMENT USD 102,000.00 +COMMISSION CHARGES USD 38.14 +POST/CABLE CHARGES USD 12.20 BEN: CITIBANK LONDON FAVOUR: AIR BRITISH PETROLEUM CABLE TRANSFER ORDER | 03APR96 | | 102,050.34- | |
| | 3960944056 | PAYMENT USD 30,000.00 +COMMISSION CHARGES USD 38.16 +POST/CABLE CHARGES USD 15.26 BEN: SAUDI AMERICAN BANK JE FAVOUR: AL-BILAD HOTEL CO | 03APR96 | | 30,053.42- | |
| 03APR96 26APR96 | 3961173343 | TRANSFER BY ORDER OF CITIBANK LONDON DETAILS: VIA CITIBANK NEW YORK O/MORGAN PROCUREMENT CORP. O/B UNION BANK OF NIGERIA LTD. LON | 26APR96 | | 9,999,988.00 | 412,807.79- |
| 26APR96 30APR96 | 2961171127 | MONEY MARKET 30APR96 - 31MAY96 AT 4.8100 % INTEREST 2,585.59 | 30APR96 | | 624,246.65- | 9,567,180.21 |
| | 2960871205 | MONEY MARKET | 30APR96 | | 1,055,000.00 | |
| | 2960871205 | CREDIT INTEREST | 30APR96 | | 4,454.44 | |
| | | DEBIT INTEREST | 01MAY96 | | 2,349.20- | |
| 30APR96 | | CREDIT INTEREST | 01MAY96 | | 4,660.21 | 10,004,702.01 |
| 30APR96 | | DEBIT ITEMS: 5 CREDIT ITEMS: 4 CLOSING BALANCE | | | | 10,004,702.01 |

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CS002955

STATEMENT OF ACCOUNT
01MAY97

THE CITIBANK PRIVATE BANK
LONDON

Account Holder
305382

Mailing Address

REDACTED

Statement Period : 01APR97 - 30APR97

| Account No. 0305382/027 CALL ACCOUNT USD | | | Statement No. 26 | | Page No. 1 Of 3 |
|--|------------|--|------------------|------------------|-------------------|
| Date | Ref. No. | Description | Value | Transactions USD | Daily Balance USD |
| 01APR97 | | OPENING BALANCE | | | 2,526,879.29 |
| 01APR97 | 3970913341 | TRANSFER BY ORDER OF CITIBANK LONDON DETAILS: VIA MIDLAND BANK INT. DIV LONDON O/MR ALBERT EJIMOFOR LONDON FUNDS CREDITED UNDER RESERVE SUBJECT TO RECEIPT OF FINAL COVER | 01APR97 | 895,500.00 | |
| 03APR97 | 3970934016 | CABLE TRANSFER ORDER PAYMENT USD 397,500.00 +COMMISSION CHARGES USD 41.11 +POST/CABLE CHARGES USD 9.88 BEN: NAT WEST OVERSEAS LOND FAVOUR: AIRFIELD SERVICES LTD | 03APR97 | 397,550.97-- | 3,422,379.29 |
| 04APR97 | 3970943307 | TRANSFER BY ORDER OF CITIBANK LONDON DETAILS: VIA CITIBANK NEW YORK O/FIRST BANK OF NIGERIA LTD LONDON O/B STANDARD CHARTERED BK NEW YORK JASCMO | 04APR97 | 4,500,000.00 | 3,024,828.32 |
| 08APR97 | 3970983379 | TRANSFER BY ORDER OF CITIBANK LONDON DETAILS: VIA CITIBANK NEW YORK O/SUNSHINE BUREAU DE CHANGE O/B ECOBANK NIGERIA PLC LESS THEIR CHARGES USD 30.00 | 07APR97 | 293,970.00 | 7,524,828.32 |
| 09APR97 | 2670981126 | MONEY MARKET 09APR97 - 18APR97 | 09APR97 | 4,793,970.00-- | 7,818,798.32 |
| 09APR97 | | BALANCE CARRIED FORWARD | | | 3,024,828.32 |

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92/ 8301/ 30/1/ 0205/ 1910

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19902969

MRS MELONY WALKER.
CITI-BANK NA.
41 BERKLEY SQUARE
LONDON.

08-04-97.

A97287121

Fax ÷

0171-5088076.

| | |
|-------------------|----------|
| Relationship File | REDACTED |
| No. 88. | 30538 |
| 8-4-97 | |

DEAR SIR.

Source of funds.

1. I request, that you please assist me by
giving out a Bank Reference in favour of
Myself and My Brother. REDACTED
it should be addressed to MR ELIAS PREX
OF GOLDMAN SACHS AND CO BANK HIS TELEPHONE
NUMBERS ARE 0171-774-1626 OR FAX 0171-77417.

②. \$7.850.000.

THESE ARE PROCEEDS FROM THE SUPPLY
OF PETROLEUM PRODUCTS SINCE 1996. THE
AMOUNTS WERE PAID, IN 1997. THERE WILL
BE FURTHER SUMS TO COME INTO THE ACCOUNT
IN THE NEAR FUTURE.

③. STILL TO REMIND YOU ABOUT REDACTED
REDACTED. IF YOU HAVE ANY NEWS PLEASE
FAX ME THROUGH

BEST REGARDS.

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SUBCOMMITTEE MEMBERS AND STAFF
ONLY

REDACTED

CS003277

08-04-97

646

Citibank NA
41 Berkeley Square
London
W1X 6NA

THE CITIBANK PRIVATE BANK

Tel: 0171 508 8000
Fax: 0171 508 8076
Telex: 261515

PRIVATE AND CONFIDENTIAL

A97287124

9th April 1997

Mr Elias Preko
Goldman Sachs

| |
|-------------------|
| REDACTED |
| 305382 |
| RELATIONSHIP FILE |
| 89 |
| 9.4.97 |
| R.F. |

Re: REDACTED

The above named individual has held an with us for over seven years. We consider him to be respectable and trustworthy and we do not believe that he would enter into any commitment which he could not fulfill.

This bank is not a credit reference agency within the terms of section 145(8) of the Consumer Credit Act. Disclosure of the content and source of this opinion is NOT required by the Act. All persons are informed that this is a strictly confidential response to a request. It is not guaranteed and may be incomplete, any statement on the part of this bank, of any of its officers, as to the responsibility of standing of any person, firm or corporation, or as to the value of any securities, is given as a mere matter of opinion for which no responsibility, in any way, is to attach to this bank or any of its officers. Furthermore, no offer of solicitation on our part with respect to the sale or purchase of any securities is intended or to be implied.

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U.S.A. Having in Great Britain a branch registered in Cardiff with No. 28001018 under Schedule 21A Companies Act 1985 with its principal office
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CS003169

** CONFIRMATION REPORT **

TRANSMISSION
TRANSACTION(S) COMPLETED

| NO. | DATE/TIME | DESTINATION | DURATION PGS | STATUS | MODE |
|-----|-------------|-------------|----------------------------|--------|-------|
| 851 | APR 9 15:57 | | 0171 774 1700 0*00*41* 001 | OK | N ECM |

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C9003170

Facsimile Cover Sheet

To: Melanie Walker
Company: Citibank NA
 41 Berkeley Street, London W1
Phone: 508 8092
Fax: 508 8050

From: Georgina Robbins
Company: Goldman Sachs International
Phone: 774 1529
Fax: 774 5011

Date: 23/06/97

**Pages including this
cover page:**

| | |
|-------------------|----------|
| Client Name: | REDACTED |
| UBN | 305382 |
| RELATIONSHIP FILE | |
| Doc. No. | 89 REF |
| DATE | 24-6-97 |
| M. WALKER | |

Comments: Bank Reference Request

Further to our telephone conversation: REDACTED has given Citibank NA as a bank reference. I would be grateful if you could please respond in respect of the following names. All information will be kept in the strictest confidence.

REDACTED

It would be helpful if you could please comment on the following.

- Is the account kept in good standing
- How long have the above been clients
- Have the account been approved under the UK Money Laundering Regulations
- Any outstanding debt or loans
- Any relevant credit information you can supply eg sudden overdraft, bounced cheques etc
- General financial status, wealth, reputation of the client
- Any other reasons why we should not do business with these clients

Thank you very much for your help. Yours sincerely,

Georgina Robbins
Equities Compliance

G Robbins

A97197051

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08003215

*Citibank NA
41 Berkeley Square
London
W1X 6NA*

THE CITIBANK PRIVATE BANK

*Tel: 0171 508 8050
Fax: 0171 508 8076
Telex: 261515*

PRIVATE AND CONFIDENTIAL

Your Enquiry dated: 23rd June 1997

Date: 23rd June 1997

Re: REDACTED

The above named has held an account with us for seven years and we consider him to be respectable, trustworthy and good for normal banking requirements.

The account is in goodstanding, with no indebtedness at present. We further confirm that there have been no payment incidents on the account.

This bank is not a credit reference agency within the terms of section 145(8) of the Consumer Credit Act. Disclosure of the content and source of this opinion is NOT required by the Act. All persons are informed that this is a strictly confidential response to a request. It is not guaranteed and may be incomplete, any statement on the part of this bank, of any of its officers, as to the responsibility of standing of any person, firm or corporation, or as to the value of any securities, is given as a mere matter of opinion for which no responsibility, in any way, is to attach to this bank or any of its officers. Furthermore, no offer of solicitation on our part with respect to the sale or purchase of any securities is intended or to be implied.

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CS003216

** COMMUNICATIONS REPORT **

AS OF 24 JUN '97 08:27 PAGE.01

CITIBANK

TOTAL PAGES

TOTAL TIME

SEND : 0019
RECEIVE : 0004SEND : 00'10'30"
RECEIVE : 00'01'33"

| | DATE | TIME | TO/FROM | MODE | MIN/SEC | PGS | CHD# | STATUS |
|----|-------|-------|----------------|-------|---------|-----|------|--------|
| 01 | 06/23 | 16:52 | 793383 | G3--S | 00'35" | 001 | 099 | OK |
| 02 | 06/23 | 16:55 | 900411241656 | ---S | 00'00" | 000 | 098 | BUSY |
| 03 | 06/23 | 17:29 | | G3--S | 01'16" | 001 | | OK |
| 04 | 06/23 | 17:55 | 0171 774 5011 | UF--S | 00'35" | 003 | | OK |
| 05 | 06/23 | 17:58 | +9714 818133 | EC--S | 07'58" | 014 | | OK |
| 06 | 06/23 | 18:35 | | EC--R | 00'23" | 001 | 105 | OK |
| 07 | 06/24 | 08:07 | 44 181 4231919 | EC--R | 00'22" | 001 | 105 | OK |
| 08 | 06/24 | 08:08 | +41 1 2411430 | EC--R | 00'48" | 002 | 105 | OK |

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CS003217

Senate Permanent Subcommittee
on InvestigationsEXHIBIT # 33f.

Inter-Office Memo

To: **FILES**
 From: **LUELLA GENTLES**
 Date: **January 18, 1995**
 Subject: **CHINQUINTO (SPECIAL NAME A/C#10336456)**

JAN 19 1995

CC: ALAIN OBER

On Jan. 10, 1995 I received the usual Fax/Phone request to transfer \$5MM from the Chinquinto account but the B/O/O party was not our client. I showed this to Alain Ober and we in turn discussed it with Sal Mollica. The reason for this is that there had been a previous attempt to defraud this client and the B/O/O name was unknown to us.

We reached Mohammed Sani, one of the signers on the account, in his office in Lagos, but it was not convenient to discuss the problem and he promised to call back.

Alain was out of office on Jan. 13 when I received a call from Yaya Abubakar and Ibrahim Sani, the other two signers on the account. Both of them were in Tripoli, Libya. I explained the problem to Ibrahim and then asked Sal Mollica to join me in the discussion.

Ibrahim explained that Mr. A. Bagudu (the B/O/O party on the transfer) was an associate of theirs, and he had transacted some business on their behalf. It was necessary to use his name as the remitter since the beneficiary did not know Ibrahim and the other two title owners to the account. Sal and I questioned Ibrahim as to the nature of the business and the purpose of the funds. He assured us that it was straightforward and legitimate, but he could not go into details from the hotel telephone in Tripoli.

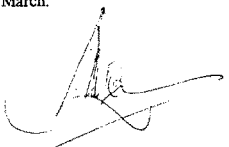
I inquired of Ibrahim whether his visit to Libya was to expand his airline business into that country. He stated that he, Yaya and Mr. Bagudu had accompanied the Ambassador of Nigeria to Libya for a conference with some Lybian businessmen with the hope of establishing business in Libya.

Sal and I thanked Ibrahim for his openness and explained why we had to question the movement of such a large sum of money under circumstances which were not in keeping with their normal request. Ibrahim assured us that he is not engaged in any political activity and all transactions are directly on terms of his business contracts.

My concern is heightened with the knowledge that he was with the Nigerian Ambassador in Libya plus the recent increase in the flow of funds into the account. For the two months - Dec. 1994 and Jan 1995, we have received in excess of \$21MM.

Sal states that I should inform Alain of this conversation with the client and have Alain speak with Ibrahim again when he is able to speak more freely and openly.

I received a call from Yaya subsequent to this. He wanted to know if there was a problem with the account. I recapitulated what was discussed with Ibrahim. Yaya said that he hoped to visit the U.S. in March.



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CS001953

Screen 20

Account Summary *

01/20/95 1:09p

983666 CHINQUINTO

| Prod | Colc | Account # | Curr | Balance | Balance(\$) | Stg | Title |
|------|------|-----------|------|----------|-------------|-----|------------|
| 110 | | 10336456 | US\$ | 11167071 | 11167071 | 01 | CHINQUINTO |
| 370 | | 37016546 | US\$ | 1000000 | 1000000 | 01 | CHINQUINTO |
| 370 | | 37016733 | US\$ | 6000000 | 6000000 | 01 | CHINQUINTO |
| 370 | | 37016880 | US\$ | 7214427 | 7214427 | 01 | CHINQUINTO |
| 370 | | 37017222 | US\$ | 10000000 | 10000000 | 01 | CHINQUINTO |
| 370 | | 37017287 | US\$ | 1582715 | 1582715 | 01 | CHINQUINTO |
| 385 | | 38514295 | US\$ | 0 | 0 | 01 | CHINQUINTO |
| 650 | | 403637 | US\$ | 1281486 | 1281486 | 01 | CHINQUINTO |

Client's total assets in US\$: 38245699

Client's total liabilities in US\$: 0

Next Screen: For:

Password:

There are closed accounts for this client

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CS001955

Screen 20

Account Summary *

12/22/94 9:37am

978622

| Prod | Colc | Account # | Curr | Balance | Balance(\$) | Stg | Title |
|------|------|-----------|------|---------|-------------|-----|------------|
| 110 | | 10266128 | US\$ | 8705000 | | | GELSOBELLA |
| 385 | | 38562980 | US\$ | 0 | | 01 | GELSOBELLA |
| 650 | | 401572 | US\$ | 0 | | 01 | GELSOBELLA |

Client's total assets in US\$: 8705000

Client's total liabilities in US\$: 0

Next Screen: For:

Password:

There are closed accounts for this client

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CS001904

DA Transactions s of: 12/21/94
 Stmt: 97862201. Acct: 10200128 Title: GELSOBELLA

| Trans Date | Clear Date | Reference Number | Transaction Amount | Running Balance |
|----------------------|------------|------------------|--------------------|-----------------|
| | | 7011821344 | | 8,705,000.00 |
| | | 7012881344 | | 4,005,000.00 |
| 12/08/94 | | 7008091344 | 6,000,000.00 | 5,000.00 |
| OUTGOING FUNDS TRANS | | | | |
| 12/07/94 | | 7006711344 | 6,000,000.00 | 6,005,000.00 |
| INCOMING FUNDS TRANS | | | | |
| 11/29/94 | | 7008591344 | 1,190,401.61 | 5,000.00 |
| OUTGOING FUNDS TRANS | | | | |
| 11/28/94 | | 7004011344 | 185,375.32 | 1,195,401.61 |
| INCOMING FUNDS TRANS | | | | |
| 11/28/94 11/28/94 | | 3870015344 | 1,005,026.29 | 1,010,026.29 |
| FROM TIME DEPOSIT AC | | | | |
| PAGE TOTALS: | Debits: | 7,190,401.61 | Credits: | 15,890,401.61 |

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CS001905

655

HSIQ CO -5000 OF HOFI ZPL HISTORY INQUIRY 94/12/17 0.52.3.
MS 53579 FUNCTION KEY NOT DEFINED
ACTION: DET (NXT,RET,PRI)
VALUE DATE: 12/21/94
TXN AMOUNT US\$: 4,000,000.00
CREDIT ACCOUNT#: 10266128
GELSOBELLA
BENEFICIARY INFO: FDRL MNSTRY OF FIN:ADCUA
10266128
AMERICAN TRANS AIR SELCON INTL

GELSOBELLA
NEW YORK

DETAILS OF PAYMENT:
BNG AIR TICKET SALES REMITTANCE

BBI:

BTN: 657012881344 GLOBAL ID#: F0443550182301

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CS001906

656

HSIQ CO 5000 OP H000 3 200 HISTORY INQUIRY 94/12 00 0.50.0
ACTION: DET MS 200 (NXT,RET,PRI)
CLIENT DISTRIBUTION SERVICES
ONE COURT SQUARE, 23FL/2
LONG ISLAND CTY,NY 11120

CREDIT TO ACCT # 10266128 FOR \$ 1,005,026.29 ~~THE CITIBANK PRIVATE BANK~~
EFFECTIVE 11/28/94

WE HAVE CREDITED YOUR ACCOUNT
FOR FUNDS TRANSFERRED FROM:
37016287

GELSOBELLA
PBG-WH HAM UNIT/17TH FLOOR
153 E 53RD STREET
NEW YORK NY 10043

CHECK # :

387 : 11/28/94 : 003870015344
PF: 3-PLVL 4-SUM 6-PRI 9-NXT

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CS001907

HSIQ CO ~~5000~~ OP HISTORY INQUIRY 94/12/02 0.50.5
 ACTION: MS 53552 PREVIOUS SCREEN RETURNED
 VALUE DATE: 28/94/11 CHIPS REF#: 0087494 (NXT,RET,PRI)
 TXN AMOUNT US\$: 185,375.32 SENDING BANK#: 0807
 CREDIT ACCOUNT#: 10266128 CREDIT LYONNAIS N.Y. BRANCH
 GELSOBELLA BY ORDER PARTY: ~~THE CITIBANK PRIVATE BANK~~
 BENEFICIARY INFO: SABACO LTD 39 CAULICA
 10266128
 SUCCDEN KERRY
 133 AV DES CHAMPS ELYSEES
 75380 PARIS CEDEX 08 GELSOBELLA
 NEW YORK

DETAILS OF PAYMENT:
 REF ATT.A OBER.L GENTLES BEING 1ST
 PATIAL REMITTANCE ON BILL S FOR COL
 LECTION NO.B94.11927 FORM M NO. BA9
 00828
 BBI: /ACC/ADVISE AND PAY \$15.00 FEE DEDU CTED

BTN: 657004011344 GLOBAL ID#: C0043321560401

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C5001908

658

HSIQ CO 5040 OF HISTORY INQUIRY 94/12-07 0.51.1.1
MS 210
ACTION: DET (NXT,RET,PRI)
VALUE DATE: 12/07/94 CHIPS REF#: 0170555
TXN AMOUNT US\$: 6,000,000.00 SENDING BANK#: 0023
CREDIT ACCOUNT#: 10266128 MORGAN GUARANTY TRUST COMPANY
GELSOBELLA BY ORDER PARTY: THE CITIBANK PRIVATE BANK
BENEFICIARY INFO: FEDERAL MINISTRY OF FINANCE
AMERICAN TRANS AIR SELCON
INTERNATIONAL
INTRMT2NOFT0869
GELSOBELLA
NEW YORK

DETAILS OF PAYMENT:

BBI: BEING REMITTANCE OF PART NET TICKET SALES.

BTN: 657006711344 GLOBAL ID#: C0043411635101

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CS001909

659

HSIQ CO 5000 OF HISTORY INQUIRY MS 210 94/12 0.51.4
ACTION: DET (NXT,RET,PRI)
VALUE DATE: 12/21/94 FED REF# : 3378
TKN AMOUNT US\$: 4,700,000.00 SENDING BANK# : 021000238
CREDIT ACCOUNT#: 10266128 MORGAN NYC
GELSOBELLA BY ORDER PARTY: THE CITIBANK PRIVATE BANK
BENEFICIARY INFO: FDRL MNSTRY OF FINANCE
10266128
AMERICAN TRANS AIR SELCON INTL

GELSOBELLA
NEW YORK

DETAILS OF PAYMENT:
BNG PRCDs FM SALE OF AIR TICKETS RE
M RE INTEREMIT 2 NO FT 0932

BBI:

BTN: 657011821344 GLOBAL ID#: F0543550189501

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CS001910

660

HSIQ CO 5000 OF H 1 Z 1 HISTORY INQUIRY 94/12 0 0.51.40
MS 210
ACTION: DET (NXT,RET,PRI)
VALUE DATE: 12/21/94 FED REF# : 3378
TXN AMOUNT US\$: 4,700,000.00 SENDING BANK# : 021000238
CREDIT ACCOUNT#: 10266128 MORGAN NYC
GELSOBELLA BY ORDER PARTY: THE CITIBANK PRIVATE BANK
BENEFICIARY INFO: FDRL MNSTRY OF FIN:ADUJA
10266128
AMERICAN TRANS AIR SELCON INTL

GELSOBELLA
NEW YORK

DETAILS OF PAYMENT:
BNG PRCBS FM SALE OF AIR TICKETS RE
M RE INTERMIT 2 NO FT 0932

BBI:

BTN: 657011821344 GLOBAL ID#: F0543550189501

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CS001911

Command: read 9

CMEA 4-AUG-95 09:26:19 016579

To: Malcolm Thomas (EULON:PBG)
 CC: Melanie Walker (EULON:PBG), Zubyr Soomro (EULON:PBG),
 CC: James A. Keane (EULON:IB), Claudia Nazer (EULON:IB)
 From: David Hightower (EULON:INV)
 Date: FRI 04-AUG-95 09:26 GMT
 Subject: APG - Nigeria

Malcolm,

Further to our conversation this morning, please find enclosed the CM's. What we need is to identify the elements which suggest money laundering/fraud potential as quickly as possible so that we can discuss these with the client when he calls this afternoon.

We don't have the luxury of much time so any access to IPL you can arrange would be most appreciated. I can fax you or Ron the draft APG and the underlying contract.

Tks, Rgds, David

 Forwarded message:

CMEA 4-AUG-95 06:54:08 009937

To: Ron J. Warrington (EULON:AUD)
 CC: David Hightower (EULON:INV)
 From: Claudia Nazer (EULON:IB)
 Date: FRI 04-AUG-95 06:54 GMT
 Subject: Advance Payment G'tee for Nigeria

I just do not feel right about this deal. it has "typical" characteristics of a 419 - a women's group in Nigeria apparently has USD 210MM to spend on vaccines and is prepared to pay USD 55MM up front against a guarantee issued by Citibank, the value of the guarantee will reduce as goods are shipped - sound like a run one to you?

Please could you advise David as the client is important to him.

Regards

 Forwarded message:

CMEA 3-AUG-95 18:49:29 016567

To: Claudia Nazer (EULON:IB)
 CC: James A. Keane (EULON:IB), Melanie Walker (EULON:PBG),
 CC: Alan Thomas Robinson (EULON:PBG)
 From: David Hightower (EULON:INV)
 Date: THU 03-AUG-95 18:49 GMT
 Subject: Advance Payment G'tee for Nigeria

Claudia,

I need your help pinpointing the issues that concern you with this APG. The client is a prominent and longstanding Nigerian customer and therefore we need to be specific, clear and diplomatic in the way we present our concern about potential money laundering scams to which we feel he may be at risk.

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CS003211

662

Can you or one of your colleagues please detail your concerns soonest
so we can discuss?

Tks Agds, David

Delivered: THU 03-AUG-1995 18:49 GMT

Delivered: FRI 04-AUG-1995 09:25 GMT

Command:

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CS003212

1/3

Fax To: James A. Keane
 Fax No: 701-~~882~~ 8826

URGENT

Jim,

We're feeling a lot more comfortable about the client's understanding of Nigeria, but are still very concerned about the structure of the proposed transaction. We're proposing to outline the following issue to him to try to beef up our info base and outline to him the extent of the changes we would need to effect. I've also enclosed a crude attempt at a re-draft of the APG, but that will need to go to counsel before it is issued anyway. What are the applicable rules for the APG? Can you have a look and give me a quick call?

Tks, Rgds, REDACTED

1. We have not been able to implement your requested guarantee and related documentary L/C covering the purchase of the vaccines because we need to re-draft the guarantee and because we have no details of the supplier transaction/contracts

- a. The L/C in favour of Supplier has to be structured to allow payment from funds released from Advance Payment Guarantee (APG).
- b. We have referred to our internal specialists who want to re-draft the APG, but can't without more precise info on the supply contract itself.
- c. The APG as it stands is open to misinterpretation, for example:
 - Definition of failed to supply (not shipping or not receiving)
 - Definition of European Airport
 - Adequacy of documentary proof of shipment, etc.

2. Fiduciary responsibility imposed by our regulators means that in order to protect your interests and our own, we have to perform a degree of "due diligence" on the elements of the underlying transaction. For example, we will need to:

- a. Have a copy of the detailed Ministry Purchase contract validated by our lawyers and our subsidiary in Nigeria (to make certain that the signatories are correct). We assume that the two page contract is a short form and that the details are contained in another agreement (specs of vaccines, delivery points, dates, etc.)
- b. Evaluate the details of the supply contracts against the APG requirements.

3. Revised-APG will mean, among other things, that we will require documentary evidence of the goods shipped. At a minimum this will mean in addition to MPC's invoice, inspection certificates and airway bills, so there is no uncertainty as to whether a shipment has taken place and what has been shipped. Otherwise, we could be challenged to prove justification for reduction in the value of the APG.

4. The conditions under which a demand may be made under the APG should be more clearly defined. There should be a schedule of deliveries, for example, which if missed entitle the Ministry to claim if either the timing or the goods (as represented by the shipping documents) are not as contracted. There should be no uncertainties in the terms of the claim.

5. We want to make sure that the payment made under our L/C for the vaccines to the supplier is only made after the correct shipping/inspection documents are presented to the bank so that we can reduce the availability of the APG by more than the amount of the L/C payment.

REDACTED

305882

89

2-10 96

Re: 55mm Gtra

A97288286

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CS003190

2/3

REVISION:

To: Federal Ministry of Women & Social Welfare
Asokopo
Abuja

ADVANCE PAYMENT GUARANTEE No.

Whereas the Federal Ministry of Women & Social Welfare (the Buyer) awarded REDACTED REDACTED (the Supplier) a contract dated 11th July, 1995 for the supply of 210 million vaccines which provides for an advance payment of \$55,500,000 being 100% payment for the contract, and in consideration of receipt by Morgan Procurement Corporation of the advance payment referred to above to the credit of their account at Citibank, N.A., 41 Berkeley Square, London W1 6NA, we hereby propose to offer our guarantee to the Federal Ministry of Women Affairs & Social Welfare, Abuja - Nigeria, for a maximum value of USD55,500,000 (SAY UNITED STATES DOLLARS FIFTY FIVE MILLION FIVE HUNDRED THOUSAND ONLY) subject to the terms and conditions contained herein.

On receipt of their first demand in writing, bearing REDACTED confirmation, that REDACTED has failed to supply 210 million vaccines under the contract, and stating the nature of the default.

This guarantee shall become operative only upon satisfaction of the following requirements:

1. The receipt by the Bank of copy of the original contract together with all technical appendices certified true by _____ including specifically the Buyer's pre-shipment inspection requirements under the contract.
2. Receipt in full of the Advance Payment by Citibank, N.A., 41 Berkeley Square, London W16NA remitted by the Buyer for credit to the account of the Supplier.

Our liability under this guarantee will automatically be reduced by the value of each consignment on presentation to Citibank, N.A., 41 Berkeley Square, London of the following documents:

1. Original Airway Bills issued by the carrier of the consignment
2. Inspection certificate issued by SGS
3. Commercial Invoice evidencing despatch by REDACTED from either _____ Airport or _____ Airport to Nigeria of vaccines under the contract covered by this guarantee. On each receipt of correct documents in good order, Citibank, N.A. shall notify you of a reduction in the value of this guarantee for the value of the invoice.

Notices shall be deemed to have been received if mailed, sent by facsimile or telexed. If sent by mail the letter should be to the address on this guarantee to the attention of _____ or if by facsimile to: _____ or if by telex to _____.

This guarantee will expire when its residual value diminishes to zero or on the 5th February, 1996 whichever is earlier, after which date our liability will cease to exist and this guarantee will be of no further effect whether it is returned to us or not.

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3/3

Our maximum liability under this guarantee is limited to the sum of USD55,500,000 less reductions for shipments evidenced as above. Citibank's records on the reductions shall be definitive.

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CS003192

CONTRACT AGREEMENT

THIS AGREEMENT is made the 11th Day of July 1995,

BETWEEN the FEDERAL MINISTRY OF WOMEN AFFAIRS AND SOCIAL WELFARE (Family Support Programme), a statutory body established by the Laws of Nigeria (hereinafter called the 'Employer' which expression shall where the context so admits include its successors-in- title and assigns) of the one part and: REDACTED
REDACTED, a company incorporated in the British Virgin Islands (hereinafter called the 'Contractor' which shall where the context so admits include its successors -in- title and assigns) of the other part.

WHEREAS the Employer is desirous of procuring 210 million doses of various vaccines (more particularly described hereunder) and has requested for bids from the contractor amongst others.

AND WHEREAS the Contractor has submitted its bid for the supply of the said various vaccines to the Employer.

AND WHEREAS the Employer has accepted the Contractor's bid for a total sum of Fifty Five Million Five Hundred Thousand United States Dollars (US\$55,500,000.00) for the supply of the said vaccines.

NOW THIS DEED WITNESSETH as follows:

1. In pursuance of this agreement and in consideration of the payment of the sum of Fifty Five Million Five Hundred Thousand United States Dollars (US\$55,500,000.00) (hereinafter called 'the Contract Sum') to the Contractor by the Employer, the Contractor shall supply 210 doses of the vaccines classified as follows:

| No. | Type of Vaccine | Unit | Quantity |
|-----|-----------------|----------|-------------|
| 1. | BCG | 20 doses | 45 million |
| 2. | MEASLES | 20 doses | 15 million |
| 3. | DPT | 10 doses | 45 million |
| 4. | ORAL POLIO | 20 doses | 45 million |
| 5. | TETANUS TOXIN D | 20 doses | 45 million |
| 6. | CSM | 20 doses | 15 million |
| | Total | | 210 million |

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CS003193

2. IT IS UNDERSTOOD AND AGREED that the Employer shall make an advance payment of 80 percent to the contractor. The mode of payment shall be by a Telex Transfer to the bank account provided by the contractor. The balance of 20 percent shall be paid through an Irrevocable and confirmed Letter of Credit in favour of the contractor, to be released on presentation of airfreight documents.

3. IT IS AGREED THAT DELIVERY SHALL be mutually agreed by both parties, with the Contractor delivering to State Capitals (at an agreed cost to the State capitals).

4. All parties to these present hereby agree to faithfully perform their respective obligations hereunder in accordance with terms herein agreed.

IN WITNESS WHEREOF the parties hereto have caused the respective common seal to be hereunto affixed (or have hereunto set their respective hands) the day and year first above written.

THE COMMON SEAL OF THE
FEDERAL MINISTRY OF WOMEN AFFAIRS AND SOCIAL
WELFARE was hereunto affixed in the presence of



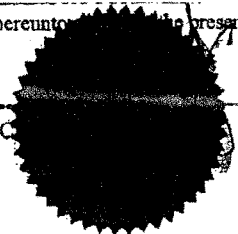
DIRECTOR GENERAL

THE COMMON SEAL OF
REDACTED

REDACTED

was hereunto affixed in the presence of

DIRECTOR



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ONLY

CS003194

August 2, 1995

To:
Federal Ministry of Women & Social Welfare
Asokapa,
Abuja.

ADVANCE PAYMENT GUARANTEE No.

Whereas, the Federal Ministry of Women & Social Welfare awarded REDACTED
REDACTED, a contract dated 11th July, 1995 for the supply
of 210 million vaccines which provides for an advance payment of \$55,500,000 being 100%
payment for the contract, and in consideration of receipt by REDACTED
of the advance payment referred to above to the credit of their account number
at Citibank NA, 41 Berkley Square, London, we hereby give our guarantee to the Federal
Ministry of Women Affairs & Social Welfare, Abuja - Nigeria, undertaking to put at their
disposal and to pay them up to the sum of USD55,500,000 (SAY UNITED STATES DOLLARS
FIFTY FIVE MILLION FIVE HUNDRED THOUSAND ONLY).

On receipt of their first demand in writing, bearing REDACTED
confirmation, that REDACTED has failed to supply 210 million vaccines
under the contract, and stating the nature of the default.

An implementation of our guarantee is, however, only possible if and in so far as the suppliers
have received the advance payment amount on their account number _____ maintained with
US.

Our liability under this guarantee will automatically be reduced by the value of each
consignment on presentation to Citibank NA, 41 Berkley Square, London by REDACTED
REDACTED copies of Commercial Invoice evidencing despatch by REDACTED
REDACTED from European Airport to Nigeria of vaccines under the contract
covered by this guarantee.

This guarantee will expire when its residual value diminishes to zero or on the 5th February,
1996 whichever is later, after which date our liability will cease to exist and this guarantee will
be of no further effect whether it is returned to us or not.

Our Maximum liability under this guarantee is limited to the sum of USD55,500,000.

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CS003195

SECURITY FOR THE GUARANTEE

1. FUNDS WILL BE TRANSFERRED TO CITIBANK ACCOUNT
OF REDACTED
2. CITIBANK WILL OPEN ALL LETTER OF CREDIT FOR THE
TOTAL PURCHASE OF THE VACCINES.
3. GUARANTEE WILL BE RELEASE AT PRESENTATION OF
AIRFREIGHT DOCUMENTS TO THE BANKERS OF THE
CLIENT I.E. CENTRAL BANK OF NIGERIA.

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CS003196

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 33g.

Clubbank, N.A. Alain Ober
Clubcorp Center, 16th floor Vice President
151 East 53rd Street
New York, NY 10043

Telephone: 212-559-9194
FAX: 212-793-6493

August 21, 1996

Mr. Yaya Abubakar
24A Remy Fani Kayode
GRA Ikeja
Lagos
Nigeria

Via DHL (phone: 963225)

Dear Yaya,

As I told you on the phone last February, we were very saddened by the death of Ibrahim.

The two accounts used by Selcon Airlines on which you and Mohammed may sign jointly are still opened and have credit balances. In order to close both accounts, you and Mohammed would need to send me a fax (followed by a phone confirmation) to transfer the balance to an account of your choice. If possible, we would like to receive also a copy of a death certificate for Ibrahim.

If you wish to continue with both accounts and since we keep your mail in our Hold All Mail facility, you will have (you or Mohammed) to complete and sign and return to me form no 1 if you want to continue the service (we need a release address) or form no 2 if you wish to authorize us to destroy the mail currently kept. You may fax back to me the form at 1-212-793 6493.

I hope that all is well for you at the moment. Luella has now retired from the Bank and has been replaced by David Sprindzunas (same phone and fax numbers). Please pass on my regards to Mohammed. We really miss Ibrahim!

Best regards,

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Enclosures

CS001986

Citibank, N.A. Alain Ober
Citicorp Center, 16th floor Vice President
153 East 53rd Street
New York, NY 10043

Telephone: 212-559-9194
FAX: 212-793-6493

November 15, 1996

Mr. Mohammed Sani
c/o David Jones
Smith & Tyers Ltd.
6 Borough High Street
London SE1 9QQ
England

Dear Mohammed,

All my apologies ! Following our phone conversation of September 12, 1996 I gave instructions to have copies of all account statements for "Chinquinto" and "Gelsobella" sent to you. I went on a long African trip shortly afterwards and assumed that it had been taken care of during my absence. A recent phone conversation with Michael Mathews of Citibank London informed me that you were still waiting for these documents.

The reason of our delay is that since both accounts are on Hold All Mail (as per instructions at each opening), we need to have a release address on file from you. Please refer to my letter of August 21, 1996 to Yaya Abubakar (copy enclosed). Please find enclosed again two sets of instructions for each account which need to be filled and signed by you and Yaya and returned to me. In addition, please send us specific instructions to send you all the mail accumulated until now. The mail in Gelsobella goes back to 5/92 while the mail in Chinquinto dates back to 11/94. Thus you will have all the statements you required. In addition, please note that we have received faxed copies of the documents concerning the passing of Ibrahim but we have never received the originals promised by DHL.

I hope that all is well with you and Yaya in Nigeria. I hope to hear from you soon. I am sending this letter to an address in London given to me by Michael Mathews.

Best regards,

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Alain Ober
Vice President/Africa

CS001985

24-NOV 96

CITI-BANK NEW YORK
 ATTENTION - MR ALLAIN OBER.

RE: - GELSOBELLA / CHINQUITO

① We would appreciate, if a full detail of our transaction records could be provided to us from the onset of our business relationship with your Bank.

② Since the demise of my late brother Ibrahim Sani, I initiated you on telephone of our intention to introduce a replacement of brother Ibrahim with ABBA MOHAMMED SANI. We would appreciate, if by this instruction the replacement could be effected. Details of ABBA MOHAMMED SANI, would be forwarded to you at a later date.

-Yours Sincerely.

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acknowledge receipt of ~~hand~~
 copies of original payment
 instruction in Chinquito etc

11/27/96 

Athani Mohamed Sani CS001975

TAYA ABUBAKAR

PBG-WH/EMEA NY

To: D. Terry, CCC/24
 From: Alain Ober
 Date: September 13, 1996
 re: CHINQUITO/GELSABELLA, CAMS 983666/978622

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These special name accounts were opened in 1992 (Gelsobella) and 1994 (Chinquito). As a matter of fact, because of an attempted fraud on Gelsobella in 1994, we opened Chinquito and Gelsobella was supposed to be closed. These accounts were joint accounts with right of survivorship with the same three signers:
 Ibrahim Sani
 Mohammed Sani
 Yaya Abubakar

The brothers Sani are sons of Sani Abacha, the current President of Nigeria. They run a chartered airline company, Selcon Travels and Tours which had regular flights with the US and now over Africa (Mecca pilgrimage).

Unfortunately on 1-17-96 Ibrahim Sani was killed in an aircraft crash which was accidental. His death was reported in the press at the time. Since, both accounts have become dormant because Ibrahim was the driving force behind their joint business.

After several requests, I have finally received faxed copies of the death certificate as well as other legal documents relating to his estate (probate). Originals are being sent via courier. You will also find attached copies of the special name account openings in addition to copies of each account's summary as it appeared at the opening today.

Our clients want to resume business soon and would want to add a new third signer to their account (Chinquito; Gelsobella should be closed), but first we need to settle the issue of Ibrahim's death.

Many thanks for your usual kind and efficient assistance



ALAIN OBER, VP
 CCC/16FL/Zone 14
 Ext. 9194

cc: David Sprindzunas, Muwaffak Bibi, CCC/16

CS007491

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CMNA 5-MAR-97 20:10:38 011652

To: Carl Brome (USNYC:PBGWH)
CC: Delores Terry (USNYC:PBGWH), David Sprindzunas (USNYC:PBG)
From: Alain Ober (USNYC:PBGWH)
Date: WED 05-MAR-97 20:10 GMT
Subject: Gelsobella/Chinquinto

As I told you on the phone, both Gelsobella (978622) and Chinquinto (983666) are special name accounts with the same three signers: Ibrahim Sani, Mohammed Sani and Yaya Abubakar. Ibrahim Sani passed away in an air crash on 1-17-96. D. Terry has reviewed all the documents submitted and has asked me to request the original copies of the account openings in order to cross out Ibrahim Sani as a signer and make mention of his death. Thus, these two accounts (currently dormant) will continue to function with the two remaining live signers: Mohammed Sani and Yaya Abubakar. Please send me the files ASAP. Thank you for your usual kind and efficient assistance.

Alain

P.S.: Please feel free to call D. Terry at 5-2819 if you have any questions.

Delivered: WED 05-MAR-1997 20:10 GMT

CS007488

675

PBG-WH/EMEA NY

To: Linda Schuster, HAM
From: Alain Ober
Date: October 3, 1997
re: **GELSOBELLA 9782201/CHINQUINTO 98366601/WAREHOUSE**


Please file.

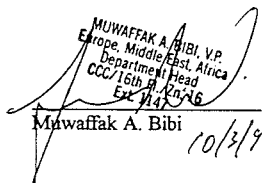
✓

Both accounts appearing in reference have been closed recently.

Please consider this memorandum as your authorization to send any pending HAM to the warehouse.

Thank you.


ALAIN OBER, V.P.
CCC/16FL/Zone 14
Ext. 9194


MUWAFFAK A. BIBI, V.P.
Europe, Middle East, Africa
Department Head
CCC/16th Fl. Rm 146
Ext. 9142
Muwaffak A. Bibi 10/3/97

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CS001900

THE CITIBANK PRIVATE BANK

CITIBANK

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 33h.

*Memorandum**Emerging Markets
Relationship Support Team*

Date: 15 September, 1998

To: Credit Committee

From: Belma Kusoglu

Re: REDACTED w/ 305382 027
US\$ 39,100,000

A98279033

| | | |
|----------|------------|----------|
| UBN | 305382 | Original |
| Dr | 209 | Fax |
| C | 15.9.98 | Copy |
| Sch | 3CC | |
| Comments | | |
| Sender | KUSOGLU B. | |

Surplus : US\$ 56,637,172.81

Purpose

The purpose of this memo is to seek approval to overdraw the clients call account by US\$ 39,100,000 until maturity of the time deposit on 30 September 1998 and set a special pricing of 1.00% over US\$ debit base rate on call account number 305382 027.

Background/Rationale

The client has requested the remittance of these funds urgently. The total amount of the fixed deposit is US\$42mm. The breakage of this would prove too costly for the client.

Approval is recommended

CASH BACKED
T.D 30/9/98

Naveed Ahmed
Dr. Naveed Ahmed
Vice President

W. Gordon Rouge
W. GORDON ROUGE
VICE PRESIDENT

Stefan

15/9/98
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CS003360

Memorandum

To: Claude Poppe
 From: David Oxford, Credit Control Head
 Date: 07/10/98
 Re: REDACTED / UBN 305382

Mail

Claude,

On 15th September 1998 we released four payments totaling USD39.1mm on behalf of the above mentioned client. The resulting overdraft was fully covered by deposits in excess of USD55mm held with ourselves, maturing 30th September. On this date the overdraft was subsequently cleared.


Can you please countersign the attached 3cc memorandum as, although good enough for the individual payments, Salims' signature does not cover the overall shortfall.

Thanks in advance,

David


 David Oxford
 Resident Vice President

Noted.


 C. Poppe, VP
 9/10/98

98308066

| | | | |
|-----------|-----------|----------|-------------------------------------|
| UBN | 305382 | Original | <input checked="" type="checkbox"/> |
| Doc No. # | 212 | Fax | <input type="checkbox"/> |
| Doc Date | 7/10/98 | Copy | <input type="checkbox"/> |
| Subject / | | | |
| Comments | | | |
| Sender | OXFORD D. | | |

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CS003371

CITIBANK LONDON * MARGIN SYSTEM * 18/09/98 HGC008 PAGE 002
 * DETAILED ASSETS * 18:26:31 HGC008 OF 003
 AS OF 17/09/98
 SK: 7/305382/005 50 I/C ZZZ REDACTED MARGIN PORTFOLIO REF CCY: USD
 NOM AMOUNT/QTY DESCRIPTION NOM MARKET-PRICE L.V.% / TYPE
 CCY BOOKING UNIT CCY MARKET VALUE LOANABLE VALUE
 --- USD --- USD ---
 TD'S/CASH-BONDS/CD'S

 * TIME DEPOSITS
 DEM 218.706,81 3,04 %DEP CITI 100,00 / T
 FROM 20/08/98 TO 21/09/98 130.205,85 130.205,85
 ACC-INT DEM 535,59
 GBP 8.135.408,72 7,33 %DEP CITI 100,00 / T
 FROM 28/08/98 TO 30/09/98 13.757.787,04 13.757.787,04
 ACC-INT GBP 34.309,14
 USD 42.648.694,42 5,18 %DEP CITI 100,00 / T
 FROM 31/08/98 TO 30/09/98 42.648.694,42 42.648.694,42
 ACC-INT USD 110.480,12

ENTER: PROC TAB: PAGE SEL PF8/PF7: PAGE FW/BW PF4: ESC SCRN CLEAR: ESC TASK
 SEL=> - ==> TRAN => MGC0/305382 /171
 DISPLAYED DATA FOR ID-# 305382

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CSC03373

STATEMENT OF ACCOUNT
01OCT98

THE CITIBANK PRIVATE BANK
LONDON

Account Holder
305382

Mailing Address

REDACTED

Statement Period : 01SEP98 - 30SEP98

| Account No. 0305382/027 CALL ACCOUNT USD | | | Statement No. 43 | | Page No. 1 Of 3 |
|--|------------|---|------------------|------------------|-------------------|
| Date | Ref. No. | Description | Value | Transactions USD | Daily Balance USD |
| 01SEP98 | | OPENING BALANCE | | | 43,006.85 |
| 02SEP98 | 2982081088 | CREDIT INTEREST | 31AUG98 | 198,642.18 | |
| | 2982151027 | CREDIT INTEREST | 31AUG98 | 800.38 | |
| | | DEBIT INTEREST | 01SEP98 | 99.44- | |
| | | CREDIT INTEREST | 01SEP98 | 81.17 | |
| 02SEP98 | | | | | 242,631.14 |
| 04SEP98 | 3982474073 | CABLE TRANSFER ORDER PAYMENT USD 150,000.00 +COMMISSION CHARGES USD 41.68 +POST/CABLE CHARGES USD 16.67 BEN: FAVOUR: ; REDACTED DETAILS: REF: | 04SEP98 | 150,058.35- | |
| 04SEP98 | | | | | 92,572.79 |
| 15SEP98 | 3982584032 | CABLE TRANSFER ORDER PAYMENT USD 7,900,000.00 +COMMISSION CHARGES USD 41.93 +POST/CABLE CHARGES USD 13.41 BEN: CHASE MANHATTAN BANK NEW YORK FAVOUR: CIBC BANK AND TRUST COMPANY DETAILS: FFC A/C 22-25018 REF FULLERTON INVEST S.A. | 15SEP98 | 7,900,055.34- | |
| | 3982584033 | CABLE TRANSFER ORDER PAYMENT USD 10,200,000.00 +COMMISSION CHARGES USD 41.93 +POST/CABLE CHARGES USD 13.41 BEN: CHASE MANHATTAN BANK NEW YORK FAVOUR: CIBC BANK AND TRUST COMPANY DETAILS: FFC 22-25018 REF TALOCAS | 15SEP98 | 10,200,055.34- | |
| | 3982584034 | CABLE TRANSFER ORDER | 15SEP98 | 12,000,055.34- | |
| 15SEP98 | | BALANCE CARRIED FORWARD | | | 30,007,593.23 |

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98 6381/001/1487/1548

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CS002995

STATEMENT OF ACCOUNT
01OCT98

THE CITIBANK PRIVATE BANK
LONDON

Account Holder
305382

Mailing Address

REDACTED

Statement Period : 01SEP98 - 30SEP98

| Account No. 0305382/027 CALL ACCOUNT USD | | | Statement No. 43 | | Page No. 2 Of 3 |
|--|------------|--|------------------|------------------|-------------------|
| Date | Ref. No. | Description | Value | Transactions USD | Daily Balance USD |
| 15SEP98 | | BALANCE BROUGHT FORWARD | | | 30,007,593.23 |
| | | PAYMENT USD 12,000,000.00 +COMMISSION CHARGES USD 41.93 +POST/CABLE CHARGES USD 13.41 BEN: CITIBANK LONDON FAVOUR: GENEVA PRIVATE BANK AND TRUST DETAILS: FFC A/C 100.230 REF WALKFORD | | | |
| | 3982584035 | CABLE TRANSFER ORDER PAYMENT USD 9,000,000.00 +COMMISSION CHARGES USD 41.93 +POST/CABLE CHARGES USD 13.41 BEN: CITIBANK LONDON FAVOUR: GENEVA PRIVATE BANK AND TRUST DETAILS: FFC A/C 300.450 REF RAINBOW | 15SEP98 | 9,000,055.34- | |
| 15SEP98 | | | | | 39,007,648.57 |
| 18SEP98 | | BANKER'S DRAFT ISS. AMEX | 18SEP98 | 125.50- | |
| | 3982603306 | TRANSFER BY ORDER OF CITIBANK LONDON DETAILS: VIA CREDIT ITALIANO, MILAN G/DMD TRADING DI DE MAIO - C.U.R. SETTL INV. NO. S 12/98 USD 73777 PARTIAL PYMT INV.NO.S 13/98 \$ 25752 | 18SEP98 | 99,529.00 | |
| 18SEP98 | | | | | 39,908,245.0 |
| 22SEP98 | 3982653300 | TRANSFER BY ORDER OF CITIBANK LONDON DETAILS: VIA CITIBANK NEW YORK O/DE MAIO DODATO SALDO FATTURA N. S13/98 USD 30000. | 21SEP98 | 49,980.00 | |
| 22SEP98 | | BALANCE CARRIED FORWARD | | | 39,858,265.0 |

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96 8901/1011/871/1548

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CS002996



Transaction Monitoring

THE CITIBANK PRIVATE BANK - London

To : NAVEED AHMED

From : Transaction Monitoring Unit, Griffin House

Date : 12 OCTOBER 1998

UBN : 305382 Account Title : REDACTED

Re : Transaction Monitoring for the month of SEPTEMBER 1998

The attached report(s) of consolidated monthly activity for the captioned UBN shows a variance to the existing transaction profile as follows :

- ☐ Total VOLUME of incoming items was _____ versus the profile of _____
- ☐ Total VOLUME of outgoing items was _____ versus the profile of _____
- ☐ Total VALUE of incoming items was USD _____ versus the profile of USD _____
- ☒ Total VALUE of outgoing items was USD 39.3 MM versus the profile of USD 101-250M

Private Bankers comments / explanation :

client is in the process of closing account. This was the first tranche.

- Transaction advised to S. KAZA

REDACTED

Private Banker : Dr. Naveed Ahmed Date : 12, 10, 98
print name and sign
 Supervisor : W. J. C. Jones Date : 13, 10, 98
print name and sign

☐ Updated Transaction Profile is attached

Transaction Monitoring Unit

- ☐ Transaction Profile updated
- ☒ Exception reviewed and explanation accepted

Print & sign name : Anthony Marsden Date : 26, 10, 98
print name and sign
REDACTED

After completion, Private Banker to return form to : Transaction Monitoring Unit, Griffin House

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tm/C:shortkycp3.doc

Received: 9/28/99 6:29AM

Konica Fax 9625

Senate Permanent Subcommittee
on Investigations28-89-95 11:21 FROM:
Fax sent to: 44 171 936 6245

RUMINALLY/LOU REA

TO: 600-600
22-05

EXHIBIT # 331.

16.

RE-ISSUED ON AMENDMENT

Issued pursuant to the leave of Colman J given by Order dated 13th March 1999Re-issued upon amendment pursuant to the leave of Colman J granted on 19th March 1999¹Re-issued upon re-amendment pursuant to the leave of Timothy Walker J granted by Order dated 26th March 1999²

1999 Folio No. 304

IN THE HIGH COURT OF JUSTICE
QUEEN'S BENCH DIVISION
COMMERCIAL COURT

BETWEEN:

Compagnie Noga D'Importation et D'Exportation SA

Plaintiff

-and-

- (1) Australia and New Zealand Banking Group Limited.
- (2) Mrs. Maryam Abacha and Mr. Mohammed Sani Abacha as the Personal Representatives of General Sani Abacha deceased.
- (3) Chief Anthony A. Ani
- (4) Ali Abacha.
- (5) Mecosta Securities Inc.
- (6) Parnar Shipping Corporation
- (7) Citibank N.A.
- (8) Citicorp Investment Bank (Luxembourg) S.A.
- (9) Abubakar Bagudu
- (10) Mohammed Sani Abacha
- (11) Banque Worms
- (12) Banque S.B.A.
- (13) Standard Alliance Corporation
- (14) Standard Bank London Limited
- (15) Steven Hawkward
- (16) Mark Langhorn Coombs¹
- (17) Credit Agricole Indosuez
- (18) Christiania Bank OG Kreditkasse ASA²
- (19) Deutsche Morgan Grenfell (CI) Ltd²
- (20) Deutsche Bank A.G. London²
- (21) Ashmore Investment Management Ltd²
- (22) Christopher Raeder²
- (23) Milian Markovich²
- (24) Glandore Financial Limited²
- (25) UBS A.G.²
- (26) Warwick Enterprises LLC²
- (27) Banca del Gottardo²
- (28) Goldman Sachs & Co.²



Defendants

Received: 9/28/99 8:30AM; -- Konica Fax 0026; Page 3
 28-09-99 11:21 FROM: TO: 8004566422
 Fax sent by: 41 171 936 6245 RUMILMILITARY NEW PAGE: 03/12

To the Defendants

- (1) Australia and New Zealand Banking Group Limited of Minerva House, P.O. Box 7, Montague Close, London SE1 9DH;
- (2) Mrs Maryam Abacha and Mr Mohammed Sani Abacha of 1/7 Gidado Road, Kano, Kano State, Federal Republic of Nigeria;
- (3) Chief Anthony A. Ani of 24 Cameron Road, Akoyi Lagos, Lagos State, Federal Republic of Nigeria;
- (4) Ali Abacha of 1/7 Gidado Road, Kano, Kano State, Federal Republic of Nigeria;
- (5) Meconsta Securities Inc of the British Virgin Islands;
- (6) Parnar Shipping Corporation of 30 Broad Street, Monrovia, Liberia;
- (7) Citibank N.A. of 120 Wall Street, New York, NY 10043, USA;
- (8) Citicorp Investment Bank (Luxembourg) S.A. of 53 Boulevard de la Grande Duchesse Charlotte, 1330 Luxembourg;
- (9) Abubakar Bagudu of London and/or Lagos, Nigeria;
- (10) Mohammed Sani Abacha of 1/7 Gidado Road, Kano, Kano State, Federal Republic of Nigeria;
- (11) Banque Worms of 1 Place des Degres, Tour Voltaire, 92059 Paris La Defense, France;
- (12) Banque S.B.A. of 28 Rue Berri, 75008 Paris, France;
- (13) Standard Alliance Corporation of Cannon Bridge House, 25 Dowgate Hill, London EC4R 2SB;
- (14) Standard Bank London Limited of Cannon Bridge House, 25 Dowgate Hill, London EC4R 2SB;
- (15) Steven Hawkward of Cannon Bridge House, 25 Dowgate Hill, London EC4R 2SB;
- (16) Mark Coombs of 14 Murray Road, Wimbledon, London, SW19 4PB;
- (17) Credit Agricole Indosuez of 122 Leadenhall Street, London EC3V 4QH;
- (18) Christianin Bank OG Kreditkasse ASA of Lloyds Chambers, 1 Portseken Street, London E1 8RG;
- (19) Deutsche Morgan Grenfell (CI) Ltd of St Paul's Gate, New Street, St Helier, Jersey;
- (20) Deutsche Bank AG London of Winchester House, 1 Great Winchester Street, London EC2N 2DB;
- (21) Ashmore Investment Management Ltd of 110 Canon Street, London EC4N 6AR;
- (22) Christopher Raeder of 110 Canon Street, London EC4N 6AR;
- (23) Milan Markovich of 110 Canon Street, London EC4N 6AR;
- (24) Glandore Financial Limited of 110 Canon Street, London EC4N 6AR;
- (25) CBS AG of 1 Curzon Street, London W1Y 7EN;
- (26) Warwick Enterprises LLC of 1000 West 17th Street, Suite 100, New York, NY 10011, USA;
- (27) Banca del Gottardo Viale Francini 8, 6900 Lugano, Switzerland;
- (28) Goldman Sachs & Co. Muensterhof 4, 8001, Zurich, Switzerland.



This Writ of Summons has been issued against you by the above-named Plaintiff in respect of the claim set out overleaf.

Received: 9/28/99 9:30AM: -- Kónigs Fax 8625: Page 4
 28-09-99 11:22 FROM: ADMIRALTY/COMM REG TO: 800555452 PAGE: 24/12
 Fax sent by: 44 171 936 6245 ADMIRALTY/COMM REG 28/09/99 11:22 FAX: 44 171

Within days after the service of this Writ on you, counting the day of service, you the must either satisfy the claim or return to the Court Office mentioned below the accompanying Acknowledgment of Service stating therein whether you intend to contest these proceedings. If you fail to satisfy the claim or to return the Acknowledgment within the time stated, or if you return the Acknowledgment without stating therein an intention to contest the proceedings, the Plaintiff may proceed with the action and judgment may be entered against you forthwith without further notice.

Issued from the Admiralty and Commercial Registry of the High Court this 19th day of March 1999

Re-issued from the Admiralty and Commercial Registry of the High Court this 22nd day of March 1999



Re-issued from the Admiralty and Commercial Registry of the High Court this 31st day of March 1999

Note This Writ may not be served later than 4 calendar months (or, if leave is required to effect service out of the jurisdiction, 6 months) beginning with that date unless renewed by order of the Court.

IMPORTANT

Directions for Acknowledgment of Service are given with the accompanying form.

Received: 9/28/99 8:31AM: --> Konica Fax 0025: Page 5
 28-09-99 11:22 FROM: TO: 833-555-452 PAGE: 05/12
 Fax sent by: 94 171 936 6245 ADRIANITY/UMWY NEM 22-09-99

THE PLAINTIFF'S CLAIM IS FOR:-

As against all Defendants:

(i) Delivery up of the following property owned by the Plaintiff:

(A) Nigerian Par Bonds or other Bonds held or controlled by any defendant falling within any of the following categories:

- (i) bonds which are directly or indirectly held for the benefit of the Estate of General Sani Abacha ("the Estate"), Chief Anthony A. Ani ("Chief Ani"), Ali Abacha, Mécosta Securities Inc. ("Medosta"), Parmar Shipping Corporation ("Parmar"), Maryam Abacha ("Mrs Abacha"), Mohammed Sani Abacha ("Mohammed Abacha"), Abubakar Bagaidu, Standard Alliance Corporation ("Standard Alliance") or any one or more of them or their nominees;
- (ii) bonds which were the subject of a transfer made by Standard Bank London Ltd to Banque Worms for credit to Banque S.B.A. in or about February 1999 for Standard Alliance as beneficiary;
- (iii) bonds which have been acquired using in whole or in part funds derived from the transfers or any of them set out below, or their proceeds;
- (iv) bonds which have been acquired using in whole or in part funds derived

Received: 9/20/99 8:31 AM: -> Kenlos, Fax 9825: Page 8
 20-09-99 11:23 FROM: TO: 800-554-333
 Fax sent by: 44 171 936 6245 ADMIRALTY/COMM REG 20-09-99 11:17 PAGE: 06/12
 Pg: 6/12

from Nigerian Par Bonds which were held directly or indirectly for the benefit of the Estate of General Sani Abacha ("the Estate"), Chief Anthony A. Ani ("Chief Ani"), Ali Abacha, Mecosta Securities Inc. ("Mecosta"), Parnar Shipping Corporation ("Parnar"), Maryam Abacha ("Mrs Abacha"), Mohammed Sani Abacha ("Mohammed Abacha"), Abubakar Bagudu, Standard Alliance Corporation ("Standard Alliance") or any one or more of them or their nominees

Hereafter, any bond falling within any of the above categories is referred to as a "relevant bond".

The transfers referred to in (iii) above are:

- (a) that made by or on behalf of the Central Bank of Nigeria on or about 17th May 1996 of about DM486,504,725.30 made in relation to bills of exchange 18-15 and 20 issued in connection with the Ajaokuta Steel Project and believed by the Plaintiff to have been made to ANZ Frankfurt for the account of ANZ London;
- (b) that made by or on behalf of the Central Bank of Nigeria on or about 15th October 1996 of about DM 486,504,725.30 made in relation to bills of exchange nos 8 - 15 and 20 issued in connection with the Ajaokuta Steel Project and believed by the Plaintiff to have been made to Citibank AG Frankfurt for the credit of Merrill Lynch Bank (Suisse) SA, Geneva and for further credit to Mecosta Securities Inc ;

Received: 07/28/99 6:31AM; -> Konica Fax: 0825; Page 7
 28-09-99 11:23 FROM: TO: 0004566422 PAGE: 07/12
 Fax sent by: 44 171 936 6245 ADMINALTY/COMM REC 28/09/99 11:17 Pg: 7/12

- (c) those made by or on behalf of the Central Bank of Nigeria on or about 9th and 22nd April 1997 totalling about DM 486,504,723.30 made in relation to bills of exchange nos 8 - 15 and 20 issued in connection with the Ajaokuta Steel Project and believed by the Plaintiff to have been made to Citibank New York for the account of Goldman Sachs and Co. Bank Zurich with the beneficiary being Mecosta Securities Inc.;
- (d) that made by Standard Bank London Ltd. or a company within the Standard Bank group of companies, in or about February 1999 for Mecosta of about US\$2.5 million believed by the Plaintiff to have been transferred through Credit Lyonnais New York for the account of Banque S.B.A. at account no. 010856 7000 1000 with "Standard Alliance" named as beneficiary
- (e) any transfers made in relation to transactions concerning bills of exchange numbered 8 - 15 and 18 - 20 issued in connection with the Ajaokuta Steel Project.

Hereafter, the said transfers are called "the Nigerian transfers"

- (f) any assets whatsoever derived in whole or in part from the proceeds or fruits of whatsoever nature of the Nigerian transfers or any of them, or derived from any relevant bonds which are or have at any time been within the scope of (A) above.

Received: 9/28/99 8:32AM; -> Konica Fax 0025; Page: 8
 28-09-99 11:23 FROM: TO: 8004566432
 Fax sent by: 44 171 936 6245 ADMIRALTY/COMM. REG 28/09/99 11:17 PAGE: 08/12
 Pa: R/12

Hereafter any property falling within (A) or (B) is referred to a "trust property".

An injunction in such terms as may be just and appropriate for the purpose of restraining dealings with trust property and compelling transfer of the said trust property to the Plaintiff.

All necessary accounts and inquiries;

As against the second, third, fourth, fifth, sixth, ninth, tenth and thirteenth defendants:-

(A) a declaration that each of the said defendants is liable to the Plaintiff as a constructive trustee on the grounds that the said defendant knowingly received trust property and/or knowingly participated in or assisted in a dishonest and fraudulent scheme designed to take and/or conceal trust property;

(B) repayment of the value of the trust property, together with compound interest;

(C) equitable compensation

(D) damages

As against the seventh and eighth defendants

(A) a mandatory injunction in such terms as may be just and appropriate requiring them to

Received: 9/28/99 6:32AM: -> Konica Fax 0326: Page 9
 28-09-99 11:23 FROM: TO: 8084566422 Page: 09/12
 Fax sent by: 44 171 936 6245 ADRIANALTY/COMM REG 28-09-99 11:17 Pg: 9/12

transfer any relevant bond in their possession or control into the name of the Plaintiff

As against all Defendants

(1) orders for full information to be provided to Noga about the wrongdoing and the said assets including their fruits and proceeds;

(2) Further or other relief;

(3) Interest to be assessed pursuant to section 35A of the Supreme court Act 1981 and/or interest (whether compound or simple interest) at such rate and for such period as the court in the exercise of its equitable jurisdiction thinks fit.

(4) Costs



STEVEN GEE Q.C.
 VASANTI SELVARATNAM
VASANTI SELVARATNAM
VASANTI SELVARATNAM

Whereas that the High Court of England and Wales has power under the Civil Jurisdiction and Judgments Act 1982 to hear and determine the claims against the eighth, eleventh, twelfth, nineteenth, twenty-seventh and twenty-eighth defendants, and that no proceedings are pending between those parties in Scotland, Northern Ireland or another Convention territory

Received: 9/28/99 8:32AM: -> Konica Fax 9825: Page 10
 28-09-99 11:24 FROM: RDNI/REPLY/COMM FAX TO: 8004566422 PAGE: 10/12
 Fax sent to: 44 171 936 6245

of any contracting state as defined by section 1(3) of the said Act.

This Writ was issued by Messrs James & Sarch of 3 Field Court, Gray's Inn, London, WC1R
 Solicitors for the Plaintiff whose address is 42 Rue du Rhone, 1204 Geneva, Switzerland.

Received: 9/28/00 8:32AM; --> Konica Fax 0025; Page 11
 28-09-99 11:24 FROM: ADMIRALTY/LUXEM REV TO: 8004565432
 File sent by: 44 171 936 6245 28-09-99 AA:AA PAGE: 11/12

Schedule of Service for Acknowledgement of Service

Within 14 days - 1st, 13, 14, 15, 16, 17, 18, 19 and 20th, 21st, 22nd, 23rd and 25th Defendants

Within 21 days - 27th and 28th Defendants in Switzerland

Within 21 days - 11th and 12th Defendants in France

Within 21 days - 8th Defendant in Luxembourg

Within 22 days - 2nd, 3rd, 4, 9 and 10th Defendants in Nigeria

Within 22 days - 6th Defendants in Liberia

Within 22 days - 7 and 26th Defendants in New York/Delaware

Within 31 days - 5 and 24th Defendant in British Virgin Islands

Received: 9/28/99 8:33AM -> Konica Fax 5020 Page 12
 28-09-99 11:24 FROM TO: 6064564422 Page 12/12
 Fax sent to: 44 171 336 5105 FAX (UK) 171 336 5105

1299 Folio No. 404

IN THE HIGH COURT OF JUSTICE

QUEEN'S BENCH DIVISION

COMMERCIAL COURT

IN THE MATTER OF THE SUPREME COURT
 ACT 1981

AND IN THE MATTER OF INTENDED
 PROCEEDINGS

BETWEEN:

Compagnie Noga D'Importation et
 D'Exportation SA

Plaintiff

-and-

(1) Australia and New Zealand Banking Group
 Limited & Others

Defendants

RE-AMENDED WRIT

Messrs. James & Sarch,
 3, Field Court,
 Gray's Inn,
 LONDON WC1R 5EN

Tel: 0171 242 9103
 Ref: PM.SO.COM002

Transaction Monitoring **CITIBANK**
THE CITIBANK PRIVATE BANK - London

To : Naveed Ahmed
From : Transaction Monitoring Unit, Griffin House
Date : NOVEMBER 1998
UBN : 305382 Account Title : REDACTED
Re : Transaction Monitoring for the month of OCTOBER 1998

The attached report(s) of consolidated monthly activity for the captioned UBN shows a variance to the existing transaction profile as follows :

- ☐ Total VOLUME of incoming items was _____ versus the profile of _____
☐ Total VOLUME of outgoing items was _____ versus the profile of _____
☐ Total VALUE of incoming items was USD _____ versus the profile of USD _____
☒ Total VALUE of outgoing items was USD 2,500,052 versus the profile of USD 100-250

Private Bankers comments / explanation :

This A/C is the source of bank fraud. Client was requested to remove from bank out -
DA + TM Met with NA + GR 13/11/98 to discuss A/C -
A/C will be closing but it will take some time as
has client is sensitive. HMO/PSG/CAC/legal department aware of problems with closing this A/C

Private Banker : Dr. Naveed Ahmed Date : 29/11/98
print name and sign. Vice President
Supervisor : GORDON ROOGBE Date : 24/2/99
print name and sign. RESIDENT
☐ Updated Transaction Profile is attached

CLIENT HAS BEEN REQUESTED TO WITHDRAW FUNDS TO CLOSE A/C.
MEETING WITH CAC TO DISCUSS. CAC & LEGAL ARE INVOLVED
IN DISCUSSIONS WITH RM RE CLOSURE.

Transaction Monitoring Unit

- ☐ Transaction Profile updated
☒ Exception reviewed and explanation accepted

Print & sign name : Donna Adams Date : 10/12/98
Donna Adams
Resident Vice President

After completion, Private Banker to return form to : Transaction Monitoring Unit, Griffin House

STRICTLY CONFIDENTIAL - NOT FOR
CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF

63003130



Transaction Monitoring

THE CITIBANK PRIVATE BANK - London

To : Naveed Ahmed

From : Transaction Monitoring Unit, Griffin House

Date : 27th MAY 1999

UBN : 305382 Account Title : REDACTED

Re : Transaction Monitoring for the month of APRIL 1999

The attached report of consolidated monthly activity for the captioned UBN shows a variance to the existing transaction profile as follows :

- ☐ Total VOLUME of incoming items was _____ versus the profile of _____
- ☐ Total VOLUME of outgoing items was _____ versus the profile of _____
- ☐ Total VALUE of incoming items was USD _____ versus the profile of USD _____
- ☒ Total VALUE of outgoing items was USD 298,600 versus the profile of USD 101-250

Private Bankers comments / explanation :

These remittances are part of our program to lower the current balance on clients A/c and eventually close down the relationship.

In line with conversation we had with C&C this A/c is closing and outgoing trans is to be expedited.

Private Banker : Naveed Ahmed Date : 28, 6, 99
print name and sign Dr. Naveed Ahmed
 Vice President

Supervisor : [Signature] Date : 28, 6, 99
print name and sign

☐ Updated Transaction Profile is attached

AS A RESULT OF THE P FIC REVIEW, SENIOR CITIBANKERS ARE AWARE OF THE SITUATION TO CLOSE THIS A/C.

Transaction Monitoring Unit

- ☐ Transaction Profile updated
- ☒ Exception reviewed and explanation accepted

Print & sign name : Donna Adams Date : 29/6/99
 Donna Adams
 Resident Vice President

After completion, Private Banker to return form to : Transaction Monitoring Unit, Griffin House

STRICTLY CONFIDENTIAL - NOT FOR
 CIRCULATION
 SUBCOMMITTEE MEMBERS AND STAFF
 ONLY

C 5002125
 01/06/99

Salim Raza

From: Michel Accad
 Sent: 03 June 1999 13:41
 To: Salim Raza
 Subject: Abacha's account

STRICTLY CONFIDENTIAL - NOT FOR
 CIRCULATION
 SUBCOMMITTEE MEMBERS AND STAFF
 ONLY

A major local paper (This Day) had a story today about a London High Court judge issuing a ruling to block the foreign accounts of late Gen. Abacha and his cronies in London, Paris and Switzerland. Two banks were specifically named in the article: Deutsche Morgan Grenfell and Citibank. If true, this would be embarrassing.

The ruling is apparently related to the buyback of \$2.5Bn in Nigerian debt owed to the Russian gov't in connection with the Ajakuta steel project (the biggest Nigerian white elephant project - after Abuja). I don't believe the PBG is involved in the Abacha accounts, but I'd like to make sure before I issue a formal denial. Note that some other Cit entity might have had something to do in the debt buyback (e.g. the Bradys trading desk in London), which would be OK, but which also could have caused the confusion.

Can you therefore please confirm to me whether we have any Abacha account in London, Paris or Geneva?

Thanks/all the best, Michel

CS007474

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 33j.

Glanzmann, Walter

From: Musi, Mark
Sent: 28 July, 1999 3:58 PM
To: Battaglia, Steve; Singer, Eugenia; Lesjongard, Alain; Richards, David; Garmon-Jones, Richard; Glanzmann, Walter; Shenoy, Ananth; Kwok, Daryl; Egger, Karen
Cc: DL,CC-DIRECTS; Hill, Daina
Subject: FW: List of Names

All,

In case you didn't already see this notification, please review for these names and let Mike Snipe, and me, know if they have, or had accounts with the PBG.

Thanks,
John Bowman

-----Original Message-----

From: Snipe, Michael J.
Sent: Tuesday, July 27, 1999 9:46 AM
To: Musi, Mark
Subject: List of Names

Mark,
I neglected to include you on the original distribution.

Regards

Forward Header

Subject: List of Names
Author: Michael J. Snipe at 14USNYC
Date: 07/26/1999 9:11 AM

In Friday's Financial Times there is an article that indicates the US government is going to assist the Nigerian government locate billions of dollars misappropriated by the country's former military leaders and their families. As you know these types of situations often times bring about unnecessary and unwanted negative publicity. The names mentioned in this article are below:

Sani Abacha
Anthony Ani
Mohammed Sani Abacha

Should you locate any of the above as having an existing or closed relationship please advise.



CS002153

Copyright 1998 Guardian Newspapers Limited
The Observer

November 22, 1998

SECTION: The Observer News Page; Pg. 25

LENGTH: 749 words

HEADLINE: How the grand lootocracy beggared Nigeria's people;
The scale of Sani Abacha's theft from his country is so staggering that Africans
had to invent a new word to describe it, Cameron Duodu reports

BYLINE: CAMERON DUODU

BODY:

FIVE months after the death of Nigeria's military dictator, General Sani Abacha, the amount of money revealed to have been stolen by him and his family has become so staggering that his name now stinks more richly even than that of Mobutu Sese Seko of Zaire (now the Democratic Republic of Congo).

Mobutu hid all his stolen money in secret bank accounts abroad, but the Abacha family trusted in ready cash. According to the government that took over from him on 8 June, no less than \$ 750 million in foreign currency has been retrieved from the family.

As a result, Abacha is already being commemorated in songs of abuse such as the one quoted above. The reference to the 'Kama Sutra' alludes to reports that Abacha met his end during an overzealous tryst with two Indian courtesans, and that he had imported Viagra pills for the occasion.

Abacha's wife, Maryam, was more interested in making money. A few weeks after his death, she was stopped at Kano airport trying to leave Nigeria for Saudi Arabia 'to rest' after the ordeal of her husband's funeral. She was carrying 38 suitcases.

As a Muslim woman, she would have been expected to go into purdah when she arrived in Saudi Arabia. So the amount of luggage she was carrying for such an austere rite aroused suspicion. The suitcases were seized and found to be stuffed full of foreign currency.

One of Abacha's sons was also caught with about \$ 100m on him. During his father's reign, the young man drove two differently coloured Ferraris cars - despite the 'go slow' (traffic jams) in Lagos and most other Nigerian cities.

A further two to three billion dollars are estimated to be in the hands of Abacha's foreign frontmen. Abacha utilised the services of Lebanese merchants, particularly the Chagoury brothers, for his overseas financial operations.

The Washington Post reported on 22 November last year that Gilbert Chagoury made 'a contribution of \$ 460,000' to Vote Now 96, an organisation closely associated with the Democratic National Committee in the United States. As a result, Chagoury was able to 'attend a White House holiday dinner with President

Clinton' in 1997 for 250 top Democratic National Committee donors, although Chagoury was 'not a party contributor and could not legally give to the

The Observer, November 22, 1998

Democrats'.

Mallam Mohammed Haruna, chief press officer for the new head of state, General Abdulsalami Abubakar, told reporters in Abuja that full-scale investigations are going ahead to try to locate any of Abacha's money that is hidden abroad.

His greed has added a word to the African political dictionary - lootocracy. Abacha deliberately starved Nigeria's two oil refineries of the funds they needed to stay operational. As a result - and even though it is one of the world's most important oil-producing countries - Nigeria regularly ran short of petrol. Abacha would wait for riots at petrol stations, and then give licences to his business cronies to import refined fuel into the country. They could charge whatever they liked because of the 'short notice' they had been given.

The recovery of the \$ 750m from the Abacha family was made possible by the squealing of Abacha's former security adviser, Ishmael Gwarzo. Gwarzo himself has also handed over \$ 250m, which he had withdrawn a few days before Abacha died.

The money was to have been taken to a conference of the Organisation of African Unity, to be distributed to African heads of state Abacha wanted to influence.

Newspaper reports in Nigeria have forced Ghana's president, Jerry Rawlings, to deny that Abacha gave him \$ 5m through Gwarzo in November 1996, an election year.

Abacha wanted him to win so that he could continue to plead Abacha's cause in the Commonwealth and oppose Nigeria's expulsion after Abacha's brutal execution of the Ogoni writer Ken Saro-Wiwa and eight other Ogoni environmental activists on 10 November 1995.

Another West African president whose electioneering was bankrolled by Abacha is said to be President Matthieu Kerekou of Benin.

In providing information to the new authorities, Gwarzo is trying to protect himself, for he, too, is no novice in the lootocratic stakes. According to Abubakar's chief press officer, Gwarzo owns 'a total of 28' choice properties in the federal capital, Abuja.

Gwarzo was also found to own 16 trailers which were filled with fertiliser - a commodity that is always in short supply in Nigeria. He has since been placed under house arrest.

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Agence France Presse

June 03, 1999 16:33 GMT

SECTION: International news

LENGTH: 407 words

HEADLINE: London court freezes accounts of late Nigerian ruler

BODY:

LONDON, June 3 (AFP) - A London High Court has ordered that bank accounts linked to Nigeria's late military ruler General Sani Abacha and some of his aides should be frozen, it emerged on Thursday.

The ruling was issued in March in a suit filed by a Zurich-based trading company, Compagnie Noga d'Importation et d'Exportation, over a 2.5 billion dollar corruption scandal, a London-based spokesman for the company told AFP.

"They're trying to recover the money from the estate of the former president, his son Mohamed and his former associates," said the spokesman Nicholas Lloyd.

The company, owned by billionaire financier Nassiru Goan, obtained a freeze on accounts at Deutsche Morgan Grenfell and Citibank belonging to the late military ruler and close aides, a source close to the case said.

Noga further secured an order freezing general assets of Abacha and some key functionaries of his government in London, the Channel Islands, Paris, Germany and Switzerland, the source added.

The company expects to be joined as co-plaintiff by the new Nigerian civilian administration which took power on May 29, according to Nigerian newspaper This Day.

The legal action is taking place at the London High Court.

Karl Ziegler, chairman of a debt recovery firm Centre for Accountability and Debt Recovery (CADR) contacted by Noga, told the New Nigerian newspaper that President Olusegun Obasanjo had spoken to him by phone over the issue.

Noga bought up some 2.5 billion dollars in debt owed to the Russian government in connection with the abandoned Ajaokuta Steel Rolling Mill project.

Noga claims it had made a 500 million dollar payment which should have gone to the Russian government but that it was diverted by Abacha into family and friends' accounts at Morgan Grenfell and Citibank.

The Ajaokuta Steel Mill affair became public earlier this year when the regime of Abacha's successor, Abdulsalami Abubakar, said a member of Abacha's family and two former ministers were involved in a 2 billion dollar debt buy-back scam over the affair.

The Ajaokuta Steel Mill, begun in the 1970s, was built at a cost of an estimated 5 billion dollars to the Nigerian public coffers with 2.5 billion

owed to a Russian contracting firm.

The plant has never produced a single ingot of steel.

Nobody has to date been prosecuted over the affair.

pcj-hm/cb

LANGUAGE: ENGLISH

LOAD-DATE: June 03, 1999

Copyright 1999 The Financial Times Limited
Financial Times (London)

July 23, 1999, Friday LONDON EDITION 1

SECTION: INTERNATIONAL; Pg. 05

LENGTH: 759 words

HEADLINE: Nigeria seeks help in tracing billions 'taken' by former military leaders

BODY:

Nigeria's president Olusegun Obasanjo has made a personal appeal to US President Bill Clinton and British prime minister Tony Blair for help in tracking down billions of dollars allegedly misappropriated by the country's former military leaders and their families.

The appeal coincides with allegations of corruption involving the former military leader, Gen Sani Abacha, which are due to come before the London courts.

A Swiss import-export company is attempting to recover more than DM486m (\$ 253m) from the estate of General Abacha and others. If the case goes to full trial in London's High Court, it is likely to go into unprecedented detail about the financial affairs of the former leader and his allies, some of whom may give evidence.

Both the US and Britain are expected to try to help the Nigerian government. The company involved in the court case, Geneva-based Compagnie Noga D'Importation et D'Exportation, is seeking to recover money from a debt buy-back transaction concerning Nigeria's controversial Ajaokuta steel plant.

The company claims the money was fraudulently diverted from the Nigerian Central Bank into accounts controlled by General Abacha, who died last June, and others. Substantial sums in overseas accounts have been frozen pending the outcome of the action.

It is believed the Nigerian government may attempt to enter the London legal action to reclaim some of the money frozen in overseas accounts. The move could complicate both the legal action or attempts to reach an out-of-court settlement.

Those accused of taking part in the fraud are General Abacha's brother Ali Abacha and Nigeria's former finance minister Chief Anthony A. Ani. General Abacha's wife Maryam and his son Mohammed Sani Abacha are also named as defendants since they represent the former president's estate.

The court case will also focus on the circumstances in which the money was transferred through some prominent western banks. Although no banks are accused of wrong-doing, it appears the money passed through several accounts without being stopped. The banks were made defendants in the case to enable orders to be made to freeze the accounts.

Financial Times (London) July 23, 1999, Friday

However, it remains uncertain the case will go to a full trial. The political sensitivities of the case could lead to it being settled privately with strict confidentiality clauses to prevent the details becoming public.

The Ajaokuta plant has won the reputation of being one of Africa's largest economic white elephants. Some \$ 5bn has been invested in the plant despite repeated warnings that the steel produced would be at prices well above world levels.

Compagnie Noga, run by businessman Nessim Gaon, arranged the debt buy-back after Nigeria defaulted on its \$ 2.5bn debt to Russia for the construction of the plant.

In preliminary court proceedings, the company claimed the DM486m was paid out by the central bank of Nigeria in May 1996 for the payment of bills of exchange relating to the Ajaokuta debt.

It was converted into Nigerian bonds and passed through accounts with Australia and New Zealand Bank, Standard Bank and others. The assets ended up with a number of beneficiaries including two called Mecosta Securities Ltd, a British Virgin Islands company, and the Liberian-registered Parnar Shipping Corporation.

In March this year, a judge made an order to freeze sums in overseas accounts. Mr Justice Colman agreed the company had a good, arguable, case in seeking the order and that there was a real risk the assets would be dissipated.

Banks involved in the action have declined to comment. Australia and New Zealand Banking Group, the first defendant, said only that the case was subjudice.

Earlier this year, spokesmen for Abdulsalami Abubakar, Gen Abacha's successor, claimed that two ministers, and a member of the Abacha family had refunded over \$ 50m diverted from the Ajaokuta buy-back. A total of over \$ 700m of public money was recovered by Gen Abubakar's government, from family and associates of the dictator. Some of this was found in cash in Nigeria. But there has been no official hint of progress in recovering funds from accounts offshore.

It is understood the US state department has received a list from the Nigerian government naming 14 suspect accounts in 11 banks linked to President Abacha, his family and aides. In addition to banks in New York and Louisiana the list is thought to identify others in London, Geneva and Luxembourg.

Reporting by Frances Williams, John Mason, William Wallis, and Jimmy Burns.



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Abacha's accounts frozen as provisional measure

Nigeria has 3 months to file request for mutual legal assistance

As a provisional measure, the Federal Office for Police Matters (FOPM) has frozen the accounts of the former Nigerian head-of-state Sani Abacha, members of his family and other parties. Nigerian authorities suspect that for some years Sani Abacha and the others "systematically plundered" the Nigerian central bank. Thus far, the FOPM has not received any information from the affected banks as to the value of the frozen assets.


On 30 September 1999, Nigeria, acting through a Swiss attorney, requested that the FOPM take the provisional measure of freezing all assets of Abacha – who died last year – and of members of his family, and that it obtain bank documents concerning such assets. The request for provisional measures also applies to Alhaji Ismaila Gwarzo, Mr. Abacha's former security advisor, and to former minister Abubakar Attiku Bagudu, to four Nigerian businesspeople, and to a series of companies. The attorney announced that Nigeria will present a formal request for mutual legal assistance. In Nigeria, the attorney general and minister of justice, Kanu Agabi, has consolidated the various criminal proceedings against members of the alleged criminal organisation founded by Abacha. These persons are accused of a series of property crimes (including: embezzlement, fraud, forgery and money laundering).

Yesterday (Wednesday) the FOPM froze the accounts mentioned in the request. Four banks in Geneva and one in Zurich are affected. In addition, the FOPM stipulated that the Nigerian authorities must file the announced request for mutual legal assistance within three months. The request should specifically indicate the relationships between the criminal proceedings in Nigeria and the assets frozen in Switzerland. Following a formal preliminary examination of the request, the FOPM will decide which authorities will be required to provide the mutual legal assistance. A treaty on mutual legal assistance does not exist between Switzerland and Nigeria. However, Switzerland can provide assistance based on national law and a declaration of reciprocity.

FEDERAL OFFICE FOR POLICE MATTERS
Information Service



Berne, 14 October 1999

REUTERS 

FOCUS-Swiss freeze accounts of Nigeria's Abacha

05:53:07, 14 October 1999

(Writes through with quotes and details)

By Stephanie Nebehay

GENEVA, Oct 14 (Reuters) - Switzerland said on Thursday it had frozen bank accounts held by the late Nigerian dictator Sani Abacha, close family members and associates, accused by Lagos of having "systematically plundered" the central bank.

In its latest swoop on behalf of democratic governments seeking the allegedly embezzled assets of former strongmen, the Federal Office for Police Matters said the accounts frozen on Wednesday were at four banks in Geneva and one in Zurich.

The financial institutions, whose identities it did not reveal, had not yet informed the federal police authorities in Berne of the value of the frozen assets, the statement said.

The Swiss statement said the freezing of accounts had been done provisionally, based on a preliminary request from a Geneva attorney representing the elected government of President Olusegun Obasanjo.

Obasanjo has headed Africa's most populous nation since May 29, ending 15 years of military rule. Abacha, who seized power in 1993 after the turmoil that followed a presidential election annulled by the military, ruled the oil-producing country with an iron fist. He died in June 1998.

PROVISIONAL MEASURE

"As a provisional measure, the Federal Office for Police Matters has frozen the accounts of the former Nigerian head-of-state Sani Abacha, members of his family and other parties," the statement said.

"Nigerian authorities suspect that for some years Sani Abacha and the others 'systematically plundered' the Nigerian central bank," it added.

Nigerian Justice Minister Kanu Agabi has "consolidated the various criminal proceedings against members of the alleged criminal organisation founded by Abacha," the Swiss said.

They stand accused of crimes including "embezzlement, fraud, forgery and money laundering," according to the statement.

Nigeria has three months to file a formal request for mutual legal assistance indicating the relationship between criminal proceedings in Nigeria and the assets frozen in Switzerland, the one-page statement said.

"The accounts were frozen to preserve the existing situation. This is only a request for provisional measures while we await Nigeria's request for mutual legal assistance," Folco Galli, spokesman for the Federal Office for Police Matters, told Reuters. "We never give the names of the banks."

ACCOUNTS FREEZE ALSO APPLIES TO OTHERS

Galli said that the freezing of accounts also applied to three close members of Abacha's family: his eldest surviving son Muhammed Sani Abacha, his widow Mariam, and brother Abdul Kadir.

Mohammed Abacha, the dictator's personal security chief Major Hamza Al-Mustapha and four other former security operatives were charged on Thursday with the murder of Kudirat Abiola, the wife of the late millionaire and opposition politician Moshood Abiola.

She was shot dead on a Lagos street in June 1996.

Abiola himself was poised to win the 1993 election when it was annulled by the military. He was jailed when he laid claim to the presidency and died in detention a month after Abacha.

The freezing of assets also applied to Alhaji Ismaila Gwarzo, Abacha's former security advisor, former minister Abubakar Attiku Bagudu, four Nigerian business executives and to a "series of companies," according to the Swiss statement.

Galli declined to identify the business associates or the companies involved.

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KEYWORDS: SWISS-ABACHA 1STLD

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Received by NewsEdge Insight: 10/14/1999 05:53:07

⌂ STORY TOP



CORRECTED-Abacha son on trial for Mrs Abiola's murder

In LAGOS story headlined "Abacha son on trial for Mrs Abiola's murder" please read in second paragraph...Mohammed Abacha, 32, was.... instead of...Mohammed Abacha, 29, was... (corrects Abacha's age)

A corrected repetition follows.

By Dulue Mbachu

LAGOS, Oct 14 (Reuters) - A son and security aides of late Nigerian dictator Sani Abacha were charged on Thursday with the murder of Kudirat Abiola, wife of the late millionaire opposition politician Moshood Abiola.

Mohammed Abacha, 32, was charged along with his father's personal security chief, Major Hamza Al-Mustapha, and four other former security operatives before a Lagos magistrate.

The other defendants, facing charges of conspiracy and murder, included Lieutenant-Colonel Ibrahim Yakassai, Aminu Mohammed, Mohammed Lawal and Lateef Shofolahan. Yakassai did not appear in court on Thursday.

"You...on the 4th of June 1996 did unlawfully kill Kudirat Abiola and thereby committed an offence," said part of the charges read by a court official.

Mustapha and Yakassai also face second counts of murder over the death in prison in 1997 of Shehu Musa Yar'Adua, elected President Olusegun Obasanjo's deputy when he was a military ruler in the 1970s.

NO PLEAS TAKEN BY THE ACCUSED

No pleas were made by the accused as defence lawyers said they needed time to study the charges.

The hearing was adjourned to November 17. The presiding magistrate, Paul Dele Gbogodo, ordered that the defendants be remanded in prison custody.

The penalty for murder in Nigeria is death by hanging.

In court, the younger Abacha looked calm and unruffled in a yellow shirt as he sat next to Al-Mustapha, his father's erstwhile dreaded security chief, widely seen as the second most powerful person in Nigeria during Abacha's five-year rule.

Hundreds of heavily armed paramilitary police cordoned off road access to the court building in the Ikeja suburb of the city of eight million people, keeping away curious crowds thronging to the scene.

"We are here to maintain security because of the nature of this case, to ensure that the safety of lives and property are guaranteed," a senior police officer told Reuters on the street outside the court.

Abiola was poised to win elections in 1993 when they were annulled by the military. Abacha seized power in the turmoil that followed, jailed Abiola when he laid claim to the presidency, and ruled with an iron fist.

VOCAL OPPONENT KILLED ON A LAGOS STREET

Kudirat, a vocal opponent of Abacha, was shot dead on a Lagos street in 1996. Abiola died in detention from heart failure last year, one month after Abacha fell to the same ailment.

Both deaths paved the way for another attempt at democracy under General Abdulsalami Abubakar, who freed Obasanjo and hundreds of Abacha's prisoners.

A former military ruler in the 1970s, Obasanjo won elections which ended 15 years of military rule in oil-producing Nigeria, Africa's most populous country of 108 million. He took office on May 29.

Over \$1 billion in illegally acquired money and assets have been seized from the family and aides of Abacha.

Obasanjo's continuing efforts to retrieve missing state funds received a boost on Thursday with the decision of Switzerland to freeze bank accounts held by the Abacha family and associates.

^REUTERS@ Reut08:38 10-14-99

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KEYWORDS: CRIME-NIGERIA-ABACHA 1STLD (CORRECTION)

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Switzerland provides mutual legal assistance in the Abacha case

To date, USD 645 million have been frozen in Switzerland

Switzerland is supporting the criminal investigations of the Nigerian authorities into the embezzlement of government funds during the regime of the former head-of-state, Sani Abacha. The Federal Office for Police (FOP) has examined the formal request for mutual legal assistance from Nigeria and decided that such assistance is admissible in this case. Furthermore, the FOP has ordered the additional freeze of bank accounts and the production of bank documents.

The Nigerian request for mutual legal assistance involves the former head-of-state, Sani Abacha, and 14 other persons (including various family members and representatives of his regime). The Nigerian authorities suspect that they "systematically plundered" the Nigerian central bank for some years. They are accused of having committed a series of property crimes (including embezzlement, fraud, forgery and money laundering). The Nigerian authorities are asking that assets held in Switzerland be frozen, that bank documents be handed over and that the assets be returned.

The FOP itself is deciding on the execution of mutual legal assistance. The revised mutual legal assistance act authorizes the FOP to handle itself cases which are complex or particularly important. In the Abacha case, the FOP is working closely together with the Geneva investigating magistrate's office, which has already initiated criminal proceedings for money laundering and which has frozen some USD 645 million to date. This amount may increase, as Article 9 of the Federal Act on the Prevention of Money Laundering requires the banks and other financial intermediaries to report any cases where they have grounds to believe that assets deposited with them originate from criminal sources, are held by a criminal organization or could be connected with money laundering. In view of the sums involved, which Nigeria claims have been embezzled, the banks will probably investigate not only members of the Abacha family, but also third parties not directly mentioned in the Nigerian request for mutual legal assistance.

On 13 October 1999, the FOP extended the provisional freeze of accounts until the end of the mutual legal assistance proceedings. The USD 80 m in assets frozen as a result of these provisional measures are part of the assets also frozen in connection with the Swiss proceedings. Furthermore, the FOP ordered that additional accounts be frozen; this concerns three banks in Geneva and four in Zurich. The FOP further asked the Geneva investigating magistrate to obtain the relevant bank documents and to question officers of these banks as witnesses. The investigating magistrate was also requested to hand over to the FOP information from his criminal proceedings which could be useful in the further mutual legal assistance proceedings.

FEDERAL OFFICE FOR POLICE
Press Service

Berne, 21 January 2000



RGENT SALE • Douze banques suisses sous enquête, 140 comptes bloqués: l'entraide judiciaire accordée par la Confédération au Nigeria propos des fonds détournés par l'ex-dictateur Sani Abacha dépasse en importance tous les cas connus jusqu'ici. Enquête

Un milliard de francs suspects: l'affaire des fonds nigériens prend une ampleur inouïe

Yvaine Besson

L'enquête sur les fonds déposés en Suisse par l'ancien dictateur du Nigeria, Sani Abacha, mort en 1998, et sa famille, ne cesse de prendre de l'ampleur. Vendredi, l'Office fédéral de police (OFP) a annoncé qu'il entrainait en masse sur la demande d'entraide présentée par le gouvernement de la République du Nigeria. Parallèlement, les enquêteurs ont mis à jour de nouveaux comptes suspects: ce sont désormais 45 millions de dollars (environ un milliard de francs suisses), répartis sur environ 40 comptes, qui ont été bloqués dans les banques suisses, et non 550 millions comme annoncé précédemment. Selon l'OFP, l'isolement pourrait encore s'aggraver.

L'énormité de ces sommes suscite

l'étonnement: comment les banques suisses ont-elles pu accepter cet argent – jasti du pillage économique du Nigeria par un dictateur corrompu et brutal – alors que leur devoir de vigilance envers les fonds déposés par des personnalités publiques a été notablement renforcé depuis l'affaire Marcos, à la fin des années 80? C'est ce que cherche à savoir la Commission fédérale des banques (CFB), qui a ouvert une enquête de grande ampleur sur l'affaire. Nous vérifions actuellement, si les banques qui ont accepté cet argent ont respecté les règles concernant les personnalités publiques, explique-t-on à l'OFP.

Sur les douze établissements concernés par l'enquête, le cas le plus problématique semble être celui du Credit Suisse Zurich. En 1993, alors que Sani Abacha était au pouvoir depuis deux ans, cette

Selon les informations recueillies par *Le Temps*, il aurait été présenté au Credit Suisse par Gilbert Chagouy, richissime Libanais né au Nigeria, qui est à la fois l'un des hommes clés de l'affaire et un vieux client de la banque zurichoise (lire ci-dessous). A

Comment les banques suisses ont-elles pu accepter cet argent?

Georges Zechlin, qui instruit l'affaire, confirme ces informations. Le Credit Suisse ne se préoccupe pas sur l'affaire, mais précise qu'il accorde très souvent avec les autorités complètes (CFB et OFP).

La banque peut se défendre en invoquant le fait que Mohammed Abacha n'a pas deviné sa véritable identité et se faisait passer pour un humble homme d'affaires.

Dans d'autres cas, les fonds de la famille

Abacha se cachaient derrière des sociétés étrangères panaméricaines ou autres. Mais les excès des banques suisses ne convainquent ni l'unité des enquêteurs: dans les années 80, elles envoyaient leurs rabauteurs au Nigeria, et Sani Abacha était déjà ministre 2 du régime militaire. Tout le monde a agi en connaissance de cause, et il présente tout le monde va essayer de se défendre, estime l'avocat de la République du Nigeria, Barlow Mosfin.

Si les suites pénales de l'affaire restent difficiles à prévoir, l'enquête de la CFB pourrait faire plus de dégâts. Un haut fonctionnaire fédéral adoute qu'en définitive, l'image de la place financière suisse en pâtira: «Nous avons invité les banques à une très grande vigilance concernant les personnalités publiques. Cette affaire montre que quelque chose n'a pas fonctionné.»

Les réseaux et les pratiques qui ont permis l'intrigue

La famille du dictateur Sani Abacha aurait dérobé 3,4 milliards de francs en cinq ans de règne, notamment par l'emploi de contrats fictifs.

Trois milliards quatre cents millions de francs suisses voilà la somme que la famille de Sani Abacha, dictateur militaire du Nigeria de 1993 à 1998, aurait dérobée au trésor public de son pays lorsqu'elle y détenait le pouvoir. Plus que Mobutu en 32 ans de pouvoir. Le chiffre, émanant du gouvernement nigérian actuel et confirmé par l'OFI, dit assez l'ampleur de l'affaire, la plus importante de ce type à concerner la Suisse. *Le Temps* y reconstitue les réseaux qui ont permis au clan Abacha de mettre à l'abri le produit de ses invraisemblables détournements de fonds.

L'essentiel de l'argent s'est envolé vers des banques étrangères

Chef du gouvernement, Sani Abacha, mort soudainement en 1998, disposait de la signature dominant accès aux réserves de la Banque centrale et des forces militaires nécessaires pour intimider les fonctionnaires trop scrupuleux. Il distribuait les contrats fictifs à ses proches, qui se chargeaient ensuite de mettre l'argent à l'abri. Exemple principal: le Nigeria avait commandé à un constructeur russe l'aciérie géante d'Ajaokuta, qui n'est toujours pas entrée en activité. L'Etat nigérian a déboursé une somme de 550 millions de marks (environ 760 millions de francs) pour ce projet. Mais le constructeur n'a reçu que 340 millions de marks. Où est passé le solde? Une partie de cet argent, quelque 300 millions de marks, a été bloquée en Grande-Bretagne sur les comptes de Abubakar Atiku Bagudu, un homme d'affaires nigérian de 42 ans proche du clan Abacha. Le fils de Sani Abacha, Mohammed, 31 ans, qui prétendait diriger une compagnie aérienne aux activités largesment fictives, selon Airfinex, a été un autre bénéficiaire de l'opération.

Dans un autre cas, la femme de Sani Abacha, Maryam, a commandé 111 millions de dollars de vaccins à une société appartenant à sa famille, Morgan Procurement Ltd. Mais les vaccins, fabriqués par une entreprise pharmaceutique française, ne valaient que 48 millions de dollars. La différence a été répartie entre divers comptes, dont l'un se trouvait dans une banque genevoise, au profit d'Abubakar Atiku Bagudu et de Mohammed Abacha.

trale du Nigeria, souvent sur instruction d'Alhaji Ismaila Gwarzo, conseiller à la sécurité nationale de Sani Abacha, a déboursé des millions de dollars pour des faux achats de matériel militaire, des crédits d'aide fictifs aux pays voisins ou des campagnes de promotion du régime à l'étranger qui n'ont jamais eu lieu.

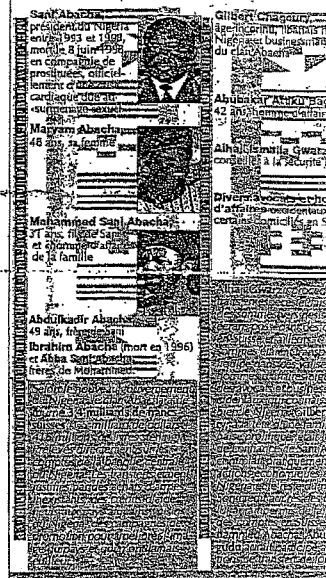
Une partie de l'argent détourné a été retrouvée au Nigeria, en liquide, par exemple sous le plancher de la villa d'Alhaji Gwarzo. Mais l'essentiel s'est envolé vers des banques étrangères. Pour ce faire, le clan Abacha a bénéficié de la complicité d'hommes, d'affaires, nigériens et occidentaux - dont certains seraient bien connus à Genève - qui ont utilisé leurs avions privés pour sortir du pays des valises pleines de billets. La république du Nigeria a déposé plainte à Genève contre le clan Abacha mais aussi contre Abubakar Atiku Bagudu et Alhaji Amadu Daura, autre homme d'affaires nigérian, notamment pour participation à une organisation criminelle et blanchiment d'argent. Abubakar Atiku Bagudu, qui a été entendu par la justice genevoise, nie toute malversation.

Un nom crucial, qui apparaissait dans la première demande nigérienne de blocage des fonds, ne figure plus dans la demande d'entraide officielle adressée à la Suisse: celui de Gilbert Chagoury, considéré comme l'homme le plus puissant du Nigeria. Son père, René, s'est installé dans l'Etat septentrional de Kano après avoir quitté son village de Mizaria, au Liban. Gilbert, le plus âgé de ses cinq enfants, a bénéficié faiblement de son amitié de longue date avec Sani Abacha, qui a lui aussi vécu à Kano. Au Nigeria, dont il est ressortissant, on évalue - libéralement sans doute - sa fortune à quinze ou vingt milliards de dollars: les Chagoury sont notamment actifs dans le pétrole, principale ressource du pays, et dans la construction. Gilbert Chagoury a versé des contributions au parti démocratique nigérian, a été reçu par des conseillers de la Maison-Blanche et conseiller spécial du président du Bénin Mathieu Kérékou. L'un des membres de la

Les réseaux de corruption

LE CLAN

LES INTERMEDIA



famille, Ronald, représente l'île de Grenade à l'Unesco et a été décoré par le pape pour ses œuvres charitables.

Amnistie

L'homme est si important pour l'économie du Nigeria que les poursuites contre lui ont été abandonnées, au nom de l'unité nationale et en vertu d'un décret qui permet aux amis de l'ancien régime de bénéficier d'une amnistie en échange d'une compensation financière. Gilbert Chagoury se

Un dossier ivoirien en préparation

UNE NOUVELLE qui n'étonnera personne. Le nouveau régime en place en Côte d'Ivoire traque les fonds prétendument détournés par les anciens dignitaires du pays. Notamment quelque 180 millions de francs français, soit environ la moitié de l'aide européenne octroyée pour la lutte contre le sida, la décentralisation et la préparation des élections. Une partie de cet argent se trouverait dans les banques suisses. Les avocats de l'Etat ivoirien, Mes Jacques Vergès et Dominique Poncet, ont exposé vendredi le dossier au procureur général genevois Bernard Bertossa. Ils vont prochainement déposer plainte pour blanchiment d'argent et solliciter la saisie des fonds. Une demande d'entraide judiciaire est actuellement en préparation à Abidjan.

Fati Mansour

Qui ont permis l'intraisonnable pillage d'un pays

Les réseaux de corruption mènent du Nigeria en Suisse

| LE CLAN | LES INTERMÉDIAIRES | LES SOCIÉTÉS ÉCRANS | LES BANQUES |
|---|---|--|--|
| <p>Harif Abacha président du Nigeria entre 1993 et 1998 il a été accusé de s'être enrichi de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Mohammed Sani Abacha frère de Harif Abacha il a été accusé de s'être enrichi de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Abdullahi Abacha frère de Harif Abacha il a été accusé de s'être enrichi de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> | <p>Gilbert Chagoury le plus riche homme d'affaires du Nigeria il a été accusé de s'être enrichi de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Abou Bakr Goussao président du Niger il a été accusé de s'être enrichi de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> | <p>Meisun Management Ltd. société écran basée à Zurich elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Garner Trading Inc. société écran basée à Zurich elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Technical Management Services Inc. société écran basée à Zurich elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Alger Network Ltd. société écran basée à Zurich elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Vostra Commodities société écran basée à Zurich elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Grady Services Incorporated société écran basée à Zurich elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Family Establishment société écran basée à Zurich elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Prater Inc. société écran basée à Zurich elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> | <p>Credit Suisse banque suisse elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Zürcher Kantonalbank banque suisse elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Goldman Sachs banque américaine elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Schweizer Bank banque suisse elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Barclays Bank banque britannique elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Union Bank banque américaine elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>UBS banque suisse elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Bank of America banque américaine elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Bank of Paris banque française elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Bank of London banque britannique elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Bank of New York banque américaine elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> <p>Bank of Montreal banque canadienne elle a été accusée de s'être enrichie de plusieurs milliards de dollars à la suite de sa prise de pouvoir.</p> |

trouverait actuellement à Paris où il possède une résidence, mais il pourrait faire l'objet de poursuites à Genève, pour blanchiment d'argent. Son avocat, Luc Argand, souligne cependant que la demande d'entraide pénale ne vise pas son client et conteste qu'il ait ouvert des comptes pour le clan Abacha.

Pourtant, comme le confirme le juge d'instruction Georges Zechin, le nom de Gilbert Chagoury revient souvent parmi les propriétaires de comptes douteux bloqués, avec ceux de Mohammed et Abdullahi Abacha, respectivement fils et frère de Sani Abacha. Gilbert Chagoury semble avoir joué un rôle décisif auprès des banques suisses dont il est un bon client depuis longtemps. Ce serait par son entremise que Mohammed Abacha a pu ouvrir un compte renfermant 200 millions de dollars au Credit Suisse de Zurich alors que son père était déjà au pouvoir. « Les Chagoury sont très connus dans les milieux bancaires, explique un initié, il était presque impossible aux banquiers de se méfier d'eux ».

PUBLICITE

Une bonne solution pour la Suisse

Direction avenir

Les accords bilatéraux avec l'Europe sont parfaitement adaptés à la réalité suisse.

Accords bilatéraux

Oui

Oui aux accords bilatéraux Suisse-Europe

Le 11 mai 1994, www.suisse.ch/bilatéraux

TRANSLATION FROM FRENCH
ARTICLE APPEARED ON THE "TEMPS" on Saturday 22/01/2000

Title

Laundered money – 12 Swiss banks under investigation – 140 accounts blocked – The Swiss Confederation has accepted the application of the Nigerian Government to grant the requested judicial aid on funds looted by the ex Dictator Sani Abacha, the importance of which exceeds all expectations of known cases investigated so far.

One Billion Swiss Francs are involved. The subject of stolen Nigerian funds takes gigantic amplitude.

Journalist – Sylvain Besson

The enquiry about the funds deposited in Switzerland by the last dictator of Nigeria, Sani Abacha who died in 1998 and his family continues to occupy the headlines of the press. The Federal Office of Police has announced that it has, on instructions of the present Federal Government of Nigeria, opened a file to give judicial assistance in dealing with the investigation relative to the funds held in Banks in Switzerland.

In parallel, the investigators have reported that new discoveries of suspicious accounts have been found.

These discoveries amount now to US\$ 645 Million (about One Billion Swiss Francs) divided in 140 bank accounts which have been blocked in various Swiss Banks and not US\$ 550 Million as previously announced. Also, according to the Federal Office of Police, this amount can still be increased. The enormity of these amounts provokes the astonishment of the Authorities. "How could these banks accept such money from Nigeria generated from looting and laundering by a Dictator who is corrupt and brutal at a time when banks were specifically instructed to be more vigilant towards funds deposited by public Officials, particularly having as example the matter involving ex Dictator of Philippines Marcos in the late 1980's?"

The Swiss Federal Banking Commission is presently investigating this matter with the Banks concerned. The Swiss Federal Banking Commission is interested to know if the various Banks holding these funds have respected the rules concerning the legislation relative to funds transferred by Public Officials.

Out of the 12 Banks under investigation, the most problematic case seems to be the Credit Suisse in Zurich. In 1995, whereas Sani Abacha was in power since 2 years, this Bank has opened an account for his son, Mohammed, who was 26 years of age. The sum blocked on this account as revealed by the investigations is impressive. More than US\$ 200 Million equivalent to about CHF 300 Million have been blocked.

The Geneva Judge George Zecchin who is instructing this case confirms this information. The Credit Suisse is not disclosing any details on this matter but confirms that it is co-operating very closely with the judicial competent Authorities. The Bank can defend itself in invoking that Mohammed Abacha did not disclose to the Bank his true identity at the time and he presented himself as an honest Nigerian businessman, using the name of Mohammed Sani.

According to the information gathered by our newspaper, this person was presented to the Credit Suisse by Mr Gilbert Chagoury, a very wealthy Lebanese businessman born in Nigeria who is a key personality in this matter as well as an old client of the Bank.

The Swiss Federal Banking Commission considers this explanation of Credit Suisse as very suspicious. They say that "when a Bank accepts to receive funds of such importance from a client who comes from a country with problems like Nigeria, it is not enough to ask the usual questions of the origin of the funds but it is more important to effect a scrutiny of the client and the source of the funds. The Swiss Federal Banking Commission has remarked that it was imperative for the Bank to find out if this client was linked to the family of the President".

In other instances, the funds of the Abacha family were disguised under various offshore Panamean Companies or others. But the explanations given by the Swiss Banks do not convince fully the investigators and the Judge. In the years 1980's, Banks were sending their marketing men to Nigeria to invite potential clients with funds to open deposit accounts in their banks and, at that time, Sani Abacha was known to be the no 2 in the military regime of Nigeria.

Enrico Monfrini, the Swiss lawyer representing the interest of the FGN in this legal action says that "everybody, including the banks, have acted in full cognizance of the facts and everybody will now try to exonerate itself".

If the penal charges of this case cannot yet be determined, the result of the investigation being conducted by the Swiss Federal Banking Commission can cause even greater negative repercussions on all the protagonists involved in this case. A high Federal Government Official in Switzerland expressed his anxiety on the bad publicity which will besmirch the financial credibility of Switzerland. This Official states that the Swiss Government had requested all Banks in Switzerland to be extremely vigilant on funds deposited by public Officials. This case shows us that somewhere something has not functioned properly.

The network and the practices which have permitted the unbelievable looting of a country (Nigeria).

The family of the dictator Sani Abacha has looted about CHF 3.4 billion in 5 years whilst in power, namely by use of fictitious contracts.

CHF 3.4 billion this is the amount which the family of Sani Abacha, Military dictator of Nigeria has looted from 1993 – 1998 from the Nigerian Public funds whilst in power.

More than Mobutu in 32 years in power. The figure emanating from the present Nigerian Administration and confirmed by the Swiss Federal Office of Police describes the magnitude of this loot which is considered the most important case which involves Switzerland as the recipient of these funds.

Our newspaper has reconstituted and dismantled the network, which permitted the Abacha clan to hide and save such loot of an unbelievable magnitude.

The greater part of the looted money has disappeared into several foreign banks.

The head of the Government, Sani Abacha deceased suddenly in 1998 had the procurement and signature giving access to the foreign reserves of the Central Bank of Nigeria and the military force to intimidate the Officials whom appeared more scrupulous. Sani Abacha distributed fictitious contracts to his relatives and acolytes who thereafter were required to stash the funds acquired into safe haven.

As an example, Nigeria has contracted with a Russian construction firm for the building of a giant steel mill. The "Ajaokuta Steel Complex" which until this day is not functional. The Federal Government of Nigeria has disbursed a first tranche of 950 Million Marks or equivalent to about CHF 756 Million.

But the Russian Contractor has only received DM 340 Million. Where did the balance go ? A part of this balance i.e. about DM 300 Million has been blocked in UK on the account of Abubakar Attiku Bagudu, a Nigerian businessman of 42 years old, close to the Abacha clan. The son of Sani Abacha, Mohammed, 31 years of age who pretended to manage an Air Transportation Company "Selcon Airlines" with activities broadly fictitious was the other beneficiary of this operation.

In another example, the wife of Sani Abacha, Maryam, has ordered vaccines for a value of US\$ 111 Million to a Company belonging to her own family "Morgan Procurement Ltd". These vaccines which were manufacturer by a French Pharmaceutical enterprise had a value of only US\$ 48 Million. The difference was split in various accounts, one of which was held in a Geneva Bank in the name of Abubakar Bagudu and Mohammed Abacha.

In other instances, the Central Bank of Nigeria by instructions of Alhaji Ismailia Gwarzo, National Security Adviser of Sani Abacha, has disbursed several Millions of Dollars for fictitious purchases of military equipment and fictitious financial aid to neighbouring African countries or for fictitious public relation campaigns to improve the image of Nigeria, which never took place. A part of this looted money has been found in Nigeria in cash under the carpet of the Villa of Alhaji Gwarzo. But the major part of the loot has evaporated and found its way to foreign bank accounts. To achieve its ends, the Abacha clan has obtained the complicity of various businessmen both Nigerian and foreigners, some of which are well known in Geneva. These businessmen have given their private planes to assist the looters in carrying their loot in cash. The FGN has lodged a complaint against the Abacha clan and also against Alhaji Abubakar Attiku Bagudu and Alhaji Ahmadu Daura, another Nigerian businessman. The charges raised by the FGN relate to criminal acts and complicity in money laundering and theft.

Abubakar Bagudu who has been heard by the Judge in Geneva denies all malpractice. A crucial name in this case which appeared in the first injunction of Nigeria, namely Gilbert Chagoury does not appear any longer in the official request formulated by Nigeria to Switzerland. The latter is considered as the most powerful and influential person in Nigeria. His father, René Chagoury has established in the Northern State of Kano after having left his village in Miziara in Lebanon.

Gilbert, the eldest of his five children has benefited considerably from his long-term friendship with Sani Abacha who comes from the State of Kano. In Nigeria, they evaluate his fortune at some 15 – 20 Billion Dollars. The Chagoury's are mainly active in crude oil, main natural resource of Nigeria and in construction. Gilbert Chagoury is also known to have contributed to the Democratic Party in the U.S.A. He was received by Officials at the White House. He is also special Adviser to the President of Benin, Mathieu Kerekou. One of his family members Ronald represents Granada Island at the UNESCO and was decorated by the Pope for his charity activities.

This man is so important for the Nigerian economy that legal proceedings against him have been abandoned, in the interest of the nation and by virtue of a decree which permits to friends of the old regime to benefit from an immunity and amnesty in exchange of a financial contribution to the country.

Gilbert Chagoury is presently in Paris where he is resident but he could still be prosecuted in Geneva for money laundering. His lawyer, Me Luc Argand, states that the request of Nigeria for inter-aid does not concern his client and he contests that his client has opened accounts for the Abacha clan. Nevertheless, as the instructing Geneva Judge George Zecchin confirms, the name of Gilbert Chagoury appears frequently amongst the names of the beneficiaries of suspicious accounts which have been blocked together with those of Mohammed and Abdulkadir Abacha, respectively the son and brother of Sani Abacha. Gilbert Chagoury seems to have played a decisive role towards the Swiss banks with which he has been dealing for many years. It is through his intervention that Mohammed Abacha was able to open an account in the Credit Suisse at Zurich in the amount of US\$ 200 Million, at a time his father was in power in Nigeria. "The Chagoury's are well known in the banking circles" explains one person in the banking circle. "It was almost impossible for a banker to doubt his credibility and good faith".

THE NETWORK OF CORRUPTION FROM NIGERIA TO SWITZERLAND

| THE CLAN | THE INTERMEDIARIES | THE OFFSHORE COMPANIES | THE BANKS |
|--|--|--|---|
| Sani Abacha (photo) President of Nigeria between 1993-1998 dies in 1998 in the company of prostitutes officially from heart failure consequent to sexual over-dose | Gilbert Chagoury Lebanese born in Nigeria and businessman acting on behalf of Abacha Abubakar Attiku Bagudu 42 years old, businessman | Morgan Procurement Ltd Garnel Trading Inc. Technical management Services, Inc. | Credit Suisse Zurich Goldman Sachs - Zurich Schroder Bank - Zurich Banque Leu - Zurich |
| Maryam Abacha (photo) 48 years old - his wife | Alhaji Ismaila Gwarzo N.S.A. | Allied Network Ltd | Union bancaire privée Geneva |
| Mohammed Sani Abacha (photo) 51 years old son of Sani Abacha and businessman acting for the family | Various lawyers and Western businessmen some of which are domiciled in Switzerland | Vectra Commodities Gretty Overseas Incorporated | UBS Geneva Banque Nationale de Paris Geneva Société Générale - Geneva |
| Abdulkadir Abacha 49 years old brother of Sani Abacha | | Faroly Establishment Prafer Inc. | Crédit Agricole - Geneva Banque Pictet - Geneva |
| Ibrahim Abacha son (deceased in 1996) and Abba Sani Abacha brother of Mohammed | Alhaji Gwarzo used cash withdrawals and wired amounts to fronting companies having accounts in Switzerland and elsewhere. Some amounts were carried in cash in suitcases by Nigerian businessmen or lawyers and Western businessmen who where well acquainted with Nigeria. Gilbert Chagoury heading a large Lebanese family was the man trusted by Sani Abacha and controlled practically the business dealings between Nigeria and the rest of the world. His credit with banking institutions appears to have enabled him to obtain the opening of accounts in Switzerland for Mohammed Abacha. Abubakar Bagudu appears to have participated in the transfer of funds. | Once money transferred it was deposited on various offshore accounts in various banks. The accounts and the Companies had no activity. The utilization of such offshore companies permit the members of the clan not to appear as beneficiaries but in fact they were employed to hide their association and identity as owners | Banque du Gothard - Geneva Put into confidence by Gilbert Chagoury and other businessmen linked to the Abacha clan, 11 banks based in Switzerland accepted over 645 million US\$ (approx. 1 billion Swiss Francs) arising from the looting of public Nigerian funds. They alleged to-day that they had believed that Mohammed Abacha was nothing but an honest businessman. The Federal Banking Commission is investigating in order to discover whether any negligence was committed |

CITIBANK

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 34a.

PUBLIC FIGURE POLICY

June 1998

CB021476

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OBJECTIVE AND RATIONALE

Clients who are public figures can expose the PBG to special risks because of their prominence and public positions. Typically, public figures are not part of the market segments targeted presently by the PBG (e.g., established wealth, active business owners, corporate/legal executives); however, the PBG does have clients who are, or could become, public figures. This document sets forth policy and standards to be followed by the Citibank Private Bank in accepting or retaining clients who are, or who become, public figures.

SCOPE

This Policy is applicable to all PBG business locations throughout the world and supersedes all previously issued Group public figure policies. Public figures covered by this Policy include government officials, executives of government owned corporations, military officers, and politicians who occupy, recently occupied, or are actively being considered for a senior public position in a country, state or significant municipality. Close family members (e.g., spouse and children) and senior advisors associated closely with a public figure should also be treated as public figures, subject to this Policy. When in doubt as to whether an individual should be treated as a "public figure" for review and approval purposes, the Market Region Head should consult the Group Executive.

POLICY

As a general rule, public figures will not be targeted by the PBG as new clients; therefore, the rare acquisition of a new public figure client can only be made with the approval of the Group Executive of the Private Bank, upon recommendation by the Market Region Head for the client's country of domicile.

Existing clients of the PBG who are public figures, or clients who become public figures at a future time, will be subject to a special review to determine whether their retention as a client of the PBG is appropriate. The decision to retain or terminate a public figure client will be made by the Group Executive, upon recommendation of the *appropriate Market Region Head* (see Glossary).

STANDARDS

New Public Figures

1. While the PBG applies strict standards of due diligence to all clients, the rare acceptance of public figures as clients requires the highest level of sound and balanced judgement, applied judiciously to all relevant considerations. Before approving the acceptance of a public figure as a new client, the Group Executive and the appropriate Market Region Head will conduct a comprehensive review of the individual. This same review process will be applied whenever an existing client becomes a public figure.

- 1.1. The review will cover all relationships and accounts (including PICs and trusts) the client has or proposes to have with the PBG globally, as well as anticipated transaction types and volumes.
- 1.2. Prior to submitting a new public figure's name to the Group Executive for review and approval, the Private Banker must notify the following to ensure that they are given an opportunity to provide any relevant information or express any potential concerns:
 - 1.2.1. For non-U.S. prospects or clients: the Country Corporate Officer for the Booking Center's Country.
 - 1.2.2. For U.S. prospects or clients: the Corporate State Officer for the state where the account is booked.
 - 1.2.3. The Market Region Head for the Booking Center (if different from the prospect's domicile).
- 1.3. When submitting a public figure's name to the Group Executive for review and approval, a client profile, completed in accordance with the Private Bank's Global "Know Your Client" Policy, must be provided. Also, the Opening Diary Note (ODN), as defined in the PBG's Global KYC Policy, must describe clearly the circumstances that make a prospect a public figure.
- 1.4. The Group Executive will consult with appropriate (non-PBG) seniors of Citibank, as necessary, as well as the Public Figure Review Committee consisting of the PBG Risk Manager, Compliance and Control Head, and General Counsel (or their designees).
 - 1.4.1. During the review, special consideration will be given to the public figure's source of wealth, reputation, and any Citibank relationship history.
- 1.5. The Group Executive and Market Region Head will document in writing their approval to accept a new public figure client.
- 1.6. Consistent with the PBG's Global KYC Policy, new public figure clients, or existing clients who become public figures, may not be "isolators" (as the term is defined in the PBG's Global KYC Policy). These individuals must authorize disclosure of information to the extent necessary for review and approval by the Group Executive and Market Region Head for the client's country of domicile.

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Existing Public Figures

2. Public figure clients retained by the PBG will be reviewed annually by the Group Executive.
 - 2.1. The appropriate Market Region Head and the Public Figure Review Committee (see Standard 1.4) will participate in the annual review.
 - 2.2. The annual review will cover all relationships and accounts the client has with the PBG globally and include an assessment of transaction activity. If the client has accounts in secrecy jurisdictions, and has not waived secrecy rights provided by local law, separate reviews will take place in the respective secrecy jurisdictions.
 - 2.3. A current profile and relevant transaction trend reports must be made available to the reviewers.
 - 2.4. The Group Executive's annual approval to retain a public figure client will be documented in writing.
 - 2.5. For existing public figure clients who are "isolators" (as the term is defined in the PBG's Global KYC Policy), the annual review shall consider whether continuation of the client's isolator status is appropriate.
 - 2.6. If a decision is made to terminate an existing relationship, the Market Region Head will work with the relevant business managers and Private Bankers to develop a reasonable exit strategy.
 - 2.7. In the event that the PBG files a Suspicious Activity Report (per Standards 48 and 49 of the PBG's Global KYC Policy) with regard to a public figure client, the PBG Group Executive, the relevant Market Region Heads, and the Public Figure Review Committee (see Standard 1.4) shall be advised promptly and an immediate review of the relationship will commence, in accordance with Standard 2.
 - 2.8. If an existing public figure client becomes a prospect in a different Booking Center, the notification requirements of Standard 1.6 must be applied.

DEVIATIONS

Any deviation from the standards defined in this policy requires approval by the Group Executive and the Group Compliance & Control Officer. Deviations cannot exceed one year; they must be reviewed and re-approved at least annually.



GLOSSARY

Appropriate Market Region Head - For clients with accounts in Switzerland or Luxembourg, who have not waived secrecy rights provided by local law, the appropriate Market Region Head shall be the EMEA Market Region Head. The appropriate Market Region Head for all other clients shall be the Market Region Head for the client's country of domicile.

Policy questions should be directed to your Group or Market Region Compliance and Control Officer or Legal Counsel.

C6021480

To: PBG Forum

Senate Permanent Subcommittee
on Investigations

Re: PBG Public Figure Policy

EXHIBIT # 34b.

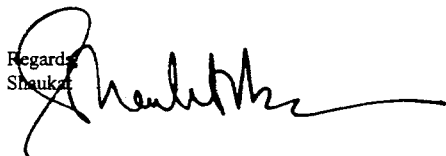
The PBG's Know Your Client (KYC) Policy, which was issued in September 1997, includes a section about accepting public figures as clients. Since 1997, we have continued to develop and refine the PBG's business strategy and at this time believe it is appropriate to enhance and clarify our approach to public figure clients in a separate, more comprehensive Policy (copy enclosed). In line with our new strategy, public figures are not a targeted business segment; the acquisition of new public figure clients will be the exception to the rule and will require my approval. Existing public figure clients will be subject to an annual review by a newly formed committee consisting of Daina Hill, John Ingraham, Mark Musi, and me.

This new Policy supersedes Standards 9-12 of the KYC Policy and any other local PBG public figure documents. Effective July 1, 1998, any new public figure client will be subject to the pre-acceptance review and approval requirements of the Policy. All existing public figure clients must be identified and reported for Group Executive review by September 30, 1998.

As always, I am counting on each of you to support the Policy fully, share copies with all applicable employees in your units, and provide any necessary training. Questions about the Policy should be directed to Daina, Mark or your local Compliance & Control representative.

The Policy will be distributed electronically via the next update of the Policy and Reference Information Server (PARIS).

Regards,
Shaukat



KYC ANNUAL REVIEW STANDARDSOBJECTIVES

The Objectives of the KYC Annual Review are:

1. To review the client's entire relationship, taking into consideration the client's/account holders' source of wealth, net worth, net income, and actual transaction activity, and ensuring that the client continues to be appropriate for the PBG.
2. To ensure that the profiles and other client/account holder documentation is updated to reflect significant changes in activity, ownership, or public information.

STANDARDS

1. The annual review must be completed within 12 months from either a) initial client/account holder acceptance (i.e., the date of final sign-off approval), or b) the prior annual review.
2. The annual review may be combined with the annual credit approval review or the annual investment review, as long as all of the standards included within this document are addressed.
3. The annual review must be performed by the Private Banker and approved by his/her supervisor. Special status clients require additional approvals, as noted below:
 - 3.1 Public Figures – must be reviewed and approved annually by the Group Executive, the Public Figure Review Committee, and the appropriate Market Region Head (refer to the Public Figure Policy for more details).
 - 3.2 Non-Target Market Clients – must be reviewed annually by the Global Market Manager to ensure that their retention continues to be appropriate.
 - 3.3 Special Name Accounts – must be reviewed annually by the Global Market Manager to ensure that their retention continues to be appropriate.
 - 3.4 PBG Employees (*and their relatives*) – must be reviewed annually by the Global Market Manager to ensure that their retention continues to be appropriate.
 - 3.5 Money Managers – a due diligence review must be performed annually by the Market Region Head to ensure that the Money Managers provide adequate written assurances that they continue to enforce acceptable KYC processes, that KYC information on each of their clients is updated, and the retention of the Money Manager continues to be appropriate.

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4. The annual review and approval must be documented and dated. This can be accomplished by either using a separate form/checklist or by indicating on the existing profile that nothing has changed (evidencing that, at a minimum, the standards in this document were considered). If there have been any changes in the relationship (e.g., SOW, additional parties, or change in public figure status), the profile must be updated accordingly. Private Bankers can record any changes on the form/checklist, rather than preparing an entirely new profile, as long as the form/checklist is stored together with all of the other KYC information on that client.
5. At a minimum, the annual review must include the following:
 - 5.1 A check of the relationship's accounts and account titles to ensure that all clients, account holders, and authorized signers have been profiled.
 - 5.2 A review of the relationship's profiles to ensure that they are complete, accurate, and up-to-date. Call reports, newspaper articles, financial reports, the results of office/home/factory visits, marketing brochures, and any other client file information, should also be reviewed and considered at this time.
 - 5.3 An evaluation of the client's/account holder's actual transaction activity for appropriateness. The effects of any significant inflows, transaction trend breaks, and changes in the accounts' purposes should be considered. The transaction trends profile should also be reviewed to ensure that it is still appropriate.

C8014923

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 34 d.

MEMORANDUM

To: Marcelo Mendoza
From: Alan Robinson
Date: 20th June, 1995.
Subject: PUBLIC FIGURES

Marcelo,

Part of the requirement for the Citibank "Public Figure" Policy is an annual review and certification that we are maintaining a consolidated list for the business head to ensure that he reviews this with Philippe Holderbeke.

I send to you a copy of an explanation of the requirements and process of the Public Figure Policy and would ask you to confirm back to me via citimail a complete list of customers who fall in this category.

Regards,

Alan.

Enc.

C8024678

Public Figure 1996

08 May-96

| CITIBANK BRANCH | REGION | COUNTRY | A/C BASE | CUSTOMER NAME | FUNCTIONS | COMMENT |
|-----------------|--------|---------|----------|---------------|-----------|---------|
|-----------------|--------|---------|----------|---------------|-----------|---------|

REDACTED

REDACTED

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 34e.

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ONLY

REDACTED

| CITIBANK BRANCH | REGION | COUNTRY | AC BASE | CUSTOMER NAME | FUNCTIONS | COMMENT |
|-----------------|--------|---------|---------|---------------|-----------|---------|
|-----------------|--------|---------|---------|---------------|-----------|---------|

REDACTED

MEA GABON OMAR BONGO President of Gabon

REDACTED

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REDACTED

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CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF
ONLY

Received 8/5/96 + A de Lucia

P. Heltbæk

10/10/10
10/10/10

| P. F. 1996 | | | | | | |
|------------|--------|---------|----------|---------------|-----------|----|
| 16-Oct-96 | | | | | | |
| UNIT | REGION | COUNTRY | A/C BASE | CUSTOMER NAME | FUNCTIONS | RM |

REDACTED

REDACTED

REDACTED

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ONLY

| UNIT | REGION | COUNTRY | A/C BASE | CUSTOMER NAME | FUNCTIONS | \$ AUM | RM |
|---------------|--------|---------|----------|---------------|--------------------|---------|------------|
| <u>P86 UK</u> | MEA | GABON | 301605 | OMAR BONGO | President of Gabon | 22.7 MM | M. MATHEWS |

REDACTED

REDACTED

REDACTED

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ONLY

| UNIT | REGION | COUNTRY | A/C BASE | CUSTOMER NAME | FUNCTIONS | \$ AUM | RM |
|------|--------|---------|----------|---------------|-----------|--------|----|
|------|--------|---------|----------|---------------|-----------|--------|----|

REDACTED

| | | | | | | |
|-----|---------|--------|---------------|-------------------------------------|---------|------------|
| MEA | NIGERIA | 305382 | Muhammed Sami | Son of Minister for Youth and Sport | 18.5 MM | M. MATHEWS |
|-----|---------|--------|---------------|-------------------------------------|---------|------------|

REDACTED

REDACTED

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ONLY

| UNIT | REGION | COUNTRY | A/C BASE | CUSTOMER NAME | FUNCTIONS | \$ AUM | RM |
|------|--------|---------|----------|---------------|-----------|--------|----|
|------|--------|---------|----------|---------------|-----------|--------|----|

REDACTED

REDACTED

Reviewed with Group Executive
P. Holmberg
0.1.19.11

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MEMORANDUM


CITIBANK 
THE CITIBANK PRIVATE BANK

TO: Alan Robinson
FROM: Melanie Walker/Michael Mathews
DATE: 9th October 1996
SUBJECT: Public Figure Reporting

Further to the recent amendment to reporting requirements for Public Figures detailed in your Citimail of today's date, we wish to report a pseudonym account, the beneficial owner of which is:

REDACTED

The client has been known to us since 6th April, 1988 when he established a Confidas PIC with his brother, REDACTED. The brother was killed REDACTED in March this year and the funds remain entirely under the control of the surviving brother. He is the sole signatory on the account.


Melanie Walker
Michael Mathews

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NAVARRIO(CAMS Client Profile - Continued/...)

Long-standing global relationship, with us for eight years, with regular contact. Funds are used actively as support for a range of projects such as a REDACTED airline, commodity imports, supporting tenders for major public sector contracts etc. We have provided trade finance, overdraft facilities, and fiduciary services. Investments have been discussed, but liquidity and maximum LTV is usually a key requirement, so assets have tended to remain in cash. Lots of potential to do further deals going forward - it will be very much in an opportunistic basis, as offers crop up. CNR has been good, and we are one of several favoured banks. We continue to explore opportunities on a regular basis.

True economic owner: REDACTED

Transaction profile: regular significant inflows by TT, representing earnings from trade transactions, commissions paid by pharmaceutical companies, and surpluses moved from other prime banks known to us (client also deals with an ex-PBG a/c officer at Credit Suisse, amongst others). No cash transactions. Trade deals are invariably of a large size, with large profit margins in Nigeria, which explains the size of the inflows.

Source of wealth is from an airline business, and a volume trading business in pharmaceutical goods; also supplies for government-tendered engineering projects.

Est NW: \$100MM

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CS003255

PUBLIC FIGURES REVIEW - 1997


DESIGNATION OF NEW PUBLIC FIGURE OR INTERIM/ANNUAL REVIEW


MARKETING UNIT : FRANCE
 TRUST/PIC RELATIONSHIP AT : PARJS
 ACCOUNT OFFICER : C.L. ROGERS
 COUNTRY OF RESIDENCE : GABON
 A/C BASE NUM. : 0161.133.019 Rib 83
 ACCOUNT NAME : Omar BONGO
 CUSTOMER NAME :
 REASON FOR PUBLIC FIGURE STATUS : President of Gabon
 TOTAL AUM's AS OF : Est. FF 15 MM by 21/3/97
 ACCOUNT OPEN SINCE : March 21st, 1997

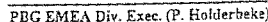
CURRENT STATUS (Know Your Customer)

- Reputation, development, etc.

Longstanding PBG global customer. Relationship characterized by good professional continuity, by generally solid performance based on conservative investment guidelines, and by an absence of major problems. Because of his position and importance to our franchise in Gabon, we make a point of keeping GRB consulted and involved whenever necessary (see attached cm from Gabon CCO Nuhad Saliba dd 12th March, 1997). Wealth stems primarily from personal interests in the oil and timber sectors in Gabon Congo and Equatorial Guinea, but also from real estate investments in France and, more recently, South Africa. 1996 was a reelection year which turned out a solid legislative majority for him. Enjoys strong reputation as senior statesman in the Francophone Central African Region, with especially strong backing from France.

DATE OF REVIEW : March 13th, 1997Approved :
(Name Stamp)

 France Business Head
 F. HERVE


 Global Mktg Head
 C.L. ROGERS


 PBG EMEA Div. Exec. (P. Holderbeke)

⇒ After all signatures are applied, please send :

- Original to A/c Documentation Unit
- Copy to Walter Glanzmann, Compliance E/7, (in sealed envelope)

X000431

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PUBLIC FIGURES REVIEW - 1997

DESIGNATION OF NEW PUBLIC FIGURE OR INTERIM/ANNUAL REVIEW

MARKETING UNIT : FRANCE
TRUST/FIC RELATIONSHIP AT : PARIS
ACCOUNT OFFICER : C.L. ROGERS
COUNTRY OF RESIDENCE : GABON
A/C BASE NUM. :
ACCOUNT NAME : LEONTINE
CUSTOMER NAME :
REASON FOR PUBLIC FIGURE STATUS : President of Gabon

TOTAL AUM'S AS OF : Est. FF 15 MM by 21/3/97 = 22 MM
ACCOUNT OPEN SINCE : March 21st, 1997

CURRENT STATUS (Know Your Customer)
- Reputation, development, etc.

Longstanding PBG global customer. Relationship characterized by good professional continuity, by generally solid performance based on conservative investment guidelines, and by an absence of major problems. Because of his position and importance to our franchise in Gabon, we make a point of keeping ORB consulted and involved whenever necessary (see attached cm from Gabon CCO Nuhad Saliba dd 12th March, 1997). Wealth stems primarily from personal interests in the oil and timber sectors in Gabon Congo and Equatorial Guinea, but also from real estate investments in France and, more recently, South Africa. 1996 was a reelection year which turned out a solid legislative majority for him. Enjoys strong reputation as senior statesman in the Francophone Central African Region, with especially strong backing from France.

DATE OF REVIEW : March 13th, 1997

Approved :
(Name Stamp)

[Signature] S. M. RAZA, VP.
France Business Head P. HERVE Global Mktg Head C.L. ROGERS
C.L. ROGERS
PBG EMEA Div. Exec. (P. Holderbeke)
Vice President

After all signatures are applied, please send :
- Original to A/x Documentation Unit
- Copy to Walter Chanzmann, Compliance E/7, (in sealed envelope)

X007070

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ONLY

OPENING DIARY NOTE
CLIENT BASIC INFORMATION UPDATE

| | | |
|---|---|--|
| PBG UNIT | <u>Paris</u> | <input type="checkbox"/> Shared Relationship |
| ACCOUNT BASE | <u>0161.134.015 Rib 05</u> | <input type="checkbox"/> Courtesy Account |
| ACCOUNT NAME | <u>LEONTINE Ltd</u> | |
| First A/C Holder | <u></u> | |
| Secondary A/C Holder | <u></u> | |
| Independent source of wealth : (if Yes, separate ODN required) | <input type="checkbox"/> Yes <input type="checkbox"/> No | |
| Beneficial Owner (in case of SPV) | <u>Refer to Appendix B, KYC Policy, March 5th, 1997</u> | |
| Power of Attorney | <u></u> | |
| Power of Attorney | <u></u> | |
| Power of Attorney | <u></u> | |
| Risk Classification | <input type="checkbox"/> High (prior approval of MRH + MM) <input checked="" type="checkbox"/> Normal | |
| | <input checked="" type="checkbox"/> Public Figure (prior approval of MRH + MM) see separate public sector memo dd March 13 th , 1997. | |

| |
|---|
| Origin of relationship (i.e. PBG referral, intermediary referral, client referral, direct marketing or other) Intermediary referral but longstanding global PBG relationship with beneficial owner. |
|---|

| |
|---|
| Written references (2 required) (name and type of reference : letter, citimail) See Citibank Gabon citimail from CCO Nuhad Saliba, dd March 12 th , 1997; also a copy of PBG New York January '97 call memo. |
|---|

X007071

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| | |
|---|------------------------------------|
| Details on the client | |
| <u>Personal situation</u> Twice married, 5 children from a previous marriage, 2 from a current one. | |
| <u>Business activity</u> See below under "sources of wealth". | |
| <u>Life and residence patterns</u> Is a world traveler befitting his official stature and functions but prefers quiet residence in home town of Franceville, Gabon, whenever possible. Owns several pieces of residential property in Paris and elsewhere in France. | |
| <u>Other relevant details</u> | |
| Source of wealth | |
| <ul style="list-style-type: none"> • Oil consulting and trading • Forestry sector • Real estate | in association with major partners |
| <u>Verification:</u> • PBG relationship with various partners • Citibank Libreville | |
| Source of funds - Initial deposit | |
| FF 14 MM from personal account in Franceville. | |
| <u>Verification:</u> • Citibank Libreville | |
| Source of funds - Major subsequent additions (to be detailed in separate memos to file) | |
| N.A. as of date. | |
| <u>Verification:</u> | |
| Estimated total wealth broken down by components (real estate, value of business, financial assets, etc.) and geographic allocation including all known liabilities. Estimated Net Worth. | |
| Estimated offshore assets | \$ 500 MM |
| Financial information (Summary balance sheet) | |
| In-house PBG managed portfolio of \$ 52 MM in New York and London, another \$ 250 M equivalent average CFA balances in Libreville. | |
| Transaction Profile | |
| Managed account, conservative investment guidelines. Low activity, regular buildup, probably fairly rapidly in first year. Select margin lending (e.g. issuance of guarantees) and FX opportunities might arise in connection with commercial investment opportunities. | |

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| | | | |
|--|-------------|------------|------------|
| Other banking relations | | | |
| • Banque Française Internationale (Biba), Paris and Libreville | | | |
| • BNP, Paris and Libreville | | | |
| • Citibank, Libreville, Paris and New York | | | |
| FBG Team : | | | |
| Primary RM : | C.L. ROGERS | location : | Paris |
| Back-up RM : | P. HERVE | location : | Paris |
| Service Team Support : | S. GARNIER | location : | PARIS |
| Service Team Support : | J.P. HUBERT | location : | PARIS |
| Product/Service Provider : | | location : | |
| Product/Service Provider : | E. AUCONIAN | location : | PARIS |
| Product/Service Provider : | | location : | |
| Other RM's involved : | M. SAUSA | location : | LIBREVILLE |
| Other RM's involved : | A. DEEA | location : | N.Y. |
| Remarks | | | |

APPROVALS

Relationship Manager :

(signature and stamp)

Date : 14 March 1994

Relationship Manager's Supervisor :

(signature and stamp)

Date :

For account opening only : (ODN)

Booking Center Head :

(signature and stamp)

Date :

Market Region Head :

(signature and stamp)

Date :

(for any exceptions to target Market Criteria USD 250,000 initial AL/MS deposits under the USD 3,000,000 minimum total not worth)

This ODN/BIR should be completed in accordance with the draft KYC policy dated 23.1.97.
R:\communalopening_dir\note ODN/BIR02.97

X007073

P. F. 1997 EMEA
 08-Oct-97
 UNIT REGION COUNTRY CUSTOMER NAME FUNCTIONS 1 AUM RM
 Reviewed with S. Arin.
 Oct. '97
 [Signature]

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REDACTED

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ONLY

| UNIT | REGION | COUNTRY | CUSTOMER NAME | FUNCTIONS | \$ AUM | RM |
|------|--------|---------|---------------|-----------|--------|----|
|------|--------|---------|---------------|-----------|--------|----|

P88 UK.

REDACTED

| | | | | | |
|-----|-------|---------------|--|---------|-----------|
| NEA | GABON | OMAR BONGO ** | President of Gabon Established 1987. Primary account New York *** Newspaper reports 4/1987 claim he has accepted bribes from ELF-Aquitaine | 22.7 MM | M. WALKER |
|-----|-------|---------------|--|---------|-----------|

REDACTED

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| UNIT | REGION | COUNTRY | CUSTOMER NAME | FUNCTIONS | \$ AUM | RM |
|------|--------|---------|---------------|-----------|--------|----|
|------|--------|---------|---------------|-----------|--------|----|

PAG UK.

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| | | | | | |
|-----|---------|---------------|--|-------|-----------|
| MEA | NIGERIA | MUHAMMED SANI | Son of Nigerian President Active businessman. Account opened several years before father became President | 45 MM | M. WALKER |
|-----|---------|---------------|--|-------|-----------|

REDACTED

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P. F. 1998 EMEA

28 Jan, 99

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CS001882

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PUBLIC FIGURE REVIEW FORM 1998

UK

THE BELOW MENTIONED PUBLIC FIGURE HAS BEEN REVIEWED BY THE PUBLIC
FIGURE REVIEW COMMITTEE ON JANUARY 28, 1999.

CUSTOMER NAME: ZAKARI MOHAMMED ABACHA

ACCOUNT NAME: ZAKARI MOHAMMED ABACHA

ACCOUNT BASE: 300890

COUNTRY OF DOM.: NIGERIA

MKTG UNIT: BM

ACCOUNT OFFICER: AHMED

PRIMARY ACCOUNT
OFFICER:

PUBLIC FIGURE FUNCTION (AND
REASON FOR TERMINATING
RELATIONSHIP IF ANY):

Brother of the former (now deceased) Nigerian Head of State.

THE FOLLOWING PERSONS WERE PARTICIPATING AT THE PUBLIC FIGURE REVIEW 1998:

PBG GROUP EXECUTIVE

EMEA MARKET REGION HEAD

SWISS INVESTMENT CENTER HEAD

SWISS COUNTRY COMPLIANCE OFFICER

SWISS COUNTRY COMPLIANCE OFFICER

SHAUKAT AZIZ

COLIN WOOLCOCK

DAVID A. TREMBLAY

WALTER GLANZMANN

WALTER GLANZMANN

to close:

check w. Bruce
Hogarth-Jones
for exit strategy

CS001883

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ONLY

PUBLIC FIGURE REVIEW FORM 1998 *UK*

THE BELOW MENTIONED PUBLIC FIGURE HAS BEEN REVIEWED BY THE PUBLIC
FIGURE REVIEW COMMITTEE ON JANUARY 18, 1999.

CUSTOMER NAME: OMAR BONGO

ACCOUNT NAME: TENDIN INVESTMENTS

ACCOUNT BASE: 301603

COUNTRY OF DOM.: GABON

MTG UNIT: EM

S. Race

ACCOUNT OFFICER: BAIL
HERVE

PRIMARY ACCOUNT
OFFICER: ROGERS
OBER (N.Y.)

PUBLIC FIGURE FUNCTION (AND
REASON FOR TERMINATING
RELATIONSHIP IF ANY): President of Gabon.

THE FOLLOWING PERSONS WERE PARTICIPATING AT THE PUBLIC FIGURE REVIEW (PM):

PBG GROUP EXECUTIVE

SHAIKAT AZIZ

EMEA MARKET REGION HEAD

COLIN WOOLCOCK

SWISS INVESTMENT CENTER HEAD

DAVID A. TREMBLAY

SWISS COUNTRY COMPLIANCE OFFICER

WALTER GLANDMANN

SWISS COUNTRY COMPLIANCE OFFICER

Walter Glandmann
Compliance

WALTER GLANDMANN

to be closed

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PUBLIC FIGURE REVIEW FORM 1998

France

THE BELOW MENTIONED PUBLIC FIGURE HAS BEEN REVIEWED BY THE PUBLIC
FIGURE REVIEW COMMITTEE ON JANUARY 18, 1999.

| | |
|--|------------------------------|
| CUSTOMER NAME: | OMAR BONGO |
| ACCOUNT NAME: | OMAR BONGO LIBONTINE LIMITED |
| ACCOUNT BASE: | 161133 161134 |
| COUNTRY OF DOM.: | GABON |
| MKTG UNIT: | BM |
| ACCOUNT OFFICER: | SAHL HERVE |
| PRIMARY ACCOUNT OFFICER: | ROOBER OSBR (N.Y.) |
| PUBLIC FIGURE FUNCTION (AND REASON FOR TERMINATING RELATIONSHIP IF ANY): | President of Gabon. |

THE FOLLOWING PERSONS WERE PARTICIPATING AT THE PUBLIC FIGURE REVIEW 1998:

| | |
|----------------------------------|-------------------------------|
| PRG GROUP EXECUTIVE | SHAIKAT AZIZ |
| EMEA MARKET REGION HEAD | COLIN WOOLCOCK |
| SWISS INVESTMENT CENTER HEAD | DAVID A. TREMBLAY |
| SWISS COUNTRY COMPLIANCE OFFICER | WALTER GLANDZMANN |
| SWISS COUNTRY COMPLIANCE OFFICER | Walter Glandzmann Overseas |
| | WALTER GLANDZMANN |

*to be
closed*

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PUBLIC FIGURE REVIEW FORM 1998 *UK*

THE BELOW MENTIONED PUBLIC FIGURE HAS BEEN REVIEWED BY THE PUBLIC
FIGURE REVIEW COMMITTEE ON JANUARY 28, 1999.

CUSTOMER NAME: ABBA MOHAMMED SANI

ACCOUNT NAME: NAVARRIO (pseudonym s/o)

ACCOUNT BASE: 305382

COUNTRY OF DOM.: NIGERIA

MKTG UNIT: BM

ACCOUNT OFFICER: AHMED

PRIMARY ACCOUNT
OFFICER:

PUBLIC FIGURE FUNCTION (AND
REASON FOR TERMINATING
RELATIONSHIP IF ANY):

Younger son of the former (now deceased) Nigerian Head of State.

THE FOLLOWING PERSONS WERE PARTICIPATING AT THE PUBLIC FIGURE REVIEW 1998:

PRG GROUP EXECUTIVE

SHAIKAT AZIZ

EMEA MARKET REGION HEAD

COLIN WOOLCOCK

SWISS INVESTMENT CENTER HEAD

DAVID A. TREMBLAY

SWISS COUNTRY COMPLIANCE OFFICER

WALTER GLANZMANN

SWISS COUNTRY COMPLIANCE OFFICER

Walter Glanzmann
Compliance

WALTER GLANZMANN

*to close
→ Mareva / adjunct*

CS001886

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PUBLIC FIGURE REVIEW FORM 1998

UK

THE BELOW MENTIONED PUBLIC FIGURE HAS BEEN REVIEWED BY THE PUBLIC
FIGURE REVIEW COMMITTEE ON JANUARY 28, 1999.

CUSTOMER NAME: ALHAJI MOHAMMED SANI

ACCOUNT NAME: 1) NAVARRIO (pseudonym a/o)
2) MORGAN PROCUREMENT COR

ACCOUNT BASE: 305382
305623

COUNTRY OF DOM: NIGERIA

AKTO UNIT: BM

ACCOUNT OFFICER: AHMED

PRIMARY ACCOUNT
OFFICER:

PUBLIC FIGURE FUNCTION (AND
REASON FOR TERMINATING
RELATIONSHIP IF ANY):

BO of Navario (pseudonym account), Eldest son of the former (now deceased)
Nigerian Head of State.

THE FOLLOWING PERSONS WERE PARTICIPATING AT THE PUBLIC FIGURE REVIEW 1998:

PBG GROUP EXECUTIVE

SHAUKAT AZIZ

EMSA MARKET REGION HEAD

COLIN WOOLCOCK

SWISS INVESTMENT CENTER HEAD

DAVID A. TREMBLAY

SWISS COUNTRY COMPLIANCE OFFICER

WALTER GLANZMANN

SWISS COUNTRY COMPLIANCE OFFICER

Walter Glanzmann
Comptroller

WALTER GLANZMANN

to close
→ Harare Injunction

CS001887

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4

Public Figures 1998: Jersey

27-Jan-99

| REGION | DOMICILE | A/C BASE | CUSTOMER NAME | FUNCTIONS | TRANSACTION ACTIVITY | \$ AUM | CNR | RM | P/10 |
|--------|----------|----------|---------------|-----------|----------------------|--------|-----|----|------|
|--------|----------|----------|---------------|-----------|----------------------|--------|-----|----|------|

REDACTED

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CS002135

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| Approved by: | PBG Group Executive: |
| January 28, 1999 | Shahid Aziz |

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| REGION | DOMICILE | A/C BASE | CUSTOMER NAME | FUNCTIONS | TRANSACTION ACTIVITY | \$ AUM | CNR | RM |
|--------------------------------------|----------|----------|---------------|--------------------|---|--------|------|---------------------|
| EM | GABON | 30165 | OMAR BONGO | President of Gabon | A/C referred by OM NY. Very large COMMITTEE investments held managed by OM. Transactions related to investments within the investment portfolio. | 42M | 1.1M | BAHL OMER (N.Y.) |
| CW: to discuss with Salim Raza (OUT) | | | | | | | | |
| Booking Centers | | | | | | | | |
| LDM | | | | | | | | |
| F | | | | | | | | |
| N.Y. | | | | | | | | |

SR

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REDACTED

CS002136

Approved by: PBG Group Executive
January 23, 1999
Shankar Aziz

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| REGION | DOMICILE | A/C BASE | CUSTOMER NAME | FUNCTIONS | TRANSACTION ACTIVITY | \$ AUM | CNR | RM | P40 |
|--------|----------|----------|---------------|-----------|----------------------|--------|-----|----|-----|
|--------|----------|----------|---------------|-----------|----------------------|--------|-----|----|-----|

REDACTED

| | | | | | | | | | |
|---|--------|----------------|----------------------|--|--|--------|------|-------|--|
| EM | NGERIA | 30382 | ABBA MOHAMMED SANI | Younger son of the former (now deceased) Nigerian Head of State. | Incoming funds - remittance from client's business (dealer address, reporting, etc.) Outgoing transfers from client's business (high activity around the HPI account from the client). Transfer out of 30382, the rest has to be done. | \$6.5M | 2484 | AIMED | |
| CV: to discuss with Salim Raza WG: Expect closure in 1st Quarter 1999. | | | | | | | | | |
| EM | NGERIA | 30382 30425 | ALHAJI MOHAMMED SANI | BO of Harare (Zimbabwean account). Eldest son of the former (now deceased) Nigerian Head of State. | 1) Incoming funds - remittance from client's business (dealer address, reporting, etc.) Outgoing transfers from client's business (high activity around the HPI account from the client). 2) A/C held profile from related business transactions. Funds credited are placed on deposit. | \$9.5M | 2584 | AIMED | |
| CV: to discuss with Salim Raza WG: Expect closure in 1st Quarter 1999 | | | | | | | | | |

S.R.

S.R.

| | |
|------------------|----------------------|
| Approved by: | PBG Group Executive: |
| January 28, 1999 | Shankar A. Jiz |



Public Figures 1998: London

21 Jan 99

| REGION | DOMICILE | ACT BASE | CUSTOMER NAME | FUNCTIONS | TRANSACTION ACTIVITY | \$ AUM CNR | RM |
|--------|----------|----------|---------------|-----------|----------------------|------------|------|
| | | | | | | | P/10 |

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| | |
|--------------|----------------------|
| Approved by: | PBG Group Executive: |
| | January 28, 1999 |
| | Shankar Ariz |

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Public Figures 1998: France

7/1/99

| REGION | DOMICILE | A/C BASE | CUSTOMER NAME | FUNCTIONS | TRANSACTION ACTIVITY | \$ AUM | CNR | RM |
|--------|----------|----------|---------------|-----------|----------------------|--------|-----|----|
| P40 | | | | | | | | |

REDACTED

REDACTED

CS002140

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|------------------|----------------------|
| Approved by: | PBG Group Executive: |
| January 28, 1999 | Shantai Aziz |

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| REGION | DOMICILE | AC BASE | CUSTOMER NAME | FUNCTIONS | TRANSACTION ACTIVITY | \$ AUM | CNR | RM |
|--------|----------|---------|---------------|-----------|----------------------|--------|-----|-----|
| | | | | | | | | P40 |

REDACTED

| | | | | | | | | |
|--|-------|------------------|------------|--------------------|--|------|-----|----------------------|
| EM | GABON | 161133 161134 | OMAR BONGO | President of Gabon | OR: DOA PC: DOA & VA TM for full: no violation | 1.5M | \$M | HERVE ORER (N.Y.) |
| CW: not WG: Decisions made in close meetings via intermediaries | | | | | Booking Center REDACTED LOW N.Y. | | | |

SR

CS002141

| | |
|--------------|----------------------|
| Approved by: | PBG Group Executive: |
| | January 28, 1999 |
| | Shantat Aziz |

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Public Figures 1998: Accounts to be closed

23 Feb 99

| REGION | DOMICILE | CUSTOMER NAME | FUNCTIONS | BOOKING CENTER |
|--------|----------|---------------|-----------|----------------|
|--------|----------|---------------|-----------|----------------|

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| REGION | DOMICILE | CUSTOMER NAME | FUNCTIONS | BOOKING CENTER |
|--------|----------|---------------|--------------------|---------------------|
| EM | GABON | OMAR BONGO | President of Gabon | REDACTED EM F |

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CS002145

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Public Figures 1998: To discuss with S. Raza

12/1/98-99

| REGION | DOMICILE | CUSTOMER NAME | FUNCTIONS | BOOKING CENTERS |
|--------|----------|---------------|-----------|-----------------|
|--------|----------|---------------|-----------|-----------------|

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| REGION | DOMICILE | CUSTOMER NAME | FUNCTIONS | BOOKING CENTERS |
|--------|----------|---------------|-----------|-----------------|
|--------|----------|---------------|-----------|-----------------|

REDACTED

| | | | | |
|----|---------|----------------------|---|-----|
| EM | NIGERIA | ABBA MOHAMMED SANI | Younger son of the former (now deceased) Nigerian Head of State. | LON |
| EM | NIGERIA | ALHAJI MOHAMMED SANI | BO of N'Avris (nowadays A.C). Eldest son of the former (now deceased) Nigerian Head of State. | LON |

757

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| | | | | |
|----|---------|------------------------|--|-----|
| EM | NIGERIA | ZAKARI MOHAMMED ABACHA | Brother of the former (now deceased) Nigerian Head of State. | LON |
|----|---------|------------------------|--|-----|

CS002148

PRG LONDON KYC ANNUAL REVIEW

CWT

#25

| | | | |
|--|--------------------|---|-----------------------------|
| A/C TITLE <u>NAVARRO</u> | | UBN <u>305382</u> Previous QA Date | |
| Client or B/O Name <u>Mohammed Agha San</u> | | Residence <u>Lagos</u> | Nationality <u>Algerian</u> |
| If a Joint Account-Individual names of all parties <u>N/A</u> | | Residence | Nationality |
| Authorized Signers (if different to above) | | Residence | Nationality |
| <u>Agha Mohammed San</u> | | Residence | Nationality |
| <u>Agha Mohammed San</u> | | Residence | Nationality |
| <u>P.A. David Jones (restricted)</u> | | Residence <u>U.K.</u> | Nationality <u>British</u> |
| If a PIC is a C&I Manager? Yes <input type="checkbox"/> No <input type="checkbox"/> = Name of Agent managing PIC | | | |
| Means Indicator Direct Client <input type="checkbox"/> Referral Client <input type="checkbox"/> | | | |
| IDENTIFIABLE NAME Please indicate if one or more of the following categories apply | | | |
| FBI <input type="checkbox"/> NYA <input type="checkbox"/> Motor <input type="checkbox"/> Special <input type="checkbox"/> Public <input checked="" type="checkbox"/> | | | |
| OFF NAME/ADDRESS Please indicate the region below | | | |
| WHERE BORN COUNTRY OF BIRTH <u>NIGERIA</u> | | | |
| PROFILE CHANGES I have reviewed the KYC Profile and confirm since the previous QA review | | | |
| NO CHANGE <input checked="" type="checkbox"/> | | CHANGES TO: | |
| | | <input type="checkbox"/> Source of Wealth / Net Worth <input type="checkbox"/> Business Activity <input type="checkbox"/> Parties to the account(s) PLEASE ATTACH THE AMENDED PROFILE(S) | |
| Please do not attach a copy of the Profile(s) if unchanged | | PLEASE ENSURE THIS SECTION IS COMPLETED ADDITIONAL INFORMATION: <input checked="" type="checkbox"/> We HAVE received more Negative information on the client e.g. press, litigation, relationship problems <input type="checkbox"/> There are NOT any outstanding Documents Discrepancies <input type="checkbox"/> Validation check items observed to support the information in the KYC Profile & is on Imaging e.g. source checks, business brochures, Data & Brochures | |
| CLIENT CONTACT Have you had contact with the client since the last QA Review? | | | |
| In Person Yes <input type="checkbox"/> No <input type="checkbox"/> | | By Telephone Yes <input type="checkbox"/> No <input type="checkbox"/> | |
| Has another Client/other had contact? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> What? | | | |
| TRANSACTION PROFILE Is the client present activity in accordance with the Transaction Profile? YES <input checked="" type="checkbox"/> NO <input type="checkbox"/> If no, attach a revised Transaction Profile | | | |
| TAXATION Please indicate the client's present residency for tax purposes: <u>NIGERIA</u> | | | |
| Comments <u>Slipped situation. K&R done to C&I.</u> | | | |
| IF A CLIENT HAS MORE THAN ONE UNIT, ATTACH A REVIEW SHEET FOR EACH UNIT TO THIS SHEET AND OBTAIN SIGNATURES ON THE TOP ENTRY ONLY | | | |
| APPROVAL | SIGNATURE | NAME | DATE |
| Private Banker | <i>[Signature]</i> | Dr. Naveed Ahmed | 24/7/99 |
| Private Banker Supervisor | <i>[Signature]</i> | W. GORDON RODGERS | 28/8/99 |
| Global Market Manager | <i>[Signature]</i> | CHRISTOPHER L. RODGERS | |
| Investment Centre Head | | | |

MARVA
IN JUNCTION

KYC UNIT REVIEW

| | | | |
|----------|-----------|------|------|
| APPROVAL | SIGNATURE | NAME | DATE |
| | | | |

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CS002154

PBG LONDON KYC ANNUAL REVIEW

EXIT

#25

| | | | | | |
|--|-----------------------|--|-----------|------------------|-------------|
| A/C TITLE | | MORGAN PROCEEDMENT CO. UIN 305625 | | Previous QA Date | SEP 98 |
| Client or R/O Name | ABUJ | Mohammed Sami | Residence | Nigeria | Nationality |
| If a Joint Account-Individual names of all parties | | | | | |
| N/A | | | | | |
| Authorized Signers | At different in above | Mohammed Sami | Residence | Nigeria | Nationality |
| If a PIC is it Citi-Managed? Yes <input type="checkbox"/> No <input type="checkbox"/> If a member of a group managing PIC | | | | | |
| Please Indicate: Direct Client <input type="checkbox"/> Indirect Client <input type="checkbox"/> | | | | | |
| EMPLOYABLE NAME Please indicate if one or more of the following categories apply: | | | | | |
| FBO <input type="checkbox"/> Employer <input type="checkbox"/> N/A <input type="checkbox"/> Money Manager <input type="checkbox"/> Hedge Fund <input type="checkbox"/> Public Figure <input checked="" type="checkbox"/> | | | | | |
| OCC NAME/ADDRESS Please indicate the resident below: | | | | | |
| NIGERIA | | | | | |
| COUNTRY OF RESIDENCE | | | | | |
| CHANGES I have reviewed the KYC Profile and confirm that the previous QA review: | | | | | |
| NO CHANGE <input checked="" type="checkbox"/> CHANGED TO: <input type="checkbox"/> Source of Wealth / Net Worth <input type="checkbox"/> Business Activity <input type="checkbox"/> Further to the account(s) <input type="checkbox"/> ADDITIONAL INFORMATION: <input checked="" type="checkbox"/> We have received some Negative Information on the client e.g. press, litigation, relationship problems <input type="checkbox"/> There are NOT any outstanding Document Deficiencies | | | | | |
| Please do not attach a copy of the Profile(s) if amended | | | | | |
| PLEASE ATTACH THE AMENDED PROFILE(S) | | | | | |
| CLIENT CONTACT Have you had contact with the client since the last QA Review? (Please attach notes of all client meetings/contacts) | | | | | |
| In Person Yes <input type="checkbox"/> No <input type="checkbox"/> By Telephone Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> | | | | | |
| Has another Client/Contact had contact? Yes <input type="checkbox"/> No <input type="checkbox"/> What? <input type="checkbox"/> | | | | | |
| TRANSACTION PROFILE Is the client account subject to restrictions with the Transaction Profile? YES <input checked="" type="checkbox"/> NO <input type="checkbox"/> If complete attach a revised Transaction Profile | | | | | |
| TAX STATUS Please indicate the client's present residency for tax purposes: | | | | | |
| NIGERIA | | | | | |
| Comments: SPECIAL SITUATION - KNOWN TO LOCAL | | | | | |
| SIGNATURES IF A CLIENT HAS MORE THAN ONE UIN, ATTACH A REVIEW SHEET FOR EACH UIN TO THE RIGHT AND OBTAIN SIGNATURES ON THE TOP RIGHT ONE. | | | | | |
| APPROVALS | SIGNATURE | NAME | DATE | | |
| Private Banker | | Dr. Navsed Ahmed Vice President | 24/1/99 | | |
| Private Banker Supervisor | | GORDON RODGERS VICE PRESIDENT | 28/1/99 | | |
| Global Market Manager | | CHRISTOPHER L. RODGERS Vice President | | | |
| Investment Centre Head | | | | | |
| KYC UNIT REVIEW | | | | | |
| REVIEWED BY: <input type="checkbox"/> DATE: <input type="checkbox"/> | | | | | |
| APPROVED BY: <input type="checkbox"/> DATE: <input type="checkbox"/> | | | | | |

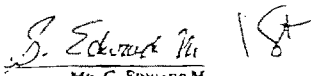
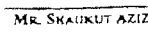
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SUBCOMMITTEE MEMBERS AND STAFF
ONLY

CS002155

THE PRIVATE BANKING GROUP - WESTERN HEMISPHERE
PUBLIC FIGURE REVIEW
RECOMMENDED ACTION LIST
AS OF MAY 17, 1999

LATIN AMERICA NORTH / CARIBBEAN

| COUNTRY / CLIENT | ACTION RECOMMENDED (Retain or Close) |
|----------------------------|---|
| MEXICO | |
| 1. | |
| 2. | |
| 3. | |
| 4. | |
| 5. | |
| 6. | |
| 7. Raul Salinas de Gortari | Retain (Monitored by Legal) |
| ANDEAN | |
| 1. | |
| 2. | |
| 3. | |
| 4. | |
| 5. | |
| 6. | |
| 7. | |
| 8. | |
| 9. | |
| 10. | |
| 11. | |
| VENEZUELA | |
| 1. Jaime Lusinchi | Close |
| 2. | |
| 3. | |
| 4. | |
| 5. | |
| 6. | |
| 7. | |

| | |
|---|---|
| APPROVED: | APPROVED: |
|  Mr. C. EDWARD M. |  MR. SHAIKUT AZIZ |

PBG WH - VENEZUELA As of May 17, 1999

| CLIENT NUMBER / NAME ACCOUNT TITLE | PUBLIC FIGURE STATUS / COMMENTS | SEGMENTATION 1 = Closing 2 = MRH To Meet 3 = GMM To Meet | SOURCE OF WEALTH |
|--|---|---|---|
| 971743 1. Jaime Lusinchil Blanca Luzner AUM: \$326M (Client since: 5/1990) | Client is a politician, former President of Venezuela (1983- 1988). Client is not "target market" and is considered an "alpha" client. No valid reason to retain him as a public figure client. | 1 | Source of Wealth derived from savings of his salary as a medical doctor (approx. \$60,000 annually), and his salary as President (estimated at \$150,000 annually). |

REDACTED

CB024973

ATTACHMENT A

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Individuals 1g & 1h

Clients 1g and 1h (the wife of client of 1g) began their relationship with Citibank's Private Bank in New York on September 21, 1989. The relationship continues today, although their joint account is in the process of being closed.

Client 1g was President of a large Latin American country from January of 1984 to December of 1988. Before embarking on his political career, client 1(g) was a medical doctor specializing in pediatrics. The assets held with Citibank derive from savings of his income as a medical doctor and his salary as President. Client 1g is now retired.

The approximate average annual balances in this account are the following:^{1/}

1992 — \$100,000
1993 — \$100,000
1994 — \$200,000
1995 — \$200,000
1996 — \$200,000
1997 — \$300,000
1998 — \$300,000
1999 — \$300,000

^{1/} Account balance information for this relationship is readily available only back through 1992.

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 35b.

READ 11

OMLA 22-FEB-94 23:21:57 000070

To: Jose Luis Daly (OSWMI:PSB)
CC: Edward Kowalczyk (USNYC:PSGWH), Carmen Leon (USNYC:PSB)
From: Nicolas Yanes (OSWMI:PSB)
Date: TUE 22-FEB-94 23:23 GMT
Subject: OAMS 971743

Reviewing some clients today, I found under Rodrigo Alvarez's initials the client JAIME LUSINCHI with AUMs of \$166,238.

Given the sensitivity of the name (an ex-president currently on trial on corruption charges), I suggest that this relationship be reviewed carefully and that management is aware, should we decide to maintain it, that it exists.

FYI, I found information on this client as far back as Dec '91 when his AUMs were \$117,000 thus not much activity since then has been observed in terms of AUMs increase.

Rgds.

Nicolas

Delivered: TUE 22-FEB-1994 23:23 GMT
Command:

1) ~~no~~ No info w/o 2A J.K.
2) ~~no~~ Carlos of H. 50A
3) TF found guilty not found - closed

CL NY JLA EL

X004279

MEMORANDUMSenate Permanent Subcommittee
on Investigations

EXHIBIT # 35c.

TO : CARMEN LEON
JOSE LUIS DALY
EDWARD KOWALCYK

CC: NICOLAS YANES
DIANA MOVSESSIAN
LILIA RIOS

FROM: RODRIGO K. ALVAREZ

DATE: 6/APRIL/94

REF: CAMS 971743

Addressing the concerns expressed in a citimail from Nicolas Yanes dated 2/22/94 regarding the referenced client, we have decided to maintain this account under the following conditions:

- 1) The account has been placed on no-post to alert us of any movements we might judge as unusual.
- 2) Through the use of the no-post notification we will monitor the account manually. If the total aums in the relationship reach \$250,000.00 the NY Unit Head as well as the Country Head, or in their absence Edward Kowalczyk, should be notified to determine an appropriate plan of action.
- 3) If any guilty plea is brought to our attention as a result of an indictment by a local Venezuelan court or other legal entities on any of the account holders the accounts will be immediately closed.

Due to the sensitivity of the account, which has been with the PBG since September of 1989, and though the relationship currently does not qualify under our target market criteria, we are maintaining this account mainly as a courtesy to this well known political figure. The accounts are not being actively marketed. It must be noted that under Venezuelan law the period of validity of the charges brought forth against Mr. Jaime Lusinchi expired during the month of march of this year without any of them ending in a guilty plea.

X 004278

765

To: Rodrigo K. Alvarez (USNYC:PBGWH) CMLA 7-APR-94 15:0
CC: Carmen Leon (USNYC:PBG), Jose Luis Daly (C
From: Jose Luis Daly (CSVMI:PBG)
Date: THU 07-APR-94 17:52 GMT
Subject: Re: CAMS 971743

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 35d.

AGREE.

Regards,
JLDALY

Delivered: THU 07-APR-1994 17:52 GMT

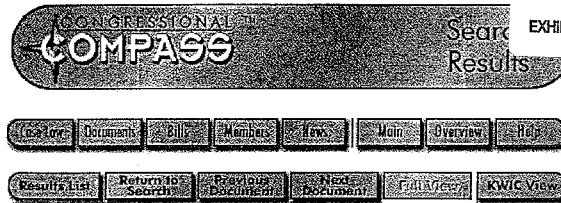
File

Please

File

Business

X 004280



Document 21 of 187.

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Reuters North American Wire

July 14, 1994, Thursday, BC cycle

LENGTH: 328 words

HEADLINE: VENEZUELA MULLS EXTRADITION OF EX-PRESIDENT'S WIFE

DATELINE: CARACAS

BODY:

Venezuela may seek the extradition from Costa Rica of former **President Jaime Lusinchi's** wife to serve a jail sentence for corruption, a Venezuelan judge said Thursday.

Blanca Ibanez was ordered jailed for a year in absentia late Wednesday for her role in the theft of state funds to buy 65 jeeps for use by the then-ruling Democratic Action party.

Judge Rafael Quintero Moreno, who issued the verdict, told Reuters he would probably request Ibanez' extradition once the five-day period for appeal has lapsed.

"As the one who gave the sentence, I would obviously like to see her serve it here," he said.

Quintero said the verdict was an important victory in Venezuela's uphill battle against corruption. "Our penal system does a very bad job at defeating corruption, but this is a step in the right direction," he said.

Ibanez, who was Lusinchi's private secretary and mistress before their marriage in 1989, fled to Costa Rica in 1992 when the charges against her first emerged. The couple now live together in Costa Rica but Lusinchi, a senator for life, travels frequently to Venezuela.

Venezuela and Costa Rica have no extradition treaty and a previous effort to extradite Ibanez for trial in 1992 failed.

Lusinchi's former interior minister, Jose Angel Ciliberto, and another senior official in that ministry, Jorge Mogna, were also convicted in the so-called "jeeps' trial."

Ciliberto, who was present to hear the verdict, was also sentenced to a year's imprisonment but has the right to serve this at home because he is over 70. Mogna, who is reportedly exiled in the United States, was sentenced in absentia to one month's imprisonment.

The three masterminded the purchase with government money of the jeeps, which Democratic Action used during the presidential election campaign of Lusinchi's successor, Carlos Andres Perez.

After Perez' victory in December 1988, the jeeps were given to party supporters as political favors, prosecutors said.

LANGUAGE: ENGLISH

LOAD-DATE: July 15, 1994



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| Sensitivity Hot Sheet | | | | Reason for making list | | Date of August 31, 1997 | | Reason Last Info. Reported | |
|--|------------------------|------|---------|------------------------|---------|-------------------------|----------------|----------------------------|------|
| Account # | Account Name | ATC | On List | On List | On List | Business Manager | Private Banker | Ex | Code |
| 10101121 | Lewis, L. (1997) | 5069 | 494 | Private Banker | 11 | 11 | 11 | 11 | 494 |
| 10214064 | Tandis Investments Ltd | 7180 | 2061 | Significant Deal | 11 | 11 | 11 | 11 | 7 |
| <div style="display: flex; justify-content: space-between;"> <div> <p>REDACTED</p> <p>REDACTED</p> <p>REDACTED</p> </div> <div> <p>REDACTED</p> <p>REDACTED</p> <p>REDACTED</p> </div> <div> <p>REDACTED</p> <p>REDACTED</p> <p>REDACTED</p> </div> </div> | | | | | | | | | |

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X 006887

Page 1

Senate Permanent Subcommittee on Investigations

DETAILS ON SOURCES OF WEALTH - 1998 UPDATE

CLIENT NAME: JAIME LUSINCHI

CLIENT WINDOW No: 971743

DATE: OCTOBER 1998 UPDATED

PRIVATE BANKER: HELMER ARIZMENDY

1998 UPDATE

I spoke to Mr. Lusinchi as well as his attorney, Dr. Mario Villarroel, another PBG-WH client, concerning the outstanding inquiries about client no. 971743.

The client lives in Venezuela and he maintains an office there, although some time ago he was exiled in Chile as a result of corruption and fraud charges filed against him after his presidency, (for further details, please see the client's full profile). In addition, he has a place of abode in Costa Rica and one in Florida. The client's net-worth includes those properties as well as the account with us; hence, the 2MM net worth estimate. The 30M annual income estimate was derived from his pension as a senator. That amount, however, failed to include any income derived from other sources such as the interest earned in his account with us, approximately \$15M.

I have been informed that there is nothing proven of substance to taint the reputation of Mr. Lusinchi's wife, Blanca I. de Lusinchi. Apparently, there were some questions, and she was implicated, with the improper usage of government property (usage of jeeps). However, given that "there were no formal charges" filed, as well as the nebulous nature of said unsubstantiated charges, against the former president's wife, "the issues were successfully resolved in favor of Mrs. de Lusinchi and the claims were dropped" after 9 years.

Mr. Lusinchi has indicated that his wife, Blanca, is a full-time housewife and has no independent source of wealth.

BUSINESS BACKGROUND / SOURCE OF WEALTH:

Mr. Jaime Lusinchi was President of Venezuela from January of 1984 to December of 1988. Before his political career, Mr. Lusinchi was a medical doctor specializing in pediatrics. His profession as a doctor was short-lived, as he devoted most of his time of his political vocation.

After his term in office he was accused of corruption/fraud charges during his term as President. For several years he lived outside Venezuela with political asylum status. He lived in several Latin American countries, including Chile, where he taught pediatrics at Universidad de Chile. During his years in exile, his main residence was San Jose, Costa Rica. In early 1995 he was cleared of all charges against him. He can now travel freely in and out of Venezuela.

The assets held with us have been derived from savings of his salary of his work as a medical doctor (approximately \$60M per year) and for his salary as President (estimated at \$150M per year). Total assets with us are always maintained around \$300,000. Mr. Lusinchi is now retired from both positions.

This information was obtained through interviews with Mr. Lusinchi.

SUITABILITY / INVESTMENT ANALYSIS

This is a convenience account mainly to accommodate banking, expenses and liquidity needs. We maintain the account due to the high profile of the client. No active marketing is done on the client. No suitability or investment objectives are applicable.

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 35h.

| CLIENT NUMBER | CLIENT NAME / ACCOUNT TITLE | PUBLIC FIGURE STATUS | AUM's (USD) | RETAIN | TERMINATE | COMMENTS |
|------------------|--------------------------------|--|----------------|--------|-----------|---|
| 973565 | Jaime Lujan | Client is a politician, former President of Venezuela (1993- 1998) | 600,000 | X | | Source of Wealth derived from savings of his salary as a medical doctor (approx. \$60,000 annually), and his salary as President (estimated at \$160,000 annually). This is a convenience account to accommodate banking, expenses, and liquidity needs. No active market buy is performed. |

B024977

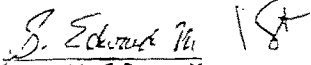
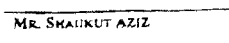
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EXHIBIT #

THE PRIVATE BANKING GROUP - WESTERN HEMISPHERE
PUBLIC FIGURE REVIEW
RECOMMENDED ACTION LIST
AS OF MAY 17, 1999

LATIN AMERICA NORTH / CARIBBEAN

| COUNTRY / CLIENT | ACTION RECOMMENDED (Retain or Close) |
|----------------------------|---|
| MEXICO | |
| 1. | |
| 2. | |
| 3. | |
| 4. | |
| 5. | |
| 6. | |
| 7. Raul Salinas de Gortari | Retain (Monitored by Legal) |
| ANDEAN | |
| 1. | |
| 2. | |
| 3. | |
| 4. | |
| 5. | |
| 6. | |
| 7. | |
| 8. | |
| 9. | |
| 10. | |
| 11. | |
| VENEZUELA | |
| 1. Jaime Lusinchi | Close |
| 2. | |
| 3. | |
| 4. | |
| 5. | |
| 6. | |
| 7. | |

| | |
|---|--|
| APPROVED: | APPROVED: |
|  MR. C. EDWARD M. |  MR. SHAIKUT AZIZ |

PBG WH - VENEZUELA As of May 17, 1999

| CLIENT NUMBER / NAME ACCOUNT TITLE | PUBLIC FIGURE STATUS / COMMENTS | SEGMENTATION | | | SOURCE OF WEALTH |
|---|---|--------------|-----------------|-----------------|---|
| | | 1 = Clothing | 2 = MRH To Meet | 3 = GMM To Meet | |
| 971743 1. Jaime Lusinchii Blanco - same AUM: \$326M (Client since: 5/1990) | Client is a politician, former President of Venezuela (1983- 1988). Client is not "target market" and is considered an "alpha" client. No valid reason to retain him as a public figure client. | 1 | | | Source of Wealth derived from savings of his salary as a medical doctor (approx. \$60,000 annually), and his salary as President (estimated at \$150,000 annually). |

REDACTED

C8024973

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 353

PUBLIC FIGURE ANNUAL APPROVAL FORM

Client's Name: Jaime Lusinchi Client #971743 AUM: \$326M
Account Title: Jaime Lusinchi & Blanca Ibañez CNR: \$4M
Country of Domicile: Venezuela Market Region: WH
PBG Booking Centers: New York

Market Region Head's Recommendation: ☐ Retain Relationship☒ Terminate Relationship

Expected Exit Date: _____

Explain reason for Public Figure status; include relevant history:

Client is a politician, former President of Venezuela (1983-1988).

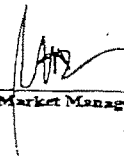
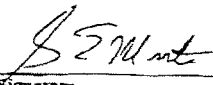
Explain below reasons for retention or termination of relationship; include any updated
KYC information not available in the KYC profile:Client is not a target market and is considered an "Alpha" client. No valid reason to retain him
as public figure client.

Provide a Synopsis of recent transaction activity (3 - 6 months):

No significant activity during the past 6 months.

CB024974

List accounts associated with Client unless account structure has been provided as part of KYC profile. No other accounts.

| | | |
|---|---|--------------------------|
|  _____ Global Market Manager | MIGUEL A. CERVONI DIRECTOR CITIBANK INTERNATIONAL _____ Signature | 5/17/99 _____ Date |
| _____ Market Region Head |  _____ Signature | 5/18/99 _____ Date |

Group Executive's Approval of Market Region Head's Recommendation

Approval Granted ☐

Recommendation Denied ☐

Decision Postponed ☐ Additional Information Needed; Review by: _____

| | | |
|--------------------------|--------------------|---------------|
| _____ Group Executive | _____ Signature | _____ Date |
|--------------------------|--------------------|---------------|

CB024975

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 35k.

CIW# 971743.

BY UPS AIR COURIER AND REGULAR MAIL

June 16, 1999

Jaime Lusinchi
Blanca Ibanez De Lusinchi
21011 Northeast 38th Avenue
Aventura, Florida 33180

*COPY
FOR FILE*

Dear Mr. And Mrs. Lusinchi:

During an annual review of your accounts, it was determined that because of their inactivity and low daily balances they no longer meet the target market criteria of the Private Bank. Accordingly, please arrange to have the balances transferred to another financial institution.

Following our usual practice, if we have not heard from you by July 20, 1999, we will close the accounts and forward to you a cashiers check in the amount of the balance of the accounts.

Very truly yours,

Thomas H. Schuff

12003779

ATTACHMENT C

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Items 2(h) and 2(j)

The individuals identified in Items 2(h) and 2(j) each had relatively insignificant Private Bank accounts in London. Client 2(h)'s account was opened on July 23, 1994, and closed in the latter half of 1998. Client 2(j)'s account was opened on January 4, 1996, and closed in the latter half of 1998.

Clients 2(h) and 2(j) are the daughters of a former President of an Asian country. In addition, Client 2(h) is an agent and consultant for businesses in a number of fields, including mining and construction. She also chairs a company involved in various industries.

Citibank will provide additional basic information as it becomes available.

Senate Permanent Subcommittee
on Investigations

36b.

WILMER, CUTLER & PICKERING

2425 M STREET, N.W.
WASHINGTON, D.C. 20037-1420TELEPHONE (202) 953-6000
FACSIMILE (202) 953-6263C. BOYD GRAY
DIRECT LINE (202) 953-6000
INTERNET BOYDGRAY@WILMER.COM

February 15, 2000

BY TELECOPY AND FIRST CLASS MAIL

Hon. Carl Levin, Ranking Minority Member
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
SR-193 Russell Senate Office Building
Washington, DC 20510-6262

Dear Senator Levin:

I write in response to your letter dated January 31, 2000 to John Reed. We will address the relevant clients in the order in which they were listed in your letter.

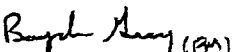
* * * * *

(S) Clients 2e, 2g and 2h

With respect to the individuals identified in part six of your letter, Citibank has determined that Clients 2e, 2g and 2h maintained account relationships with Citibank in two jurisdictions in southeast Asia. These account relationships were closed. Citibank cannot provide any further information concerning these account relationships because of the customer confidentiality laws in the relevant jurisdictions.

* * * * *

Sincerely,


C. Boyden Graycc: The Honorable Susan M. Collins
ChairmanBALTIMORE, MD
TELEPHONE (410) 536-1000
FACSIMILE (410) 536-1028
380 MADISON AVENUE
NEW YORK, NY 10022
TELEPHONE (212) 512-4000
FACSIMILE (212) 512-4000
4 GARTON SQUARE
LONDON, ENGLAND
TELEPHONE 011 75371515
FACSIMILE 011 75371537
RUE DE LA LOI 10 WETSTRAAT
3014AS BRUSSELS
TELEPHONE 011 322 889-6000
FACSIMILE 011 322 889-6000
FRIEDRICHSTRADE 105
D-53177 BERLIN
TELEPHONE 011 49 30 2032-6400
FACSIMILE 011 49 30 2032-6400

**Carlos Gomez Fraud
Summary and Action Plan****I. Gomez's Employment History:**

Carlos Gomez was initially hired by Citibank in 1985 as a Senior Account Officer (this position is now known as Private Banker) in the PBG's Western Hemisphere (WH) Division. As such, he serviced Mexican clients from his office in New York. In 1989, Gomez resigned to pursue an acting career, but returned after a few months as a part-time consultant. During this interim period, which lasted about ten months, Gomez provided support to Private Bankers (e.g., preparing account documentation, drafting client letters, and investigating client inquiries). In May 1991, Gomez rejoined the PBG full-time and assumed his previous position in the New York office; he also assumed responsibility for most of the client relationships that he was assigned to previously. In December 1997, approximately one month before the fraud was detected, Gomez again resigned from Citibank to establish his own investment consulting firm (Reliance), in partnership with ex-Private Banker, Rafael de la Sierra.

II. What Happened:

During his employment with Citibank, Gomez engaged in a variety of fraudulent activities. An internal fraud investigation was commenced in mid-January 1998. As soon as suspected fraud was detected, PBG Compliance and the Citibank's Investigation and Potential Loss (IPL) Unit were notified. Calls were made immediately to appropriate law enforcement authorities, including the FBI, and actions taken to investigate the fraud and attach all available assets. A joint Compliance and IPL team has now reviewed all client relationships managed by Gomez during his years of employment and the investigation is largely concluded. Gomez was arrested in late January, has entered a guilty plea and will be sentenced next month.

Gomez has concluded a civil settlement with Citibank. Assets acquired by Citibank pursuant to that settlement are now being valued and liquidated. (Assets include cash, securities, real estate and personal property such as art and jewelry.) Final loss figures for Citibank -- after asset liquidation and insurance payments -- are not yet known. Insurance coverage for fraud losses pays 75% of fraud losses (excluding interest) over \$1 million. Current estimates are that the Citibank Private Bank's losses after asset liquidation and insurance payments will be approximately \$2 million (excluding interest). PBG-WH wrote off \$1 million in 1Q98, and reduced revenues by \$1.9 million representing uncollected interest revenue on fraudulent loans.

Gomez admitted to stealing \$50,000 from one client in 1988, during his initial employ. All additional, known fraudulent activities performed by Gomez were conducted after he rejoined the Bank in 1991.

Gomez's scheme generally involved three types of fraudulent activities:

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CONFIDENTIAL

**Carlos Gomez Fraud
Summary and Action Plan**

1. Using the assets of legitimate customers as collateral, Gomez created loans that were not requested or authorized by the client. In most cases, he invested the loan proceeds in Citibank products, made timely interest payments (using either clients' funds or the earnings from his investments), and then paid off the loans, keeping the leftover earnings for himself. During the course of the fraud, Gomez created seven unauthorized loans totaling \$29.4MM; only two of these loans (totaling \$10MM) remain outstanding today.
2. Gomez opened and controlled a number of bank accounts and private investment companies (PICs) with the help of an apparently unknowing client, who was also his personal friend. These accounts and structures were used to make investments and transfer money out of the Bank. All of these fraudulent accounts were opened in the names of additional family members to appear to be part of existing client relationships.
3. Gomez withdrew funds directly from legitimate client accounts and used the money for his own benefit. All of these clients subscribed to the WH's Hold-All-Mail (HAM) service. During the course of the fraud, Gomez initiated more than 29 unauthorized debits from legitimate client accounts, adding approximately \$5.25MM to the total loss. In one case, Gomez admitted to transferring \$300M to an investment management account from the same client's demand deposit account in order to make the investment return appear greater.

III. How It Happened/Why It Was Not Detected:

The fraud was feasible because Gomez was able to dominate his client relationships. Various clients admitted that they relied on Gomez to tell them what they needed to know about their banking activities and they did not review statements, correspondence, or other documentation provided by the bank. Gomez understood the weaknesses in our control system. For example, the amount of each fraudulent loan was below the amount that would require a Senior Credit Officer to meet the client before approving the loan. Gomez's supervisors did not meet all of his clients or review their accounts effectively. In many cases, supervisory and independent approvals were provided without appropriate diligence. Listed below are the other control breakdowns that permitted the fraud to occur and remain undetected for several years.

1. Original signature cards and account opening documentation were not validated independently; these were usually controlled solely by Private Bankers.
2. Transaction instructions were not authenticated independently to ensure that proper client authorization was obtained (i.e., they were processed under single control and with ineffective internal approvals).

000008

CONFIDENTIAL

Carlos Gomez Fraud
Summary and Action Plan

3. The clients relied heavily, in some cases solely, on the investment summaries prepared by Gomez; in the PBG, investment summaries have been prepared manually by the Private Bankers for clients who want the convenience of a single, simple statement rather than relying on official statements issued for each account. The summaries were not reviewed independently for accuracy.
4. The HAM Unit's procedures were deficient. For example, mail accumulated for years without being picked up by clients and could be released to Private Bankers without client authorization. Further, HAM-related instructions were not verified independently.
5. Loans are not stated/mentioned and pledged assets are not highlighted on investment and banking statements.

IV. Action Taken/Next Steps:

The PBG has taken the following actions, a few of which were or are being undertaken specifically because of this problem, but most of which were or are being implemented as part of the PBG's ongoing effort to improve the control environment globally.

- Over the past two years, standardized, global policies have been developed to fortify the PBG's front-office control process, including Know Your Customer (KYC), Manually Initiated Funds Transfers (MIFT), Hold All Mail (HAM) accounts, accepting gifts, and hiring relatives and close friends.
- Comprehensive self-testing and self-rating processes have been established in each business unit around the world to help reinforce the need to comply, while identifying instances of non-compliance promptly. These self-tests include all applicable laws, regulations, control processes, and Corporate and PBG policies.
- Two Compliance Alert memos have been issued. The first was intended to ensure that Bankers did not engage in transactions with clients for personal gain (e.g., use a client's house while on vacation or obtain goods at favorable prices from a client's business); the second alert addressed the problem of Private Bankers avoiding conflict of interest situations with clients (e.g., being granted power of attorney or managing the relationships of close, personal friends).
- Our recently developed compliance and control course is mandatory training for all new and existing front-office staff.

Collectively, these steps have made it more difficult for Private Bankers to defraud the Bank; however, the details of the Gomez case highlighted the need for some additional specific

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| |
|--|
| <p>Carlos Gomez Fraud Summary and Action Plan</p> |
|--|

actions to further enhance the control environment. We are attacking the remaining concerns from several perspectives:

- The cultural changes we have been promoting are being embraced globally. This will help ensure compliance with the aforementioned policies and strengthen the degree of routine management oversight. *employee trust* will not be accepted as the primary control.
- A summary of the Gomez case and related control issues (similar to this document) was distributed throughout the Private Bank. This summary is being used to train personnel on the risks and is allowing the regional Compliance and Control functions to help the applicable business heads implement corrective measures that address control weaknesses in their units.
- We are working to complete a global front-end control policy that will establish standard processes for opening accounts, obtaining and validating signature cards, and assigning system access privileges. The policy will also address routine management oversight, stress the team concept of client service, and require all new clients to be met by a higher level of management (above the Banker) within six months of acquisition.
- The Gift policy is being revised to discourage the giving of gifts of a material monetary amount to other employees, especially subordinates. (Gomez made generous gifts to subordinates.) Any recurring gifts, and those over US\$500, will have to be reported and approved by a senior manager.
- Development of global portfolio summaries, which are not created by Private Bankers, and which are independently verified and contain information about accounts, loans, pledged assets, etc. is a priority project for the PBG.
- Risk management has established new credit process and approval procedures and controls that impose tougher standards for loans.

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Senate Permanent Subcommittee
on Investigations

EXHIBIT # 37b

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

----- -x

UNITED STATES OF AMERICA :

- v - :

CARLOS GOMEZ,

Defendant. :

----- -x

COUNT ONE
(The 1991 Loan Scheme)

The Grand Jury charges:

1. At all times relevant to this Indictment, Citibank, N.A. ("Citibank") was a financial institution headquartered in New York, New York, the deposits of which were insured by the Federal Deposit Insurance Corporation.
2. From in or about 1985 through in or about late 1997, CARLOS GOMEZ, the defendant, was a vice-president in the Citibank Private Banking Department in New York, New York. As a vice-president in the Private Banking Department, GOMEZ was responsible for the bank accounts of numerous Citibank customers.
3. At all times relevant to this Indictment, Francisco Calleja and Bernabe Villanueva were customers of Citibank's Private Banking Department.
4. In or about August 1991, without the knowledge or consent of Bernabe Villanueva, CARLOS GOMEZ, the defendant,

opened a new account in Villanueva's name at Citibank (the "Villanueva account"). In addition, GOMEZ opened an account in the name of Fernando Calleja, a fictitious person ("the Fernando Calleja account").

5. In or about August 1991, CARLOS GOMEZ, the defendant, caused Citibank to transfer \$5,000,000 to the Villanueva account, \$5,000,000 to the Fernando Calleja account, and \$5,000,000 to an account in the name of Francisco Calleja, for a total of \$15,000,000, in the guise of loans to the holders of each of those accounts. As GOMEZ well knew, neither Francisco Calleja nor Bernabe Villanueva had applied for or authorized GOMEZ to apply for these loans, and Fernando Calleja was a fiction of GOMEZ's creation. To obtain the loan taken out in the name of Fernando Calleja, GOMEZ forged the signature of Francisco Calleja on a security agreement.

6. In or about August 1992, CARLOS GOMEZ, the defendant, repaid the three \$5,000,000 loans. In or about August 1992, GOMEZ wired money earned with the proceeds of these loans to another person, who at GOMEZ's instructions then wired the money to accounts for GOMEZ's benefit.

Statutory Allegation

7. From in or about 1991, up to and including in or about 1992, in the Southern District of New York and elsewhere, the defendant, CARLOS GOMEZ, unlawfully, willfully and knowingly did execute, and attempt to execute, a scheme and artifice to

defraud a financial institution, to wit, Citibank, and to obtain moneys, funds, credits, assets and other property owned by, and under the custody and control of Citibank, by means of false and fraudulent pretenses, representations, and promises, to wit, CARLOS GOMEZ, the defendant, fraudulently caused Citibank to transfer \$15,000,000 to his control under the guise of loans to two Citibank customers who had not authorized such loans and one loan in the name of a fictitious customer.

(Title 18, United States Code, Section 1344.)

COUNT TWO

(1993 Loan Scheme)

The Grand Jury further charges:

8. The allegations set forth in paragraphs 1 through 4 above are repeated and realleged as though set forth in full herein.

9. In or about January 1993, CARLOS GOMEZ, the defendant, caused Citibank to transfer \$5,000,000 to the Fernando Calleja account and \$5,000,000 to the Villanueva account, for a total of \$10,000,000, in the guise of loans to Fernando Calleja and to Bernabe Villanueva and his wife Angelina Villanueva. As GOMEZ well knew, neither Bernabe Villanueva nor Angelina Villanueva had applied for or authorized GOMEZ to apply for these loans, and Fernando Calleja was a fiction of GOMEZ's creation. To obtain the loan in the name of the Villanuevas, GOMEZ forged

their signatures on a demand note for \$5,000,000 and a security agreement securing the loan. To obtain the loan in the name of Fernando Calleja, GOMEZ signed the name Fernando Calleja on a demand note for \$5,000,000 in the name of Fernando Calleja.

10. In or about July 1993, CARLOS GOMEZ, the defendant, caused Citibank to extend overdraft protection on the Villanueva account and the Fernando Calleja account. In order to obtain this protection, GOMEZ forged the signatures of the Villanuevas on an overdraft facility agreement, and GOMEZ signed the name Fernando Calleja on an overdraft facility agreement.

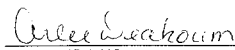
11. CARLOS GOMEZ, the defendant, used the overdraft facilities to pay some of the interest due and owing on the two \$5,000,000 loans he had fraudulently obtained in or about January 1993. In addition, at various times between 1993 and 1997, GOMEZ made withdrawals on the overdraft facilities. In all, Gomez paid interest and made withdrawals totaling more than \$1,800,000 using these overdraft facilities.

12. Between in or about 1994 and in or about 1996, CARLOS GOMEZ, the defendant, made withdrawals totaling more than \$1,700,000 from the bank accounts of a Citibank Private Banking Department customer without the knowledge or consent of that customer. GOMEZ used a portion of this money to make interest payments on the two \$5,000,000 loans he obtained in January, 1993, and a portion of this money to purchase a house.

Statutory Allegation

13. From in or about January 1993, up to and including in or about early 1998, in the Southern District of New York and elsewhere, the defendant, CARLOS GOMEZ, unlawfully, willfully and knowingly did execute, and attempt to execute, a scheme and artifice to defraud a financial institution, to wit, Citibank, and to obtain moneys, funds, credits, assets and other property owned by, and under the custody and control of Citibank, by means of false and fraudulent pretenses, representations, and promises, to wit, CARLOS GOMEZ, the defendant, fraudulently caused Citibank to transfer \$10,000,000 to his control under the guise of loans to one Citibank customer who had not authorized such a loan and one loan in the name of a fictitious customer, to extend overdraft protection to accounts he had created for his own benefit in the names of those customers, and thereby wrongfully obtained from Citibank more than \$13,000,000.

(Title 18, United States Code, Section 1344.)


FOREPERSON


MARY JO WHITE
United States Attorney

United States District Court

Southern District of New York

UNITED STATES OF AMERICA
v.

CARLOS GOMEZ

JUDGMENT IN A CRIMINAL CASE

(For Offenses Committed On or After November 1, 1987)

Case Number: 1:98CR00195-001

STANLEY S. ARKIN

Defendant's Attorney

THE DEFENDANT:

- ☒ pleaded guilty to count(s) ONE (1) & TWO (2)
- ☐ pleaded nolo contendere to count(s) _____
which was accepted by the court.
- ☐ was found guilty on count(s) _____
after a plea of not guilty.

| Title & Section | Nature of Offense | Date Offense Concluded | Count Number(s) |
|-----------------|-------------------|---------------------------|--------------------|
| 18 U.S.C. 1344 | BANK FRAUD | 03/02/1998 | 1 |
| 18 U.S.C. 1344 | BANK FRAUD | 03/02/1998 | 2 |

The defendant is sentenced as provided in pages 2 through 5 of this judgment. The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

- ☐ The defendant has been found not guilty on count(s) _____
- ☐ Count(s) _____ (is)(are) dismissed on the motion of the United States.

IT IS FURTHER ORDERED that the defendant shall notify the United States Attorney for this district within 30 days of any change of name, residence, or mailing address until all fines, restitution, costs, and special assessments imposed by this judgment are fully paid.

Defendant's Soc. Sec. No.: XXXXXXXXXXDefendant's Date of Birth: XXXXXXXXXXDefendant's USM No.: 41417-054

Defendant's Residence Address:

15 East 36th Street, 3rd floorNew YorkNY10016

Defendant's Mailing Address:

15 East 36th Street, 3rd floorNew YorkNY10016

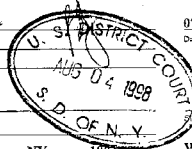
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07/24/1998

Date of Imposition of Judgment



Signature of Judicial Officer

WHITMAN KNAPP

SR., U.S. DISTRICT JUDGE

Name & Title of Judicial Officer

Date

DEFENDANT: CARLOS GOMEZ

CASE NUMBER: 1:98CR00195-001

IMPRISONMENT

The defendant is hereby committed to the custody of the United States Bureau of Prisons to be imprisoned for a total term of 55 month(s).

☒ The court makes the following recommendations to the Bureau of Prisons:

That the defendant be confined to F.C.I. in Miami, FL.

☐ The defendant is remanded to the custody of the United States Marshal.

☐ The defendant shall surrender to the United States Marshal for this district:

☐ at _____ a.m./p.m. on _____.

☐ as notified by the United States Marshal.

☒ The defendant shall surrender for service of sentence at the institution designated by the Bureau of Prisons:

☐ before 2 p.m. on _____.

☐ as notified by the United States Marshal.

☒ as notified by the Probation or Pretrial Services Office.

RETURN

I have executed this judgment as follows:

Defendant delivered on _____ to _____
 at _____, with a certified copy of this judgment.

UNITED STATES MARSHAL

By _____

Deputy U.S. Marshal

DEFENDANT: CARLOS GOMEZ

CASE NUMBER: 1:98CR00195-001

SUPERVISED RELEASEUpon release from imprisonment, the defendant shall be on supervised release for a term of 5 year(s).

The defendant shall report to the probation office in the district to which the defendant is released within 72 hours of release from the custody of the Bureau of Prisons.

The defendant shall not commit another federal, state, or local crime.

The defendant shall not illegally possess a controlled substance.

For offenses committed on or after September 13, 1994:

The defendant shall refrain from any unlawful use of a controlled substance. The defendant shall submit to one drug test within 15 days of release from imprisonment and at least two periodic drug tests thereafter, as directed by the probation officer.

☐ The above drug testing condition is suspended based on the court's determination that the defendant poses a low risk of future substance abuse. (Check, if applicable.)

☒ The defendant shall not possess a firearm as defined in 18 U.S.C. § 921. (Check, if applicable.)

If this judgment imposes a fine or a restitution obligation, it shall be a condition of supervised release that the defendant pay any such fine or restitution that remains unpaid at the commencement of the term of supervised release in accordance with the Schedule of Payments set forth in the Criminal Monetary Penalties sheet of this judgment.

The defendant shall comply with the standard conditions that have been adopted by this court (set forth below). The defendant shall also comply with the additional conditions on the attached page (if indicated below).

See Special Conditions of Supervision - Sheet 3.B1

STANDARD CONDITIONS OF SUPERVISION

- 1) the defendant shall not leave the judicial district without the permission of the court or probation officer;
- 2) the defendant shall report to the probation officer and shall submit a truthful and complete written report within the first five days of each month;
- 3) the defendant shall answer truthfully all inquiries by the probation officer and follow the instructions of the probation officer;
- 4) the defendant shall support his or her dependents and meet other family responsibilities;
- 5) the defendant shall work regularly at a lawful occupation unless excused by the probation officer for schooling, training, or other acceptable reasons;
- 6) the defendant shall notify the probation officer ten days prior to any change in residence or employment;
- 7) the defendant shall refrain from excessive use of alcohol;
- 8) the defendant shall not frequent places where controlled substances are illegally sold, used, distributed, or administered;
- 9) the defendant shall not associate with any persons engaged in criminal activity, and shall not associate with any person convicted of a felony unless granted permission to do so by the probation officer;
- 10) the defendant shall permit a probation officer to visit him or her at any time at home or elsewhere and shall permit confiscation of any contraband observed in plain view of the probation officer;
- 11) the defendant shall notify the probation officer within seventy-two hours of being arrested or questioned by a law enforcement officer;
- 12) the defendant shall not enter into any agreement to act as an informer or a special agent of a law enforcement agency without the permission of the court;
- 13) as directed by the probation officer, the defendant shall notify third parties of risks that may be occasioned by the defendant's criminal record or personal history or characteristics, and shall permit the probation officer to make such notifications and to confirm the defendant's compliance with such notification requirement.

DEFENDANT: CARLOS GOMEZ
CASE NUMBER: 1:98CR00195001

CRIMINAL MONETARY PENALTIES

The defendant shall pay the following total criminal monetary penalties in accordance with the schedule of payments set forth on Sheet 5, Part B.

| | <u>Assessment</u> | <u>Fine</u> | <u>Restitution</u> |
|---------|-------------------|-------------|--------------------|
| Totals: | \$ 150.00 | \$ | \$ 8,118,932.00 |

☐ If applicable, restitution amount ordered pursuant to plea agreement \$ _____

FINE

The above fine includes costs of incarceration and/or supervision in the amount of \$ _____.

The defendant shall pay interest on any fine of more than \$2,500, unless the fine is paid in full before the fifteenth day after the date of judgment, pursuant to 18 U.S.C. § 3612(f). All of the payment options on Sheet 5, Part B may be subject to penalties for default and delinquency pursuant to 18 U.S.C. § 3612(g).

- ☐ The court determined that the defendant does not have the ability to pay interest and it is ordered that:
- ☐ The interest requirement is waived.
- ☐ The interest requirement is modified as follows:

RESTITUTION

- ☐ The determination of restitution is deferred in a case brought under Chapters 109A, 110, 110A and 113A of Title 18 for offenses committed on or after 09/13/1994, until _____. An Amended Judgment in a Criminal Case will be entered after such determination.

- ☒ The defendant shall make restitution to the following payees in the amounts listed below.

If the defendant makes a partial payment, each payee shall receive an approximately proportional payment unless specified otherwise in the priority order or percentage payment column below.

| <u>Name of Payee</u> | <u>** Total Amount of Loss</u> | <u>Amount of Restitution Ordered</u> | <u>Priority Order or Percentage of Payment</u> |
|--|------------------------------------|--|--|
| CITIBANK, N.A., ATTN: THOMAS P. DOONAN | \$17,233,482.00 | \$8,118,932.00 | |

Totals: \$ 17,233,482.00 \$ 8,118,932.00

** Findings for the total amount of losses are required under Chapters 109A, 110, 110A, and 113A of Title 18 for offenses committed on or after September 13, 1994.

DEFENDANT: CARLOS GOMEZ
CASE NUMBER: 1:98CR00195-001

STATEMENT OF REASONS

☐ The court adopts the factual findings and guideline application in the presentence report.

OR

☐ The court adopts the factual findings and guideline application in the presentence report except (see attachment, if necessary):

Guideline Range Determined by the Court:

Total Offense Level: 23

Criminal History Category: I

Imprisonment Range: 46 to 57 months

Supervised Release Range: 3 to 5 years

Fine Range: \$ 12,500.00 to \$ 1,000,000.00

☒ Fine waived or below the guideline range because of inability to pay.

Total Amount of Restitution: \$ 8,118,932.00

☐ Restitution is not ordered because the complication and prolongation of the sentencing process resulting from the fashioning of a restitution order outweighs the need to provide restitution to any victims, pursuant to 18 U.S.C. § 3663(d).

☐ For offenses that require the total amount of loss to be stated, pursuant to Chapters 109A, 110, 110A, and 113A of Title 18, restitution is not ordered because the economic circumstances of the defendant do not allow for the payment of any amount of a restitution order, and do not allow for the payment of any or some portion of a restitution order in the foreseeable future under any reasonable schedule of payments.

☐ Partial restitution is ordered for the following reason(s):

☐ The sentence is within the guideline range, that range does not exceed 24 months, and the court finds no reason to depart from the sentence called for by the application of the guidelines.

OR

☒ The sentence is within the guideline range, that range exceeds 24 months, and the sentence is imposed for the following reason(s):

OR

☐ The sentence departs from the guideline range:

☐ upon motion of the government, as a result of defendant's substantial assistance.

☐ for the following specific reason(s):

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 37 d.

Case No. 600401/93
Hon. Charles E. Ramos, J.S.C.
IAS Part 53

SUPREME COURT OF THE STATE OF NEW YORK

COUNTY OF NEW YORK

CITIBANK, N.A.,

Plaintiff,

-against-

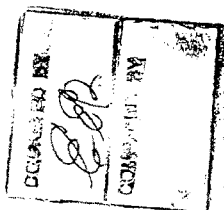
CARLOS GOMEZ, FERNANDO CALLEJA,
ALEJANDRO GARRIDO, SAILFISH
ENTERPRISES LIMITED, HIGH TIDE
ENTERPRISES LIMITED, SOUTHFORK LTD.,
CITITRUST (BAHAMAS) LIMITED, AS
TRUSTEE THROUGH ITS NOMINEES OF
SOUTHFORK LTD., CORCOVADO HOLDINGS
LIMITED, and DOES 1-10,

Defendants.

ALISON SPEAR GOMEZ,

Plaintiff-Intervenor

JUDGMENT



DAVIS POLK & WARDWELL
450 Lexington Avenue
New York, New York 10017
(212) 450-4000

Attorneys for Plaintiff Citibank, N.A.

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

-----x
CITIBANK, N.A.,

Plaintiff,

- against -

CARLOS GOMEZ, FERNANDO CALLEJA,
ALEJANDRO GARRIDO, SAILFISH
ENTERPRISES LIMITED, HIGH TIDE
ENTERPRISES LIMITED, SOUTHFORK
LTD., CITITRUST (BAHAMAS) LIMITED, AS
TRUSTEE THROUGH ITS NOMINEES OF
SOUTHFORK LTD., CORCOVADO
HOLDINGS LIMITED, and DOES 1-10,

Defendants,

-----x
ALISON SPEAR GOMEZ,

Plaintiff-Intervenor
-----x

JUDGMENT

Index No. 600401/98

Hon. Charles E. Ramos, J.S.C.

IAS Part 53

OSC
Upon reading and filing the summons, the complaint duly verified on January 27, 1998, the affidavit of Thomas M. Lahiff, Jr., sworn to on January 27, 1998, and the exhibit annexed thereto, the affidavit of David Denton, sworn to on January 27, 1998, the affidavit of James L. Kerr as to the need for emergency relief, sworn to on January 27, 1998, the accompanying memorandum of law and the undertaking herein, the order to show cause with temporary restraining order seeking order of attachment and expedited discovery as signed on January 27, 1998, the affidavits of service, the February 9, 1998 stipulation and order continuing the restraining order in effect, the papers in opposition

CLERK OF THE COURT

submitted by counsel for defendant, and
 behalf of plaintiff-intervenor Alison Spear Gomez, leave being granted to intervene
 without opposition;


AND the above-captioned action having come before the Honorable Charles E. Ramos, Justice of the Supreme Court of the State of New York in IAS Part 53, and the Court having heard argument on the motion and in opposition, and having continued the restraining order in effect on February 23, 1998, March 10, 1998, March 30, 1998 and April 30, 1998 in anticipation of the parties reaching settlement, and the Court having considered the indictment of Gomez and his plea agreement with the United States of America, and the Court having read and considered the Settlement and Security Agreement and the Exhibits thereto, including the First Amended Verified Complaint, consent to the filing of which was agreed to by and among the parties, and the Court having approved the settlement as agreed to, and the parties having submitted with the Settlement and Security Agreement a Stipulation and Order Directing Entry of Judgment, together with a form of proposed Judgment, the entry of which was consented to by the parties, and the Court having ordered that the Judgment be entered as submitted,

NOW, upon the motion of Davis Polk & Wardwell, attorneys for plaintiff, it is

ADJUDGED, that plaintiff Citibank N.A., located at 153 East 53rd Street, New York, New York, have judgment against defendant Carlos J. Gomez, residing at 1000 Park Avenue, New York, New York, in respect of the First Amended Verified Complaint and recover damages from defendant Carlos Gomez in respect thereof in the amount of TWENTY THREE MILLION TWO HUNDRED TWENTY SIX THOUSAND SIX

X HUNDRED SIXTY ONE DOLLARS AND ¹⁰ CENTS (\$23,226,661.00) (which amount includes prejudgment interest amounting in the aggregate to \$4,700,056.00 through March 31, 1998), and that plaintiff have execution for such amount.

Judgment signed this 6th day of May, 1998.


Clerk

FILED
MAY 6 1998
COUNTY CLERK'S OFFICE
NEW YORK

Senate Permanent Subcommittee
on Investigations

**Citibank (Switzerland)
Citibank, N.A.
Confidas Finance et Placement SA**

EXHIBIT # 38a

Acknowledgement

Professional Secrecy (Swiss Federal Data Protection Law), Business Secrecy (Swiss Federal Criminal Law) as well as the Swiss Banking Secrecy (Swiss Federal Law on Banks and Savings Banks) were brought to the attention of the undersigned on his / her entry into employment or consultancy service in any form with Citibank (Switzerland), or Citibank, N.A., or Confidas Finance et Placement SA, in Switzerland.

Article 162 Swiss Federal Criminal Code

Anyone who betrays a production or business secret which he should keep secret according to a legal or contractual duty, and anyone who takes advantage of such betrayal either for himself or for another person is upon demand subject to imprisonment or fine.

Article 35 Swiss Federal Data Protection Law

1. *Anyone who in an unauthorized manner intentionally discloses secret personal data particularly worth of protection or personality profiles of which he obtained knowledge while exercising a profession requiring the knowledge of such data, is upon demand subject to confinement or fine.*
2. *Anyone who in an unauthorized manner intentionally discloses personal data particularly worth of protection or personality profiles of which he obtained knowledge while working for or being trained by the person subject to the duty of secrecy, is subject to the same punishment.*
3. *Any unauthorized disclosure of secret personal data particularly worth of protection or personality profiles is also punishable after the end of the professional activity or training.*

Article 47 Swiss Federal Law on Banks and Savings Banks

1. *Whoever divulges a secret entrusted to him or of which he has become aware in his capacity as officer, employee, mandatory, liquidator or commissioner of a bank, as representative of the Banking Commission, officer or employee of a recognised auditing company and whoever tries to induce others to violate professional secrecy, shall be punished by imprisonment for not more than six months or by a fine of not more than SFr. 50,000.*
2. *If the act has been committed by negligence, the penalty shall be a fine not exceeding SFr. 30,000.*
3. *The violation of professional secrecy remains punishable even after termination of the official or employment relationship or the exercise of the profession.*
4. *Federal and cantonal regulations concerning the obligations to testify and to furnish information to a government authority shall apply.*

The undersigned acknowledges the contents of the above Articles and commits to be bound by the requirements of Professional Secrecy, Business Secrecy and Swiss Banking Secrecy regarding any information obtained in carrying out activities for Citibank (Switzerland), or Citibank, N.A., or Confidas Finance et Placement SA, even after his/her employment or after completion of the service.

Place

Date

Signature

Full Name (Block Letters)

Memorandum

JPMorgan

Senate Permanent Subcommittee
on InvestigationsJ.P. Morgan (Suisse) S.A.
Geneva

To : All Morgan visitors

From : Legal Department

Re : Swiss bank secrecy

EXHIBIT # 38b.

As a Morgan visitor but not employee of J.P. Morgan (Suisse) SA ("JPMS"), you may be the recipient of information relating in particular to JPMS's clients and accounts.

We must draw your attention to the fact that, JPMS being a Swiss bank, as a matter of Swiss law, you are considered an agent of JPMS. Accordingly, we must emphasize that you are hence bound by strict Swiss bank secrecy pursuant to Article 47 of the Swiss Federal Banking Law of November 8, 1934, which provides, inter alia, as follows :

" Article 47

1. *Whoever divulges a secret entrusted to him or of which he has become aware in his capacity as officer, employee, agent (...) of a bank, (...) and whoever tries to induce others to violate professional secrecy, shall be punished by imprisonment for not more than six months or by a fine of not more than SFr. 50'000.-.*
2. *If the act has been committed by negligence, the penalty shall be a fine not exceeding SFr. 30'000.-.*
3. *The violation of professional secrecy remains punishable even after termination of the (...) employment relationship or the exercise of the profession."*

In particular, the above provision strictly forbids you to give any information whatsoever, including information regarding the holder(s) of any account, the person(s) endowed with powers of attorney, the beneficial owner(s) of the assets deposited in any account, even the account numbers, to anybody whomsoever, including any superior, colleague and/or assistant from Morgan.

Should you have any question with regard to the above, do not hesitate to contact JPMS's Legal Department for further explanation.

We should be grateful if you could acknowledge having read and understood the present memorandum by filling up the bottom of the attached copy.

Thank you for your cooperation.

Legal Department / 11.93

I hereby acknowledge having received, read and understood the above.

Geneva, this day of 199 .

signature : _____

name : _____

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 38c.

**PRIVILEGED, WORK PRODUCT
AND CONFIDENTIAL**

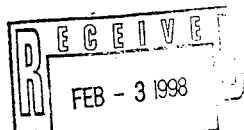
February 3, 1998

Thomas C. Baxter, Jr., Esq.
Executive Vice President and General Counsel
Federal Reserve Bank of New York
New York, New York

Dear Mr. Baxter:

This is in response to your request for a description of the policies and procedures currently has in place and proposes as a means of responding to legal process served upon [redacted] in particular with regard to legal process served by governmental agencies and law enforcement authorities (the "Requesting Parties"). Specifically, we understand that you are focusing on legal process that seeks information concerning beneficial owners and assets of trusts and private investment companies ("PIC") who may be clients of [redacted] or one of its off-shore affiliated companies.

[redacted] policy is to fully comply with any proper legal process served upon the bank as required by law. Under current procedures employed by the bank, if [redacted] is served with a subpoena or other legal process seeking information concerning accounts maintained at [redacted] a designated employee of the bank will review its computerized database known as the Client Information System [redacted] and all other relevant internal sources maintained in the ordinary course of business in order to locate any and all responsive information. [redacted] is a central database maintained at [redacted] which stores



Thomas C. Baxter, Jr.
 February 3, 1998
 Page 2

**PRIVILEGED, WORK PRODUCT
 AND CONFIDENTIAL**

the client's name and address, demographic data, client-to-client relationships, account balances and account market values. If responsive information is located by the _____ system or any other relevant internal sources, _____ then takes additional steps to procure all responsive documents. We believe that the procedure employed by _____ to respond to legal process from a Requesting Party assures that responsive information is provided in a timely fashion.

We have also reviewed _____ policies and procedures with regard to legal process served upon _____ by governmental agencies and law enforcement authorities relating to non-U.S. trusts and PICs. All non-U.S. trusts and PICs for individuals are established by _____ (Cayman") and/or _____ (Jersey"). Such trusts and PICs are administered by personnel at _____ Jersey. Some of the trusts established by _____ Jersey have appointed as trustees individuals associated with our Swiss affiliate, _____. Moreover, some trusts are governed by English law. When by legal process information is sought concerning individuals or entities who have established trusts and PICs through _____ Cayman and _____ Jersey, our response of necessity is dictated by the laws of those countries.

As a result of your inquiry, we have reviewed our policy in order to ascertain the degree of flexibility the laws of those countries may provide with regard to supplying information to third parties. We have sought advice concerning the laws of the Cayman Islands from _____, the laws of Jersey from the _____ law firm, the laws of the United Kingdom from _____ and the laws of Switzerland from the law firm of _____. For your review, we have summarized the advice received from foreign legal counsel in the attached appendix.

Taking into account the advice we have received, we propose to handle legal process from Requesting Parties concerning non-U.S. trusts and PICs as follows. A determination will be made as to whether the provision of such information to the third party seeking it is permitted by foreign law. If it is determined that providing information would not violate such law, _____ will provide the information to the Requesting Parties. If it is determined that providing such information raises an issue as to whether such action would be in contravention of

Thomas C. Baxter, Jr.
 February 3, 1998
 Page 3

**PRIVILEGED, WORK PRODUCT
 AND CONFIDENTIAL**

foreign law, _____ will serve an objection and/or seek a court's instructions. Further, if a U.S. law enforcement authority serves process on either _____ in respect of Cayman Trusts) or _____ Jersey _____, as appropriate, will either: (i) to the extent not constrained by foreign law, provide the information sought; or (ii) to the extent there is an issue as to whether providing the information sought would violate foreign law, undertake to apply to courts of those countries for directions as to how to respond to the legal process. We understand that courts in both jurisdictions are familiar with and deal with applications of this sort. For example, we have been advised that Section 4 of the Cayman Islands Confidential Relationships (Preservation) Law (1995 Revision) (the "CRPL"), a criminal statute, requires application to the Grand Court of Cayman before any evidence concerning confidential information is to be given. That application is made with notice to the Cayman Islands Attorney General and requires the applicant to submit an affidavit explaining the circumstances in which the confidential information will be given and why such evidence is necessary. Thereafter a hearing takes place in camera in a judge's chambers and the Cayman Islands Attorney General argues the public policy issues, if any, before the court. By seeking court assistance, information may be made available in a prompt and efficient manner without causing a violation of foreign criminal and/or civil laws.

We hope this information proves responsive to your inquiry. We would be happy to discuss our policies and procedures with you in more detail at your convenience.

Very truly yours,

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APPENDIX

This appendix summarizes the advice that [redacted] has received from various foreign counsel regarding responses to legal process served by U.S. legal agencies and governmental authorities regarding non-U.S. trusts and PICs. We have been advised by [redacted], Cayman Islands counsel, that it would be a violation of the CRPL to disclose the identity of the beneficial owners of Cayman Islands trusts and companies to third parties without the client's consent. Violation of the applicable section of the CRPL (Section 5.1) carries a fine of CI\$15,000 and two years imprisonment. This penalty may be doubled where the offender is a "professional person" which is defined as "every person subordinate to or in the employ or control of (a bank, etc) for the purpose of his professional activities."

We have been further advised that the CRPL purports to have extraterritorial effect and provides that it applies to "all confidential information with respect to the business of a professional nature which arises in or is brought into the Islands and to all persons coming into possession of such information at any time whether they be within the jurisdiction or without." CRPL, Section 3. Indeed, we have been advised that a [redacted] employee located in New York, such as a relationship manager, who meets with a client and assists that client in establishing a Cayman Islands trust, would be in violation of the CRPL by disclosing to third parties (including to other [redacted] officers or employees) the identity of the beneficial owner (and settlors) even though the identity of the beneficial owner was learned prior to the time the Cayman Islands trust or PIC was created.

We also have been advised that it would be a violation of criminal law for auditors who review the books, records, system and controls of Cayman Islands trusts and PICs to reveal the identity of the beneficial owners and settlor of such trusts and PICs to third parties (including other [redacted] officers and employees) in response to legal process. Similarly, it would be unlawful for an auditor to record the identities of the beneficial owners (and settlors) of the trusts and PICs which information may be made available to other officers or employees of [redacted] who are responding to subpoenas, attachment orders, seizure orders garnishment or other legal process served upon the bank by Requesting Parties.

**PRIVILEGED, WORK PRODUCT
AND CONFIDENTIAL**

As for Jersey law, we have been advised by the law firm that or its agents would have civil liability for violating the implied duty of confidentiality owed by a banker or trust company to its customer if, without consent, the identity of beneficial owners (and settlors) were compiled and made accessible to third parties (including employees). Moreover, an auditor who reviews the books, records, systems and controls of and thereby obtains information concerning the beneficiaries and settlors of the trust administered in Jersey would be in violation of Jersey's law if such auditor revealed that client information to a third party, including an officer or employee of

As with Jersey, we were advised by that under the laws of the U.K. it would be a breach of the duty of confidentiality for the identity of beneficial owners (and settlors) to be disclosed to third parties, including Requesting Parties, without consent. Moreover, an auditor who reviews the books, records, systems and controls of relating to such trusts, and thereby obtains information concerning the beneficiaries and settlors of U.K. trusts would be in violation of the civil law of the U.K. if such auditor revealed client information to a third party, including an officer or employee of

In as much as the trustees of certain trusts established by, are associated with we also inquired of Swiss counsel about the applicable laws of Switzerland. We have been advised by Swiss counsel, that it will be a violation of the criminal laws of Switzerland, specifically Article 47 of the Swiss Federal Law on Banks and Savings Banks (the "FLOB"), for there to be a disclosure of the identity of the beneficial owners of trusts and private investment companies either located or doing business in Switzerland to third parties, including U.S. governmental agencies, without the consent of the beneficiary. Indeed, according to Swiss counsel, it is not simply the names of beneficial owners which is subject to protection but all facts entrusted to or discovered by individuals in the exercise of their profession. The compilation of such list with the intent to distribute it to third parties and without client consent would certainly violate Swiss banking laws. Further, we were informed that a employee who is not a employee and who discloses the identity of the names of customers nonetheless can be subject to criminal penalties.

The penalty for violating Switzerland's criminal secrecy laws is severe and could lead to imprisonment for up to six months or a fine of up to CHF50,000. In addition to criminal penalties, could be sued civilly for breach of

**PRIVILEGED, WORK PRODUCT
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contract and tort for its role in violating bank secrecy. In addition to civil and criminal penalties, violation of bank secrecy may also lead to administrative sanctions by the Swiss Federal Banking Commission. Sanctions could include a warning, a request to dismiss the individual who committed the breach, and, ultimately, withdrawal of the banking license.

PRIVILEGED AND CONFIDENTIAL

March 6, 1998

BY HAND

Thomas C. Baxter, Jr., Esq.
Executive Vice President and General Counsel
Federal Reserve Bank of New York
33 Liberty Street
New York, NY

Dear Tom:

This will follow up on my letter to you of February 3, 1998 concerning your request for a description of the policies and procedures _____ possesses for responding to legal process concerning accounts domiciled in the U.S. At our recent meeting, you requested that we review with counsel the result under foreign law if a list of beneficial owners of trusts and private investment companies ("PICs") established at offshore affiliates of _____ is compiled and maintained in the U.S. Because the substantial portion of the trusts and PICs are established in the Cayman Islands, we have sought the further advice concerning the laws of the Cayman Islands from _____ a highly experienced law firm in the Cayman Islands, and we have just received their reply to our further inquiry.

Cayman Islands counsel has confirmed to us that the identities of beneficial owners of Cayman Islands trusts and PICs constitute confidential information under the Cayman Islands Confidential Relationships (Preservation) Law (1995 Revision ("CRPL")). Counsel has also stated that it constitutes a criminal offense to divulge or attempt, offer or threaten to divulge such information to third parties. Improper disclosure would also subject _____ to civil liability. They advise that it makes no difference how the names were obtained; unauthorized disclosure of confidential information to third parties regardless of the purpose (including in response to legal process) constitutes a violation of Cayman Islands law. Accordingly, regardless of whether the list is compiled and maintained at _____ the information cannot be disclosed by _____ unless we comply with the procedures described in my February 3, 1998 letter.

Cayman Islands counsel has further advised that under Cayman Islands law, the Bank may obtain the names of beneficial owners of trusts and PICs from its affiliate for genuinely prudential purposes as part of the normal course of [redacted]'s business, since the creation of such a list would fall within an exception in the CRPL. However, if such information was obtained to create a list not for prudential purposes but with a view toward providing the names in response to legal process, Cayman Islands counsel advises that the normal course of business exception will not be applicable and that such compilation of the list will constitute a violation of the CRPL. As we previously informed you, the maximum penalty for such an offense is C\$5,000 and two years' imprisonment.

In view of the fact that we have just received counsel's advice, management of our [redacted] private banking operations has not yet had the opportunity to determine how this advice may affect our current operations, client expectations and our competitive position. After we have had the opportunity to consider these issues, we will provide a further response to you. In the meantime, if you so desire we would be pleased to meet with you again to discuss this matter.

Very truly yours,

cc:

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FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212 720-5035

FACSIMILE 212 720-7348

THOMAS C. BAXTER JR.
GENERAL COUNSEL AND
EXECUTIVE VICE PRESIDENT

March 24, 1998

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Thank you for your letter of March 6, 1998, following up on certain questions we posed regarding [redacted] private banking business. In the letter, you indicate that [redacted] has now received advice of counsel that would permit it to obtain the names of the beneficial owners of trusts and private investment companies ("PICs") established in the Cayman Islands with its affiliates as long as [redacted] obtained this information for prudential reasons and not for the purpose of complying with a United States subpoena. You also stated that your business areas had not had the time to determine how this new advice may affect your private banking operations.

While I appreciate that [redacted] is in the process of accessing this information, it appears, at least to me, that this advice means that [redacted] can maintain a written list of the names of the beneficial owners of United States dollar accounts established in the names of PICs and trusts, update this list as necessary, and maintain this list in the United States. Adopting this procedure will address some of the risk management concerns we raised with you in our meeting on February 20, 1998.

Also, as I stated in our last meeting, it appears to me that once this list is maintained in the United States, it would be a matter of United States law -- and not Cayman Island law -- how [redacted] responds to a United States legal process. I would appreciate receiving confirmation, at your earliest convenience, that [redacted] concurs in this view.

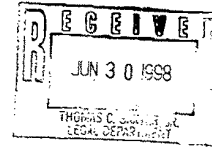
Sincerely,


CEW:MN slb:lcp

cc: Michael Nelson, Rona Pocker, Robert Toomey, Colleen Westbrook

BY HAND

June 30, 1998



Thomas C. Baxter, Jr., Esq.
 Executive Vice President and
 General Counsel
 Federal Reserve Bank of New York
 33 Liberty Street
 New York, NY 10045

Dear Tom:

This is in response to your request for information concerning the policies and procedures [redacted] is implementing in its private banking operations to ensure sound risk management processes and to facilitate the bank's ability to respond to legal process served upon the bank. These policies and procedures will focus on information concerning accounts maintained for beneficial owners of trusts and private investment companies ("PICs") at private bank.

As you are aware, we recently met with staff of the Reserve Bank to review this matter and to discuss various approaches that we had been considering. We found the meeting to be of significant assistance to us. Based upon these discussions and our understanding from the staff as to what would be considered consistent with safe and sound banking principles, we are pleased to inform you that [redacted] will establish a database concerning accounts domiciled in the United States that are maintained for the grantors of trusts and the beneficial owners of PICs established off-shore. The database will contain the names of the grantors and the beneficial owners and will be periodically audited by [redacted] Private Banking Group internal audit unit, the Self-Assessment Unit. Access to the database will be available to [redacted] senior officers responsible for the Private Bank's risk management. The database will be maintained in Jersey by employees of [redacted] who are solely responsible for administration of such trusts and PICs. Employees of [redacted] will regularly review and update the list. We believe that this approach is in accord with our recent discussions with the Reserve Bank staff.

The database will also be accessible in connection with responding to legal process served upon [redacted]. As you are aware, [redacted] policy is to comply fully with all legal process served upon the bank as required by law. Under procedures currently in place, when a subpoena or other legal process is received which seeks information about accounts maintained at the bank, a

designated employee reviews the bank's and other internal sources in order to locate information which is responsive to the request. If responsive information is located, we then take additional steps to secure all appropriate documents. is a central information database that stores client names, addresses, demographics, and account information, including balances and market values. We will modify our current procedures in regard to response to legal process to include a review of the database described above. In this way we believe that we will assure a comprehensive response to legal process.

Under the procedures we will be implementing, whereby legal process information is sought concerning accounts established by clients who have established trusts and PICs, we would, in addition to following the current procedures, review the database to determine if there is a link between the account domiciled in the United States and a client who has established an offshore trust or PIC. If it is determined that such a link exists, a determination will be made as to whether the provision of such information to the third party seeking it is permitted by foreign law. If it is determined that providing information would not violate such law and the request does not seek information which is privileged or confidential, or is otherwise objectionable, will provide the information to the requester. If it is determined that providing such information raises an issue as to whether such action would be in contravention of foreign law or is otherwise objectionable, will serve an objection or seek guidance from an appropriate court.

We hope this information has been responsive to your inquiry.

Sincerely,

cc: Rona Pocker
(Federal Reserve Bank of NY)
Michael Nelson, Esq.

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK N.Y. 10045-0001

AREA CODE 212 720-6035

FACSIMILE 212 720-7346

THOMAS C. BAXTER, JR.
 GENERAL COUNSEL AND
 EXECUTIVE VICE PRESIDENT

August 13, 1998

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Dear

This is in response to your letter to me of June 30, 1998, and represents our understanding of the policies and procedures described in that letter for maintaining and accessing information concerning accounts maintained for beneficial owners of trusts and private investment companies at [redacted]. This letter memorializes understandings reached between you, your counsel, and members of my staff subsequent to your June 30 letter.

We understand that the database described in your letter that [redacted] will establish (for accounts domiciled in the United States that are maintained for the grantors of trusts and the beneficial owners of PICs established off-shore) will be reviewed in connection with all legal process served on [redacted]. This review will be in addition to the review of [redacted] and the other internal sources that are currently subject to review.

We further understand that beneficial ownership and other information contained within the private banking database maintained in Jersey will be available to our examiners upon request in a manner consistent with [redacted] current arrangements with respect to the availability of information. The procedures you outlined in your letter do not alter any commitments previously made to the Bank concerning the availability of information.

If in reviewing the private bank database, [redacted] determines that [redacted] information contained therein is responsive to legal process, we understand as follows. [redacted] will provide such information, unless it determines that production of such information would either violate laws, is privileged or confidential, or is otherwise capable of being the subject of a valid legal objection. In case of such a determination, [redacted] will seek guidance from the court or other entity or authority that issued the legal process on how it should proceed.

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FEDERAL RESERVE BANK OF NEW YORK 2

August 13, 1998

We trust that the above description is consistent with the procedures that has established and appreciate your attention to these matters.

Sincerely,

~~757~~ THOMAS C. BAXTER, JR.

Thomas C. Baxter, Jr.
General Counsel and
Executive Vice President

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WASHINGTON, D.C. 20540-3200

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 38d.

LAW LIBRARY
DIRECTORATE OF LEGAL RESEARCH

Re: LL File No. 99-7799

TO: Senate Permanent Subcommittee
on Investigations

October 27, 1999

Attention: Bob Roach

FROM: David M. Sale
Director of Legal Research

SUBJECT: Foreign Corporate Secrecy Laws

In response to your request, please find enclosed reports on corporate secrecy laws in the Bahamas, the Cayman Islands, the Channel Islands, Hong Kong, the Netherlands Antilles, Panama, Singapore, and Switzerland.

Hopefully this information will be helpful. If you need further assistance please contact us.

Enclosures

99-7799

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BAHAMAS

Although the Bahamas is known for having bank secrecy legislation,¹ the available laws of that jurisdiction do not contain provisions making the divulgence of information respecting corporate ownership a criminal offence. Some protection for shareholders of offshore companies is provided through minimal filing requirements that do not require disclosures of the names of owners or managers.²

Stephen Clarke
Senior Legal Specialist
Western Law Division
Directorate of Legal Research
Law Library of Congress
October 1999

¹ Bank and Trust Company Regulation Act, Bah. Rev. Laws, ch. 287, s. 10 (1987).

² International Business Companies Act, 1989, 1990 Bah. Laws, No. 2, as amended.

99-7799

LAW LIBRARY OF CONGRESS

CAYMAN ISLANDS

The Cayman Islands' Confidential Relationships (Preservation) Law covers "information concerning any property which the recipient thereof is not, otherwise than in the normal course of business, authorized by the principal to divulge."¹ This definition would seem to cover information relating to the ownership of a corporation. Such information would normally be possessed by individuals involved in establishing a corporation, such as a lawyer, and government officials involved in registering or investigating a corporation. However, the Confidential Relationships (Preservation) Law would also cover other persons who might acquire confidential information without being authorized to divulge it.

The Confidential Relationships (Preservation) Law requires parties who have been asked to divulge confidential information to advise the Attorney General of that request and seek the advice of the Grand Court.² Requests from foreign parties are usually not approved unless appropriate assistance is requested under an applicable treaty providing for mutual legal assistance in criminal matters. These treaties generally cover drug trafficking and money laundering, but not tax evasion.

Violations of the Cayman Islands' Confidential Relationships (Preservation) Law by professional persons are punishable with fines of up to C\$20,000 and 8 years imprisonment.³ Prosecutions must be approved by the Attorney General.⁴

Stephen Clarke
Senior Legal Specialist
Western Law Division
Directorate of Legal Research
Law Library of Congress
October 1999

¹ 1976 Cay. I. Laws, No. 16, § 1, amended by 1979 Cay. I. Laws, No. 26.

² *Id.*, § 3A.

³ *Id.*, § 4.

⁴ *Id.*, § 7.

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CHANNEL ISLANDS

Introduction

The Channel Islands comprise of two Bailiwicks: 1) Jersey and 2) Guernsey, Alderney and Sark. The constitutional status of the Channel Islands is anomalous since they, along with the Isle of Man, are not part of the United Kingdom, nor are they colonies. The Islands are self-governing Crown Dependencies. Although the Treaty on European Union applies to the Channel Islands only for specified purposes, Guernsey has enacted a law enabling it to implement any provision of European Community law.

Corporate ownership disclosures¹**Jersey**

The Companies (Jersey) Law, 1991 authorizes two entities, public and private companies. A public company has 30 or more members and must have at least two directors. A private company may have only one director. The vast majority of companies are private. Upon formation of a company, the Registrar of Companies must be informed of the identity of the beneficial owners of the company. The beneficial owners of a private company are not disclosed on the company's register. Both types of companies must maintain a public register of directors and secretaries, including information on the address, nationality, occupation, and date of birth. The register of a company is open to public inspection, but, as stated, beneficial ownership in a private company, and its activities, are not publicly disclosed.

A foreign registered tax exempt company, must be beneficially owned by non-residents of Jersey, and the beneficial ownership must be disclosed to the Jersey Financial Services Commission.

Guernsey

Guernsey and Alderney have separate but similar legislation on companies. Sark does not have any companies legislation. Prior to incorporation under the Companies (Guernsey) Law, 1994, and the Companies (Alderney) Law, 1994 an application must be submitted to the Guernsey Financial Services Commission for consent to issue founder shares. The information is scrutinized and consent is given if the individuals involved and the activities to be undertaken are acceptable. Approximately 50 applications are refused annually and others are discouraged. Moreover, when the Commission queries the information provided, the proposed beneficial owners of a number of other companies decide not to proceed with incorporation.

The details provided for consent to register are confidential to the Commission and the Law Officers of the Crown. Beneficial owners must disclose their names, addresses, occupations, dates of birth,

¹ Information on disclosure requirements in the scattered legislation of the Channel Islands is based on a report commissioned by the British Government: Home Department, Review of Financial Regulations in the Crown Dependencies, Cm. 4109, 4 Parts (Nov. 1998), ("Edwards' Report"). The Report was prepared by Andrew Edwards, a former top official at the UK Treasury.

places of residence and places of domicile. Upon registration, the information is publicly available.

Guernsey does not offer shelf company facilities and therefore the requirement to disclose beneficial ownership cannot be avoided.

Also noteworthy of mention is the problem of "nominee directors" encountered in Sark - the so-called "Sark lark." The residents of Sark, population 575, sit as directors of approximately 15,000 companies; 3 residents hold between 1,600 and 3,000 directorships each.² It is reported that the authorities in Guernsey have agreed that the problem of nominee directors must be solved by means of new legislation with application throughout the Bailiwick.³ The legislation would not prohibit Sark residents from acting as directors but would allow the Commission to regulate them.

Edwards' Report

Noting that the authorities in Jersey and Guernsey *vet* applications for new company registrations and require confidential disclosure of beneficial ownership, the Edwards' Report, however, expressed a concern that they have not in the past required companies operating in the Islands but incorporated elsewhere to register.

The Report submits several recommendations in this regard:

... the case in favour of vetting is, in my opinion, strong. There is great scope for abuse of company vehicles to facilitate financial crime and money laundering.

The case for requiring disclosure of beneficial ownership in confidence at registration (as in Jersey and Guernsey), and changes subsequently (not a universal requirement in either Island), is ... compelling. The authorities need to know who the principals behind the companies using their centres are. I hope that the Jersey and Guernsey authorities will modify their existing arrangements so as to require all companies to report changes in beneficial ownership.⁴

Prepared by Kersi B. Shroff
Senior Legal Specialist
Western Law Division
Law Library of Congress
October 1999

² 15 International Enforcement Law Reporter (Jan. 1999), in Nexis.

³ The Lawyer, March 29, 1999, in Nexis.

⁴ *Supra* note 1, Part I, at xix (emphasis by author). A copy of Chapter 10 of the Edwards' Report dealing with Companies is attached. A copy of a recent analysis in the Financial Times (Oct. 21, 1999) of the repercussions from the Edwards' Report is also attached.

THE EDWARDS REPORT by Kieran Cooke

Financial Times

Oct. 21, 1999

p. 11

An eyebrow half-raised

Local fears over the UK government's review of financial services in the Channel Islands have largely been dispelled, but the report does highlight some concerns

Guernsey was not pleased when the government in London announced, in late 1997, a wide ranging review of the regulation of the financial services industry in the Channel Islands and the Isle of Man. Once again, Westminster was showing its contempt for local feelings and institutions. Local leaders say the move was made without any consultation.

"The whole business was handled clumsily," says Laurence Morgan, long-time president of the Advisory and Finance Commission, the senior body in the island's government. "There was a lack of thought behind the announcement. The constitutional and diplomatic proprieties were ignored. I think the new government wanted to be seen to get on with things. It was all rather unfortunate."

In the event, the outcome of the review went a long way towards mollifying the island's injured feelings. Andrew Edwards, a former senior official at the Treasury, began his investigation in January last year and delivered his report in November. The result, in broad terms, gave the thumbs up for regulation in each of the Channel Islands and the Isle of Man.

"I have no doubt that the islands are in the top division of offshore centres," said Mr Edwards. Critics had alleged there was too much secrecy, poor regulation and poor co-operation in offshore centres.

"Such criticisms, if applied to the Crown Dependencies, would generally, in my opinion, be quite wide of the mark," reported Mr Edwards. "For the most part, the position in the islands is quite the opposite of what such criticisms would imply."

Officials and financiers are understandably relieved that

the investigation is now over and they can get on with business as usual. "We have nothing to hide," says Peter Crook, a former Bank of England official who is director-general of Guernsey's Financial Services Commission, the statutory body that oversees the financial industry. "Our regulatory framework is at least equal to that in Europe. The Edwards report was a solid vote in favour of the way we do things. All along we knew the report would be positive."

Yet not all that Mr Edwards found in the, offshore garden was rosy. Beneath the polite, cautious

up of roles is the only sensible way to administer islands with relatively small populations. But there are those who feel the old ways are no longer suited to administering what have become wealthy, sophisticated entities. There are no party political groupings in the Channel Islands' parliaments. Instead, say the critics, each island is run by a small, extremely conservative group steeped in Victorian paternalism.

The lack of separation of powers on Guernsey is now under the European spotlight. Richard McGonnell, a one-time Guernsey resident, had a planning application

axes to grind," said the report.

Mr Edwards also drew attention to the dual role the Financial Services Commission has in each offshore centre: the FSCs not only regulate the financial industry but also promote it. "Promotion in the sense of hard selling or marketing is clearly not a proper task for regulators," said Mr Edwards. "The same person cannot readily 'promote' the island's facilities to potential newcomers one day and appear on the following day in the role of impartial licensor and regulator."

Mr Crook, of Guernsey's FSC, answers by saying the island has always taken a very low key approach to any marketing activities. "Our policy is not to say Guernsey is the greatest place in the world, but to say 'These are our standards, and if you can meet them then come and talk to us.'"

Among the other areas to which Mr Edwards raised a critical eyebrow were the need for more thorough rules on disclosure in a number of fields, and a fuller licensing and accountability regime in regard to trusts. There should be fuller company reporting requirements. The report also suggested the authorities should consider appointing an ombudsman to deal with customer disputes.

The authorities in Guernsey argue that many of the issues raised by the Edwards report were already under consideration. Guernsey, for instance, has recently moved to eliminate the abuse of "nominee" directors on the island of Sark, highlighted by Mr Edwards.

There is little doubt the report has prodded the island's administrators. Some proposed legislation that has lain on the shelves for years is now being actively pushed through.

Some people have written about the lack of independence of the judiciary from the legislature

language of the 208-page report a number of questions are posed about the way things are done in the islands. A recurrent theme is the issue of conflicts of interest and the overlapping of powers in various areas.

Mr Edwards - described as dour but diligent by one Guernsey banker - points out that the notion of separation of powers is largely absent in the Channel Islands. In both Guernsey and Jersey, the chief justices - known as bailiffs - serve as Speakers of the parliaments, first citizens, and as the islands' spokesmen. Mr Edwards said such matters were beyond the scope of his report, although he did note that people had written to him expressing concern about the lack of the independence of the judiciary from the legislature.

Senior officials defend such practices either by quoting precedent or pointing out that such a doubling

appeal rejected by the island's bailiff. The issue is now before the Court of Human Rights in Strasbourg. Mr McGonnell argues that judgment in his case was not made by an independent and impartial tribunal as laid down by the Human Rights Convention. If he wins his case the old Guernsey administrative ways could be in for a change.

The Edwards report was critical of other areas where it found too much of an overlap of powers, particularly in regard to various regulatory boards. Political figures are routinely appointed as chairmen of the boards. While Mr Edwards said he had not found evidence of problems caused by such practices, he felt politics should not intrude into regulatory areas. "The task of regulation is better performed by suitably qualified independent professional people than by politicians or government officials with other



REVIEW OF
FINANCIAL REGULATIONS
IN THE CROWN DEPENDENCIES

PRESENTED TO PARLIAMENT BY THE SECRETARY OF STATE FOR THE HOME DEPARTMENT

BY COMMAND OF HER MAJESTY.

NOVEMBER 1998.

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**REVIEW OF
FINANCIAL REGULATION
IN THE CROWN DEPENDENCIES**

A REPORT

COMMISSIONED BY THE HOME SECRETARY
AND PREPARED BY ANDREW EDWARDS
IN CO-OPERATION WITH THE ISLAND AUTHORITIES

| | |
|----------|---|
| PART I | PRINCIPAL ISSUES SUMMARY AND MAIN CONCLUSIONS MAIN REPORT |
| PART II | THE JERSEY FINANCE CENTRE |
| PART III | THE GUERNSEY FINANCE CENTRE |
| PART IV | THE ISLE OF MAN FINANCE CENTRE |

10 COMPANIES

10.1 Introduction

10.1.1 The Crown Dependencies, like other offshore centres, have developed substantial businesses as international company registration and administration centres.

10.1.2 As set out in the table at Box 10.1, about 90,000 companies are incorporated in the Islands. The Isle of Man has about 42,000 locally incorporated companies; Jersey, about 32,000; Guernsey, about 16,000. In all cases, the vast majority are private companies.

10.1.3 In comparison with other offshore centres, these figures are not especially large. As set out in Box 2.1, Hong Kong has 477,000 companies; the British Virgin Islands, 302,000; Cayman, 41,000; and Gibraltar, 25,000.

10.1.4 These figures compare with about 1.1 million companies on the UK's registers.

10.1.5 As the Box 10.1 table indicates, there are many further companies that operate in or are administered from the Islands but are incorporated elsewhere. The precise numbers are not known. But in Guernsey it is believed that the numbers could be of a similar magnitude to the numbers of incorporated companies. In the Isle of Man, there are believed to be many fewer non-locally-incorporated companies, possibly less than 3,000 (including 1,870 on the Island's "F" Register).

10.1.6 The company registrations business brings substantial fee earnings to the Islands. The company business as a whole brings significant amounts of local employment.

10.1.7 The Islands' company sectors have also been a source of concern to the Island authorities because of the potential they offer for concealment of disreputable purposes and bad publicity. The concern extends to companies administered on the Islands but incorporated elsewhere as well as to companies incorporated in the Islands. In this respect, too, the Islands are not unique. Other company registration centres, onshore as well as offshore, have encountered similar problems.

10.2 Nature of the Islands' company sectors

10.2.1 The Islands' company sectors differ markedly from those of the onshore jurisdictions. Most companies registered or operating there are owned by non-resident individuals, Trusts or companies conducting business or holding assets outside the Islands. The Islands' service providers offer clients company vehicles in much the same way that they might offer them life assurance products, mutual fund holdings or banking facilities. Conventional trading companies are a minority.

10.2.2 The companies owned by individuals overseas or by Trusts are mainly convenient vehicles for holding wealth of various kinds, such as real estate, works of art, yachts, share portfolios, business interests or other investments.

10.2.3 Such companies often form part of a pyramid structure, with a Trust at the top owning a variety of separate companies which in turn may own trading companies. These structures may enable individuals to enjoy simultaneously the benefits of Trust and

company vehicles. The benefits are likely to include confidentiality and tax advantages, depending on the beneficiaries' residence, domicile and local tax regimes, as well as limited liability. The company format also enables individuals or Trusts to segregate assets into separate, self-contained parcels and thus to give separate legal identity to individual parcels of wealth or business interests. Company vehicles also make Trust facilities more accessible to overseas residents not familiar with Trusts.

10.2.4 For multinational or overseas companies, the Islands' company vehicles may offer substantial advantages in tax savings and convenience. Such companies may find these vehicles advantageous for headquarters and treasury functions, international trading functions, collective investment funds, captive and life insurance business, pensions and share options business, and leasing business as well as asset holding.

10.2.5 Another important difference in the Islands compared with the large countries is that corporate service providers (CSPs), also known as company formation agents or company managers, play a much more important part in the company sector, as also in the Trust sector. CSPs are responsible for most company formations. They also provide Director, management, administration and company secretary services for many companies serviced from the Islands. Providers of such services include banks, lawyers and accountants as well as dedicated service providers. Some are branches of multinational CSPs. A similar pattern is found in most other offshore centres.

10.2.6 In the larger countries, such as the UK, there are many organisations providing similar services, including facilities for incorporating companies in any international centre of the client's choice. But they are less prominent than in the Islands.

10.3 Policy objectives

10.3.1 The Islands have all set out to build up businesses as international company

registration and administration centres. The Isle of Man has the largest business. Jersey and Guernsey have adopted a more selective approach.

10.3.2 As discussed above, the presence of these businesses brings substantial benefits to the Islands in fee income and local employment, on which taxes are levied. The legal, registration, regulatory and tax systems have all been designed to promote such business.

10.3.3 The Islands face strong competition for this business from other offshore centres.

10.4 Company law

10.4.1 Each of the Islands has its own company and tax legislation to support its company registration and administration businesses. The principal company legislation is listed at the end of the Island sections. Much of it is similar to UK Company legislation. But there are important differences, especially with regard to registration requirements and regulation. The tax legislation is quite different.

10.5 Registration and regulation: UK model

10.5.1 In the UK, there are no restrictions on who may form or register a company. Neither is there any requirement to declare beneficial ownership where this differs from nominal ownership. Company registration and regulation systems are designed with the following objectives (among others) in mind:

- to give companies a legal identity and, if they so choose, limited liability;
- to make publicly available, for the benefit of potential customers and suppliers as well as shareholders, information about the company's Directors and ownership, areas of activity and financial performance;
- to ensure that Directors fulfil their duties to shareholders and that shareholders are properly informed and

consulted about what their company is doing and achieving;

- to ensure that accounts are prepared in prescribed formats conforming to EU Directives, audited by approved auditors, made available to shareholders, and (in the case of limited companies) publicly filed; and
- to enable the authorities to investigate and pursue trails in case of need.

10.5.2 In the UK, the public disclosure requirements associated with these objectives follow and in certain respects go beyond the relevant EU Company Directives of 1978, 1983 and 1984. All the information disclosed is made public at Companies House and has to be kept up to date in annual returns (more frequently in some areas).

10.5.3 The UK and EU disclosure regimes go much further than those of the US and Canada, where only companies listed in the Stock Exchanges have to file accounts.

10.5.4 For companies *incorporated in the UK*, the main elements that have to be disclosed (and updated) are:

- (a) the Company's name, the address of its registered office and the nature of its business;
- (b) the Company's Memorandum and Articles of Association, including particulars of share capital and any subsequent changes;
- (c) the names and addresses of the Directors and Secretary of the company, including "Shadow" Directors (if any) who give instructions or directions to the Directors;
- (d) the place where the register of the Company's members and debenture holders may be inspected;
- (e) in the case of limited companies, annual filing of audited accounts in a prescribed format (abbreviated for small companies);

- (f) an annual report by the Directors reviewing the development of the company's business and its principal activities.

10.5.5 For companies *not incorporated in the UK* but doing business there, the requirements are similar. These "oversea" companies too appear on the public register of companies. The disclosure format requirements are, however, less prescriptive and there is no audit requirement (though companies incorporated in the Crown Dependencies but carrying on business in the UK are subject to an audit requirement).

10.5.6 The UK's disclosure regimes are rigorously enforced, with fines for non-compliance. The Department of Trade and Industry is able, moreover, to appoint inspectors to investigate and report on a company's membership.

10.6 Registration and regulation: Island models

10.6.1 In the Islands as in the UK, the registration and regulation regimes are designed to give companies a legal identity and, if they so choose, limited liability, in return for providing certain information. But there are important differences, both between the Islands and between the Islands and the UK.

10.6.2 The main differences are:

- First, the authorities in Jersey and Guernsey *vet* applications for new company registrations. They do this through Control of Borrowing legislation which provides relevant statutory powers. In Jersey, all applications for company formations requiring consents under this legislation have to be made by advocates or solicitors of the Royal Court or by accountants practising in Jersey. In Guernsey, similarly, all applications for company formations have to be made to the Royal Court through Advocates, who are responsible for due diligence

investigations of the applicants. In the Isle of Man, on the other hand, as in the UK, registration is automatic provided that the necessary documentation and fees are provided. There is no longer a requirement to detail permitted activities in Memorandums of Association.

- Second, the Jersey and Guernsey authorities require some *confidential disclosures* to the authorities at the time of incorporation as well as public disclosures. In particular, they require companies to identify who the *beneficial owners* are in cases where these differ from the nominal owners. Only exempt companies, however, (and international companies in Guernsey) are required to notify any subsequent changes. The Isle of Man authorities do not require disclosure of beneficial ownership or other confidential disclosures, though the "Know your customer" principle in the anti-money-laundering Code will require those involved in forming companies to know for whom they are working.
- Third, there are no *minimum capital requirements* in Jersey or Guernsey for unregulated companies, either public or private. The Isle of Man does make such requirements.
- Fourth, the Jersey and Guernsey authorities have not in the past required *companies administered or operating in the Islands but incorporated elsewhere* to register or to file any details. The Isle of Man authorities do require such companies to be registered on a separate register known as the F Register. They are required to lodge basic details of Memorandum and Articles, the Directors and Company Secretary, and the Company's authorised local agent. The coverage of the F-Register is believed, however, not to be comprehensive.
- Fifth, the Islands do not require private companies (which form the vast

majority) to publish annual accounts or Annual Reports by the Directors. Jersey requires all companies to *produce* accounts. Public companies are required to have them audited and to file them publicly. Private companies need only have their accounts audited if the Articles so require or a majority of members so resolve. The Isle of Man requires public companies to *produce and publish* such accounts. Private companies must produce accounts if members so require but this requirement is not enforced. Guernsey law requires all companies to *maintain* accounts but here too there is no requirement to publish audited accounts or annual reports.

- Sixth, the authorities in Jersey and the Isle of Man have powers to appoint *inspectors* to investigate companies but the Guernsey authorities do not.

10.7 Vetting of registrations

10.7.1 In my opinion, there is no absolute need to vet company registrations. The vetting process is bound to take some time. It reduces business for centres that practise it. Provided that the authorities are able subsequently to identify and de-register companies whose businesses are unacceptable and risk bringing the centre into disrepute, initial vetting may not be strictly necessary. And regulated service providers may be able to take on some of the same functions.

10.7.2 But the case in favour of vetting seems to me very strong. It is important to know the owners, scale and purposes of companies, especially if they will not be required to file any information about their activities. In this as in other areas of regulation, there is much to be said for nipping potential problems in the bud. Stopping companies from registering in the first place seems easier and better than allowing them to register and then trying to identify and de-register them subsequently.

10.7.3 The case for vetting is especially compelling, perhaps, in centres which are vulnerable to abuse by clients and to bad publicity. It has a further role to play in centres where the pressures on resources limit the amount of new business that can be taken on. I would therefore support the approach that Jersey and Guernsey have adopted. I hope that the Isle of Man will consider it too.

10.8 Beneficial ownership

10.8.1 The requirement to disclose beneficial ownership at registration, and changes in beneficial ownership subsequently, where the beneficial ownership is different from the registered ownership, raises some analogous issues.

10.8.2 In the larger countries, practices vary. The French and German authorities reckon to collect and hold information about beneficial ownership of companies incorporated within their jurisdictions. The UK authorities, as discussed above, do not require such disclosure but do make a requirement (which may in many cases amount to the same thing) that "shadow" Directors be included on the register alongside the actual Directors. The Isle of Man makes a similar requirement.

10.8.3 So far as I am aware, disclosures of beneficial ownership are made in confidence to the authorities, and not published, in all the centres where they are a requirement. In general, this seems to me reasonable. There may be valid commercial reasons why companies should not be obliged to disclose their beneficial ownership publicly.

10.8.4 The main reason for requiring confidential disclosure of beneficial ownership is that companies, in particular private companies, have come to be favourite vehicles for criminals and money launderers. Especially in the absence of regulation, company structures can be abused to conceal and disguise disreputable purposes as well as providing limited liability. More than ever

before, therefore, the authorities need to know who really owns companies and directs them.

10.8.5 Some additional considerations are:

- First, the point of requiring companies to disclose shareholders and Directors is so that people who need to know may know who the person is (or people are) who own and run the company. If the shareholders and Directors are not the real principals, the real principals should be disclosed as well.
- Second, the disclosure requirement may deter the disreputable from applying for registration or incorporation in the first place.
- Third, information about beneficial ownership is likely to be valuable in constructing databases of Island enterprises and the connections between them and as a cross-check on the diligence of service providers.
- Fourth, this information will be especially relevant should there ever be criminal or money laundering trails to investigate.
- Finally, although the unscrupulous may of course misrepresent or fail to declare the beneficial ownership, the offence of a false declaration may be helpful in enabling the authorities effectively to enforce the regulation and strike off the offending companies.

10.8.6 The case against requiring disclosure of beneficial ownership is:

- First, the requirement may reduce business, including reputable as well as disreputable business. But companies continue to be incorporated in Jersey and Guernsey in spite of the requirement for confidential declaration of beneficial ownership.
- Second, the business lost may go to other centres where standards are lower and the pursuit of crime less effective.

There may be some truth in this. But a key objective for world-class financial centres should be to deter disreputable business. Even if other business is lost in the process, the increase in good business is likely in due time to offset such losses of business in the short term.

- Third, as the Isle of Man authorities have represented to me, unscrupulous people are likely to misrepresent or (more likely) fail to declare the beneficial ownership even if there is a disclosure requirement. Asking them to declare it may only encourage them to multiply the layers of concealment. There may be some truth in this, too. As discussed in the preceding paragraph, however, the offence of a false declaration may be an invaluable element in the prosecution of disreputable activity.

10.8.7 The arguments in favour of requiring confidential disclosure of beneficial ownership, as in Jersey and Guernsey, and also shadow directors, seem to me clearly to outweigh the arguments against. With the burgeoning of financial crime and money laundering through company vehicles, the combating of crime needs to be a principal concern in company regulation. Company regulation and law enforcement need to work together to combat crime.

10.8.8 In my opinion, therefore, Jersey and Guernsey are right to require confidential disclosure of beneficial ownership when companies are formed. It is no less important that companies or their agents be obliged to report subsequent changes in beneficial ownership. Without this, the unscrupulous can easily avoid the disclosure requirement without any breach of regulation.

10.8.9 I hope that the Isle of Man authorities, too, will be willing to require such disclosure. They have proposed, rightly in my view, that corporate services providers should be required to obtain and keep information on

beneficial ownership. In my opinion, this is much better than nothing but should preferably be supplemented, and enforced, by an obligation to disclose the information in confidence to the authorities.

10.8.10 In this as in other areas, it would be far better if all offshore centres pursued the same good practices. Chapter 17 discusses the prospects for developing such co-operation. But there are some areas, including regulation of companies, where the case for setting high standards stands in its own right and such standards are in the Islands' own best interests.

10.8.11 The larger British Caribbean Territories mostly now require company managers or agents to ensure that those who asked them to establish the company are reputable and that either they or those by whom they were instructed know the identity of the beneficial owner. In my opinion, this requirement, too, is better than nothing. But there must be concerns about delegating due diligence responsibilities in this way.

10.8.12 In the UK, the requirement to disclose shadow Directors may achieve some of the same effect as disclosure of beneficial ownership. I hope, however, that the UK authorities too, in their company law review, will be considering the case for adding a requirement for confidential disclosure of beneficial ownership.

10.9 Companies operating on the Islands but incorporated elsewhere

10.9.1 Neither the Jersey nor the Guernsey authorities have in the past required companies administered or otherwise operating in the Islands, but incorporated elsewhere, to register with the authorities at all *unless* the companies apply for tax-exempt status (in which case disclosure of beneficial ownership is required as well). As discussed earlier, there appear to be many such companies.

10.9.2 Although the Islands' tax authorities may have some details of these companies, the company registration authorities have none and are generally unable, therefore, to assist the authorities in other countries who make enquiries about them.

10.9.3 In the Isle of Man, such companies are required to file basic information on a separate "F" register. There is some chance, therefore, of pursuing trails through these companies in case of need. But the coverage is not comprehensive and the information required is very limited. It does not include beneficial ownership, nature of the business or country of incorporation (though the last of these will be apparent from other filed documents). There is, however, a requirement to register shadow directors and to file certain charges.

10.9.4 The Island authorities now feel that they cannot afford to know nothing about companies in this category. In my opinion, they are right. In Jersey and Guernsey, companies administered from the Islands can readily avoid the vetting and registration processes by incorporating elsewhere. In the Isle of Man, too, the far from comprehensive coverage of the "F" Register means that some companies administered from the Islands may be able to preserve total anonymity.

10.9.5 The Jersey authorities did not feel able to estimate how many such companies operate on the Island. The Guernsey authorities, on the other hand, believe that there are probably more such companies than locally incorporated companies. This helpfully indicates the likely scale of the problem. In the Isle of Man, where incorporation is largely automatic and less disclosure is required, there are believed to be many fewer non-locally-incorporated companies (see Box 10.1).

10.9.6 Solutions are still being considered. In my opinion, such companies should preferably be subject in all the Islands to registration and disclosure regimes similar to

those for locally incorporated companies. The Alderney authorities have, I believe, already decided on this course.

10.10 Disclosure of accounts and requirements for audit

10.10.1 There has long been a perception in the larger economies, especially in Europe, that companies which receive the benefits of a separate legal personality and limited liability should be expected, as a *quid pro quo*, to disclose financial information. Customers, suppliers, staff, shareholders, investors, lenders and public authorities doing (or planning to do) business with the company have been seen as having a legitimate interest in knowing what the nature, scale, assets base, earnings and financial circumstances of the company are. Publication has been seen as the best means of meeting such needs.

10.10.2 The EU decided in its Company Law Directives of 1979, 1983 and 1984 to set common requirements throughout the EU countries for the public filing of audited accounts in a prescribed form and for the use of suitably qualified auditors. The idea was that company accounts should mean the same, and be professionally audited, regardless of where in the EU they are produced.

10.10.3 The UK's 1985 and 1989 Companies Acts gave effect to these Directives in the UK. The Acts apply to all audited companies. Small companies, with a turnover of less than £2.8 million, gross assets of less than £1.4 million and less than 50 employees, or any two of these, are allowed to file accounts in an abbreviated form. Companies with annual turnover of less than £350,000 are exempted from the audit requirement.

10.10.4 In the Crown Dependencies, as in other offshore centres, the requirements to *disclose* financial information are very limited. In Jersey and the Isle of Man, as explained above, only public companies (a small minority) and other regulated institutions are

required to file accounts. In Guernsey, no companies other than regulated institutions are required to do so. Many people wishing to set up private company vehicles are attracted by the lighter disclosure requirements, which enable them to keep their affairs more confidential as well as reducing workload. Offshore centres are generally reluctant to impose such requirements for fear of losing business.

10.10.5 The requirements on *keeping* audited accounts (as against filing them) vary between the Islands:

- In Jersey, all companies are required to produce accounts and public companies are required to have them audited (as are bankrupt persons and companies). For private companies, an audit is required unless a majority of members of the company decide against it.
- In Guernsey, companies are obliged to keep audited accounts unless they are dormant or asset holding companies whose shareholders have unanimously elected for unaudited status.
- In Alderney, a company can be unaudited if the articles do not require audit and all the members agree in writing that audit is not required.
- In the Isle of Man, all companies are required to keep audited accounts unless they have a very low turnover.

10.10.6 For the most part, requirements to keep accounts are not enforced.

10.10.7 In my opinion there is a presumption, in this as in other areas, in favour of conforming to EU standards in the Islands. On this basis, all limited companies would be required both to keep audited accounts and to file them publicly, with much abbreviated requirements for small companies. From a regulatory standpoint, that seems to me the best solution.

10.10.8 It is arguable, however, that the EU countries and now the EU itself have devised these requirements with trading companies rather than private asset holding companies principally in mind. As discussed above, the vast majority of companies in the Islands are private asset-holding companies. There may therefore be a case for a somewhat different regime for such companies.

10.10.9 In my opinion, the same *quid pro quo* considerations which point to disclosure requirements for trading companies do also apply in some degree to asset holding companies as well.

10.10.10 If society permits persons involved in an activity, including holding and use of assets, to protect the activity (or the assets) by means of a separate legal personality with limited liability, so that the rest of their assets would not be available to creditors or suitors in the event of insolvency or other forms of liability, it is arguable at least that society should have access to basic information about who the persons are, what the assets are and what the associated liabilities might be. Without a modicum of financial information, in particular, the nature, scale and significance of the company will remain opaque.

10.10.11 A further consideration is that asset-holding company vehicles are as open to *abuse* as other company vehicles. The less information is available about them, the greater the risks of abuse must be. The authorities in an international finance centre should not lightly, therefore, in my opinion, offer legal personas and limited liability facilities for the convenience of non-residents wishing to hold and protect assets in this way without requiring access in return to some basic information about the nature and scale of the activity. Without such information, there is a risk that disreputable activity will remain concealed. It will likewise be difficult to pursue money-laundering trails.

10.10.12 If the authorities feel that regimes of full and public financial disclosure on EU lines

would be too great a step to take at this stage, without similar action by other centres, offshore and onshore, there are intermediate options that could be considered:

- First, private, non-trading, asset-holding companies could be required to submit information to the authorities in confidence, either automatically or on request, rather than make public disclosures.
- Second, small companies generally, including all non-trading asset-holding private companies, might be permitted to file much abbreviated accounts, perhaps limited to a single page, when they are subject to a filing requirement.

10.10.13 It may be argued that the requirement to *keep* audited accounts is at least as important as the requirement to file them publicly. I have some sympathy with this. However, a requirement to *submit* accounts, even a single-page summary, is much the best way to enforce the requirement to *keep* audited accounts.

10.11 Regulatory priorities

10.11.1 The Island authorities are concerned to take all reasonable steps to minimise the scope for abuse of the facilities they offer for companies to be incorporated in the Islands and/or to carry on business there.

10.11.2 They are also concerned, understandably so, not to introduce regimes that would drastically reduce their companies business and hence the earnings from their Finance Centres. The practitioners in the Islands argue that many clients of high repute have deep concerns about privacy even though they have nothing to hide and that requirements for comprehensive public disclosure would lead to the loss of much good business as well as bad.

10.11.3 In my opinion, such fears may be exaggerated. There is no obvious reason, for example, why an EU-style disclosure regime should deter any legitimate corporate sector

business. But there is little doubt that increased disclosure requirements will lead to some diversion of business.

10.11.4 With these considerations in mind, the authorities in each Island have given priority to developing new policies for the licensing and regulation of company service providers. As mentioned earlier, these service providers play a key role in the Islands' companies business. In my opinion, therefore, the Island authorities have been right to give priority to this area. Chapter 13 discusses the regulation of company and Trust services providers.

10.11.5 Important as the regulation of service providers is, it will not in my opinion be sufficient in itself. If the Islands' company sectors are to be well-regulated, the authorities will also need to introduce or to continue, as the case may be, the good practices discussed above on

- vetting,
- confidential disclosure of beneficial ownership, including changes, and
- registration of companies operating or administered locally but incorporated elsewhere.

10.11.6 The authorities ought also, in my opinion, to have powers to investigate companies in case of need. As discussed above, the Guernsey authorities do not at present have such powers.

10.11.7 The requirements for audited accounts and public filing of financial information (abbreviated for most companies) are likewise, in my opinion, significant elements in good practice even though the United States and Canada confine such requirements to listed companies. Ideally they would be introduced as part of a common initiative by finance centres generally, and in particular by offshore centres.

10.11.8 In the meantime, there are lesser measures, as discussed in the previous section, which would be valuable, not least in relation to combating potential abuse of company vehicles. I hope that the Island authorities will consider these.

10.12 Companies by tax status

10.12.1 In contrast with most of the larger countries, but in common with other offshore or quasi-offshore centres, the Islands offer various options for special company tax regimes designed to attract international business and the related fees. Companies can therefore be analysed by tax status as well as by regulatory status. As the Box 10.1 table indicates, more than half the companies in each of the Islands are tax exempt or have other forms of non-resident or special tax status.

10.12.2 Although terminology and details vary between the Islands, there are three main tax categories of company in each of them, one designed for local businesses and asset holders, one for non-resident asset holders and one for non-resident-owned international business:

- *Resident income tax companies.* Companies in this category include most local businesses. They pay tax at 20 per cent on their profits. Except in Guernsey (where there are different arrangements), dividends and interest, apart from deposit interest, are subject to a withholding tax of 20 per cent, which is credited against income tax liability.
- *Exempt or Tax exempt companies.* These are primarily designed for use as investment vehicles. Holding companies within corporate groups, trading entities and asset holding companies like to use this format, as do captive insurance and collective investment scheme companies. Wealthy individuals overseas (or the Trusts they have established) may hold assets of any kind in these vehicles, including physical

assets, investment portfolios, business interests or intellectual property rights. Familiar in other offshore centres, too, they account for the majority of Island companies. They may be registered either in the Islands or overseas but must be beneficially owned by non-residents. If they are registered overseas, a significant element of management or control in the Islands is required (the details varying from Island to Island). Board meetings may be held in the Islands. These companies pay a flat-rate annual fee of between £300 and £600 (£2,000 for insurance companies in the Isle of Man). In return for this, they are exempted from income and withholding taxes (except on any local non-interest income). There are no capital gains or inheritance taxes on the Islands.

- *International or International Business Companies (IBCs).* These are special vehicles, familiar in all offshore centres, designed to help international or overseas companies to minimise their world-wide tax burden. Less numerous than tax-exempt vehicles, they are typically used by international groups for purposes such as head office and treasury functions or by insurance companies. Like exempt companies, IBCs may be registered either in the Islands or overseas but must be beneficially owned by non-residents and engage only in overseas business. They negotiate with the Island authorities a rate of tax, usually between 0 and 2 per cent but sometimes substantially higher, which will minimise their parent company's world-wide tax burden.

10.12.3 In addition to these main types of company, Jersey and the Isle of Man have some special categories.

10.12.4 Jersey and Guernsey both have a special category of *foreign registered investment companies*. Although administered locally, these companies pay no

taxes or fees provided (in Jersey but not Guernsey) that at least one Director is a local resident. In contrast with foreign registered exempt companies, they are not required to disclose their beneficial ownership to the Jersey or Guernsey Tax or Company authorities, though the professionals seeking this concessionary treatment are expected to satisfy themselves that they know the beneficial owners. The Isle of Man does not have such a category.

10.12.5 In my opinion, there are risks in hosting business about which the authorities have no knowledge. Regulation and disclosure requirements would better be applied to these companies in the same way as to others.

10.12.6 The Isle of Man has a special category of *locally incorporated non-resident companies*. These companies are incorporated in the Island and have therefore to submit some basic information at the time of registration. But provided that all their business is controlled and conducted outside the Island (and that all their income, other than approved interest, arises outside the Island), they are able to qualify as non-resident for tax purposes. This means that they have no liability to tax in the Island beyond the flat-rate non-resident company duty of £750 a year, though the Island tax authorities may challenge the non-resident designation.

10.12.7 This form of company vehicle seems to me to have three troublesome features:

- First, these companies are able to use the Island's name and incorporation facilities even though the information the authorities have about them is limited. As with other Isle of Man companies, there is no vetting and no requirement to disclose beneficial ownership. Other information, too, is limited. Under the authorities' proposals discussed in Chapter 13, however, corporate services providers

administering the companies will be expected to know their customers.

- Second, and conversely, the owners of such companies are able in practice to keep secret their own identities and the activities and finances of the companies. That said, the Island's Companies Act 1931 requires that the registered addresses of the companies and the names of the Directors, shadow Directors and Company Secretaries be publicly filed, and the Island authorities have powers under which they are able to investigate such companies if required.
- Third, the combination of secrecy and non-residence for tax purposes makes such companies attractive vehicles for evasion of taxes in other jurisdictions. Some administrators of such companies are known to engage Directors in Sark or other tax-free locations so as create the fiction that the companies are controlled in such locations and hence resident there for tax purposes. With the help of such Directors, who in many cases appear to have no knowledge of the company's activities, owners of the companies may be able to escape tax altogether as well as masking other activities. Chapter 11 discusses the problem from the point of view of those who serve as "nominee" Directors.

10.12.8 The Isle of Man authorities are reviewing the future of these locally incorporated non-resident companies as part of an on-going initiative to update company regulation. Several of those whom I consulted on the Island thought that this category of company should be abolished. I agree with them. If companies cannot qualify as normal tax paying companies, tax-exempt companies or international business companies, they should preferably not be incorporated at all.

10.13 "Harmful tax competition"

10.13.1 In recent international discussions, the larger industrial countries in the Group of

7 and the OECD have raised the question whether offering preferential company tax vehicles along the lines described in the previous section to non-residents constitutes harmful tax competition.

10.13.2 The larger countries tend to see such vehicles as diverting business from their own countries and facilitating tax avoidance. Other countries, however, including offshore centres, have argued that the issues are by no means straightforward. For offshore centres in particular, these vehicles are an important source of earnings. Individual centres compete with each other for the business.

10.13.3 These issues lie beyond the scope of the present report. In my opinion, they will have to be discussed and resolved at an international level. The Islands have made clear that they wish to play a full and constructive part in global discussions.

10.14 Bearer shares

10.14.1 The Islands vary in their approach to bearer shares. Jersey and Guernsey do not permit them for locally incorporated companies but companies registered elsewhere may have them.

10.14.2 In the UK and the Isle of Man, companies are permitted to issue share warrants which resemble bearer shares. The bearer of the warrant is entitled to the share specified in it and title passes by delivery of the warrant. In practice, however, bearer securities have never been popular with English or Isle of Man investors or companies and are mainly issued for bonds rather than shares.

10.14.3 In my opinion, there is a presumption against permitting bearer shares. Such instruments enable the unscrupulous to conceal their ownership of companies without offering any significant compensating advantages.

10.15 Insolvency and bankruptcy: existing regimes

10.15.1 The remaining sections of this chapter draw heavily on a review of the bankruptcy and insolvency regimes in the Islands commissioned by the Home Office at my request from Mr Guy Sears. I am most grateful to Mr Sears.

10.15.2 All the Islands have well-established regimes for dealing with bankruptcies and corporate insolvencies. As in other jurisdictions, these regimes take the distribution of assets out of the debtor's hands:

- Jersey has a unified modern procedure, known as *desastre*, for persons and companies, and separate modern procedures for winding up companies.
- Guernsey has old Laws dealing with bankruptcy of individuals and insolvency of partnerships and a more modern law, dating from 1994, on company insolvencies, based on the UK's Insolvency Act 1986. There are also common law procedures for vesting the debtor's real property in the creditors (*saisie*) and distributing his personal property among them (*desastre*).
- The Isle of Man has old legislation, based on still older UK legislation, on bankruptcy and corporate insolvency. A working party in 1994 recommended new legislation incorporating a range of reforms. The authorities hope to bring forward an Insolvency Bill in the next session of the Island's Parliament.

10.16 Insolvency and bankruptcy: main issues

10.16.1 Mr Sears has made two main proposals for improving the Islands' bankruptcy and insolvency regimes:

(a) *Rescue procedures*

10.16.2 With some limited exceptions in Jersey and for Protected Cell Companies in

Guernsey, none of the Islands has modern procedures for enabling businesses to be rescued, in appropriate cases, rather than made insolvent. There are no procedures comparable to administration in England.

10.16.3 Mr Sears has suggested that the authorities in all the Islands would do well to bring in a new procedure allowing companies to obtain a moratorium on action by creditors for (say) 28 days. Within that period rescue proposals could be made which if approved by a requisite majority of creditors could bind the creditors as a whole.

10.16.4 The UK authorities have consulted about such a proposal but have not yet resolved how to implement it alongside floating charges and administrative receivers.

10.16.5 The Isle of Man authorities propose to include a rescue procedure on these lines in their forthcoming legislation on Insolvency, in accordance with the recommendations of a Working Party which reported in 1994. As in the UK, the authorities will have to decide how to deal with floating charges.

10.16.6 The Jersey authorities, too, have plans to introduce a rescue procedure. The authorities have produced draft proposals for consultation. For both Jersey and Guernsey, introduction of the procedure would be relatively straight forward. As discussed in Chapter 7, the Guernsey authorities would have found such procedures invaluable in the Barings Bank collapse of 1994.

(b) Official Receiver or equivalent

10.16.7 The public interest sometimes requires that companies be put out of business even though no private sector person is willing to take the initiative in making it happen. The requirement may arise because the companies are insolvent or for other reasons.

10.16.8 In all jurisdictions, therefore, suitably constituted public bodies are needed with

responsibilities, powers and means to investigate any such companies and petition the Courts to wind them up in the public interest.

10.16.9 Also needed are implementing bodies which will carry through the practical business of the insolvency in the public interest where the situation so demands (for example, where no assets are available to finance private liquidators).

10.16.10 Without bodies of both kinds, or bodies which combine both functions, there is a risk that no one will wish, or no one will have the locus or the money, to wind the companies up, disqualify Directors or return assets to creditors. The bodies need to have means as well as powers, including access to public funds.

10.16.11 In Jersey, the Viscount's office includes among its responsibilities the implementing function described. The Viscount has the powers and means to discharge this function.

10.16.12 Guernsey does not have a corresponding body but the authorities are considering the case for introducing one. In the meantime, the Advisory and Finance Committee of the Island's Parliament can petition for the winding up of a company to protect the public or the Island's reputation.

10.16.13 The Isle of Man likewise does not at present have such a body but the authorities have proposals to introduce an Official Receiver. Meanwhile, the Courts can appoint Official Receivers for individual cases and the FSC regularly petitions the Courts to wind up companies in the public interest.

10.16.14 The public body concerned should preferably have responsibility for two related matters, both identified by Mr Sears:

- *Ascertaining access to assets held in Trust.* The body should be responsible

(as the Viscount in Jersey already is) for asking the Courts in appropriate cases to direct how Trust assets (not normally available to creditors) should be applied as well as for dealing with distribution of the other assets. HM Procureur in Guernsey has similar powers.

- *Licensing and supervision of insolvency practitioners.* Self-regulation for insolvency practitioners seems to me a less good alternative in jurisdictions such as the Islands where practitioners tend to come from different backgrounds. In Jersey the Finance and Economics Committee has already prescribed what qualifications liquidators must have.

10.16.15 The FSCs, too, should have powers, as in the Isle of Man, to ask the Courts to wind up any company, whether licensed or not, carrying on an activity for which a licence is needed. Anyone who brings an insolvency application against licensed firms (or firms which ought to be licensed) should also be obliged to inform the FSCs. This is already the case in Guernsey.

10.16.16 In my opinion, the authorities in Guernsey and the Isle of Man will be well-advised to include the full range of powers described above in the proposals they have for updating their insolvency regimes and legislation.

10.17 Insolvency and bankruptcy: other issues

10.17.1 Some other issues examined by Mr Sears were:

- *Universality and non-discrimination.* In all the Islands, insolvency orders apply to all assets wherever located. There is likewise no discrimination between domestic and overseas creditors.
- *Set-off.* The Islands have differing but reasonable provisions for setting off mutual debts and credits.

- *Discharge period.* Guernsey law does not provide for a fixed discharge period for people declared bankrupt. A period of between 2 and 4 years would be normal.
- *Partnerships.* The procedures for insolvency of partnerships in Guernsey are based on the UK's Partnerships Act 1890. Partnerships should arguably be treated for this purpose like companies.
- *Transactions prior to bankruptcy or corporate insolvency.* The Isle of Man and Guernsey provisions for setting aside such transactions may need to be updated.
- *Overseas companies.* The Jersey and Isle of Man authorities, like the UK, have powers to wind up overseas companies. In Guernsey, the FSC can wind up overseas banks and insurance companies but not overseas investment or other companies.
- *Licensing of insolvency practitioners.* The requirements vary between the Islands. As discussed above, licensing by the office of the Official Receiver or equivalent has much to commend it.
- *Redress against liquidators and others.* In all the Islands, the Courts can remove from office the corporate liquidator, the trustee in bankruptcy or other office holders. Aggrieved persons can sue them for breach of duty or misapplication of assets. The Courts should preferably be given powers, too, where they do not have them already, to investigate the actions of liquidators and other office holders and oblige them on a summary basis to pay or account.
- *Disqualification of Directors.* Directors can be called to account or disqualified in all the Islands. As discussed in Chapter 11, however, there is some question, at least, whether these powers have been sufficiently used.

- *Information from debtors.* The Islands appear to have provisions requiring debtors and other relevant persons to give information to the Court.
 - *Wrongful trading.* The Isle of Man does not at present have wrongful trading provisions, except in relation to fraudulent Directors and others, but proposes to introduce them in the forthcoming Bill.
 - *Shadow Directors.* Shadow Directors, from whom the Directors take instructions, should be held liable along with the Directors for wrongful trading. This appears to be the case in all the Islands.
 - *Provisional liquidators.* These can be appointed in Guernsey and the Isle of Man to prevent dissipation of assets. In all the Islands, Mareva-style injunctions can be issued.
 - *Mutual recognition of insolvency orders.* In Jersey and Guernsey the judicial authorities have statutory obligations to recognise insolvency orders and office holders in the UK and in other named jurisdictions where there are arrangements for mutual recognition. In the Isle of Man, such recognition is at present limited to bankruptcy cases. The forthcoming legislation will provide an opportunity to correct this. The common law in all the Islands allows for recognition of orders from other jurisdictions on the usual grounds of comity.
- 10.17.2 The Island authorities may wish to consider this checklist of points, as well as the major issues on moratoriums and official receivers discussed earlier, when updating their insolvency and bankruptcy regimes.

99-7799

LAW LIBRARY OF CONGRESS

HONG KONG

The requester has asked for information on laws that make divulging the ownership of a corporation illegal in Hong Kong.

From an examination of the relevant laws and materials relating to corporations in Hong Kong, it appears that there are no such prohibitions. In fact, under the Companies Act of Hong Kong, a company must keep a register of members. The register must contain particulars such as members' names and addresses, their occupations or descriptions, and in the case of a company having share capital a statement of the shares held by each member and the amount paid or agreed to be considered as paid on the shares of each member. The register must also contain the date on which each person was entered in the register as a member, and the date on which a person ceased to be a member.¹

When a company converts any of its shares into stock, the register must show the amount of stock held by each member. The register is to be kept at the registered office of the company by any method, mechanical or electrical or otherwise, but it must be available for public inspection in a legible form.²

Prepared by Mya Saw Shin
Senior Legal Specialist
Eastern Law Division
Law Library of Congress
October 1999

¹ §95, Companies Act, ch. 32 of the Laws of Hong Kong, 4 *Laws of Hong Kong* (Hong Kong, Government Printer, 1998).

² *Id.*

99-7799

LAW LIBRARY OF CONGRESS

THE NETHERLANDS ANTILLES

From a survey of the Corporate Law of the Netherlands Antilles* it appears that there is no prohibition on the disclosure of the ownership of a corporation.

Prepared by Karl Wennick
Senior Legal Specialist
Western Law Division
Directorate of Legal Research
Law Library of Congress
October 1999

* Royal Decree of March 13, 1935, Publicatieblad [Official Gazette of the Netherlands Antilles] 52, as amended.

99-7799

LAW LIBRARY OF CONGRESS

PANAMA

Corporations

Neither the Corporation Law¹ nor the Commercial Code² was found to contain any provisions making it illegal to divulge the ownership of a corporation.

Decree No. 468 of 1994 requires that lawyers or law firms acting as resident agents of Panamanian corporations must have enough information to identify their clients before the competent authorities when needed.³ This information shall be given only upon request from an official of the Office of the Attorney General or of the Judicial Branch with jurisdiction to take cognizance of crimes of drug traffic and money laundering by reasons of processes already initiated in the Republic of Panama or under the auspices of treaties on legal mutual assistance.⁴

The above provisions provide some level of control, but they may be circumvented through the use of bearer shares.

Under the Corporation Law, corporations have the authority to create and issue one or more classes of shares.⁵ The Law permits the issuance of bearer shares, and the sole requirement is that they be fully paid.⁶ Therefore, it is possible to have bearer and nominative shares and also to specify in the articles of incorporation that only bearer shares will be used. If this last choice were the case, there would be no official record to disclose the identity of the shareholder. No information pertaining to the identity of the shareholders needs be filed at the Public Registry.

Trusts

Trusts are governed by the Trust Law of 1984.⁷ A very strict confidentiality provision is found in this Law. It states as follows:

Article 37. The trustee and his representatives or employees, the Government institutions authorized by law to inspect or obtain documents

¹ Ley No. 32 de Febrero 26, 1927 Sobre Sociedades Anónimas: GACETA OFICIAL [G.O.], March 16, 1927.

² Código de Comercio (Editorial Mizrahi & Pujol), as amended, originally published in G.O., Sept. 7, 1916.

³ Decreto Ejecutivo No. 468, Septiembre 19, 1994 (G.O. Sept. 26, 1994), art. 1.

⁴ *Id.* art. 2.

⁵ *Supra* note 1, arts. 2, § 5, and 20.

⁶ *Id.* art. 28.

⁷ Ley No. 1, de Enero 5, 1984, Ley del Fideicomiso (G.O. Jan. 10, 1984).

relating to trust transactions and their respective officials, as well as persons taking part in said transactions by reason of their profession or trade, must keep secrecy in connection therewith and comply with the legal provisions thereon in force in the Republic of Panama.

The violation of this provision shall be penalized with internment or imprisonment of up to six (6) months and a fine of up to fifty thousand *balboas* (B/ 50,000.00).

The provisions of this article are without prejudice to the information that must be disclosed to the official authorities and to the inspections which such authorities must make in the manner established by Law.⁸

The Trust Law of 1984 is implemented by Executive Decree No.16 of 1984,⁹ as amended by Executive Decree No. 53 of 1995.¹⁰ Chapter IV, entitled "The Trust Secrecy," has four provisions which read as follows:

Article 19. The obligation to keep the trust secrecy continues even if the trust, the professional or labor relationship has terminated or the trust licence has been canceled.¹¹

Article 20. The information procured by the Commission [the National Banking Commission] and other Government organizations authorized by Law to carry out inspections or procure documents regarding trust operations, and their respective officials, can not be disclosed to any person or authority; except if demanded by judicial order.¹²

Article 21. Information shall be furnished only upon request by judicial authorities, when the corresponding order to produce documents [*action exhibitoria*] has been issued in proceedings filed within the territory of the Republic. Judicial officials must maintain in strict secrecy the information obtained by them, when it is not conducive to resolve the pertinent litigation; and shall not comply with any request for the withdrawal of documents.¹³

Article 22. Every person who furnishes information in violation of the trust secrecy, as it is regulated by Article 37 of Law 1 of 1984 and the provisions of these Regulations, shall be punished with confinement or

⁸ *Id.*, art. 37, as translated by *International Trust Laws and Analysis* (Warren, Gorham & Lamont, Boston), 1995.

⁹ Decreto Ejecutivo No. 16, de Octubre 3, 1984 (G.O. Oct. 18, 1984).

¹⁰ Decreto Ejecutivo No. 53, de Diciembre 30, 1985 (G.O. Dec. 31, 1985).

¹¹ *Supra* note 9, art. 19.

¹² *Id.*, art. 20.

¹³ *Id.*, art. 21.

imprisonment of up to six (6) months and a fine of up to FIFTY THOUSAND BALBOAS (B/.50,000.00).¹⁴

Prepared by Norma C. Gutiérrez
Senior Legal Specialist
Law Library of Congress
Legal Research Directorate
October 1999

¹⁴ *Id.*, art. 22.

1999-7799

LAW LIBRARY OF CONGRESS

SINGAPORE

Information has been requested as to whether Singapore has legislation in force that would make divulging the ownership of a corporation illegal.

An examination of available materials on Singapore company law, as well as of the text of the Companies Act of Singapore,¹ makes it clear that prohibitions on the disclosure of ownership of a corporation do not exist in Singapore.

In fact, the law requires that a company keep a register of its shareholders, which must include the names and addresses of its members, a statement of the shares held by each member, the date of each entry in the register, the date at which anyone ceased to be a member during the previous seven years, the date of every allotment of shares to members, and the number of shares comprised in each allotment, according to section 190.²

The aforesaid register of members, and index, if any, must normally be kept at the registered office of the company, with some exceptions. The register and index must be open for inspection by any member without charge, and to any other person on payment for each inspection of S\$1 or any lesser sum as the company may require.³

Any member or any other person may also ask the company for a copy of the register, or any part thereof, but only so far as it relates to names, addresses, number of shares held, and amounts paid on shares. This information will be sent to the requestor on payment of a nominal charge.⁴

Prepared by Mya Saw Shin
Eastern Law Division
Law Library of Congress
October 1999

¹ The Companies Act, ch. 50 of the Laws of Singapore, in *COMMERCIAL LAWS OF THE WORLD: SINGAPORE* (Ormond Beach, Florida, Foreign Tax Law, Inc., 1999).

² *Id.* at 130-131.

³ §191, *id.* at 131.

⁴ §192, *id.*

LAW LIBRARY OF CONGRESS

SWITZERLAND

Switzerland does not have specific statutory provisions that would make it illegal to disclose ownership of a corporation. However, Switzerland protects business secrets in article 162 of its Criminal Code,¹ and it is conceivable that this provision could be used as a defense by a person asked to disclose owners of a corporation. Article 162 translates as follows:

Whoever divulges a production or business secret that he should have kept on the basis of a statutory or contractual obligation;

whoever exploits the divulgement for himself or another;

shall upon request [of the victim] be punished with imprisonment or a fine.

The courts have interpreted this provision rather broadly by defining secret as a fact that is only known to a small group, that is worthy of protection, and that its keepers intend to keep secret. For instance, circumstances relating to potential takeovers or mergers are business secrets,² and in this context an attempt could be made to qualify stock ownership as a business secret. Ultimately, the courts would decide on the validity of such an assertion.

The statutory duty to maintain secrecy on corporate matters is established for its employees by article 321 (a) of the Code of Obligations.³ This provision requires all employees to keep confidential the business secrets of their employers. For directors of a corporation, a statutory duty of secrecy is implied (according to the prevailing opinion) in article 717 of the Code of Obligations, requiring the directors to act with due care and to safeguard the interests of the company. Generally it is stated in legal literature that directors of corporations are criminally liable for divulging business secrets.⁴

It appears that detailed information on corporate ownership may be difficult to obtain in Switzerland. A general duty to disclose ownership exists only for substantial shareholders of publicly held corporations. These must be published in the yearly financial statement if they own more than 5 % of the voting rights, and if the corporation's officers know or should know of their identity.⁵

¹ Schweizerisches Strafgesetzbuch [StGB], Dec. 21, 1937, SYSTEMATISCHE SAMMLUNG DES BUNDESRECHTS [SR] 311, as amended.

² S. Trechsel, SCHWEIZERISCHES STRAFGESETZBUCH 611 (Zürich, 1997).

³ Obligationenrecht [OR], March 30, 1911, SR 220, as amended.

⁴ P. Forstmoser, A. Mayer-Hayoz, and P. Nobel, SCHWEIZERISCHES AKTIENRECHT 301 (Zürich, 1996).

⁵ OR, art. 663 (d).

Secrecy obligations of trustees may be based on the contractual terms of the trust, which in the Swiss legal system is classified as the contract of mandate.⁶ However, trustees who are in the business of administering assets are deemed to be financial intermediaries within the meaning of the Money Laundering Act.⁷ In this capacity, they are under obligation to ascertain the identity of beneficial owners and to keep records of certain transactions for 10 years, in order to make them available to the prosecutor upon request. In addition, financial intermediaries must report suspicious transactions to the control office on money laundering.

The extent to which Swiss business secrets have to be disclosed in criminal or civil proceeding depends on the applicable federal or cantonal laws.⁸ Disclosure for the purpose of foreign criminal proceedings is governed by the relevant treaty on judicial assistance in conjunction the Swiss Act on Mutual Assistance in Criminal Matters.⁹ However, it appears that business secrets are not privileged in criminal proceedings.¹⁰

Prepared by Edith Palmer
Senior Legal Specialist
Legal Research Directorate
Law Library of Congress
October 1999

⁶ OR, art. 394 et seq. ; F. Dessemontet and T. Ansy, *INTRODUCTION TO SWISS LAW* 94 (The Hague, 1995).

⁷ Geldwäschereigesetz, Oct. 10, 1997, SR 955.0

⁸ G. Piquerez, *PRÉCIS DE PROCÉDURE PÉNALE SUISSE* 204 (LAUSANNE, 1987).

⁹ Rechtshilfegesetz, March 20, 1981, SR 351, as amended.

¹⁰ Business secrets are not listed as privileged communications in the Federal Code of Criminal Procedure, i.e. Bundesgesetz über die Bundesstrafrechtspflege, Dec. 2, 1997, SR 312, art. 74.

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 39

Author: Philippe G. Holderbeke at EUGVAZ03
Date: 4/9/98 6:40 PM
Priority: Normal
BCC: Therese De Sepibus at EUGVAZ03
TO: @PH-REPORTS at Citimail
Subject: PBG - EMEA March 98 Business Letter

----- Message Contents -----

Author: Philippe G. Holderbeke
Date: 4/9/98 17:38 GMT
Priority: Normal
TO: Shaukat Aziz at Citimail
CC: @PBG-LEADERSHIP-TEAM at Citimail
Subject: PBG - EMEA March 98 Business Letter

----- Forwarded Message -----

Fyi

Forward Header

Subject: PBG - EMEA March 98 Business Letter
Author: Philippe G. Holderbeke at EUGVAZ03
Date: 4/9/98 6:38 PM

REDACTED

REDACTED

In our monthly reviews, another issue that stood out was the lack of penetration of our Trust offering. Three factors have contributed to this:

C8021635

844

- high and inflexible pricing
- (too?) tight business acceptance
- red tape related to due diligence, KYC, etc.

REDACTED

REDACTED

People

=====

The major time commitment to KYC work, combined with headcount deficits result in high pressure on the salesforce and RST. In some of our markets, client calling and acquisition are suffering.

08021636

REDACTED**REDACTED**Control and Risk Management

The BRR CAP is largely finalized, well within our deadline. Bankers have responded well to the efficient corrective action work managed jointly by IF and Risk. By sticking to what we corrected, we will be ready to score a 4 in the next review (Q4, 98).

KYC statistics were compiled for the first time. We need to do more work on this, as there are important discrepancies between the level of completion as reported by the KYC factory, and the much higher level of completion reported by the market managers. This certainly indicates a full pipeline of work in progress. We need more data to see whether the pipeline is bottlenecked. Reported numbers show a lower than expected level of completion of High Risk Profiles. We have reiterated that these need to be strictly prioritized.

IMRO in the UK has provided us with a clean bill of health. KPMG has now moved in to perform its statutory annual IMRO audit, to be finalized this month. They are testing for awareness of IMRO requirements with our Zurich Operations staff.

PBG Germany participated in the GCB audit there. The change of legal entity, which was approved by KPMG at the time, is resulting in some questions on regulatory and procedural requirements. We continue to work with C&C and KPMG to clarify.

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REDACTED

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REDACTED

CB021638

5/58

Author: Philippe G. Holderbeke at EUGVAZ03
Date: 6/22/98 3:29 PM
Priority: Normal
TO: Shaukat Aziz at Citimail
CC: @PBG-LEADERSHIP-TEAM at Citimail
Subject: May Business letter - EMEA

----- Message Contents -----

EMEA May Business letter

=====

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REDACTED

08021639

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REDACTED

but now potentially more serious, regulatory concern has been ^{An old,}

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Luxembourg and Germany, local regulators and auditors have just expressed concern about the outsourcing of processing functions and associated controls. This follows similar concerns from regulators in Italy and the UK. Regulators are worried that outsourcing of processing and controls to another legal jurisdiction weakens their ability to supervise the local franchise. In Germany, for example, both internal and external auditors made it clear that they are worried because the German regulators do not have the right of direct audit in Switzerland. The Italian regulators have expressed a similar concern. Part of this is that regulators believe "essential control functions" should stay in the local jurisdiction for the franchise to operate effectively and for the regulator to be able to monitor compliance with local laws and regulations. This may have far-reaching implications for the Bank's strategy of consolidation of business platform and outsourcing functions. In this respect, we believe a more disciplined process is needed for any contemplated outsourcing activity which involves the CCO, Business Manager, legal, C&C and external auditors. Also, regulators must be involved up-front.

We need to resolve to what extent our platforms should be split into two: one servicing EU countries, and one for non-EU business.

- Much of the above documents why some of our units still self-assess at a 3 level. We are working hard on clarifying and isolating critical issues, resolution of which will get us to 4 or 5.
- Risk and Investment Finance are working with the business units in preparing for the BRR review scheduled for November. A critical need is for Bankers to document their borrowing relationships more fully.
- The KYC efforts progressed well across EMEA, with several units in a position to comply fully well before the year end deadline. Clearly, the rock in Switzerland is huge and its sheer size is daunting. We are looking to reallocate some resources, and to simplify the process while focusing on content. Everyone is fully committed to the PBG deadline.

REDACTED

REDACTED

C8021641

Senate Permanent Subcommittee
on Investigations

EXHIBIT 40a.

WILMER, CUTLER & PICKERING
2445 M STREET, N.W.
WASHINGTON, D.C. 20037-1420

JANE C. SHERBURNE
DIRECT LINE (202) 663-9858
INTERNET JSHERBURNE@WILMER.COM

TELEPHONE (202) 663-6000
FACSIMILE (202) 663-6363
HTTP://WWW.WILMER.COM

100 LIGHT STREET
BALTIMORE, MD 21202
TELEPHONE (410) 956-2800
FACSIMILE (410) 956-2828

520 MADISON AVENUE
NEW YORK, NY 10022
TELEPHONE (212) 230-6900
FACSIMILE (212) 230-6999

4 CARLTON GARDENS
LONDON SW1T 5AA
TELEPHONE 011 (44) 71 872-1000
FACSIMILE 011 (44) 71 839-3537

RUE DE LA LOI 15 WETSTRAAT
8-1040 BRUSSELS
TELEPHONE 011 (32) 225-4900
FACSIMILE 011 (32) 225-4949

FRIEDRICHSTRASSE 95
10117 BERLIN
TELEPHONE 011 (49) 30 2022-6400
FACSIMILE 011 (49) 30 2022-6500

January 26, 2000

By Hand Delivery

Elise J. Bean, Esquire
Deputy Chief Counsel to the Minority
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
193 Russell Senate Office Building
United States Senate
Washington, D.C. 20510

Dear Elise:

In the course of gathering information necessary to submit our January 14, 2000 responses to the additional questions posed by Senator Levin following the Subcommittee's hearing, a file of material related to the Tendin account that contains documents responsive to the Subcommittee's subpoena was located. These documents, with Bates Numbers X007080 through X007625, are enclosed. As you will see when you review this material, there is little if anything in these documents that is not already known to the Subcommittee through the materials produced by Citibank prior to the hearing. We also are providing a supplemental privilege log identifying three items related to this file.

We regret this oversight. Please let me know if you have further questions.

Sincerely yours,


Jane C. Sherburne

cc: K. Lee Blalack, Esq. (with enclosure)

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Senate Permanent Subcommittee
on Investigations

EXHIBIT # 40b.

To: Alain Ober (USNYC:PEGWH)
From: Kayembe Nzongola (AFLBV:IB)
Date: WED 22-FEB-95 11:58 GMT
Subject: TENDIN

We are sending today USD 1,907,953.56 to the above account. The order came from the Tresor and seemed rather urgent.

Regards
Tony

Delivered: WED 22-FEB-1995 11:58 GMT

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CIRCULATION
SUBCOMMITTEE MEMBERS AND STAFF
ONLY

X0007216

To: Donnelle Knowles (CSNAS:PBG)
 CC: Luella Gentles (USNYC:PBGWH), Salvatore Mollica (USNYC:PBG),
 David Cripps (USNYC:CGAM), Gary S. Sherman (USNYC:CGAM)
 From: Alain Ober (USNYC:PBGWH)
 Date: WED 01-MAR-95 16:29 GMT
 Subject: Tendin Investments, Ltd.

This is an update of recent happenings in this account.
 2-15-95: outgoing transfer for \$166,448.19 to Cititrust Bahamas (fiduciary fees).
 2-22-95: incoming transfer for \$1,907,953.56 to credit the account by order of the State Treasury of our client's country.
 2-28-95: Rollover of loan. Repayment of principal for \$4,072,269 and payment of interest for \$1,343,636.66. These amounts were obtained from the three time deposits, the 2-22-95 credit and \$481,000 taken from the Dan Plager portfolio (572667).
 The new loan for \$36,650,421 was booked for 6 month (8-31-95) at a rate of 7.6875%.
 Yesterday, I gave to Ellie Ferraro the original of the Deed of Variation to be sent to you via pouch.
 Hope all is well in Nassau. My recent trip went well (my loan chronology was well received. I hope you received the copy I sent you via pouch).
 Best regards,
 Alain

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 CIRCULATION
 SUBCOMMITTEE MEMBERS AND STAFF
 ONLY

X0007208

| Additional Transaction | | | | Senate Permanent Subcommittee on Investigations | |
|--|-----------------|--------------------------------------|--------------------------------------|---|--------------|
| Additional Detail | | Description: INCOMING FUNDS TRANSFER | | EXHIBIT # 40c. | |
| Transaction | 6523 | Post Date: | 07/30/1996 | Check | 0 |
| Effective Date: | 07/30/1996 | Clear Date: | 07/30/1996 | BTN No: | 657004361344 |
| Tran Amount: | \$ 2,961,500.49 | Match | No | Count For Stmt: | Yes |
| Current Balance: | \$ 2,966,470.33 | Matched Stmt | No | GLI Code: | F |
| Float Day 1: | 0 | Float Day 2: | 0 | Float Amount | \$ 0.00 |
| Float Day 3: | 0 | Float Day 4: | 0 | Float Amount | \$ 0.00 |
| Float Amount | \$ 0.00 | Float Amount | \$ 0.00 | Float Amount | \$ 0.00 |
| Advice | | | | | |
| Value Date: | 07/30/1996 | Ref No: | G0062121958601 | Receiving Bank No: | |
| Beneficiary Information: | | | Receiving Bank | | |
| 10215064 TENDIN INVESTMENTS LTD PBG-WH HAM UNIT/17TH FLOOR 153 E. 53RD STREET | | | BY ORDER PARTY: CITIBANK NA GABON | | |
| Details Of Payment: | | | BBI Information: | | |
| ATTENTION ALAIN OBER VICE PRESIDENT CITIBANK PRIVATE BANK NEW YORK | | | | | |
| EPORT Reference No: | | Global Id No: G0062121958601 | | | |
| From | | From Name: CITIBANK (GABON) | | | |
| 10999137 | | | | | |
| | | OK | | | |

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ONLY

X0007290

| Transaction Journal | | | | |
|-------------------------|------------|-----------------|-----------------|--------------|
| Effective Date | Post Date | Amount | Running Balance | BTK Number |
| 07/30/1996 | 07/30/1996 | \$ 110,000.00 | \$ 2,966,470.33 | 657002851344 |
| OUTGOING FUNDS TRANSFER | | | | |
| 07/30/1996 | 07/30/1996 | \$ 110,000.00 | \$ 3,076,470.33 | 929000215345 |
| DEPOSIT | | | | |
| 07/30/1996 | 07/30/1996 | \$ 2,961,500.43 | \$ 2,966,470.33 | 657004361344 |
| INCOMING FUNDS TRANSFER | | | | |
| 07/25/1996 | 07/25/1996 | \$ 16,000.00 | \$ 4,969.84 | 929000175345 |
| DEPOSIT | | | | |
| 07/18/1996 | 07/18/1996 | \$ 30.00 | \$(11,030.16) | 3590037344 |
| FUNDS TRANSFER FEE | | | | |
| 07/17/1996 | 07/17/1996 | \$ 16,000.00 | \$(11,000.16) | 657010451344 |
| OUTGOING FUNDS TRANSFER | | | | |

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X0007289

855

CMNA 31-JUL-96 14:13:56 009784
To: Donnelle Knowles (CSNAS:PBG)
CC: David Sprindzunas (USNYC:PBG)
From: Alain Ober (USNYC:PBGWH)
Date: WED 31-JUL-96 14:13 GMT
Subject: Tendin

Just to let you know that we received \$2,961,500.49 value 7-30-96 for the account. The transfer came from the local Citibank. I have contacted our client to find out the ultimate use of these funds. Will keep you posted. I had also contacted Tendin earlier re. disposition oof HAM mail but I have not received any answer yet.
Best regards,
Alain

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X0007293

\$2,261,500.44

JUL 31 1996

Laure G

2.9 KILI

→ DA Tendi

in restir!

- documents:

DHL → Laure (indigent)

Dronele G: 1-809-302-8690

- written instructions -

* need to get release address:

(1) - in a word.

(2) - destroy letter re Helene Jaubert.

(3) - instructions

5-9244

- Chip Rockett: 5-6061

→ 8/12

{ Ted Winkley:

{ Rm Chapman:

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X0007308

857

To: Salim Raza (EULON:PBG)
CC: Muwaffak Bibi (USNYC:PBG), Christopher L Rogers (EUPARZ05:PBG)
From: Alain Ober (USNYC:PBGWH)
Date: WED 31-JUL-96 17:51 GMT
Subject: Tendin Investments, Ltd.

Good news! Just received \$2.961 M to invest in the account. I spoke to his assistant and she confirmed the destination of the funds. All seems well on the equatorial front...
Best regards,
Alain

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X0007295

858

To: Alain Ober (USNYC:PBGWH)
CC: Muwaffak Bibi (USNYC:PBG), Christopher L Rogers (EUPARZ05:PBG)
From: Salim Raza (EULON:PBG)
Date: THU 01-AUG-96 10:38 GMT
Subject: ~~Salim Raza~~ **Salim Raza Investments, Ltd.**
From: Alain Ober Date: WED 31-JUL-96 22:38 GMT
Message ID: CMNA 31-JUL-96 17:51:20 009790

Brilliant news!

Best Regards,

Salim

Delivered: THU 01-AUG-1996 10:38 GMT

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X0007296

| Additional Transaction | | | | Senate Permanent Subcommittee on Investigations | |
|---|-----------------|--------------------------------------|---|---|--------------|
| Additional Detail | | Description: INCOMING FUNDS TRANSFER | | EXHIBIT # 40d. | |
| Transaction | 6523 | Post Date: | 12/24/1996 | Check | 0 |
| Effective Date: | 12/24/1996 | Clear Date: | 12/24/1996 | BTN No: | 657000091344 |
| Tran Amount: | \$ 1,886,792.45 | Match | No | Count For Stmt: | Yes |
| Current Balance: | \$ 1,891,792.45 | Matched Stmt | No | GLI Code: | F |
| Float Day 1: | 0 | Float Day 2: | 0 | Float Amount | \$ 0.00 |
| Float Amount | \$ 0.00 | Float Day 3: | 0 | Float Day 4: | 0 |
| Float Amount | \$ 0.00 | Float Amount | \$ 0.00 | Float Amount | \$ 0.00 |
| Advice | | | | | |
| Value Date: | 12/24/1996 | Ref No: | 60063581803901 | Receiving Bank No: | |
| Beneficiary Information: | | | Receiving Bank | | |
| TENDIN INVESTMENTS LTD ATTN ALAIN OBER | | | BY ORDER PARTY: BANQUE DE ETATS (BEAC) | | |
| Details Of Payment: | | | BBI Information: | | |
| TRANSFER ORDER OF TRESORIER PAYEUR GENERAL | | | | | |
| EPORT Reference No: | | Global Id No: 60063581803901 | | | |
| From | | From Name: CITIBANK (GABON) | | | |
| 10999137 | | | | | |
| <input checked="" type="checkbox"/> OK | | | | | |

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X0007541

| Transaction Journal | | | | |
|---------------------------|------------|-----------------|-----------------|--------------|
| Effective Date | Post Date | Amount | Running Balance | BTK Number |
| 12/26/1996 | 12/26/1996 | \$ 1,886,792.45 | \$ 5,000.00 | 566000163344 |
| TO CASH RESERVE ACCOUNT | | | | |
| 12/24/1996 | 12/24/1996 | \$ 1,886,792.45 | \$ 1,891,792.45 | 657000091344 |
| INCOMING FUNDS TRANSFER | | | | |
| 12/19/1996 | 12/19/1996 | \$ 600,000.00 | \$ 5,000.00 | 929001065345 |
| WITHDRAWAL | | | | |
| 12/19/1996 | 12/19/1996 | \$ 600,000.00 | \$ 605,000.00 | 566000054344 |
| FROM CASH RESERVE ACCOUNT | | | | |
| 12/11/1996 | 12/11/1996 | \$ 348,030.89 | \$ 5,000.00 | 566000217344 |
| TO CASH RESERVE ACCOUNT | | | | |
| 12/10/1996 | 12/10/1996 | \$ 348,030.89 | \$ 353,030.89 | 657000131344 |
| INCOMING FUNDS TRANSFER | | | | |

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X0007540

Senate Permanent Subcommittee
on Investigations

EXHIBIT # 40e.

To: Christopher L Rogers (EUPARZ05:PBG)
CC: Muwaffak Bibi (USNYC:PBG), Salim Raza (EULON:PBG),
David Sprindzunas (USNYC:PBG), William A. Young (12USNYC:PBG)
From: Alain Ober (USNYC:PBGWH)
Date: THU 20-MAR-97 14:40 GMT
Subject: Alafia/SDA

I would be very grateful if you could follow up on the following three items with Sam (the sooner the better):
1. \$20,000,000 transfers from Tendin that he initiated from Switzerland. Can we get some information on the actual source of these transfers?
2. AA Visa card: earlier this year, after confirming that he had received our card, it was unblocked. Since SDA's AUMs with us are only \$174M (while we require a minimum of \$300M for credit card users), he promised to increase the AUMs very soon. As of today, nothing was received.
3. Referral fee: during my recent African trip, you raised this unresolved issue. As you know the situation is as follows:
a. OS account: SDA is not entitled to a referral fee since he is attorney-in-fact on this account (cf. CM of Franck Berlamont of 8-28-96 on which you were copied in answer to my CM to Ricarda Choina of 8-8-96 on which you were copied).

REDACTED

Thank you and regards,
Alain

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X0007526

MAR 21 1997

C. Rogers

Fromm - called Dosses (fmr).
telling in Africa

Dosses / n / office in Africa
Kongo / n / b. S.A.
+ Congo (like)
trunk.

Fromm - (n / lead S.A.
repeatedly asks from
Suss: B6.

Salin
11:30

→ will speak to Chris

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X0007488

863

MEMORANDUM

To: Alain OBER
Muwaffak BIBI
cc: Salim RAZA

March 24th, 1997

From: C.L. ROGERS

Re: TENDIN

| | | |
|--------|-----------------|---------|
| To: | MUWAFAC BIBI | Telefax |
| Fax: | 001 77 293 6493 | |
| From: | SALIM RAZA | |
| Date: | | |
| Pages: | 1 | |

The following is a probable consideration to explain at least a part of the \$ 20 MM funding of the subject account last month.

In mid-January, 1997, Energy Africa, the only listed exploration and production company in South Africa, formed a joint venture with the Gabonese Government and a consortium of Gabonese investors, giving it access to the majority of exploration rights in Gabon. The deal illustrates the extent to which the countries of the Central African zone are interested in South African partnerships, and vice versa.

The linkage of the above deal to Tendin stems from the fact that the President's chief consultant for oil affairs and related personal investments is a 10 per cent plus shareholder in Energy Africa, the parent company. Those shares, listed in the JSE and Luxembourg gained 88.6 % last year and are doing as well or better so far this year. The consultant, who is well known to us, has told us in the past that Tendin has growing investments in the oil sector in S.A. The strong presumption is that those investments are linked to Energy Africa, and I will try to get you some further confirmation to this effect very soon. If I can, then it would seem reasonable to presume that an important new source of revenues for Tendin would have begun to find its way back to us, with minimal disruption of arrangements with other banks, as part of the promise or at least the intent to build his portfolio back up again.

The other aspect of the Energy Africa deal as a probable new source of revenues for Tendin, concerns the new local joint venture itself, Energy Africa Gabon. The new company is 25 % the Gabonese State, 37.5 % Energy Africa the parent, and 37.5 % a group of Gabonese investors. The State pooled its options on 22 exploration licenses (+ 6 potential ones), which covers pretty much all exploration activities under way in the country. I will probe Tendin's oil consultant to get an idea, if I can, of the degree of Tendin's personal involvement in Energy Africa Gabon. If it is important, as I suspect, the timing of the deal (January 97) may be related to the transfer we received in February in light of contractual up-front settlements which might have occurred. I'll try to look into this as well.

Whatever the case, I think you should be aware of the S.A. connection, as others will develop, both with the latter and other countries (Chad, Equatorial Guinea). Such intra Africa business deals are at the vanguard of growing Africa's private wealth, and I'd be surprised if Tendin did not share in it.

Hope this helps.

C.L. Rogers
C.L. ROGERS

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X0007486

To: Alain Ober (USNYC:PBGWH), Muwaffak Bibi (USNYC:PBG)
 CC: Salim Raza (EULON:PBG)
 From: Christopher L Rogers (EUPAR205:PBG)
 Date: TUE 25-MAR-97 11:53 GMT
 Subject: Tendin - \$ 20 MM transfer

This is further to my memo (fax) of March 24th. I saw Tendin's oil consultant and private financial advisor at length this morning.

I think I was able to develop some basic facts surrounding the origin/motivation of the above transfer.

1. Energy Africa

Tendin is an equity holder in Energy Africa (parent) and in fact double his investment over 96-97. This was a feather in the cap of Tendin's advisor who sponsored the investment. As a result, Tendin wants to leverage his wealth increasingly in the future in specific "pan African deals" like this one. This was the message for us as global private bankers (see below), not Tendin's profits on the E.A. deal which were on the whole modest and were not a factor in the \$ 20 MM transfer.

2. Swiss banks v. us

We discussed the Swiss bank origin of the \$ 20 MM transfer. Swiss banks are "passive" and "asleep". Tendin has gotten the message through his advisor that we can leverage money for commercial purposes. An example would be a deal such as E.A. itself, where a multinational bank might finance equity on a combination of personal net worth and the shares being underwritten; or where a standby L/C might be issued from offsh in favor of a South African bank to support a real estate acquisition; where a private portfolio might back, directly or indirectly, a commodity trading line, etc.

The message is that Tendin, free from immediate electoral pressures, keen to do business throughout Africa and wants our help to leverage assets and develop outlets. That is the real significance of the incremental financing, and if we do a good job, this should continue.

Regards,
 Chris

Received: TUE 25-MAR-1997 11:25 GMT

Delivered: TUE 25-MAR-1997 11:53 GMT

3/25/97 - Chris Rogers -

- H/O were Tendin's.

- for him now info on the investment

- will see what he can do

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X0007482

Senate Permanent Subcommittee
on Investigations

1 PAGE FAX

40 f.

MEMO

TO : Tony Nzangola / Credit File
CC : Bob Thornton, Humayun Bawker
DT : Feb 21, 1997TO : M. Bibi
FR : N. Saliba

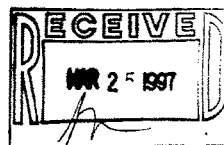
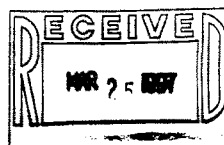
RE : Omar Bongo

Following last CA approval, and our various discussions with Humayun / Bob, this memo documents the Customer Relationship:

- 1) CPC has reviewed with RM in NY. CEEMEA Group reviewed on 2 occasions in 1993 and 1994.
- 2) Its a prime and old time PBG client, with significant earnings for the bank. Fits with our business strategy to leverage PBG activity in Gabon for our local business.
- 3) As is evident from our discussions with PBG, and -as you pointed out- from the way the account is managed, its is an investment account whereby client is gapping borrowing interest rates vs a profitable return on investment. This is a legitimate purpose.
- 4) Client is a HNWI who has a number of investments locally and abroad. Also, his compensation must be enviable. Although we do not have details on either his salary, investments or net worth, the amount of our facilities, is certainly within the general scope of client's Net worth.
- 5) We have been dealing with this client for a long time now. Breaking the relationship- if we had reason to- would cause serious sensitivities and franchise issues.
- 6) we make money on the account.
- 7) The relationship gives us easy access and visibility in a country where even not major decisions are made at client's level.
- 8) Most bank on the market deal with this customer. Our relationship does not stand out.

For all these reasons, it is desirable to keep this relationship. We do not intend however, to solicit client for more business and will satisfy ourselves with managing the account to client's satisfaction.

Ryds. Nohed



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X007481

Author: Michael Mathews at EUGVAZ03/O=C05a/C=US/A=MC1/p=et11cdp
 Date: 7/29/98 1:22 PM
 Priority: Normal
 TO: Alain Ober at 20USNYC
 Subject: Mr B.

----- Message Contents -----

Alain, KYC people will not sign off without more info on "where he is at today" i.e. subsequent to the Elf matters that Rod had liberally referred to in the files last year. Might you have some sort of summary/write-up/newspaper commentary on your files that I could pass to the KYC goons to make them happy on this name ?

Thanks and regards,
 Michael

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X0007568

Author: Michael Mathews at EUGVAZ03/o=ccea/c=US/a=mc1/p=citicorp
 Date: 7/30/98 5:02 AM 8-011 - 41-22 - 317 5322
 Priority: Normal
 TO: Alain Ober at 20USNYC 7/30 - 8:45 - left message
 Subject: Re: Mr. B.

----- Message Contents -----

Thanks, Alain. I will take up your suggestion of looking on Internet. What they want here, though, is not confined specifically to the Elf matter, but more a question of an up-date on the man himself, any evidence of "how things are today", if you know what I mean. Anything you might have, in the form of CA comments, KYC sponsorship, whatever, would be very much le bienvenu!

Thanks and regards,
 Michael

----- Reply Separator -----

Subject: Mr. B.
 Author: Alain Ober at 20USNYC
 Date: 7/29/98 8:52 PM

Michael, many thanks for your CM of today concerning Mr. B., Elf and KYC. Unfortunately, I have no specific document confirming that his name has been currently removed from the Elf investigation. As far as I know, the French investigation on Elf is now targetting other persons and I have not heard Mr. B.'s name mentionned for over a year.

Your best source may be to go through the Internet (which I do not have yet) and see what comes up on press articles concerning him. Otherwise, I would suggest contacting Francois Ogier d'Ivry at PBG Paris since he must read "Le Monde" every day.
 Best regards,
 Alain

8-011 - 41-22 - 317 5322

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X0007565

AUG 19 1999

TENDIN INVESTMENTSSenate Permanent Subcommittee
on Investigations

EXHIBIT # 40g.

End of:Total AUMs

4/99

\$66.9 MM

{ N.Y. & others \$20.6 MM
London \$46.3 MM5/99 - Decrease \$15 MM from London → UEB, Bahamas
(BNP affiliate)

5/99

\$50.6 MM

{ N.Y. & others \$20 MM
London \$30.6 MMEnd 8/99 - Early 9/99 - Decrease \$15 MM from London →
UEB

9/99

\$35.7 MM

{ N.Y. & others \$20 MM
London \$15.7 MMForecast: End 4th Quarter 1999 (\$15 MM) (Chris Rogers CM 8/18)End 1st Quarter 2000 \$ balance → 0 "

Former high peak in AUMs:

1/95 invest.

\$64 MM

Loans

\$42 MM

\$106 MM

Tendin/CNR

N.Y.

1992

\$1,030,289

Invest. + Loans

1993

\$1,491,672

1994

\$1,163,315

1995

\$1,357,516

1996

\$627,258

Reimbt Loans / restuct. / int. / etc.

1997

\$228,489

+ London \$636 M

1998

\$352,374

+ London \$682 M

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X 007615

OS

official name ATC

Seneel Dosson, attorney-in-fact.

highest level \$ 5.4 MM 95-96

8/99 \$ 1.1 MM

(collateral to a loan to a G-6 mess
cognation).

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X 007616

REPUBLIQUE GABONAISE

Union - Travail - Justice

PRESIDENCE
DE LA
REPUBLIQUE

Libreville, le 3 JAN. 1999

Ref. 0030 P.R.SI-b

*Le Président de la République
Chef de l'Etat*

A Monsieur Alain OBER
Vice Président
CITIBANK N.A.
153 EAST 53rd Street
NEW YORK NY 10043

Monsieur le Vice Président,

J'ai été très sensible au message de félicitations que vous avez bien voulu m'adresser à la suite de ma réélection à la magistrature suprême de notre Pays et je vous en remercie très sincèrement.

A l'aube du troisième millénaire, le Gabon se trouve confronté à des difficultés économiques et financières résultant d'une conjoncture internationale plus favorable aux grandes puissances traditionnelles qu'aux jeunes Etats en voie de développement.

Nous avons donc besoin de la confiance et du soutien de tous nos partenaires actuels ou à venir et je sais que votre Organisme a toujours, dans le passé, fait la preuve de son attachement à notre Pays, à son peuple et à ses institutions, dans le respect de nos lois et de notre dignité nationale.

Je souhaite que cette collaboration se poursuive dans les années à venir pour la prospérité de votre Organisme et de notre économie, dans un esprit de compréhension réciproque et dans un souci commun de développement et de progrès.

Il m'est agréable de saisir cette opportunité pour vous adresser également mes vœux sincères et chaleureux, pour vous même, pour vos collaborateurs et pour vos familles, pour une excellente année 1999 qui vous soit agréable et favorable dans tous les domaines.

Avec mon meilleur souvenir, je vous prie d'agréer, Monsieur le Vice Président, l'expression de ma parfaite considération.



EL HADJ OMAR BONGO

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X 007625

CMLA 13-MAR-95 21:41:23 013709
 To: Alain Ober (USNYC:PBGWH)
 : N. Jarostchuk (USNYC:PBGWH), Salvatore Mollica (USNYC:PBG),
 CC: Luella Gentles (USNYC:PBGWH), Leona D. Mitchell (CSNAS:PBG),
 CC: M. Carmen Butler (USNYC:PBGWH)
 From: Donnelle Knowles (CSNAS:PBG)
 Date: MON 13-MAR-95 21:44 GMT
 Subject: TENDIN INVESTMENTS LTD.

THANK YOU FOR YOUR CITIMAIL DTD. MAR.9/95. FURTHER TO OUR CONVERSATION TODAY I HAVE PRESENTED THE PROPOSAL OF THE CODING SYSTEM TO THE FIDUCIARY REVIEW COMMITTEE AND OUR COMPLIANCE OFFICER FOR REVIEW AND COMMENT. I WILL LET YOU KNOW THE OUTCOME SHORTLY. KIND REGARDS,

DONNELLE

Delivered: MON 13-MAR-1995 21:44 GMT

- 3/16-2000 P. Mitchell - 8-1-2009 (226-1605)
 To: compliance officer - 335-6352
 - also see P. Mitchell - 3. 3. 2000 -
 - 3/16/95 - 3/16/95 - 3/16/95 -
 → will write to us to confirm -
 - 3/16/95 - Ed K. + Nick J.
 - Sal P. Mollica: relationship will be reviewed by
 PR M. Mollica -

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X0007202

MINORITY STAFF REPORT
FOR
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
HEARING ON
PRIVATE BANKING AND MONEY LAUNDERING:
A CASE STUDY OF OPPORTUNITIES AND VULNERABILITIES

November 9, 1999

Because of their central role in drug trafficking and organized crime, money laundering activities have been the subject of eight prior investigations of the Permanent Subcommittee on Investigations. Despite increasing international attention and stronger anti-money laundering controls, some current estimates are that \$500 billion to \$1 trillion in criminal proceeds are laundered through banks worldwide each year, with about half of that amount moved through United States banks.

This report summarizes the Minority Subcommittee staff investigation to date into U.S. private banks and their vulnerability to money laundering. The investigation has found that the products, services and culture of the private banking industry present opportunities for money launderers, and that without sound controls and active enforcement, private banking services have been and will continue to be used by those intent on laundering money.

Subcommittee Investigation

To date in this investigation, the Subcommittee staff has conducted almost one hundred interviews and reviewed tens of thousands of pages of documents. The interviews have included meetings with almost 50 private bank personnel, including private bankers, their supervisors, compliance personnel, auditors, senior bank management and board members. The staff has interviewed and obtained information from more than two dozen government agencies and organizations, including the United States Departments of State, Treasury and Justice, the Federal Reserve, Securities and Exchange Commission, International Monetary Fund, World Bank, and law enforcement personnel in Mexico, France and other countries. The Subcommittee staff has also spoken with private bank clients, and with banking and anti-money laundering experts in academic, regulatory and law enforcement circles.

The documents reviewed by the Subcommittee staff include a wide range of materials, from reports on the private banking industry, to reports on money laundering trends, to SEC filings, legal pleadings, private bank audits, bank examination materials, and numerous

documents related to specific private bank accounts and transactions. The Subcommittee has issued subpoenas to over half a dozen financial institutions and entities.

The information gathered by the Subcommittee's investigation falls into three categories: (1) the anti-money laundering obligations of all banks, including private banks; (2) the elements of private banking that make it vulnerable to money laundering; and (3) four case histories at the Citibank private bank illustrating a range of issues related to money laundering.

Anti-Money Laundering Obligations

Two laws lay out the basic anti-money laundering obligations of all United States banks. First is the Bank Secrecy Act which, in section 5318(h) of Title 31 in the U.S. Code, requires all banks to have anti-money laundering programs. This law states the following.

"In order to guard against money laundering through financial institutions, the Secretary [of the Treasury] may require financial institutions to carry out anti-money laundering programs, including at a minimum -- (A) the development of internal policies, procedures, and controls, (B) the designation of a compliance officer, (C) an ongoing employee training program, and (D) an independent audit function to test programs."

The Bank Secrecy Act also authorizes the Treasury Department to require financial institutions and other businesses to file reports on currency transactions and suspicious activities, again as part of U.S. efforts to combat money laundering.

The second key law is the Money Laundering Control Act of 1986, which was enacted partly in response to hearings held by this Subcommittee in 1985. This law was the first in the world to make money laundering a crime. It prohibits any person from knowingly engaging in a financial transaction which involves the proceeds of a "specified unlawful activity."¹ The law provides a list of specified unlawful activities, including drug trafficking, fraud, theft and bribery. Most are crimes under U.S. law; only a few foreign crimes, such as drug trafficking, kidnapping, and foreign bank fraud, are currently listed as predicate offenses for a money laundering prosecution in the United States.

The aim of these two statutes is to enlist U.S. banks in the fight against money laundering. Together they require banks to refuse to engage in financial transactions involving criminal proceeds, to monitor transactions and report suspicious activity, and to operate active anti-money laundering programs. Both statutes have been upheld by the Supreme Court.

¹See 18 U.S.C. 1956-57.

Private Banking Industry

Private banks are banks, or operational units within banks, which specialize in providing financial services to wealthy individuals. Often portrayed as a specialty of the Swiss whose private banks are the largest in the world, the private banking industry actually has a long history in many countries, including the United States. For example, private banks have long been in operation at Bank of America, Bank of New York, Bankers Trust, Chase Manhattan, Citibank, J.P. Morgan and many other U.S. financial institutions. Today, the largest U.S. private bank handles as many as 100,000 clients; and a single U.S. private bank may have assets exceeding \$100 billion. The worldwide total for assets currently under management by private banks has been estimated at \$15.5 trillion.²

Today, private banks are a growth area at many U.S. financial institutions. Banks report increasing clientele, assets under management, and revenues. A report prepared by the General Accounting Office for the Subcommittee states:

“Domestic and foreign banks operating in the United States have been increasing their private banking activities and their reliance on income from private banking. The target market for private banking -- individuals with high net worth -- is also growing and becoming more sophisticated with regard to their product preferences and risk appetites.”

One key reason for the growth in private banking in the United States is an increasing number of individuals with great personal wealth, providing an expanding client base for private bank operations. Another key reason is profits. Federal Reserve officials told the Subcommittee staff that private banking has become a “profit driver” for many banks, offering returns twice as high as many other banking areas. Private banks interviewed by the Subcommittee staff have confirmed rates of return in excess of 20 percent.

In general, private banking seeks to provide financial and related services to wealthy individuals, primarily by acting as a financial advisor, estate planner, credit source, and investment manager. As one senior bank official put it during a Subcommittee interview, the very wealthy have “peculiar” financial needs, and private banks are intended to address those needs. Consumer banking, in contrast, provides financial services to individuals regardless of wealth. Corporate banking provides financial services to businesses.

To open an account in a private bank, prospective clients usually must deposit a substantial sum, often \$1 million or more. In return for this deposit, the private bank assigns a “private banker” or “relationship manager” to act as a liaison between the client and the bank, and to facilitate the client’s use of a wide range of financial services and products. These products and services often span the globe, enabling a client to make use of a variety of

²1998 internal private bank document, citing Booz Allen & Hamilton analysis.

corporate, investment and trust vehicles, estate and tax planning, and other financial services. In essence, private banks seek to provide global wealth management for the wealthy. Private banks typically charge fees based upon the amount of client "assets under management," and the particular products and services used by the client. These fees can exceed \$1 million per client each year.

While many of the products and services offered by a private bank are also available through retail banking operations, there are at least two key differences. First, private banks offer an inside advocate – the private banker – whose mission is to help his or her clients make easy use of the bank's products and services. For example, many retail banks provide wire transfer services, but a private banker will routinely arrange complex wire transfers for a client who simply calls in by phone to request them. Retail banks may offer offshore services, but a private banker is an expert in facilitating the creation of offshore trusts and corporations, opening accounts for them, and arranging transactions on their behalf. Retail banks will allow clients to open multiple accounts, but a private banker will not only create these accounts for a client, but also keep track of the assets in each account and arrange transactions among them.

A second key difference is that a private bank provides its clients with a team of specialists under the coordinated direction of the private banker. These specialists include investment managers, trust officers, estate planners, and other financial experts, all prepared to act in concert. The private banker orchestrates their services with a degree of coordination that is often difficult or impossible to achieve in retail banking.

Why Private Banking is Vulnerable to Money Laundering

For some time now, evidence has been accumulating that private banks are vulnerable to money laundering. The 1994 conviction of a private banker from American Express was an early wake-up call. The 1995 Salinas scandal raised a second set of troubling questions. The 1998 Casablanca undercover money laundering operation resulted in the indictment of several private bankers in Mexico.

Bank regulators have shown a growing concern. Three years ago, the Federal Reserve Bank of New York reviewed private banking activities at 40 U.S. and foreign financial institutions operating in the New York area. In 1997, it conducted followup reviews at four financial institutions which it had identified had deficiencies needing correction, and issued a publication entitled, "Sound Risk Management Practices Governing Private Banking Activities" to provide private banks "with guidance regarding the basic controls necessary to minimize reputational and legal risk and to deter illicit activities, such as money laundering."

In 1998, the Federal Reserve reviewed an additional six financial institutions, as well as conducting a third review of the Citibank private bank. The General Accounting Office reports

that this 1998 study found that “internal controls and oversight practices over private banking activities were generally strong at banks with high-end domestic clients,” but “seriously weak at banks with higher risk Latin American and Caribbean clients.” Also in 1998 two new examination manuals were issued, a Federal Reserve manual designed solely to evaluate private banks’ controls, and a revised bank examination manual on money laundering used by all U.S. bank regulators which includes a section identifying private banking as an area meriting special attention. The 1998 International Narcotics Control Strategy Report, issued by the State Department, observes that “[p]rivate banking facilities continue to be vulnerable to money laundering.”

Five Factors Creating Money Laundering Vulnerabilities

Five factors in private banking increase its vulnerability to money laundering: the role of private bankers as client advocates, a powerful clientele which discourages tough questions, a corporate culture of secrecy, a corporate culture of lax controls, and the competitive nature of the industry.

Private Bankers As Client Advocates. Private bankers are the linchpin of the private bank system. They are trained to service their clients’ needs and to set up accounts and move money around the world using sophisticated financial systems and secrecy tools. Private banks encourage their bankers to develop personal relationships with their clients, visiting the clients’ homes, attending weddings and graduations, and arranging their financial affairs. The result is that private bankers may feel loyalty to their clients for both professional and personal reasons, leading them to miss or minimize warning signs. In addition, private bankers may use their expertise in bank systems to evade what they may perceive as unnecessary “red tape” hampering the services their clients want, thereby evading controls designed to detect or prevent money laundering.

Powerful Clients. Private bank clients are, by definition, wealthy. Many also exert political or economic influence which may make banks anxious to satisfy their requests and reluctant to ask hard questions. If a client is a government official with influence over the bank’s in-country operations, the bank has added reason to avoid offense. As we will see in the case histories that follow, government officials and other powerful clients can minimize bank inquiries simply by virtue of their stature. For example, when asked why he never questioned a client about certain funds, one private banker told the Subcommittee staff that, because the client was a head of state, he felt constrained by “issues of etiquette and protocol.”

Moreover, verifying information about a foreign client’s assets, business dealings, and community standing can be difficult for U.S. banks. The Federal Reserve found in its private banking review that foreign clients were particularly difficult for private bankers to assess due to a lack of independent databases of information, such as credit reports. One senior bank official told the Subcommittee staff that a key problem is developing tools to detect when clients may be misrepresenting their personal assets or business dealings, or supplying inaccurate documenta-

tion. While private banks routinely claim that their private bankers gain intimate knowledge of their clients, the case histories demonstrate that too often isn't true. For example, in one case, a private banker was unaware for more than three years that he was handling the accounts of the sons of an African head of state.

Culture of Secrecy. A culture of secrecy pervades the private banking industry. Numbered accounts at Swiss banks are but one example. There are other layers of secrecy that private banks and clients routinely use to mask accounts and transactions. For example, private banks routinely create shell companies and trusts to shield the identity of the beneficial owner of a bank account. Private banks also open accounts under code names and will, when asked, refer to clients by code names or encode account transactions.

For example, in the case of Raul Salinas, Citibank's private bank created a trust that was known only by a number and a shell company called Trocca, Ltd. to serve as the owner of record for accounts benefitting Mr. Salinas and his family. The private bank hid Mr. Salinas' ownership of Trocca by omitting his name from the Trocca incorporation papers and naming still other shell companies as the shareholders, directors, and officers. Citibank consistently referred to Mr. Salinas in internal bank communications by the code name "Confidential Client Number 2" or "CC-2." The private bank's Swiss office opened a special name account for him under the name of "Bonaparte." These are just some of the steps that the private bank took to meet Mr. Salinas' requests for extreme secrecy in the handling of his accounts.

Secrecy Jurisdictions. In addition to shell corporations and codes, a number of private banks also conduct business in secrecy jurisdictions such as Switzerland and the Cayman Islands, which impose criminal sanctions on the disclosure of bank information related to clients and restrict U.S. bank oversight. The secrecy laws are so tight, they even restrict internal bank oversight. For example, if a bank's own employee uncovers a problem in an office located in a secrecy jurisdiction, that employee is barred from conveying any client-specific information to colleagues in the United States, even though they are part of the same banking operation. The bank's auditors and compliance officers operate under the same restrictions; any audit or compliance report sent out of the country must first be cleansed of client-specific information.

If a bank employee in the United States wants more information about a problem in a secrecy jurisdiction involving specific clients, he or she has to fly to the secrecy jurisdiction to discuss the matter in detail or review documentation. Even then, the restrictions continue. For example, before allowing an employee to travel to Switzerland, private banks such as J.P. Morgan and Citibank require their employees to sign a non-disclosure statement, reminding them that Swiss law bars disclosing client information acquired in Switzerland to anyone, even their fellow bankers in the United States.

If a U.S. private bank were to tell its Swiss office that an individual is suspected of money laundering and to close any accounts related to that individual, Swiss law bars the Swiss office from disclosing the existence of any such accounts. Then, if U.S. bank personnel wanted

to confirm the closure of any accounts, someone from the private bank would have to fly to Switzerland to do so. Upon returning, the private bank official could not, without breaking Swiss law, communicate any specific account information to senior bank management in the United States or to U.S. bank regulators. The bottom line, then, is that private bank personnel cannot have a frank discussion in the United States about what the private bank is doing in Switzerland without breaking Swiss law.

Secrecy Restrictions on U.S. Bank Regulators. U.S. bank regulators operate under similar restrictions. The General Accounting Office report to the Subcommittee provides comparative information about the bank secrecy laws in 20 jurisdictions, identifying those that prohibit the disclosure of client-specific bank information to U.S. bank regulators or bar U.S. regulators from conducting on-site examinations of U.S. bank operations. GAO concludes:

“[T]he key barriers to U.S. regulators’ oversight of offshore banking activities are secrecy laws that restrict access to banking information or that prohibit on-site examinations of U.S. bank branches in offshore jurisdictions. An important challenge that confronts efforts to combat money laundering is the extent to which such secrecy laws will continue to be barriers to U.S. and foreign regulators.”

Once a matter becomes the subject of a criminal investigation, many secrecy jurisdictions provide a disclosure exception for law enforcement inquiries. But that exception may be invoked only by law enforcement personnel, acting in an official capacity through designated channels; it cannot be used by bank regulators.

Private banks not only choose to conduct business in these secrecy jurisdictions, some also build secrecy into their U.S. operations by restricting the client information that can be kept in the United States. For example, one former private banker told the Subcommittee staff that he was prohibited by his bank from keeping any records in the United States linking shell corporations to their owners. He said that he had 30 - 40 clients, each of which had up to fifteen shell corporations and, to keep track, he and other colleagues in the private bank used to create private lists of their clients’ shell companies. He said that he and his colleagues had to hide these “cheat sheets” from bank compliance personnel who, on occasion, conducted surprise inspections to eliminate this information from bank files. When asked why the bank would destroy information he needed to do his job effectively, the former private banker simply said that it was bank policy not to keep this information in the United States.

During its review of the private banking industry, one of the issues addressed by the Federal Reserve was to determine whether U.S. private banks holding accounts in the name of shell companies were aware of the companies’ owners and had conducted sufficient due diligence to determine whether their funds were of suspicious origin. However, many of the private banks resisted providing information on their shell company accounts.

For example, in an exchange of letters in 1998, Bankers Trust initially declined providing any information to Federal Reserve examiners. After several discussions, the bank agreed to set up a database linking shell companies with information about their beneficial owners, and promised to consult this database in the event of a U.S. regulatory inquiry or subpoena. But the catch was that Bankers Trust located the database on the Isle of Jersey. When the Federal Reserve asked if Bankers Trust would use the database to provide regulators with information about the owner of a shell company with a U.S. bank account, Bankers Trust responded that it would have to check with Jersey courts on a case-by-case basis. The point here is that no one forced Bankers Trust to establish its database on the Isle of Jersey – the bank could have used the state of New Jersey. The fact that Bankers Trust instead chose a foreign jurisdiction which routinely restricts access to information is another example of how a culture of secrecy raises money laundering concerns by impeding regulatory review of client accounts.

Money laundering, of course, thrives on secrecy. Shell companies, code names and offices in secrecy jurisdictions are one more set of factors that make private banks attractive to money launderers.

Culture of Lax Anti-Money Laundering Controls. In addition to a culture of secrecy, private banking operates in a corporate culture that is at times indifferent or resistant to anti-money laundering controls, such as due diligence requirements and account monitoring.

The problem begins with the private banker who, in most private banks, is responsible for the initial enforcement of anti-money laundering controls. It is the private banker who is charged with researching the background of prospective clients, and it is the private banker who is asked in the first instance to monitor existing accounts for suspicious activity. But it is also the job of the private banker to open accounts and expand client deposits. John Reed, co-chairman of Citigroup with 30 years of banking experience, told the Subcommittee staff that, over time, private bankers tend to become advocates for their clients and lose the detachment needed to monitor their transactions. He also observed that private bankers often don't have the temperament or discipline needed to ask clients detailed questions about their funds and transactions and to record the information provided on the proper forms.

The fundamental problem is that private bankers are being asked to fill contradictory roles -- to develop a personal relationship with a client and increase their deposits with the bank, while also monitoring their accounts for suspicious activity and questioning specific transactions. Human nature makes these contradictory roles difficult to perform, and anti-money laundering duties often suffer.

Private banks have dealt with this problem by setting up systems to ensure that private banker activities are reviewed by third parties, such as supervisors, compliance personnel or auditors. The Subcommittee staff investigation has found, however, that while strong oversight procedures exist on paper, in practice private bank oversight is often absent, weak or ignored.

Two examples of lax oversight came to light last year, when private bankers at two different banks were discovered to have evaded bank controls to commit years-long, multi-million dollar frauds. In one case, the head of the New York office of the BankBoston private bank, Ricardo Carrasco, apparently embezzled \$60 million, by setting up multiple accounts which the private bank did not realize were related, allowing them to accumulate loans and overdrafts for 4 years, and then absconding with the funds. Carrasco is currently a fugitive. The second case involves a Citibank private banker with 10 years of experience, Carlos Gomez, who pleaded guilty in 1998 and is now serving a 4-year prison term, for defrauding the private bank of more than \$23 million. He committed his fraud by issuing multi-million dollar loans to fictitious private bank clients secured by funds from existing accounts whose owners were not informed of the security arrangements. Gomez invested the loan proceeds, kept the earnings, and repaid the loans. He successfully evaded bank controls for a number of years, including loan limits, overdraft limits, signature requirements, account reviews, and audits.

In both instances, the private bankers were able to exploit vulnerabilities in their banks' internal controls to commit frauds. A 40-page Federal Reserve report dated April 6, 1998, details the lack of controls at BankBoston which, in response, replaced the head of its private bank, removed a number of other officers, and revamped its procedures. The Gomez fraud was followed by a five-month compliance review and an action plan with multiple recommendations for tighter controls. These two cases show just how weak the internal controls were at these private banks, even in 1998.

All of the private banks interviewed by the Subcommittee staff described a renewed effort, following the Federal Reserve's 1996 review of the private banking industry, to improve their due diligence documentation for clients. The key documents, variously called "client profiles," "know-your-customer files," or "due diligence reports," describe a client's financial background, source of funds, and expected transactions. The evidence shows, however, that in many instances, the private bankers either delayed or resisted improving the documentation. One private bank supervisor, asked why it was taking years to upgrade the documents, explained that private bankers viewed the documents as "time consuming" to complete and worried that listing a client's sources of wealth raised "confidentiality concerns." He said it was like "pulling teeth" to get them to complete the required forms. Another supervisor told the Subcommittee staff that the bank's auditors did not understand how complicated and difficult it was to obtain the level of information they wanted. A private banker told the Subcommittee staff he viewed the effort to upgrade his client profiles as a paperwork exercise, akin to having "a teacher grade his homework." Another told us that no one took the directives seriously until bonuses were threatened. Audits, compliance reviews, repeated deadlines and bonus threats are just some of the tools private banks have used over the past two years to coax their private bankers to improve the due diligence information in client files. The level of effort expended is itself proof of a culture of lax compliance with anti-money laundering controls.

Competition and Profitability. A final factor creating money laundering concerns is the ongoing competition among private banks for clients, due to the profitability of the business. A 1997 Federal Reserve report on private banking states: "As the target market for private banking is growing, so is the level of competition among institutions that provide private banking services." Private banks interviewed by the Subcommittee staff confirm that the market remains highly competitive; most also reported plans to expand operations. The dual pressures of competition and expansion are disincentives for private banks to impose tough anti-money laundering controls that may discourage new business or cause existing clients to move to other institutions.

Private Banking Products And Services

In addition to the general factors cited above, the actual products and services offered by the private bank also create opportunities for money laundering.

Multiple Accounts. A striking feature of the private bank accounts examined is their complexity. Private bank clients often have many accounts in many locations. Some are personal checking, money market or credit card accounts. Others are in the name of one or more shell companies. Multiple investment accounts are common, including mutual funds, stocks, bonds and time deposits. One private banker said it was common for his clients to have multiple shell companies, each with one or more accounts.

In addition, no private bank currently has a database which automatically aggregates all of the information related to a single client. A few banks are in the process of installing systems that will attempt to centralize client information and identify related accounts using different names, but even these systems will be heavily dependent upon private banker updates. In addition, information on accounts in secrecy jurisdictions may be excluded or not fully integrated into the database due to those jurisdictions' secrecy laws.

The reality right now is that private banks allow clients to have multiple accounts in multiple locations under multiple names and do not aggregate the information. This approach creates vulnerabilities to money laundering by making it difficult for banks to have a comprehensive understanding of their own client's accounts. In addition, it complicates regulatory oversight and law enforcement, by making it nearly impossible for an outside reviewer to be sure that all private bank accounts belonging to an individual have been identified.

Secrecy Products. Most private banks offer a number of products and services that shield a client's ownership of funds. They include offshore trusts and shell corporations, special name accounts, and codes used to refer to clients or fund transfers.

All of the private banks interviewed by the Subcommittee staff made routine use of shell corporations for their clients. These shell corporations are often referred to as "private

investment corporations” or PICs. They are usually incorporated in jurisdictions such as the Cayman Islands or Channel Islands which restrict disclosure of a PIC’s beneficial owner. Private banks then open bank accounts in the name of the PIC, allowing the PIC’s owner to avoid identification as the accountholder.

It is not unusual for private bank clients to have multiple PICs and use these PICs to hold accounts and conduct transactions. Some private banks will open accounts only for PICs they incorporate and manage, while others will do so for PICs incorporated and managed by someone else, such as the client. These so-called “client-managed PICs” create additional money-laundering risks, because the private banks do not control and may not even know the activities, assets and complete ownership of the PIC holding the account at the private bank. Some private banks go a step further and open accounts for client-managed PICs whose ownership is determined by whomever has physical possession of the PIC’s shares. These so-called “bearer-share PICs” pose still greater money-laundering risks because, unless a bank maintains physical possession of the shares, it is impossible to know with certainty who, at any given moment, is the PIC’s true owner. While most private banks interviewed by the Subcommittee staff did not have any accounts held by bearer-share PICs, the Chase Manhattan private bank indicated it had accounts for about 1500 bearer-share PICs. As part of its industry-wide review, the Federal Reserve identified bearer-share PICs as an area of concern and asked private banks to develop a list of these accountholders, to review the due diligence on record for them and their beneficial owners, and to consider closing the accounts in favor of PICs with documented ownership.

The case histories to be examined today include many examples of shell corporations functioning as accountholders for clients, including Trocca, M.S. Capricorn Trading, Tendin Investments, and Morgan Procurement. The case histories also include special name accounts such as “Bonaparte,” “OS,” and “Gelsobella.” Three of the four case histories also had code names or systems for encoding fund transfers.

Movement of Funds. Client account transactions at private banks routinely involve large sums of money. The size of client transactions increases the bank’s vulnerability to money laundering by providing an attractive venue for money launderers who want to move large sums without attracting notice. In addition, most private banks provide products and services that facilitate the quick, confidential and hard-to-trace movement of money across jurisdictional lines. For example, private banks routinely facilitate large wire transfers into, out of and among client accounts, in multiple countries. Several private bankers told us that many of these transfers take place with minimal or no notice from the client and sometimes involve parties and accounts with which the private banker is unfamiliar. It is a situation that invites money laundering.

Some private banks move funds for clients through concentration or suspense accounts, which are accounts established by private banks for administrative purposes to hold funds from various destinations prior to depositing them into the proper accounts. Client funds which come into a private bank may pass through a concentration account on the way to the client’s own account. The problem arises when a private bank allows clients to move funds through the

bank's concentration account and onto another destination, without ever passing through an account belonging to the client. When that happens, the funds are never associated in bank records with a particular client. The Federal Reserve has warned against this practice, stating:

"[I]t is inadvisable from a risk management and control perspective for institutions to allow their clients to direct transactions through the organization's suspense accounts(s). Such practices effectively prevent association of the clients' names and account numbers with specific account activity, could easily mask unusual transactions and flows, the monitoring of which is essential to sound risk management in private banking, and could easily be abused."

The Citibank private bank used a concentration account to move over \$80 million for Raul Salinas. Citibank has since prohibited its private bank from using its concentration account for client transactions, but other private banks continue to do so.

Credit. Another common private bank service involves the extension of credit to clients. Several private bankers told the Subcommittee staff that private banks urge their private bankers to convince clients to leave their deposits in the bank and use them as collateral for large loans. This practice enables the bank to earn a fee not only on the deposits under their management, but also on the loan. This practice also, however, creates vulnerabilities for money laundering, by allowing a client to deposit questionable funds and replace them with "clean" money from a loan. In addition, because the client loans are fully collateralized by assets on deposit with the bank, the bank may not scrutinize the loan purpose and repayment prospects as carefully as for a conventional loan, and may unwittingly further a money launderer's efforts to hide illicit proceeds behind seemingly legitimate transactions. The Federal Reserve has warned private banks about this practice from a risk management perspective:

"If credit is extended based on collateral, even if the collateral is cash, repayment is not assured. For example, collateral derived from illicit activities may be subject to government forfeiture. Accordingly, when extending secured private banking loans, institutions should be satisfied as to the source and legitimacy of the client's collateral, the borrower's intended use of the proceeds and the source of repayment."

Citibank Private Bank Case Histories

Four case histories illustrate the vulnerability of private banks to money laundering. The case histories are drawn from Citibank, the largest bank in the United States with over \$700 billion in assets. Citibank operates one of the country's largest private banks. It has over \$100 billion in client assets in private bank offices in over 30 countries, which is the largest global presence of any U.S. private bank. It is continuing to expand. Citibank's private bank is also no stranger to controversy. From the Salinas scandal in 1995, to the Zardari scandal in 1997, to the

Carlos Gomez fraud in 1998, if any private bank has had reason to review its anti-money laundering controls, Citibank has. Of the 40 private banks reviewed by the Federal Reserve during its industry wide examination of private banking, only one -- Citibank -- was reviewed in detail by Federal Reserve examiners three years in a row. It is a private bank that has struggled with a wide range of anti-money laundering issues.

Citibank private bank has implemented policies, internal systems, and employee training programs to combat money laundering. But its record during the 1990s is marked by years of poor audits, three consecutive years of regulatory criticism, and repeated difficulties related to troubled accounts. Citibank's experience underscores the fact that even private banks with ample resources may have inadequate anti-money laundering controls.

Citibank Private Bank During the 1990s

The Citibank private bank has been in existence for many years in various forms. During the 1990s, it has experienced steady growth, and today has thousands of employees and hundreds of private bankers in over 30 locations throughout the world. The Citibank private bank has also changed leadership four times in ten years, with the newest chief executive having taken office last month.

During the 1990s, the private bank has operated with four divisions: the Western Hemisphere Division which includes the United States, Canada and Latin America; the EMEA Division which includes Europe, the Middle East and Africa; the Japan Division; and the Asia/Pacific Division which includes Hong Kong and Singapore. The private bank has also operated in tandem with four affiliated trust companies, called "Cititrust" in the Bahamas, Cayman Islands, and the Isle of Jersey; and "Confidas" in Switzerland. These trust companies help establish and administer trusts and shell corporations for Citibank private bank clients.

During the first half of the 1990s, the private bank's headquarters were located in Switzerland, and the four divisions operated fairly independently. After the Salinas scandal in 1995, the headquarters moved from Switzerland to New York, and the private bank began an effort to centralize management of its divisions under a single set of policies.

Anti-Money Laundering Program. During the 1990s, the primary elements of the private bank's anti-money laundering program have remained the same, although particular policies, procedures and systems have been clarified or strengthened over time. The primary elements include: (1) obtaining due diligence information on a client prior to opening an account, recording that information on a "client profile," and updating the client profile annually based upon contacts during the year; (2) establishing a client transaction profile with anticipated levels of activity, and monitoring the account for unusual activity; and (3) reporting any suspicious activity internally and, if appropriate, to the U.S. government through a Suspicious Activity Report.

The private banker with primary responsibility for a client is charged with meeting the due diligence requirements. These requirements include ascertaining the true identity of the client, obtaining references, and determining the client's background and source of funds. The private bank has also specified several categories of "high risk accounts" requiring added due diligence and monitoring. These categories include clients in high risk geographic areas, such as countries identified by the U.S. State Department as at high risk of drug trafficking; clients engaged in high risk businesses, such as casinos or currency exchanges; clients who are "public figures"; and clients who become the subject of adverse rumors or media stories. In addition, the private bank has engaged in training, and has implemented internal audit procedures designed to test compliance with its anti-money laundering controls.

Audit Results. During the 1990s, the private bank was subjected to repeated criticisms in internal audits and regulatory reviews. Citibank's own auditors provide audit ratings on a scale of 1 to 5, with 1 being the worst score and 5 the best. In 1995 and 1996, these internal audits gave a number of private bank units in the United States, Europe and Asia ratings of "2" and "3," which private bank personnel told the Subcommittee staff are failing scores. Many of the audits identified anti-money laundering deficiencies, including noncompliance with bank anti-money laundering policies, inadequate client information, and inadequate monitoring of client transactions.

For example, a 1995 audit of nine European offices found that the office managers had "not enforced the development and implementation of compliance programs" required by the private bank. A 1995 audit of a U.S. unit responsible for establishing and administering client trusts did "not perform effective [know-your-customer] procedures before accepting account referrals from Private Bankers. As a result, customers attempting to launder money may not be identified." A 1995 audit of the Singapore private bank office found major control and documentation problems, including a lack of training and oversight and inadequate compliance with know-your-customer policies. A 1995 audit of the Monaco private bank office found that "80% of the Unit's client base [is classified] 'high risk' using the Legal Affairs Office criteria for money laundering. Although the unit has established 'Know Your Customer' policies, there is no effective transaction profile monitoring for high risk clients."

A 1996 audit of private bank offices handling Latin American clients found four "major deficiencies" which "increase[d] the exposure to money laundering schemes and internal fraud." The audit stated that it "seems the Unit's priority was to focus on customer service, even when it meant that internal controls would be compromised." A 1996 audit criticized the Bahamas and Cayman Islands trust companies for failing to obtain "adequate Know Your Customer (KYC) information from Private Bankers to enable them to assess money laundering risk and suitability." The audit report stated: "This concern is heightened by the confidential nature of the off-shore business and exposes [the trust companies] ... to civil penalties, criminal charges, and negative publicity. ... [A]lmost all (92%) existing, Private Banker-linked accounts tested were missing one or more key elements of KYC documentation."

The bank auditors were particularly critical of the private bank's headquarters in Switzerland, giving it failing "2" audit ratings in several audits. In December 1995, due to continued deficiencies, the auditors assigned the office a rating of "1," the only 1 audit rating given to any private bank unit in recent years. A cover memorandum stated, "Such a rating indicates this office is operating in a severe[ly] deficient manner, with a lack of policy and procedure implement[ation] as well as ... less than acceptable internal controls."

Regulatory Reviews. The private bank's poor audit ratings caught the attention of the Federal Reserve during its review of the private bank in 1996. The result was that the Federal Reserve conducted three consecutive audits of the private bank, the only one of 40 banks which received that level of attention. In 1996, a Federal Reserve examiner noted in an internal review document that the private bank's Swiss headquarters had received the "worst possible audit rating" in December 1995, and wrote that it appeared poor audit scores were "not taken seriously" within the private bank, although the bank was trying to change.

In 1997, Federal Reserve examiners stated in internal documents that the Citibank private bank lagged behind other private banks they had reviewed. One examiner wrote that, compared to its peers in the second district, Citibank private bank's policy "meets standards [and] it is more detailed ... [but] practice lags behind the pack." The examiner wrote that the private bank is "getting started later, [its] control environment is weaker, and [its] risk tolerance is greater." The examiner noted that, within Citibank itself, "the private bank ... significantly lags behind the rest of corporation in achieving acceptable audit ratings." The examiner wrote:

"The auditors are a key asset of [the private bank]. The problem is that for years audit has been identifying problems and nothing has been done about it. In 1992 [the private bank had] 66% favorable audits – in 1997 the percentage of favorable audits was 62%. ... It appears that there are no consequences for bad audits – as long as [the private bank] meets their financial goals."

With respect to anti-money laundering issues, the examiner wrote in 1997 that, "In spite of the progress made since the prior inspection, significant KYC deficiencies have not yet been addressed. Management must ensure that appropriate measures are taken to complete the client profiles, document sources of wealth, monitor transactions and identify suspicious account activity."

The Federal Reserve examiners also commented unfavorably in 1997, on the private bank's Swiss headquarters. One examiner wrote:

"Historically [the private bank] was very decentralized with the marketing heads having a lot of autonomy, and [the] head office was located in Switzerland. Under this structure the corporate culture of the [private bank] did not foster 'a climate of integrity, ethical conduct and prudent risk taking' by U.S. standards."

The examiner stated that, with respect to Switzerland, “historical control problems remain unresolved, resulting in unacceptable audit ratings. The internal audit ratings for the Swiss Front Office and Swiss Investment Services have been unacceptable since 1992 and 1994, respectively.” In another 1997 document, an examiner reported being told that Citibank’s “Swiss bankers think that the US KYC effort is an attempt to undermine Swiss banking,” and that the Swiss office “thinks they do not need to comply with the control policies because they only deal with the very rich and their clients are above reproach.” After the Swiss office received two additional “2” audit ratings for certain operations in 1997, the Federal Reserve examiner attributed the continuing “bad audits” in the Swiss office “in part to the fact that senior management responsible for these problems are still in charge.” The examiner said that, when asked about the continued presence of these managers, private bank personnel responded, “ask the Chairman why they still work there.”

During the same period, 1996-1997, Citibank’s primary regulator, the Office of the Comptroller of Currency (OCC) also reviewed the private bank and expressed many of the same concerns as the Federal Reserve and Citibank’s own auditors. The multi-million dollar fraud committed by the private banker Carlos Gomez, which came to light in early 1998, raised additional regulatory concerns about weak controls and inadequate management oversight in the private bank.

In February 1998, during their regular annual meeting with Citibank board members, the Federal Reserve and OCC discussed their concerns about the private bank. According to talking points prepared for the meeting, the Federal Reserve indicated that the private bank had “significant weaknesses in internal controls that expose Citibank to excessive legal and reputational risk.” It also conveyed concern about the “length of time” the private bank was taking to correct deficiencies and the “relative slowness of progress [which is] out of keeping with management’s decisive reaction to other control weaknesses.” The Federal Reserve recommended that Citibank conduct a “fundamental review” of the private bank by mid-1998, and that the Board’s Audit Committee review private bank issues on a quarterly basis.

Senior Bank Management Oversight. Poor audit results, ongoing regulatory reviews, and the Salinas and Zardari scandals elevated the private bank’s problems to the attention of Citibank’s senior management. The Chairman of the Audit Committee of Citibank’s Board of Directors, Robert Shapiro, an outside director who is also chief executive officer of Monsanto, told the Subcommittee staff that, during his tenure as committee chairman from 1996 until 1998, the private bank became one of a handful of issues he focused on. He said that he was troubled not only by the repeated low audit scores, but also by the private bank’s repeated failure to meet deadlines for corrective action. He said that he personally talked to Citicorp’s CEO John Reed about the need to take action. He said that Mr. Reed responded by taking a personal interest in addressing the private bank problems.

Among other actions, in May 1997, Mr. Reed replaced the head of the private bank. He selected Shaikat Aziz, a longtime Citibank executive not previously associated with the private

bank. He told the Subcommittee staff that he charged Mr. Aziz with improving what Mr. Reed called the private bank's "lousy audits." He indicated that he also asked Mr. Aziz to review the private bank's handling of public figures accounts, and to initiate the "fundamental review" of the private bank requested by bank regulators. In a November 1997 letter to the Board of Directors, Mr. Reed wrote the following:

"I spent a day being interviewed by the Department of Justice on the Salinas affair. As a legal issue, I continue to think that we are on very solid ground. However, I am more than ever convinced that we have to rethink and reposition the Private Banking business. ... Much of our practice that used to make good sense is now a liability. We live in a world where we have to worry about 'how someone made his/her money' which did not used to be an issue. Much that we had done to keep Private Banking private becomes 'wrong' in the current environment. The business itself is very highly attractive and there is no reason why we cannot pursue it in a sound way but it will take an adjustment."
[CS7463]

That adjustment apparently has not been a smooth one and is still underway. In July 1998, Mr. Aziz presented a new private bank strategy to the Citibank Audit Committee, recommending among other measures that the bank move away from "secrecy" and instead emphasize producing good investment returns for its clients. He also recommended taking steps to change the private bank's culture of lax internal controls. These controls were a sensitive matter throughout 1998, not only because of the Carlos Gomez fraud in January, but also because, in May 1998, ten days after Citibank had agreed to purchase Banca Confia in Mexico, that Mexican bank was indicted by the United States Justice Department for engaging in money laundering.

After receiving approval of the Audit Committee and senior bank management of the proposed 1998 strategy, Mr. Aziz began making personnel changes at the private bank, including firing a longtime senior manager in Switzerland, Phillipe Holderbeke, and altering the private bank's leadership team. On the issue of public figure accounts, in late 1998 and early 1999, over the objection of some longterm private bank employees, he ordered a number of longstanding public figure accounts to be closed.

In October 1999, after accepting an appointment as finance minister of Pakistan, his home country, Mr. Aziz left the private bank. He was replaced by Todd Thomson, a former Travelers Group executive.

Four Case Histories

It is against this backdrop of growth, leadership and organizational change, poor audits and increasing regulatory and management oversight, that the four case histories involving accounts at the Citibank private bank should be analyzed. These case histories span the years 1992 to the present. They involve private bank clients in Latin America, Asia, and Africa.

Each case history involves either a head of state or a close relative – clients who fall into a category which the private bank calls “public figures.” Public figure accounts, by longstanding policy, are subject to the private bank’s highest levels of scrutiny, including requirements for senior management approval prior to opening an account, heightened monitoring, and annual reviews of account developments by the private bank head. The private bank’s policy does not specify the criteria to be used in evaluating prospective or existing public figure clients, but instead requires each account to be handled on a case-by-case basis. These four case histories will help convey a sense of the private bank’s practices over time and how issues of due diligence, secrecy and anti-money laundering controls were actually handled. The case histories convey issues related not only to Citibank’s policy and practice, but also to inherent problems in the private banking industry -- the difficulty of evaluating clients, monitoring their transactions, and creating a private banking culture sufficiently sensitive to money laundering.

(1) Raul Salinas Case History

The Facts

The first case history involves Raul Salinas, brother of the former president of Mexico, Carlos Salinas. Raul Salinas was trained as a civil engineer. For five years during the late 1980s, he was director of planning for Conasupo, a state-run agency that regulated certain agricultural markets, with an annual salary of up to \$190,000. From 1990 until mid-1992, Salinas was a consultant at an government antipoverty agency, called Sedesol.

In January 1992, Carlos Hank Rhon, a prominent Mexican businessman and longtime client of Citibank private bank, telephoned his private banker, Amy Elliott, and asked her to meet with him and Raul Salinas that same day. Ms. Elliott was Citibank’s most senior private banker in New York handling Mexican clients. She handled only seven or eight accounts personally, while supervising other private bankers in the New York office handling Mexican clients.

At the meeting in New York, which was attended by Ms. Elliott and a more senior private bank manager Reynaldo Figueiredo, Mr. Hank provided the bank with a strong personal reference for allowing Mr. Salinas to open an account. In May 1992, Ms. Elliott flew to Mexico and obtained Mr. Salinas’ signature on account opening documentation. She proposed accepting him as a client without investigating his employment background, financial background or assets, and waiving all references other than the one provided by Mr. Hank. The head of the

Western Hemisphere Division in the private bank, Edward Montero, approved opening the account. The private bank's country head in Mexico, Albert Misan, was not consulted, and apparently did not learn of the account until 1993. In June 1992, Ms. Elliott wrote in a monthly business report that Salinas accounts had "[p]otential in the \$15-\$20MM range."

Structure of the Relationship. After accepting him as a client, the private bank opened multiple accounts for Mr. Salinas and his family. The New York office opened 5 accounts for Mr. Salinas and his family members. The private bank's trust company in Switzerland, Confidas, talked to Mr. Salinas about opening additional accounts in the name of a shell corporation. A Confidas employee wrote in June of 1992:

"[T]he client requires a high level of confidentiality in view of his family's political background. ... This relationship will be operated along the lines as Amy's 'other' relationship; ie she will only be aware of the 'Confidential accounts' and not even be aware of the names of the underlying companies. ... [P]lease note for the record that the client is extremely sensitive about the use of his name and does not want it circulated within the bank. I believe Amy's 'other' client has a similar arrangement. In view of this client's background, I think we'll need a detailed reference from Amy with Rukavina's sign-off for our files."

The detailed reference was never provided, nor was Mr. Rukavina's sign-off obtained, but Cititrust in the Cayman Islands activated a Cayman Islands shell corporation called Trocca Ltd. to serve as the owner of record for private bank accounts benefitting Mr. Salinas and his family. Cititrust used three additional shell companies, sometimes called "nominee companies," to function as Trocca's board of directors – Madeline Investments SA, Donat Investments SA, and Hitchcock Investments SA. Cititrust used three more nominee companies to serve as Trocca's officers and principal shareholders – Brennan Ltd., Buchanan Ltd. and Tyler Ltd. Cititrust controls all six of these nominee companies, and routinely uses them to function as directors and officers of shell companies owned by private bank clients. Approximately one year later, Cititrust also established a trust, identified only by a number (PT-5242), to serve as the owner of Trocca.

The result of this elaborate structure was that the Mr. Salinas' name did not appear anywhere on Trocca's incorporation papers. Separate documentation establishing his ownership of Trocca was maintained by Cititrust in the Cayman Islands, under secrecy laws restricting its disclosure.

The private bank did not disclose the name of the Salinas shell company to any private bank personnel other than Cititrust and Confidas personnel who administered the company, and Swiss bank personnel required by Swiss law to know the beneficial owner of a Swiss account. Even Ms. Elliott did not know the name of the shell corporation. In addition, the private bank did not use Mr. Salinas' name in bank communications about his accounts, but instead referred to him as "Confidential Client Number 2" or "CC-2." "CC-1" was the code used to refer to Carlos

Hank Rhon.

After Trocca was established, the private bank opened investment accounts in London and Switzerland in the name of Trocca. The private bank personnel managing the investment accounts in London were not told who owned Trocca. Later, in 1994, the private bank opened a special name account in Switzerland for Mr. Salinas and his wife under the name of "Bonaparte." During the meeting with Mr. Salinas to establish the Bonaparte account, Confidas personnel again noted Mr. Salinas' extreme concern about secrecy. A memo written about the meeting included the following:

"During the meeting the client made several remarks addressing his concern for 'confidentiality', so we offered him comfort by reminding him of our procedures and the nature of our business."

The private bank did not open any accounts for Mr. Salinas in Mexico.

Movement of Funds. After his accounts were first opened, Mr. Salinas made an initial 1992 deposit of \$2 million. The funds were deposited through two wire transfers from an account belonging to Mr. Hank, who told Ms. Elliott the funds had been given to him by Mr. Salinas for a business deal which did not go forward. The funds were divided between the Salinas accounts in New York and the Trocca investment accounts in London and Switzerland.

In May 1993, Ms. Elliott met with Mr. Salinas and his fiancé, Paulina Castanon, at Mr. Salinas' home in Mexico. She told the Subcommittee that Mr. Salinas said he had decided to move funds out of Mexico to his London and Swiss accounts to avoid the financial volatility that traditionally accompanied Mexican elections, then scheduled in 1994. She said that he also told her he did not want anyone to know he was moving funds out of the country, because the information might negatively impact his brother and the Salinas administration. She said that Mr. Salinas informed her that he wanted to use cashiers checks and asked if Citibank could accommodate that request. Ms. Elliott informed the Subcommittee that for greater confidentiality it was decided that Ms. Castanon would present the checks to the Mexico City office of Citibank using her middle names, Patricia Rios.

Ms. Elliott told the Subcommittee that she agreed to talk to Citibank's personnel in Mexico about these arrangements, since she had not had other clients use cashiers checks to move funds to New York. The type of cashiers check at issue was a check written by a bank on its own account, so that the bank itself served as the payor of the amount. Ms. Elliott said she checked with the private bank's Mexico country head, Albert Misan, who worked in the Mexico City office, about using the cashiers checks, and he approved the arrangements. Mr. Misan later told the Subcommittee that Ms. Elliott did not clear the arrangements with him beforehand, but he learned of them later and allowed them to continue.

Ms. Elliott then arranged a meeting between a service officer in the Mexico City office

and Ms. Castanon, whom Ms. Elliott introduced as Patricia Rios. Ms. Elliott directed the service officer to accept cashier checks from Ms. Rios, convert them from pesos into U.S. dollars, and then wire transfer the funds to Ms. Elliott's attention using the New York concentration account. The concentration account is an account which the New York private bank uses for administrative purposes, commingling funds from various sources prior to transferring them to other accounts. This account was not designed to be used by clients.

Although Ms. Elliott indicated that these arrangements were established in May 1993, six months earlier two cashier checks totaling about \$1 million had been converted from pesos to dollars in Mexico, and sent to the New York concentration account to the attention of Ms. Elliott. Some of the funds were forwarded to Trocca accounts in London and Switzerland, setting the pattern for the 1993 and 1994 checks. In May and June 1993, in a period of less than 3 weeks, seven cashiers checks were presented to Citibank's Mexico City branch, totaling \$40 million. This amount far exceeded Ms. Elliott's initial estimate of the account's potential size; however, the account documentation contains no evidence of any inquiry to check on the source of funds.

By the end of June 1994, the total funds in the Salinas accounts originating from Mexican cashiers checks had reached \$67 million. In a June 29, 1993 email, Ms. Elliott wrote to a colleague in Switzerland: "This account is turning into an exciting profitable one for us all[.] [M]any thanks for making me look good." [CB022908.]

Additional cashier checks followed throughout 1993 and 1994. In a two week period in January 1994, for example, four cashiers checks totaling \$19 million were transferred from Mexico through the New York concentration account to the Trocca accounts in London and Switzerland. Altogether, between October 1992 and October 1994, about \$67 million was moved from Mexico using Mexican bank cashiers checks and the New York concentration account. In excess of \$20 million was transferred to Salinas accounts through other means, for a grand total in excess of \$87 million.

All of the cashiers checks used in Mexico named Citibank as the payee, rather than Mr. Salinas, Paulina Castanon or Patricia Rios. When asked whether the private bank was aware of the origin of the funds used to obtain these cashiers checks, Ms. Elliott indicated that no one had made the necessary inquiries. Both Ms. Elliott and Mr. Misan informed the Subcommittee that the private bank did not attempt to determine if Mr. Salinas had accounts at the banks that issued the checks or whether any accounts that existed at the banks were large enough to support the size of the checks presented to Citibank.

When asked why the private bank used this method to transfer the Salinas funds, Ms. Elliott explained that she was attempting to meet Mr. Salinas' request for the confidential movement of his funds from Mexico. The GAO report states that the method, in fact, "effectively disguised the funds' source and destination, thus breaking the funds' paper trail." This break in the paper trail was due primarily to three factors: (1) the cashiers checks named only banks as the payor and payee; (2) the cashiers checks were handled by Citibank in Mexico

for a non-account holder using an alias; and (3) the funds passed through the private bank's concentration account in New York, bypassing any specific client account and further obscuring the true source and ultimate destination of the funds. The GAO report states:

"Citibank ... acknowledged that the fund transfers could have been wired to the Salinas checking account in Citibank New York or directly to Citibank London or Citibank Switzerland, thus retaining a paper trail. The [Citibank] representative stated, however, that Citibank had believed that the movement of the funds could be expedited by having them deposited first to the Citibank concentration account. When asked, the Citibank representative could not explain how the transfers were thus expedited."

In addition to moving funds from Mexico, the private bank also performed other services for Mr. Salinas. In 1994, the private bank issued him a loan of \$3 million, secured by his deposits. The private bank also provided bill payment services and credit cards. In 1994, it activated a second shell company, Birchwood Heights, Ltd. to hold real estate that Mr. Salinas had acquired in the U.S. through another Bahamian PIC. In January 1995, the private bank agreed to Mr. Salinas' request to transfer \$5 million to an account at Julius Baer Bank, "through another bank" to disguise the origin of the funds. [CB023414] Citibank routed the funds first through its own New York concentration account and then to Julius Baer Bank's correspondent account at Chase Manhattan Bank in New York. [CB023412-13.]

Citibank has calculated it received over \$2 million in fees associated with the Salinas accounts, from 1992 to 1996. [CB021344] Additional fees have accumulated since then.

Due Diligence. In early February 1995, the Mexican press reported that Mr. Salinas was under suspicion of being involved with the murder of his former brother-in-law, Ruiz Massieu, a leading Mexican politician. According to Ms. Elliott, in a meeting previously scheduled to discuss other matters, she asked Mr. Salinas about the allegation. He described it as politically motivated and denied any involvement. On February 28, 1995, Mr. Salinas was arrested and imprisoned in Mexico on suspicion of murder.

On the day following the arrest, a number of telephone conversations took place between private bank personnel in New York, London and Switzerland. The telephone conversations to London were recorded on an automatic taping system. The tape transcripts indicate that the private bank's initial reaction to the arrest was not to assist law enforcement, but to determine whether the Salinas accounts should be moved to Switzerland to make discovery of the assets and bank records more difficult. This suggestion was made by the head of the private bank at the time, Hubertus Rukavina, and discussed by several employees. It was not acted upon, apparently because it was agreed that London bank records would disclose the funds transfer to Switzerland. Private bank employees also tried to determine whether to require immediate repayment of an outstanding \$3 million loan that had been made to Trocca, so that if the funds in the Trocca accounts were frozen by authorities, Citibank funds would not be at risk.

Citibank transcripts indicate that after Mr. Salinas' arrest, Citibank officials responsible for the account in Europe asked Ms. Elliott to prepare a more detailed analysis of the origin of client's funds so that they "could be more comfortable about it." Ms. Elliott said that one step she took to comply with the request was to review the client profile for the account in the private bank's client database, known as the Client Account Management System or CAMS. The private bank's due diligence policies required private bankers to include information in the client profile about the client's business background and source of wealth. Ms. Elliott told the Subcommittee staff that when she reviewed the Salinas profile, she discovered that in the three years the accounts had been open – in clear violation of bank policy – she had never completed the required information on his business background or source of wealth. The profile was blank. She said she added the information to the client profile on the day that she discovered the omission, using the information that she had at hand.

The absence of any information in the Salinas profile nearly three years after the account had been established is striking because during this same period, 1992 until 1995, top leadership in the Western Hemisphere Division had sent numerous, strongly worded memoranda urging, and ultimately ordering, its private bankers to complete and update information on their client account profiles. Several internal audits had specifically identified incomplete client profiles as a problem. As the supervisor of the Mexican team in New York, Ms. Elliott was responsible for implementing Division policy and corrective action plans responding to audit findings.

When Ms. Elliott filled out the client profile, she wrote that Mr. Salinas was a civil engineer, a "member of the Mexican political and social elite," and was "known to have owned a construction company ... until some time late 1992 or early 1993, and to have participated in major construction projects." Ms. Elliott acknowledged to the Subcommittee staff that neither she nor anyone else at the private bank had ever verified the existence of the construction company or the projects it had handled. Ms. Elliott said that Mr. Salinas had told her of a construction company he was thinking of selling, and Mr. Hank had told her that the sale had gone through and Mr. Salinas had "done very well." She admitted, however, that she did not know the company's name, to whom it was sold, when the sale took place, the amounts involved or the profits realized – nor had she made any effort to obtain that information.

On March 3, 1995, Ms. Elliott sent a memorandum to her Division head, Mr. Montero, explaining "the basis for the acceptance of this account, during 1992." [CB7178] The memorandum describes her initial meeting with Mr. Salinas and Mr. Hank, and reports a statement by Mr. Salinas that "he had several banking relationships, including a 'sizeable account at a Swiss bank.'" The memorandum notes that Mr. Salinas was the member of a prominent Mexican family "known to be wealthy," had business dealings with Mr. Hank, and was married to Paulina Castanon who was "known to have received a large cash settlement after her divorce." The memorandum makes no mention of a construction company.

In her interview with Subcommittee staff, Ms. Elliott indicated that she listed the Salinas family wealth as a possible source of the funds in the accounts, because Mexican families have a

tradition of bestowing some portion of the parents' wealth on their children, and she thought that might have happened in this instance. However, there is no evidence that she attempted to verify through Mr. Salinas or by any other means that family funds were a source of the funds in the Salinas accounts.

Ms. Elliott told the Subcommittee staff that, in early 1995, her superiors seemed satisfied with the way she had opened and managed the Salinas accounts, but a decision was also made, due to the arrest, to turn over management of the accounts to the private bank's legal department.

Closing the Account. According to Ms. Elliott, three to four weeks after Mr. Salinas had been arrested, the issue was still generating a great deal of publicity. Mr. Montero, Mr. Misan and the private bank attorney for the Western Hemisphere Division, Sandra Lopez Bird, informed Ms. Elliott they had decided to ask Ms. Salinas to close the Salinas Citibank accounts and move the funds elsewhere. They asked her to speak with Ms. Salinas about that matter. Although Ms. Elliott initially resisted the decision, she eventually agreed to speak to Ms. Salinas. However, Ms. Elliott did not discuss this matter with Ms. Salinas until early October 1995.

Ms. Elliott said that Ms. Salinas indicated during the October conversation, which took place in Mexico, that she could not transfer her funds to a certain Swiss bank, because that bank had frozen her account and was not accepting additional funds. Ms. Elliott said she reported this information to her superiors in New York. On November 14, 1995, Ms. Salinas met with bank personnel in Switzerland to begin the process of closing the Salinas accounts at the private bank. According to a November 14, 1995 Confidas memo, when Ms. Salinas met with Confidas staff to make plans to close the accounts she informed Citibank personnel:

"[S]he had discussed this with Amy Elliott who told her that because Citibank was a U.S. institution with a global presence the Mexican government might more easily demand information for political reasons under U.S.-Mexican treaties than with a non-U.S. bank."

According to the memo, Ms. Salinas also denied that any funds had been blocked by a Swiss bank; that authorities were alleging that Mr. Salinas was involved in corruption; or that the Salinas funds were in any other way allegedly involved in crime.

Legal Proceedings. The next day, November 15th, Ms. Salinas was arrested in Switzerland at Banque Pictet, where she and Raul Salinas had approximately \$84 million in accounts under the name Juan Guillermo Gomez Gutierrez, a false identity Mr. Salinas had used at that bank. On November 16th, Swiss police issued an order freezing Salinas accounts at several Swiss banks, including Citibank. Approximately \$132 million was frozen, including about \$27 million at the Citibank private bank offices in Switzerland. A British court later froze the Salinas accounts in London.

On November 17th, Citibank filed a Criminal Referral Form on Raul Salinas and Paulina Castanon with U.S. law enforcement officials. The form mentioned the Salinas accounts in New

York which held less than two hundred thousand dollars, but not the Trocca accounts in London or Switzerland holding the bulk of the Salinas money – then nearly \$50 million.

On November 21st, in response to a request for information on the Salinas accounts relayed by a Swiss colleague on behalf of “requesting authorities” [CB009449], private bank personnel in New York – including Ms. Elliott, Mr. Misan, and Sandra Lopez Bird – reviewed the Salinas client profile and jointly redrafted the information that Ms. Elliott had provided in March regarding Mr. Salinas’ source of wealth. The new description emphasized his construction company, his family’s wealth and cited Ms. Salinas’ divorce settlement. The document containing the edits was marked “Attorney-Client privilege.” [CB21433]

Ms. Salinas was released from Swiss prison in December 1995. Ms. Elliott said that Ms. Salinas telephoned her and spoke briefly about the Salinas accounts, stating for the first time that some of the funds had come from other individuals who had given Mr. Salinas millions of dollars to invest on their behalf. Ms. Elliott indicated to the Subcommittee staff that Mr. Salinas had never told her that; it was inconsistent with her understanding of the sources of the funds in the accounts; and it caused her concern about whether the Salinases had been completely forthcoming about their funds.

In October 1998, a Swiss federal court ordered civil forfeiture of \$114 million frozen in the Salinas accounts, as illegal proceeds related to narcotics trafficking. The forfeiture order was based upon a nonpublic report by the Swiss Attorney General, summarizing a three-year investigation which concluded that Mr. Salinas had received substantial funds from narcotics traffickers. In July 1999, the highest Swiss court invalidated the seizure order on procedural grounds, holding that the proceedings should have been brought by local “cantonal authorities” rather than federal authorities, like the Attorney General. The court also ordered the Salinas funds to remain frozen, while Swiss cantonal authorities considered further proceedings.

In Mexico, in January 1999, after a lengthy trial, a court convicted Mr. Salinas of murder. In July 1999, the murder conviction was upheld on appeal. Two years earlier, in July 1997, another Mexican court dismissed money laundering charges against Salinas, on the grounds that no prior court ruling had determined that the \$21 million in dispute had been illegally obtained. That dismissal was upheld by an appeals court in May 1998. Mexican law enforcement officials informed the Subcommittee staff that the Mexican government has nearly completed its investigation into the sources of Mr. Salinas’ funds and plans to file charges of illicit enrichment and money laundering against Mr. Salinas in the near future.

In the United States, the U.S. Attorney for the Southern District of New York initiated an investigation into whether the Citibank private bank or any of its employees should be charged with money laundering in connection with the Salinas accounts. No indictments have been brought, and the five-year statute of limitations may soon bar any prosecution of these matters.

The Issues

The Salinas case history raises issues involving due diligence, secrecy and the application of anti-money laundering controls to accounts belonging to a public figure.

Lack of Due Diligence. A private bank is obligated by law to take steps to ensure that its clients do not involve the bank in money laundering. To meet its anti-money laundering obligations, the Citibank private bank has developed detailed policies and procedures requiring its private bankers to conduct due diligence in opening and managing client accounts. Ms. Elliott was asked to testify as an expert government witness in a 1994 money laundering case about the obligation of private bankers to obtain adequate information on their clients. She testified that, “[K]now your client,’ at least in our bank, is part of the culture. It’s part of... the way you do things. It’s part of the way you conduct yourself.” She also testified that it is an ongoing responsibility.

In the Salinas matter, the private bank accepted Mr. Salinas as a client without any specific review of his background and without determining the source of the funds that would be deposited into his accounts. Ms. Elliott admits that, in place of conducting a due diligence review, she relied on the verbal reference provided by Mr. Hank and her general knowledge of the reputation and wealth of the Salinas family. She admits that she did not investigate Mr. Salinas’ employment, financial background, or assets.

It also important to note that her superiors did not find fault with her performance. No one asked her to find out more or to write up what she knew until after Mr. Salinas had been arrested. The suggestion of a Confidas employee in Switzerland to obtain a more detailed reference and the approval of the EMEA Division head was not acted upon. Instead, the Western Hemisphere Division head approved opening the account on the scant information provided. Nor did management realize that the Salinas client profile was missing required background information for three years running, despite a series of management initiatives to improve client profiles, internal audits criticizing incomplete profiles, and a compliance review which specifically identified Ms. Salinas’ profile as being incomplete.

As Ms. Elliott acknowledged at the American Express trial, due diligence requirements do not end when a decision is made to open an account. They are an ongoing responsibility. The failure to perform due diligence prior to opening the Salinas accounts was compounded when Mr. Salinas began depositing tens of millions of dollars into his shell company’s offshore accounts, which quickly reached an aggregate balance far above the \$20 million account potential that Citibank had projected in 1992. Just three weeks in 1993 saw \$40 million in deposits, with more after that. The Subcommittee investigation has determined that no one questioned Mr. Salinas about the origin of these funds. Far from expressing concern or questioning the source of the funds, Ms. Elliott wrote to her colleagues in June 1993, that the Salinas account “is turning into an exciting profitable one for us all[.] [M]any thanks for making me look good.” [CB022908.]

Ms. Elliott was not alone in her inaction. There is no evidence that other private bank personnel charged with monitoring client accounts for suspicious transactions raised any questions about the Salinas accounts. Our investigation has uncovered no other auditor or compliance officer in Mexico, New York, London or Switzerland who questioned the Salinas account activity in 1993 and 1994. The individual in the New York office responsible for monitoring client transactions told the Subcommittee staff that he was unaware of the increase in the Salinas accounts at the time. Because the funds were moved through the New York concentration account, the transactions were not registered with any client account, effectively bypassing the monitoring system in place.

There is one document prepared in 1995, after the Swiss police had frozen the Salinas funds, which suggests that one or more Citibank employees in Mexico may have expressed concerns about the Salinas transfers while they were going on. A draft memorandum prepared by the financial controller in Citibank's Mexico City office, in anticipation of a briefing of Mexican bank regulators on the Salinas matter, states the following.

"To open an account for all of its clients, Citibank requires a thorough Customer Profile which demonstrates the client's personal data as well as his source of wealth. ... Routinely the Officer [of Citibank N.Y.] would call and advise Mexico that a transaction would be initiated. ... Mexico became concerned about the frequency and size of the transactions. Mexico was reassured by Citibank N.Y. that the 'Know your Customer' guidelines were in place, had been followed, and that the volume of the transactions were consistent with the client's profile. Given this reassurance, it was concluded that the transactions were not of a suspicious nature and that no issue existed."

When questioned, neither the author of the memorandum nor others could identify who called New York or who provided assurances about the Salinas account. What is clear is that, at the time of the transfers, little effort was expended to determine the source of the millions of dollars flowing from Mexico to New York to London and Switzerland. When questioned about his lack of intervention on this matter, Mr. Misan, then the private bank's Mexico Country head, stated that when he took his position his superiors, Mr. Figueiredo and Mr. Montero, informed him that there were some Mexican client accounts that he should not supervise. Mr. Misan told the Subcommittee staff that, as a result, he did not supervise the Salinas accounts.

An added factor is that allegations of corruption involving Mr. Salinas existed at the time. The chief executive officer of Citicorp, John Reed, told Subcommittee staff of a conversation he had with Mexican businessmen in 1993 or 1994 about Raul Salinas' "inserting himself in local business deals inappropriately" and potentially embarrassing his brother, then president of Mexico. A 1992 press report in a Mexican publication called *El Pais*, characterized Conasupo, the agency Mr. Salinas headed, as an agency "sadly famous for its corruption, including accusations of impropriety against Raul Salinas ... during his period as a public official." An August 1993 article from a California newspaper, the *Sacramento Bee*, reported unsubstantiated rumors "flying in government circles and among the national press that members of the Salinas

family ... are taking advantage of the president's office to build massive personal fortunes. ... According to some of the stories, Salinas' siblings are involved in a wide variety of unsavory business deals, peddling their influence, using other people as phony fronts and generally throwing their weight around in their commercial dealings. ... [O]ff the record, such stories are the talk of the town."

Private bank personnel uniformly told the Subcommittee staff that they were unaware of such press reports and rumors until February 1995, when Ms. Elliott confronted Mr. Salinas about the murder allegations and he was subsequently arrested. Whether or not the private bank was aware of the allegations in this particular case, the larger issue is what a private bank should do with such information when it arrives. None of the private banks interviewed by the Subcommittee staff, including Citibank, had standards spelling out how negative media reports or indictments involving a private bank client should be handled. The danger is the allegations turn out to be correct, and a financial institution finds itself having participated in transactions which – in the Salinas case – may have involved large-scale money laundering.

Secrecy. A second issue raised by the Salinas case history involves how far a private bank should go in accommodating client requests for secrecy. In the Salinas matter, the private bank not only established a shell company with layers of disguised ownership, but also permitted a third party using an alias to deposit funds into the account, accepted multi-million dollar cashiers checks without knowing the origin of the funds, and moved the funds out of the country through a Citibank concentration account that hid the origin and destination of the client's wire transfers. It is one thing for a private bank to provide reasonable levels of confidentiality; it is another for a private bank to provide the means for an individual to deposit millions of dollars in Swiss accounts in ways that even auditors would find difficult to detect. When products and services are structured to satisfy a client's demand for secrecy, they become much more vulnerable to money laundering.

The Salinas matter also highlights the tension that exists between a bank's obligations to its clients and its obligations to combat money laundering. After Mr. Salinas was arrested, Mr. Rukavina, the head of the Citibank private bank at that time, suggested that the Salinas accounts in London be transferred to Switzerland because they would be afforded more secrecy there. Similarly, according to Ms. Salinas, Ms. Elliott advised her that it might be wise to move the Trocca accounts out of Citibank because it might be more difficult for Mexican authorities to obtain account information from a non-U.S. bank. A former Citibank private banker told the Subcommittee staff that, after the Salinas incident, private bankers in New York were instructed to review their client files and "purge" information connecting the clients to offshore PICs or trusts.

After Mr. Salinas' arrest in February 1995, private bank officials and attorneys restricted activities in the Trocca account, put it under the control of the legal department, made a decision to terminate the relationship and secured repayment of an outstanding loan out of concern that the bank's funds would be at risk if a government froze the assets in the accounts. Yet, it was not

until six months later – after Ms. Salinas’ arrest – that Citibank filed a criminal referral on the Salinas accounts. That referral made no mention of the Trocca accounts, even though it was Trocca that held almost all of the clients’ assets and was the subject of all the Citibank actions six months earlier.

Anti-Money Laundering Controls and Public Figures. The Salinas case history also raises questions about what steps a private bank should take when the person asking the bank to move millions of dollars to offshore accounts is a senior government official or close relative.

Citibank and other private banks have long taken the position that senior government officials, politicians and other public figures merit heightened scrutiny. Citibank’s public figure policy requires the approval of the private bank head to open an account and annual reviews of account activity. Other private banks have established even more specific standards for reviewing public figures. One prohibits acceptance of a government official as a client unless the official has “verifiable nonpolitical sources of income.” Another prohibits acceptance of any government official who wants to “open accounts in jurisdictions outside their home country.”

At each of the private banks interviewed by the Subcommittee staff, when asked for an analysis of the Salinas matter, the response was that the private bank should have begun asking tougher questions when millions of dollars began flowing out of Mexico. The consensus view was that corruption was a known problem in Mexico, and Mr. Salinas’ post as a government official for five years and his relationship to his brother raised concerns that should have been addressed.

Citibank’s current public figure policy includes close relatives in the definition of a public figure, but in 1992, it was an open question as to whether relatives were covered. In the Salinas matter, some private bank documentation deemed him a public figure, while other documentation did not.³ After his arrest, private bank personnel discussed his status and determined he was not a public figure by virtue of his relationship to Carlos Salinas. Apparently, no one in the private bank then knew that Raul himself had held a government post in Mexico.

As a top official of Confidas remarked on the day that Mr. Salinas was arrested:

“What we need to be preparing to do is to say why we thought it was okay to have the relationship with this customer when we knew who the brother was. I mean, Amy Elliott can say all she wants that the money came from, you know making roads in, in Mexico or something like that but the big question is [going to] be why didn’t we think, or why didn’t we question, or did, did, didn’t we care?”

³Compare, e.g., CB24613 and CB24614.

Pattern of Poor Account Management. Many of the actions taken with respect to the Salinas account were the subject of criticisms in audits of the private bank. For example, a 1996 audit of private bank offices handling Latin American clients during 1995, focusing primarily on the relationships managed and serviced in New York, gave the offices an audit rating of "2" – a failing score. Acknowledging that the Latin American Account Offices were the largest and most profitable segment of the private bank's Western Hemisphere Division, the audit concluded that major deficiencies "increase[d] the exposure to money laundering schemes and internal fraud." Among the weaknesses discussed in the audit were the following practices, all of which were employed in the servicing of the Salinas account:

* "New clients are accepted before performing fundamental KYC procedures." The office "continues to accept new clients without complete identification and reference checks. As a result, the Bank and individual employees are exposed to significant civil penalties and criminal charges because customers attempting to launder money may not be detected."

* Waivers [of KYC requirements] are granted too frequently."

* The Latin America office "does not effectively monitor the transactions of all clients, especially those that may require increased scrutiny because of political affiliations, cash-based businesses or special name arrangements."

* "Confidentiality is behind use of the [concentration] account. . . The use of the concentration account for this purpose is inappropriate because of the heightened concerns over money laundering."

These audit findings suggest that Ms. Elliott's conduct in the Salinas matter was far from unique. The 1996 audit concluded by saying that "[It] seems the Unit's priority was to focus on customer service, even when it meant internal controls would be compromised. Recent discussions with employees in the unit indicate this philosophy has not changed."

(2) Asif Ali Zardari Case History

The Facts

The second case history involves Asif Ali Zardari, the husband of Benazir Bhutto, former Prime Minister of Pakistan. Ms. Bhutto was elected Prime Minister in 1988, dismissed by the President of Pakistan in August 1990 for alleged corruption and inability to maintain law and order, elected Prime Minister again in October 1993, and dismissed by the President again in November 1996. At various times, Mr. Zardari served as Senator, Environment Minister and Minister for Investment in the Bhutto government. Inbetween the two Bhutto administrations, he was incarcerated in 1990 and 1991 on charges of corruption; the charges were eventually dropped. During Ms. Bhutto's second term there were increasing allegations of corruption in her government, and a major target of those allegations was Mr. Zardari. It has been reported that the government of Pakistan claims that Ms. Bhutto and Mr. Zardari stole over \$1 billion from the country.

During the period 1994 to 1997, Citibank opened and maintained three private bank accounts in Switzerland and a consumer account in Dubai for three corporations under Mr. Zardari's control. There are allegations that some of these accounts were used to disguise \$10 million in kickbacks for a gold importing contract to Pakistan.

Structure of Private Bank Relationship. Mr. Zardari's relationship with Citibank began in October 1994, through the services of Kamran Amouzegar, a private banker at Citibank private bank in Switzerland, and Jens Schlegelmilch, a Swiss lawyer who was the Bhutto family's attorney in Europe and close personal friend for more than 20 years. According to Citibank, Mr. Schlegelmilch represented to Mr. Amouzegar that he was working for the Dubai royal family and he wanted to open some accounts at the Citibank branch office in Dubai. Mr. Schlegelmilch had a Dubai residency permit and a visa signed by a member of the Dubai royal family. Mr. Amouzegar agreed to introduce Mr. Schlegelmilch to a banker in the Citibank branch office in Dubai.

According to Citicorp, Mr. Schlegelmilch told the Citibank Dubai banker that he wanted to open an account in the name of M.S. Capricorn Trading, a British Virgin Island PIC. The stated purpose of the account was to receive money and transfer it to Switzerland. The account was opened in early October 1994.

According to Citibank, Mr. Schlegelmilch informed the Dubai banker that he would serve as the representative of the account and the signatory on the account. Under Dubai law, a bank is not required to know an account's beneficial owner, only the signatory. Citibank told the Subcommittee staff that Mr. Schlegelmilch did not reveal to the Dubai banker that Mr. Zardari was the beneficial owner of the PIC, and the account manager never asked him the identity of the beneficial owner of the account. Instead, according to Citibank, she assumed the beneficial owner of the account was the member of the royal family who had signed Mr. Schlegelmilch's

visa. According to Citibank, the account manager actually performed some due diligence on the royal family member whom she believed to be the beneficial owner of the account.

Shortly after opening the account in Dubai, Mr. Schlegelmilch signed a standard referral agreement with Citibank Switzerland private bank guaranteeing him 20% of the first three years of client net revenues earned by the bank from each client he referred to the private bank.

On February 27, 1995, Mr. Schlegelmilch, working with Mr. Amouzegar, opened three accounts at the Citibank Switzerland private bank. The accounts were opened in the name of M.S. Capricorn Trading, which already had an account at Citibank's Dubai branch, as well as Marvel and Bomer Finance, two other British Virgin Island PICs established by Mr. Schlegelmilch, according to Citibank. Each private bank account listed Mr. Schlegelmilch as the account contact and signatory. Citibank informed the Subcommittee that the Swiss Form A, a government-required beneficial owner identification form, identified Mr. Zardari as the beneficial owner of each PIC.

Lack of Due Diligence. The decision to allow Mr. Schlegelmilch to open the three accounts on behalf of Mr. Zardari, according to Citibank, involved officials at the highest levels of the private bank. The officials were: (a) Mr. Amouzegar, the private banker; (b) Deepak Sharma, then head of private bank operations in Pakistan; (c) Phillipe Holderbeke, then head of private bank operations in Switzerland (who became head of the Europe, Middle East, Africa Division in February 1996); (d) Salim Raza, then head of the EMEA Division of the private bank; and (e) Hubertus Rukavina, then head of the Citibank private bank. Mr. Rukavina told the Subcommittee staff that when he was asked about opening the Zardari accounts, he did not make the decision to open them, but rather directed that the matter be discussed with Mr. Sharma. According to Mr. Rukavina, he never heard whether the accounts were ultimately opened. Mr. Rukavina left the private bank in 1996 and left Citibank in 1999.

Citibank informed the Subcommittee staff that the private bank was aware of the allegations of corruption against Mr. Zardari at the time it opened the accounts in Switzerland.⁴ However, Citibank reasoned that if the charges for which Mr. Zardari had been incarcerated for two years had any merit, they would not have been dropped. Bank officials also believed that the family wealth of Ms. Bhutto and Mr. Zardari was large enough to support a large private bank account, even though Citibank was not able to specify what actions were taken to verify the amount and source of their wealth. Citibank said that bank officials were also aware of the M.S. Capricorn Trading account in Dubai, and they were comforted by the fact that there had been no

⁴These allegations were also discussed in the press. See, e.g., "The Troubled Reign of Bhutto II," *Los Angeles Times* (5/17/94) ("Many Pakistanis blame Bhutto's abrupt removal in August, 1990, on the unsavory reputation acquired by her husband, Asif Zardari, a polo-playing contractor dubbed 'Mr. Ten Percent' for the rake-off he was said to take from government contracts.")

problems with that account. According to Citibank, Mr. Amouzegar informed his superiors that Mr. Zardari was the beneficial owner of the Capricorn account in Dubai when they were considering the request to open the accounts in Switzerland. Inexplicably, however, the Dubai account manager was apparently still operating under the assumption that the beneficial owner of the Dubai Capricorn account was a member of the Dubai royal family. Subcommittee staff have been unable to determine whether Citibank officials were unaware of or inattentive to the serious inconsistency between Citibank Switzerland and Citibank Dubai with respect to the Capricorn Trading account. Citibank also informed the Subcommittee staff that bank officials had some concerns that if they turned down the accounts, their actions may have implications for the corporation's operations in Pakistan; however, they said they never received any threats on that issue.

Citibank told the Subcommittee staff the private bank decided to allow Mr. Schlegelmilch to open the three accounts for Mr. Zardari on the condition that the private bank would not be the primary accounts for Mr. Zardari's assets and the accounts would function as passive investment accounts. Citibank told the Subcommittee staff that Mr. Holderbeke signed a memo delineating the restrictions placed on the accounts, including a \$40 million aggregate limit on the size of the three accounts, and transaction restrictions requiring the accounts to function as passive, stable investments, without multiple transactions or funding pass-throughs. None of the Citibank personnel interviewed by Subcommittee staff could identify any other private bank account with these types of restrictions. Other private banks interviewed by the Subcommittee staff were asked if they had ever accepted a client on the condition that certain restrictions be imposed on the account. The banks all said they had not. One bank representative explained that if the bank felt that it needed to place restrictions on the client's account, it didn't want that type of client. The existence of the restrictions are in themselves proof of the private bank's awareness of Mr. Zardari's poor reputation and concerns regarding the sources of his wealth.

Movement of Funds. Citibank told the Subcommittee staff that, once opened, only three deposits were made into the M.S. Capricorn Trading account in Dubai. Two deposits, totaling \$10 million were made into the account almost immediately after it was opened. Citibank records show that one \$5 million deposit was made on October 5, 1994, and another was made on October 6, 1994. The source of both deposits was A.R.Y. International Exchange, a company owned by Abdul Razzak Yaqub, a Pakistani gold bullion trader living in Dubai.

According to the New York Times, in December 1994, the Bhutto government awarded Mr. Razzak an exclusive gold import license. In an interview with the New York Times, Mr. Razzak acknowledged that he had used the exclusive license to import more than \$500 million worth of gold into Pakistan. Mr. Razzak denies, however, making any payments to Mr. Zardari. Citibank could not explain the two \$5 million payments. Ms. Bhutto told the Subcommittee staff that since A.R.Y. International Exchange is a foreign exchange business, the payments did not necessarily come from Mr. Razzak, but could have come from a third party who was merely making use of A.R.Y.'s exchange services. The staff invited Ms. Bhutto to provide additional information on the M.S. Capricorn Trading accounts, but she has not yet done so.

On February 25, 1995, a third deposit of \$8 million was made into the Dubai M.S. Capricorn Trading account. Records show that the payment was made through American Express, with the originator of the account listed as "Morgan NYC." Citibank indicated it does not know who Morgan NYC is, nor does it know the source of the \$8 million.

All of the funds in the Dubai account of M.S. Capricorn Trading were moved to the Swiss accounts in the Spring of 1995. On March 6, 1995, \$8.1 million was transferred; and on May 5, 1995, another \$10.2 million was transferred. Both transfers involved U.S. dollars and were routed through Citibank's New York offices. Citibank informed the Subcommittee staff that M.S. Capricorn Trading closed its Dubai account shortly after the last transfer was completed.

Citibank has indicated that significant amounts of other funds were also deposited into the Swiss accounts. As described below, the \$40 million cap was reached, and millions of additional dollars also passed through those accounts. However, Swiss bank secrecy law has prevented the Subcommittee from obtaining the details on the transactions in the Zardari accounts.

Account Monitoring. Citibank told the Subcommittee staff that, in 1996, the Swiss office of the private bank conducted a number of reviews of the Zardari Swiss accounts, finally deciding in October to close them.

The first review was allegedly in early 1996, triggered by increasing publicity about allegations of corruption against Mr. Zardari. Citibank told the Subcommittee staff that Messrs. Holderbeke, Raza, Sharma and Amouzegar participated in the review, and apparently concluded that the allegations were politically motivated and that the accounts should remain open. The Subcommittee staff was told that the review did not include looking at the accounts' transaction activity.

In March or April, 1996, Mr. Amouzegar asked that the overall limit on the Zardari accounts be increased from \$40 million to \$60 million, apparently because the accounts had reached the previously imposed limit of \$40 million. Citibank told the Subcommittee staff that Mr. Holderbeke considered the request, but declined to increase the \$40 million limit.

In June, press reports in the United Kingdom that Mr. Zardari had purchased real estate in London triggered still another review of the Zardari accounts. Citibank private bank told the Subcommittee staff that its Swiss office internally discussed the source of the funds for the property purchase. Mr. Amouzegar and Mr. Raza then met with Mr. Schlegelmilch, who allegedly informed them that funds had been deposited into the Citibank accounts, transferred to another PIC account outside of Citibank and used to purchase the property. Mr. Schlegelmilch allegedly indicated the funds had come from the sale of some sugar mills and were legitimate. Citibank told the Subcommittee staff it is not sure if anyone at the private bank attempted to validate the information about the sale of the sugar mills. In addition, even though this account

activity violated the condition imposed by Citibank that the accounts were not to be used as a pass through for funds, the accounts were kept open.

Closing the Accounts. In July 1996, after Mr. Amouzegar left the private bank to open his own company, another private banker, Cedric Grant, took over management of the Zardari accounts. Citibank told the Subcommittee staff that Mr. Grant began to review the Zardari accounts about one month later to familiarize himself with them. He also reviewed the transactions that had taken place within the accounts.

In September and October 1996, press accounts in Pakistan repeatedly raised questions about corruption by Mr. Zardari and Ms. Bhutto, as Ms. Bhutto's re-election campaign increased its activities prior to a February election date. In September, Ms. Bhutto's only surviving brother, Murtaza Bhutto, was assassinated, and Ms. Bhutto's mother accused Ms. Bhutto and Mr. Zardari of masterminding the murder, because the brother had been leading opposition to Ms. Bhutto.

In October, Mr. Grant completed his review of the Zardari accounts and provided a written analysis to Messrs. Holderbeke, Sharma and Raza, according to Citibank. Mr. Grant had found numerous violations of the account restrictions imposed by Citibank, including multiple transactions and funding pass-throughs. Citibank told the Subcommittee staff that the accounts had functioned more as checking accounts than passive investment accounts, directly contrary to the private bank's restrictions. Apparently, well over \$40 million had flowed through the accounts, though Subcommittee staff were unable to ascertain the actual amount because Swiss bank secrecy law prohibits Citibank from sharing that information with the Subcommittee. Citibank indicated that Mr. Amouzegar had either ignored or did not pay attention to the account activity. Mr. Grant recommended closing the accounts, and they were closed by January 1997.

Legal Proceedings. On September 8, 1997, the Swiss government issued orders freezing the Zardari and Bhutto accounts at Citibank and three other banks in Switzerland at the request of the Pakistani government. Since Citibank had closed its Zardari accounts in January 1997, it took no action nor did it make any effort to inform U.S. authorities of the accounts until late November 1997. Citibank contacted the Federal Reserve and OCC about the Zardari accounts in late November, in anticipation of a New York Times article that eventually ran in January 1998, alleging that Mr. Zardari had accepted bribes, and that he held Citibank accounts in Dubai and Switzerland. On December 8 and 11, 1997, Citibank briefed the OCC and the Federal Reserve, respectively, about the accounts and the steps it had taken as a result of the Zardari matter. These steps included: closing all of the accounts that had been referred by Mr. Schlegelmilch to the private bank and terminating his referral agreement; reviewing all of the accounts opened in the Dubai office; and tightening up account opening procedures in Dubai, including requiring the Dubai office to identify the beneficial owner of all Dubai accounts. Citibank did not identify any changes made or planned for the Swiss office, even though the majority of the activity with respect to the Zardari accounts had taken place in Switzerland.

On December 5, 1997, Citibank prepared a Suspicious Activity Report on the Zardari accounts and filed it with the Financial Crimes Enforcement Network at the U.S. Department of Treasury. The filing was made fourteen months after its decision to close the Zardari accounts; thirteen months after Mr. Zardari was arrested a second time for corruption in November 1996; and nearly two months after the Swiss government had ordered four Swiss banks (including Citibank Switzerland) to freeze all Zardari accounts.

In June 1998, Switzerland indicted Mr. Schlegelmilch and two Swiss businessmen, the former senior executive vice president of SGS and the managing director of Cotecna, for money laundering in connection with kickbacks paid by the Swiss companies for the award of a government contract by Pakistan. In July 1998, Mr. Zardari was indicted for violation of Swiss money laundering law in connection with the same incident. Ms. Bhutto was indicted in Switzerland for the same offense in August 1998. A trial on the charges is expected.

In October 1998, Pakistan indicted Mr. Zardari and Ms. Bhutto for accepting kickbacks from the two Swiss companies in exchange for the award of a government contract. On April 15, 1999, after an 18-month trial, Pakistan's Lahore High Court convicted Ms. Bhutto and Mr. Zardari of accepting the kickbacks and sentenced them to 5 years in prison, fined them \$8.6 million and disqualified them from holding public office. Ms. Bhutto, who now lives in London, denounced the decision. Mr. Zardari remains in jail. Additional criminal charges are pending against both in Pakistani courts.

On December 11, 1997, Citicorp's Chairman John Reed wrote the following to the Board of Directors:

"We have another issue with the husband of Ex-Prime Minister Bhutto of Pakistan. I do not yet understand the facts but I am inclined to think that we made a mistake. More reason than ever to rework our Private Bank."

Mr. Reed told the Subcommittee staff that it was the combination of the Salinas and Zardari accounts that made him charge Mr. Aziz, the new private bank head, with taking a hard look at the bank's public figure policy and public figure accounts.

The Issues

The Zardari case history raises issues involving due diligence, secrecy and public figure accounts. The Zardari case history begins with the Citibank Dubai branch's failure to identify the true beneficial owner of the M.S. Capricorn Trading account. As a result, the account officer in Dubai performed due diligence on an individual who had no relationship to the account being opened. In Switzerland, Citibank officials opened three private bank accounts despite evidence of impropriety on the part of Mr. Zardari. In an interview with Subcommittee staff, Citigroup Co-Chair John Reed informed the Subcommittee staff that he had been advised by Citibank officials in preparation for a trip to Pakistan in February 1994, that there were troubling

accusations concerning corruption surrounding Mr. Zardari, that he should stay away from him, and that he was not a man with whom the bank wanted to be associated. Yet one year later, the private bank opened three accounts for Mr. Zardari in Switzerland. Mr. Reed told the Subcommittee staff that when he learned of the Zardari accounts he thought the account officer must have been "an idiot."

Citibank has been unable to confirm that bank employees verified that Mr. Zardari had a level of wealth sufficient to support the size of the accounts that he was opening. In addition, the Swiss private banker took no action to validate the legitimacy of the source of the funds that were deposited into the account. For example, there was no effort made to verify the claims that some of the funds derived from the sale of sugar mills.

Citibank also performed no due diligence on the client owned and managed PICs that were the named accountholders. Because the PICs were client-created, the bank's failure to perform due diligence on the PICs meant that it had no knowledge of the activities, assets or entities involved with the corporations. One of the PICs, Bomer Finance, has been determined to have been a repository for kickbacks paid to Mr. Zardari, and those kickbacks tainted funds deposited at the Geneva branch of Union Bank of Switzerland. Documentation has not been made available to determine whether Bomer Finance also used its Citibank account for illicit funds.

Another due diligence lapse was the private bank's failure to monitor the Zardari accounts to ensure that the account restrictions imposed on them were being followed. When officials were presented with evidence in 1996 that the restrictions were being violated, they nevertheless allowed the accounts to continue.

The Zardari accounts in Switzerland were opened one day before Raul Salinas was arrested. The account was repeatedly reviewed in 1996, after the Salinas scandal became public. Yet there is no evidence that anyone in the private bank had been sensitized to the problems associated with handling an account of a person suspected of corruption.

The Zardari example also demonstrates the practical consequences of secrecy in private banking. Citibank claims that its decisionmaking in the Zardari matter cannot be fully explained or documented, since all Citibank officials are subject to Swiss secrecy laws prohibiting discussion of client-specific information. In light of the fact that U.S. banks are supposed to oversee their foreign branches and enforce U.S. law, including anti-money laundering requirements, this inability to produce documentation related to a troubling case again highlights the problems with U.S. banks choosing to operate in secrecy jurisdictions.

Pattern of Poor Account Management. The Zardari case history took place during a series of critical internal and federal audits between 1992 and 1997 of the Swiss office which, during most of that time, served as the headquarters of the private bank. The shortcomings identified in the audits included policies, procedures, and problems that affected the management of the Zardari accounts. They included:

- * failure of the “corporate culture” in the Swiss office to foster “ ‘a climate of integrity, ethical conduct and prudent risk taking’ by U.S. standards”;
- * inadequate due diligence;
- * “less than acceptable internal controls”;
- * lack of oversight and control of third party referral agents such as Schlegelmilch; and
- * inadequate monitoring of accounts;

all of which resulted in “unacceptable” internal audit ratings. In December 1995, the Swiss office received the lowest audit score received by any office in the private bank during the 1990s. These audit scores indicate the office’s poor handling of the Zardari accounts was part of an ongoing pattern of poor account management.

(3) El Hadj Omar Bongo Case History

The Facts

The third case history involves El Hadj Omar Bongo, the elected president of Gabon since 1967. President Bongo has been a client of the Citibank private bank since 1970, although his accounts are now in the process of being closed.

Gabon is located on the west coast of Africa. It is a country about the size of Colorado, with a population of over 1 million. It is the third largest oil producing state in Africa. Gabon declared its independence from France in 1960, but continues strong ties with that country and has adopted French as its official language. El Hadj Omar Bongo (then Albert Bernard Bongo) was first elected Vice President in 1967. He assumed the office of Presidency later that year, when the President died in office from illness. He has been elected President of Gabon five times, in elections held in 1975, 1979, 1986, 1993 and 1998.

Structure of the Private Bank Relationship. President Bongo became a Citibank client in 1970. Over the years, he and his family developed an extensive relationship with the Citibank private bank. They have had multiple consumer and private bank accounts at Citibank offices in Bahrain, Gabon, the Isle of Jersey, London, Luxembourg, New York, Paris and Switzerland. These accounts have included checking, money market, time deposit, and investment accounts. Most of the private bank accounts managed out of New York have been held in the name of Tendin Investments, Ltd., a Bahamian shell corporation which Cititrust assigned to President Bongo in 1985. Certain private bank accounts managed in Paris have been held in the name of a second shell corporation, Leontine, Ltd. In addition, in 1995, the New York office opened a special name bank account under the name "OS" – a word which is simply the title of the account and not a corporation or other legal entity.

President Bongo's relationship with the private bank in the United States began in 1985, when he transferred about \$52 million from his accounts at Citibank Bahrain to newly opened accounts in New York for Tendin Investments. The total funds in the Tendin accounts have since fluctuated over time from about \$28 million to about \$72 million, including withdrawals of about \$67 million. President Bongo's OS account has fluctuated over time from about \$5 million down to \$1 million, and the Leontine accounts in Paris have had at least \$7.5 million. Additional accounts are in Switzerland; however, the private bank has not provided any information about the account totals due to Swiss secrecy laws. Altogether, the records reviewed by the Subcommittee staff indicate that funds moving through the Bongo private bank accounts since 1985 have exceeded \$130 million.

In addition to accounts with substantial deposits, President Bongo has had an extensive credit relationship with the private bank. From 1989 until 1996, he obtained multiple loans from the private bank, collateralized by his deposits. Documents indicate that many of these loans were issued under a complex arrangement, in which the private bank allowed President Bongo's

accounts at Citibank Gabon to incur multi-million dollar overdrafts, which were immediately covered by transfers from Bongo accounts in Paris, which were in turn covered by transfers from offshore accounts belonging to Tendin. This three-step process may have been designed to avoid direct transfers from the Tendin offshore accounts into the President's accounts in Gabon, and minimize the chance that Gabon bank personnel would learn the name of President Bongo's PIC.

The private bank loans peaked in 1994 at about \$50 million. According to the credit approval documentation, the loan proceeds were used for "local liquidity needs." Account documentation in 1996 states that the loans were "used to finance last reelection campaign," referring to President Bongo's successful re-election to office in December 1993, but the private banker who wrote that description has since said his remarks were based on speculation rather than facts, and that he did not have specific information on how the loan proceeds were used. In 1995, President Bongo began repaying the loans, completing repayment in 1996 with a final transfer of \$31 million. In 1997 and 1998, credit reports indicated an outstanding loan balance of just \$1 million.

In addition to providing President Bongo with multi-million dollar loans, the private bank in New York performed other services for him and his family. These services included, for example, converting a 1995 wire transfer for \$1.6 million into cash which the Bongo family used during a visit to New York in connection with a celebration of the United Nations' 50th anniversary. On another occasion, the private bank cashed a \$69,000 check for the President's daughter and wired the funds to her in Gabon to enable her to avoid a three-week delay that would have resulted if she had presented the check to Citibank in Gabon. On still another occasion, the private bank allowed a cash withdrawal of \$100,000 to a third party whom the private bank was told would be bringing the funds to the President's son.

The documentation indicates that, in return for these and other services, the Bongo account generated substantial fees for the private bank. One document indicates that client net revenue exceeded \$1 million per year. [X4318] A client profile prepared in London describes the Bongo accounts as an "[e]xtremely profitable relationship for the [private bank] and other centres." [X6303]

The Relationship Managers. Since 1985, the New York office has been the primary private bank unit handling the Bongo accounts. Since 1992, the primary account manager has been Alain Ober, the only private banker in New York specializing in clients from Africa. Mr. Ober manages about 100 clients altogether; the Bongo accounts are his largest relationship. His predecessor on the Bongo accounts was William Owen.

Mr. Ober's immediate supervisor until 1995 was Salvatore Mollica, and then Muwaffak Bibi. Mr. Ober told the Subcommittee staff that he also reviewed the account at least once per year in person with the Western Hemisphere Division head in New York, Edward Montero. Mr. Montero, however, told the Subcommittee staff that he was unfamiliar with the account.

Another key Citibank employee handling the Bongo accounts is Christopher Rogers, a longtime private bank employee specializing in Africa. Mr. Rogers was employed in Paris until last year and now works for Citibank in South Africa.

Secrecy. The documentation indicates that President Bongo requested and his private bankers provided secrecy in its handling of his accounts. For example, the account documentation states in a section entitled, "Operational Considerations/ Cautions": "Secrecy is v[e]ry important." [X2454] In 1995, President Bongo requested and the private bank proposed a code to describe his account transactions, based upon the phrases "NEW YORK USA" and "Fort Knox Securities" [X2374], although it is unclear whether this code was used. An internal email dated August 30, 1990, from a Citibank private bank official in Africa states that he does "not have any problems with the large deposits held in New York by J1 [referring to President Bongo], providing information concerning them is kept completely confidential." [770]

Secrecy was provided in part through the private bank's standard practice of establishing client accounts in another name, here the shell corporations, Tendin and Leontine, and the special name account, OS. Loans were also issued with precautions to ensure secrecy. In 1986, for example, a document recommending a loan to President Bongo states, "This is a highly confidential transaction given the identity of the borrower. It is therefore recommended that this package not be circulated as usual by the Credit Department, but directly reviewed by" certain senior private bank personnel. The document goes on:

"The only risk really associated with this credit is the so-called 'political' one, i.e. the supposedly negative consequences which may result from a public knowledge of the credit transactions. ... A stigma is more likely to be attached to the large deposits the client has with us overseas if this were to be known. A credit relationship does not have the same impact. ... [T]he U.S. press would give political disturbances very limited coverage." [851]

Loans issued from 1989 through 1994 also incorporated secrecy protections by using a Citibank Gabon overdraft facility to make the loans and routing repayment through two offshore accounts.

Due Diligence and Account Monitoring. These and other arrangements kept knowledge of the Bongo accounts within a small circle in the private bank, until a 1996 inquiry by the Federal Reserve Bank of New York in connection with its review of the private banking industry in the United States.

One goal of the Federal Reserve's industry review was to determine how private banks monitor client accounts for suspicious activity. In the case of Citibank, the private bank gave the examiners a "Sensitivity Hot Sheet" listing more than 80 accounts which the staff had flagged for additional analysis. The examiners selected 10 accounts from the list for further review, including a Tendin Investments account.

The Sensitivity Hot Sheet stated that the Tendin account had been added to the list in March 1996 due to "Large amounts of Wire Transfers In and Out of account." On October 21, 1996, a private bank compliance officer had sent a memorandum to the private banker, Mr. Ober, asking about the "unusual wire transfer activity." An 8-page document forming the basis for the inquiry showed that, in less than 6 months, from March until August 1996, about \$49 million had been deposited into and \$51 million withdrawn from two Tendin accounts in New York. On December 4, 1996, Mr. Ober provided a handwritten response explaining that the wire transfers occurred in connection with a \$31 million loan payoff which then triggered a liquidation of "various portfolios" and a complete restructuring of the "client's overall portfolio."

The Federal Reserve examiners noted that five weeks had elapsed between the compliance inquiry and Mr. Ober's response, observing, "It does not appear that responding to these requests is a priority for the private bankers." The examiners also took a closer look at Tendin's beneficial owner, President Bongo, evaluating the bank's due diligence efforts, specific account transactions, and loans.

The client profile at the time, dated August 12, 1996, provided the following explanation of President Bongo's business background and source of wealth:

"Head of State for over 25 Years ... Source of Wealth/business Background: Self-made as a result of position. Country is oil producer." [x2448; converted from all capitals in original text]

In separate interviews with the Subcommittee staff, the private banker, his immediate supervisor, and a Division head acknowledged that this description was wholly inadequate, and could not explain why this profile had not been improved by 1996, given the private bank's heightened awareness of due diligence requirements after the Salinas scandal.

The Federal Reserve examiners were also dissatisfied. When the examiners requested more information about the source of the original \$52 million deposit, Mr. Ober sent the following email dated December 10, 1996, to his colleague, Mr. Rogers:

"[T]he Federal Examiners are auditing the Tendin Account. ... [T]here is one major issue which remains unresolved You may remember that this account was opened in 1985 at [the private bank in New York] with \$52MM coming from a time deposit at Citibank Bahrain which was opened by Citibank Libreville on behalf of our client. ... Bill indicated that the \$52MM were accumulated over several years at the Branch at the time you were there. Neither Bill nor myself ever asked our client where this money came from. My guess, as well as Bill's is that ... the French Government/French oil companies (Elf) made "donations" to him (very much like we give to PACs in the US!). ... [D]o you remember specifically where [the monies] came from ...?" [X2283]

Mr. Ober told the Subcommittee staff that he could not recall Mr. Rogers' response. Citibank later found a copy of the email Mr. Rogers sent in response on December 11, 1996. It stated in part:

"Gabon resembles a Gulf Emirate in that Oil ... accounts for 95 pct of revenues for a population of less than 1 million. It is clear therefore that Tendin Investments draws most of its wealth from oil, but we have no way of being more specific."

The Federal Reserve examiners concluded that they "were not satisfied with the explanation of the source of wealth/funds and the use of loan proceeds." They also noted a comment by the private bank's legal counsel who said that, in the summer of 1996, "Citibank had consider[ed] ending the relationship ... but they were concerned for the safety of the country officer in [Gabon], so the account remains open."

OCC Inquiry. In February 1997, the Federal Reserve alerted Citibank's primary regulator, the Office of the Comptroller of the Currency (OCC), to its concerns about the Bongo accounts. The OCC followed with a 4-month, in-depth review. The OCC examiner told the Subcommittee staff that, after collecting account documentation, he prepared a list of specific transactions and issues he wanted to discuss and scheduled a meeting at Citibank for April 10, 1997.

By then, the client profile for the Bongo accounts had been revised. The new profile contained the following description of President Bongo's business background and source of wealth:

"Self-made[.] President of African oil producing country for 30 years. Wealth created as a result of position and connection to French oil companies (Elf) since country is major oil [supplier] to France. Wealth invested in real estate locally and in financial instruments overseas. It is believed that subject through affiliated [entities] retains ownership in many oil related ventures in the country which over the past 30 years resulted in significant accumulation of wealth estimated at \$200MM." [x4328; converted from all capitals in original text]

The OCC examiner told the Subcommittee staff that a preliminary review of the accounts indicated that the private bank had virtually no supporting documentation for this description of President Bongo's financial background. He said, for example, that the private bank had no documentation of the President's oil interests and no information on either the oil companies involved or the nature of the President's dealings in the industry. He told the Subcommittee staff that, prior to the April 10th meeting, he had informed the private bank that a key concern was for them to provide appropriate documentation for the source of the funds in the accounts.

Two documents indicate the private bank's efforts to respond to the OCC. The first is a 3-page email dated April 9, 1997, the day before the OCC meeting. [X4315] It is an email from

Mr. Rogers to Mr. Ober and four other persons in the private bank entitled, "Tendin cash flow." The email describes "a lengthy meeting" that Mr. Rogers had "with a senior Gabonese civil servant, a consultant to the President." In it, Mr. Rogers states, "I was pretty direct in my probing and the answers I received, although not comprehensive, give a better picture of Gabonese public finances as they relate to the Presidency."

The email then addresses two topics, "Official State Budget" and "Oil Receipts." With respect to the Gabon budget, the email states:

"Every year, an overall allocation, loosely referred to as 'security' or 'political' funds, is voted into the budget across the operating and investment categories. Although not spelled out for obvious reasons, these funds are understood to be used at the discretion of the Presidency."

It then lists four budget categories in the 1995 Gabon budget, totaling \$111 million or 8.5% of the overall budget for the year. The second part of the email discusses Gabon's 1995 oil receipts. It refers to Elf Gabon, which is a subsidiary of the largest oil company in France, Elf Aquitaine. The email states that Elf Gabon is "the largest company in Gabon" and "is 58% owned by Elf parent, 25% by the Republic of Gabon ... and 17% by private investors, ... which almost certainly [includes] President Bongo. ... I will try and obtain more information on the President's equity holding in the company."

The second document is dated April 11, 1997, the day after the OCC meeting on the Bongo accounts. [X6694] It is a one-page memorandum to the file by Mr. Ober referencing the Tendin accounts. It states the following:

"Christopher L. Rogers, our African marketing head based in Paris, recently had a meeting with a very high ranking government official of our client's country. ... The main purpose of the meeting was to determine the amount of funds put at our client's disposal in the national budget of his country."

The memorandum states that certain funds "are understood to be used at the discretion of our client," and then lists the same four Gabon budget categories in the April 9th Rogers email, and the same total of \$111 million, "representing 8.5%" of the [Gabon] Budget for 1995." It states that "[w]e can assume the same level of allocations exist in the 1996 Budget ... and the 1997 Budget." A later version of this memorandum, dated April 14, 1997, was given by the private bank to the OCC. [693] The wording is almost identical to the April 11th version, except that it characterizes the \$111 million in the 1995 Gabon budget as funds which "are at the disposal of the Presidency, without any limitation."

The plain meaning of these documents is that the private bank was identifying Gabon government funds as a primary source of the funds in the Bongo accounts. The OCC examiner told the Subcommittee staff that was his understanding from the April 10th meeting and the April

1997 memorandum. He told the Subcommittee staff that he accepted the information as accurate, because it was his understanding that President Bongo had “carte blanche” authority over government revenues. He also told the Subcommittee staff that, because the \$111 million in Gabon government funds was sufficient to account for all of the monies in the Bongo accounts, he did not press the private bank to obtain documentation of the President’s oil interests or determine the source of particular deposits, such as \$5 million paid into the OS account during 1995, and \$21.9 million paid into the Tendin accounts in 1997.

On June 18, 1997, after consulting with senior OCC officials, the OCC examiner completed a memorandum describing his review of the Bongo accounts and concluding that the Citibank private bank had corrected certain deficiencies in its handling of the accounts and was not required to file a Suspicious Activity Report. The memorandum includes the following statements:

“We agree with the [Federal Reserve] that no documents exist to detail the wealth source or future wealth expectations. ... [P]resent KYC expectations strongly encourage banks to complete a thorough analysis of clients, including documenting their attempts to find out the original source of wealth. ... Mr. Ober states that President Bongo does not provide sufficient information to identify the source of wealth except to say it is from his position as Head of State and revenues from oil businesses. However, as a proxy for source of wealth, Citibank - Paris performed an analysis of Gabon’s last published budget (1995) and found that President Bongo had approximately \$111 million, or 8.5% of the total 1995 budget of Gabon, at his disposal. It is the understanding of bank management that these funds are available to the Presidency, without limitation. According to Mr. Ober, President Bongo has substantial oil interests in Gabon and other African countries. When combined, these factors serve as support for the source of Tendin Investments funds.”

The memo concludes:

“Based on our review of the information in all related files and interviews with Mr. Ober, we conclude that this relationship and related transactions do not meet the level of suspicion expected for filing a Suspicious Transaction Report because of the following reasons: President Bongo receives 8.5% of Gabon’s annual budget for the Presidency’s unrestricted use. In 1995, that totaled \$111 million. ... Based on the interview with Mr. Ober, the transactions conducted through Citibank NA are the sort of transactions that the customer has historically been making and are normal for the Head of State of an African country.”

Although this memorandum was not shown to the private bank, the OCC examiner met with the private bank’s top compliance officer and legal counsel and conveyed its conclusions.

In separate interviews conducted by the Subcommittee staff, Mr. Ober and the OCC examiner each stated that he did not attempt to verify the information provided about the Gabon

budget in the April 9th Rogers email. Mr. Ober told the Subcommittee staff that he did not see the 1995 Gabon budget papers, speak directly with the Gabon government official, or ask President Bongo about the information to confirm its accuracy. The OCC examiner told the Subcommittee staff that he did not speak directly with Mr. Rogers or the Gabon official, or request the 1995 Gabon budget documents. The OCC examiner pointed out that no regulations currently spell out the types of documentation banks must obtain to establish the source of funds in a client's account. He explained that his responsibility was to ensure that a bank was taking reasonable steps and had adequate systems and procedures in place to evaluate their clients, monitor their accounts, and report suspicious activity. He said that, with respect to the particular documents in the Bongo accounts, it was not his responsibility to "validate" them, but instead to ensure the documents were on file so that, if questions arose about the account, others could evaluate them.

The Subcommittee staff did attempt to verify the information provided to the OCC. After obtaining copies of the 1995, 1996 and 1997 Gabon budgets, the Subcommittee staff met with Gabon budget experts from the International Monetary Fund (IMF). In addition, a Library of Congress expert on African law evaluated the budget documents and spoke with Gabon budget experts from World Bank.

The Gabon budget experts at the IMF and World Bank were unanimous in their rejection of the assertion that President Bongo received \$111 million or 8.5% of the 1995 Gabon budget for his personal use, or received similar amounts in 1996 and 1997. The Gabon budget experts indicated that no recent Gabon budget authorizes the Gabon President to make personal use of government funds. Further, they said that the four budget categories allegedly set aside for the President's personal use refer to general budget categories responsible for funding a wide range of expenses associated with the Gabon Presidency and other governmental bodies. They indicated that, with respect to the Presidency, only about \$13 million was allocated to pay for expenses related to the Presidency, such as expenses associated with the Cabinet, Presidential staff, and operation of the Presidential offices. They indicated that, as a practical matter, these staff and operational expenses had to be and were paid for with budgeted funds in 1995, 1996 and 1997, so that it was implausible to suggest that the funds were wholly diverted for the President's personal use.

The Gabon budget experts indicated that, if anyone had attempted to verify the budget items, they should have easily been able to determine that the assertion that these budget items openly authorized a \$111 million set-aside for the President's personal use was inaccurate, implausible, and plainly contrary to Gabon's budget policy and actual spending.

The IMF Gabon budget experts also told the Subcommittee staff that, during 1997 and 1998, the Gabon government engaged in extensive "extrabudgetary expenditures" on items not specified in Gabon's enacted budgets. They said that these expenditures exceeded 136 CFA (the currency used in Gabon) or about \$62 million. They said that, as a result, the IMF had stopped authorizing loan disbursements to Gabon in October 1998. The IMF indicated that an

independent accounting of Gabon's actual budget expenditures in 1997 and 1998 is now underway, and that no additional loan disbursements would be made until the existing budget questions were resolved.

In addition to obtaining this information about the Gabon budget, the Subcommittee staff interviewed Mr. Ober about the memorandum he authored in 1997. When asked whether he had determined that Gabon government funds were a primary source for the funds in the Bongo accounts, Mr. Ober said that he had "never made that determination." Mr. Ober maintained this position despite 1997 and 1998 client profiles he drafted which list government funds as one of President Bongo's "Sources of Wealth": "As Head of State, in excess of US\$100mm of the state budget (=8%) are put at OB's disposal on a yearly basis to cover all expenses related to the Presidency." [X6302; X6698]

When asked, if not government funds, what the source of funding was, Mr. Ober said that the funds in the Bongo accounts derived primarily from the \$52 million deposit made in 1985. When asked about those funds, Mr. Ober said the deposit took place before he was employed by the private bank, the funds had been with the bank for many years, and since the private bank was "comfortable" with the funds, he was comfortable with them. He told the Subcommittee staff that he did not ask President Bongo directly where the funds came from "for reasons of etiquette and protocol" and because he was "not sure what the reaction would have been."

Multi-Million Dollar Deposits. When asked about deposits made while he was managing the accounts, including \$5 million deposited into the OS account in 1995, \$3 million deposited into the Tendin accounts in 1996, and \$21.9 million deposited into the Tendin accounts in 1997, Mr. Ober told the Subcommittee staff he had little specific information about the funds, other than that they were related to President Bongo's oil interests. The Subcommittee staff found Mr. Ober's lack of information with respect to these deposits troubling, since they were made on his watch, during the time he had primary responsibility for monitoring the account activity. The deposits totaled almost \$30 million over three years.

The \$5 million deposit was made in 1995, to President Bongo's newly opened special name account, OS. Mr. Ober indicated that this account had been set up for the express purpose of receiving payments from oil companies, and that President Bongo had made his chief oil adviser, Samuel Dossou, a signatory with power of attorney over the account. Oil revenues are a particularly sensitive matter in Gabon, because oil revenues provide the largest source of government funds, and there are longstanding rumors of government corruption involving the oil industry, including government officials' diverting oil revenues from the public treasury and receiving bribes from oil companies. For these reasons, the secretive name of the OS account, its intended use as an account to receive oil company payments, and involvement of the President's oil advisor all raise questions about why the private bank did not take additional steps to review the source and nature of the deposits. The timing of the OS account is also noteworthy, because it opened in late 1995, around the same time that the IMF completed a new loan agreement with Gabon imposing new restrictions on oil revenues and greater accounting controls.

Mr. Ober's lack of information about the 1996 deposits of \$3 million and 1997 deposits of \$21.9 million deposits is even more troubling. These deposits were made about six months after President Bongo had paid off his private bank loans with \$31 million drawn from his accounts, and the Tendin account totals dropped to a 10-year low of \$28 million. Mr. Ober told the OCC and the Subcommittee staff that President Bongo resolved to "replenish" the Tendin accounts. Bank records indicate the President started to do so in the fourth quarter of 1996, with the \$3 million in deposits, followed by the deposits of \$21.9 million during the first quarter of 1997.

Mr. Ober told the Subcommittee staff during his interview that he could not provide specific information about these deposits, even when shown an email he sent on February 26, 1997, indicating that three recent deposits into the Tendin accounts, for \$12 million, \$3 million and \$5 million, were "proceeds from the sale of some investments in the oil business in South Africa." [X4314] Mr. Ober stated that he could not recall, and did not think he ever knew, the particular oil companies involved, the nature of the investments in South Africa, the transactions involved, or why there were three payments of varying amounts.

Subsequent to his interview, Citibank provided the Subcommittee with additional documents related to these deposits. One set of documents involves a \$1.9 million deposit made in December 1996 through a wire transfer from the State Treasurer of Gabon. [X7063] When asked to confirm the source of the funds, a Gabon Citibank employee stated in a December 26, 1996 email: "Funds have come from the state treasury. The treasurer called me to advise that the payment is by order of the 'patron.'" On January 7, 1997 Mr. Ober sent an email to the Cititrust trust officer in the Bahamas administering Tendin's accounts, stating: "On 12-24-96, we received a transfer for \$1,886,792.45 for Tendin (by order of the State Treasury via Citibank Gabon). Thus, we must invest this amount" [X7064]

About one month later, in emails dated February 18 and 19, 1997, Mr. Ober informed his colleagues, including the Bahamas trust officer, that he had returned from a visit with President Bongo in Africa with an additional \$15 million to invest. [X7065] The emails indicated that the funds had been wire transferred from three Swiss banks at the direction of President Bongo's oil advisor, Samuel Dossou, and "the money comes from the sale of investments in South Africa in the oil sector." These were the investments about which Mr. Ober had no specific information.

Two weeks later, apparently after learning that none of the recently received funds had been invested, Mr. Ober sent the Bahamas trust officer a lengthy fax which included the following statements:

"This is a follow up to our phone conversation of today during which you indicated that you were unable to send me instructions to invest the \$15.3 MM for Tendin since the Trust company has compliance concerns with these funds. ... If you want to return the funds, the sooner the better ... I am also amazed that your office has problems with the 12/96 \$1.9MM received from the State Treasury of our client's country. No one so far

has expressed any concerns to me about it. ... [T]he Federal Examiners earlier this year ... had no problem ... (neither do I). Mr. Muwaffak Bibi (head of EMEA in NY) [and] Mr. Salim Raza, head of PBG Emerging markets (including Africa) ... are satisfied with the source of these monies. ... Please send me your instructions ASAP."

By the end of March 1997, \$21.9 million had been invested on Tendin's behalf.

Mr. Ober's internal struggle to invest the \$21.9 million took place during the same month that the OCC initiated its review of the Bongo accounts. The questions that the bank's own trust and compliance personnel raised about the source of funds were repeated by the OCC examiner, who apparently was not told of the compliance concerns being raised within the bank. The OCC examiner told the Subcommittee staff that he requested but never learned the source of the \$20 million increase in the Bongo accounts in 1997. He said that he finally decided not to press the private bank about the deposits because it had already identified sufficient government funds to explain all of the monies in the Tendin accounts.

French Criminal Investigation. The compliance concerns in early 1997 over the \$21.9 million in deposits were not the only development affecting the Bongo accounts during the OCC review. In April 1997, a number of articles appeared in the press describing an unfolding criminal investigation by French authorities into corruption allegations involving the French oil company, Elf Aquitaine, and its subsidiary Elf Gabon, over bribes to government officials.

In April 1997, five articles in the major French paper, Le Monde, raised questions about President Bongo's role in the scandal. One headline stated: "Omar Bongo Could be Implicated in the Elf Affair." Among other allegations, the articles reported that two Swiss bank accounts containing millions of dollars in allegedly improper payments by Elf had been frozen by Swiss authorities at the request of French criminal investigators. One account was in the name of a shell corporation called Kourtas Investment, while the other was a special name account called Colette – both were linked to President Bongo through his oil advisor Samuel Dossou. The articles also reported that President Bongo had sent an angry letter to French President Jacques Chirac on March 18, 1997; telephoned him late at night on March 29th, and canceled a state visit to France planned for April, to protest the ongoing criminal probe. Other major papers carried similar articles, such as the April 8th article in the London Guardian entitled, "Gabon Chief Threatens Oil Deals After Fraud Charges." On August 6, 1997, Le Monde reported that the Swiss prosecutor defending the freeze on the Kourtas account declared in open court that President Bongo was "the head of an association of criminals."

Mr. Ober told the Subcommittee staff that he was aware of the Le Monde articles and the allegations against President Bongo, but said that because his colleagues in Gabon expressed doubt about their credibility, he did not attempt to find out more and did not discuss the matter with his supervisors. However, subsequent to this interview, Citibank provided the Subcommittee with a copy of an April 28, 1997 email from Mr. Rogers, head of the private bank's African market, to Mr. Ober and several supervisors in the private bank about the press

coverage. Mr. Rogers wrote:

“[Francois] Herve [then head of the Paris office] and I feel quite strongly that all of us need to be very thoughtful and selective about the press coverage we choose to interpret and share about our top customers. In the case at hand, the information which has come to light recently is part of an ongoing controversy which stretches back well into last year, and which largely transcends the sole question of our customer’s personal and financial dealings. I am unable to interpret the current press allegations insofar as they might touch upon the Bank but would not be tempted to try because of the doubts it could raise in people’s minds about our own relationship with our customer. ... [W]e ought to be **extremely careful about sharing such information with regulatory authorities, because we can’t answer for it.** ... [W]e should stay as far away as possible from this mess, unless and until any one of us has firm or verifiable evidence which would lead us to suspect the Bank’s interests are at risk.” [X7054-55; emphasis added]

This email was also forwarded to the private bank’s legal counsel. [X7076]

In addition, without Mr. Ober’s knowledge or participation, someone determined that the head of the private bank should be made aware of the articles and allegations. Documents prepared for an October 1997 annual review by the private bank head of public figure accounts in the EMEA Division, state in the entry for President Bongo: “Newspaper reports 4/1997 claim he has accepted bribes from ELF-Aquitaine.” [CS1889]

1997 Public Figure Review. President Bongo’s accounts were formally reviewed in October 1997, through the annual public figure review process, by Mr. Aziz, then head of the private bank. The decision was to leave them open. This decision was made despite the private bank’s awareness of the bribery allegations and criminal probe, despite the criminal probe’s focus on suspect funds in bank accounts linked to President Bongo through his oil advisor Mr. Dossou in arrangements mirroring the OS account, and despite bank regulators’ expressing concerns about the Bongo accounts. The Subcommittee’s investigation indicates that no one in the private bank asked, in connection with the 1997 review, any questions about the \$21.9 million, the largest payment into the Bongo accounts in ten years. No one asked questions even though Mr. Ober had let it be known through his February emails that the money related to President Bongo’s dealings in oil, the very subject of the criminal probes.

The accounts were also left open throughout 1998, despite a renewed focus in the private bank on public figure accounts and continued press reports on President Bongo’s frozen bank accounts in Switzerland, including a third account in the name of Davenport Associated SA, again linked to President Bongo through Mr. Dossou, and again frozen by Swiss authorities at

the request of the French.⁵ In January 1998, an internal quality assurance review of the Bongo client profile determined that additional information was needed on the source of the funds in the accounts. [X2478,3415] Mr. Ober told the Subcommittee staff that he revised the profile in response to the quality assurance requests. In addition to referencing Gabon government funds and oil interests, including shares in Elf Gabon, the profile was revised to include references to President Bongo's ownership of real estate in Gabon and France, and ownership of shares in a French bank, car dealership, and salt and rice distribution companies. Mr. Ober told the Subcommittee that he did not obtain this information directly from the client, but from public sources and other Citibank offices doing business with President Bongo. There is no evidence in the account documentation, however, that any of the funds in the Bongo accounts at the Citibank private bank actually came from real estate investments or the named businesses.

Closing the Accounts. In late 1998, the private bank head began an intensive review of all of the public figure accounts at the private bank. Accounts which had passed muster for years began to be questioned. The private bank compliance head told the Subcommittee staff that the Bongo accounts were the subject of several discussions in late 1998.

Subsequent to the interviews provided by the private bank staff, Citibank provided a copy of a November 6, 1998 email from Christopher Rogers to Salim Raza and others warning of the consequences of closing the Bongo accounts. [X7045] Mr. Rogers wrote:

"We ought to ensure that we face this issue and its possible implications with our eyes wide open. Whatever internal considerations we satisfy, the marketing fallout is likely to be serious. ... Sam [Dossou] gets his marching orders from Tendin. ... Tendin has been vitally instrumental in our franchise's success over the years. ... Sam helped the Branch considerably over the last two years to obtain a more reasonable and rightful share of public sector deposits, with Tendin's blessing. The probability of this support being reversed indefinitely should be weighed seriously. ... Tendin's family and friends extend far. ... The impact on [private bank] marketing in Francophone Africa will be serious. Beyond this, there would be legitimate grounds for concern in many people's minds about whether Citibank was abandoning this part of the Continent."

On December 21, 1998, Mr. Ober sent an email to Mr. Rogers indicating he'd received "an impromptu visit" from the private bank head, Mr. Aziz, and Western Hemisphere Division head, Mr. Montero, who brought up the Bongo accounts and discussed closing them. [X7048] On December 24, Mr. Rogers sent an email to Mr. Raza stating that, after lengthy discussions with Mr. Ober and others, he'd like to make the following proposal:

⁵See "Swiss Investigators Seize Gabon President's Bank Account," AFX News (8/29/98); "President of Gabon's Appeal against Account Block Rejected," AP Worldstream (11/2/98).

“It is possible ... we could [i]nduce Tendin to maintain a completely transparent relationship The idea of setting new target and acceptance criteria for top public figures who are whistle-clean and agree to total transparency in exchange for the privilege of banking with us might be compelling to Saukat [Aziz] and others. We would be adapting to the times instead of jettisoning quality assets In extremis, we could demonstrate to anyone that our customer is not bleeding a poor country because all balances and sources of funds would have been vetted by us at the source.”

In January 1999, when the Bongo accounts came up for formal review, Mr. Aziz decided to close them. When asked why, the private bank’s top management told the Subcommittee staff that the accounts had inspired too many questions, required too much paperwork, and incurred too many “incremental costs.” The compliance head told the Subcommittee staff the account “just wasn’t worth keeping open.” Neither he nor the private bank head made any mention of the ongoing criminal investigation into President Bongo or the Colette, Kourtas and Davenport bank accounts which had been frozen by Swiss authorities for suspect funds.

In early 1999, the private bank developed an exit strategy to close the accounts, allowing President Bongo to move his funds in an orderly fashion to other financial institutions. As of October 1999, while millions of dollars had been moved out of the accounts, millions of dollars still remain in the accounts at Citibank private bank. Private bank personnel told the Subcommittee staff they expect the accounts to be completely closed sometime in the year 2000.

The Issues

The 1997 due diligence questions raised about the Bongo accounts arose after the problems with the Salinas and Zardari accounts. Unlike the Salinas and Zardari matters, the Bongo accounts did not escape the attention of regulators. In 1996, the Federal Reserve identified the account as troublesome. In 1997, the OCC began asking hard questions about the source of funds and required the private bank to respond. The private bank’s response was marked by customer deference and a lack of sensitivity to due diligence problems. President Bongo apparently provided little information or documentation about the source of his funds, and the private bank was reluctant to ask him for information, not only because he was a longstanding client, but also because he was a head of state. So to obtain the file documentation requested by regulators, the private bank decided to manufacture the appropriate documentation itself. The one-page file memorandum it produced relied on second-hand information gathered in a short period of time, without supporting documentation and without client verification.

More striking than these procedural deficiencies is the substantive result of the bank’s due diligence efforts – the determination that a primary source of the funds in the Bongo accounts was over \$100 million in Gabon government funds each year.

Mr. Ober maintains he never made that determination. One of the supervisors on the account, Salvatore Mollica, told the Subcommittee staff that it was highly unusual for

government funds to be cited as a client's source of wealth. Yet the \$111 million figure appears in every Bongo profile after April 1997. Even when faced with comments such those in the Rogers email that the President's control over the \$111 million was "not spelled out for obvious reasons," no one in the private bank seemed to realize that their own due diligence efforts were raising troubling questions about the source of the client's funds. Compliance concerns raised about specific deposits, the \$1.9 million from the Gabon Treasurer and the \$20 million from Swiss bank accounts, were apparently resolved without any conducting any investigation into the sources of the funds.

Even when the private bank's top management was informed of a criminal probe into corruption allegations involving President Bongo during an October 1997 review of his accounts, there appeared to be no realization of any risk the private bank was taking in maintaining his accounts. When the private bank decided to close the accounts in 1999, management told the Subcommittee staff that the decision was made because of the costs incurred in answering questions about them, rather than because of any concerns about President Bongo's conduct or reputational risk to the bank.

The private bank's lack of concern over the Bongo accounts in October 1997 can be attributed in part to the actions of regulators. Four months earlier, the OCC had told the private bank that its file memorandum was enough to establish the source of funds in the Bongo accounts and there was no need to file a Suspicious Activity Report. The OCC offered no criticism of the file memorandum for lacking supporting documentation or client verification. There was no criticism of the client's lack of cooperation. There was no insistence that the private bank obtain specific information about President Bongo's oil interests or the \$21.9 million just deposited. The OCC expressed no concern over the two alleged sources of funds in the Bongo accounts – government funds and oil revenues – even after being told by the private bank, as recorded in handwritten meeting notes, about the Elf criminal investigation into matters related to President Bongo. Instead, the OCC gave its approval to the private bank's management of the Bongo accounts.

In defense of the OCC's decision, it must be noted that there is currently no statutory, regulatory or industry guidance on what is adequate due diligence. In addition, there is the dilemma of how far a regulator can go in compelling a private bank to get information from a head of state, senior government official, or relative.

(4) Abacha Sons Case History

The Facts

The fourth and final case history involves Citibank private bank accounts belonging to Mohammed, Ibrahim, and Abba Sani Abacha. These three individuals are sons of General Sani Abacha, who was the military leader of Nigeria from 1993 until his death in 1998, and who is widely condemned as responsible for one of the most corrupt and brutal regimes in Africa. The private bank had decided in early 1999 to close the accounts, but was prevented from doing so by a court order freezing the funds.

Background. Nigeria is located in western Africa.⁶ It is the continent's most populous state, with 107 million people. Since declaring its independence from Britain in 1960, Nigeria has undergone frequent internal conflict and military coups. In June 1993, Nigeria held its first election in almost a decade, which was believed to have been won by Chief Moshood K.O. Abiola, a Yoruba businessman. Military leaders annulled the election, and in November 1993, General Abacha took power. He remained in office until his death due to a sudden heart attack in June 1998. His tenure was frequently criticized for human rights abuses and corruption. For example, a 1999 Nigeria Human Rights Report describes the Abacha administration as involving "years of terror and brutality" in which "extra-judicial killings, torture, assassinations, imprisonment and general harassment of critics and opponents was commonplace."⁷ The September 1999 CRS Issue Brief on Nigeria states that Western officials believe General Abacha "may have stolen over \$3.5 billion over the course of his five years in power" and describes severe problems caused by "large-scale theft from the now almost bankrupt Nigerian treasury."

After General Abacha's death, General Abdulsalam Abubakar took control of the country, initiating political, economic and social reforms. Elections were held in February 1999, and former military leader General Olusegun Obasanjo, imprisoned for three years under the Abacha regime, became the new President of Nigeria.

According to press reports, a few weeks after General Abacha's death in 1998, his wife Maryam was stopped at a Nigerian airport with 38 suitcases "stuffed full of foreign currency"; and a son was "caught with about \$100 [million] on him."⁸ Within a few months, the Nigerian government announced that it had recovered \$750 million from the Abacha family through these

⁶Facts in this paragraph are taken from CRS Issue Brief No. IB98046, "Nigeria in Political Transition" (9/24/99).

⁷This 182-page report was produced by the Lagos-based Constitutional Rights Project with the assistance of the National Endowment for Democracy.

⁸"How the grand lootocracy beggared Nigeria's people," The Observer (11/22/98).

and other seizures, and requested the assistance of the United States and other countries in recovering additional funds believed to have been illegally obtained and transferred abroad by the Abacha family and associates.⁹ The United States agreed to provide this assistance, and the Swiss have already done so, issuing orders on October 14, 1999, freezing accounts held by Abacha family members and associates at five Swiss banks, pending legal filings by the government of Nigeria.¹⁰ In addition, Nigeria has arrested Mohammed Abacha, along with five others, for the murder of Kudirat Abiola, wife of the late opposition politician, Moshood Abiola.

Structure of Private Bank Relationship. Abacha sons Mohammed and Ibrahim first became clients of the Citibank private bank in 1988. They began by opening accounts in the London office, which grew in number over time, including a special name account called “Navarro” opened in 1994, and accounts opened in 1995 in the name of a shell corporation, Morgan Procurement Corporation. These accounts were used, according to account documentation, for commodity trading, pharmaceutical company commissions, petroleum proceeds, and other business transactions, as well as personal investments. [CS2937; CS3252; CS3277] The funds in the London accounts fluctuated considerably over time but increased overall, with records showing overall totals of \$18.5 million in 1996 [CS1893]; \$45 million in 1997 [CS1890]; and \$60 million in 1998 [CS2137].

After General Abacha’s death in June 1998, and the initiation of a government investigation into bank accounts held by him and his family, the Abacha sons made an urgent request to the Citibank private bank in September 1998, to move \$39 million out of their London accounts. The funds were then in a time deposit that would not mature for two weeks and which, if the deposits were withdrawn prematurely, would result in a hefty penalty. The Abacha sons asked and the private bank agreed to allow them to incur an \$39 million overdraft – secured by the time deposit – and transfer the \$39 million out of Citibank immediately. The bank then satisfied the loan when the time deposit matured two weeks later. In this way, the Abacha sons were able to move \$39 million out of their accounts in the face of an ongoing government investigation into their funds, without even incurring a financial penalty. The London account totals then dropped to about \$17.5 million.

The Abacha sons’ relationship with the private bank in the United States began in 1992, when Mohammed and Ibrahim opened a special name account in New York called “Gelsobella.” The account was opened, according to account documentation, to handle funds associated with an airline business the sons were starting through their company Selcon Airlines, to operate flights between New York and Lagos, Nigeria. A third signatory on the account was Yaya Abubakar, a “business partner.” [CS4787] In 1994, after a third party attempted fraudulently to

⁹See, e.g., “Nigeria seeks help in tracing billions ‘taken’ by former military leaders,” *Financial Times* (7/23/99); “Abacha family returns more dollars,” AP Worldstream (11/10/98).

¹⁰“Swiss freeze accounts of Nigeria’s Abacha,” Reuters (10/14/99)

gain access to funds in the Gelsobella account, the sons allowed the account to go dormant and opened a second special name account in New York called "Chinquinto." In January 1996, after Ibrahim Abacha died in an airplane accident, Mohammed added another brother, Abba, to the accounts. However, the New York accounts were rarely used after Ibrahim's death and closed in late 1997.

The funds in the New York accounts fluctuated over time. For the first two years, the monthly account balances generally stayed under \$2 million [CS1961], which was in line with the expectations for the account [CS4787]. Then, for about six months, deposits increased dramatically, jumping to \$15 million at the end of 1994, and a high of \$35 million in early 1995. The deposits then dropped just as suddenly, falling to \$400,000 by the end of the year, and \$5,000 by 1996. Altogether, about \$47 million went through the New York accounts, almost all of which moved through the accounts during a six-month period in late 1994 and early 1995.

The account documentation refers to still another account in the Isle of Jersey [CS3285], but no additional information on the nature of this account or the amounts involved was provided.

In addition to checking, money market, time deposit and investment accounts, the private bank extended credit to the Abacha sons through several mechanisms, including letters of credit, trade financing arrangements, overdraft facilities, and multiple credit cards. On one occasion in 1997, the private bank facilitated the cash purchase of a London apartment for about £ 363,000. [CS3171, 3179, 3189] In another instance in 1998, already described, the private bank permitted the sons to incur a \$39 million overdraft, which the bank repaid when an existing time deposit matured a few days later.

The private bank also worked with other parts of Citibank to move millions of dollars for the Abacha sons accounts across national boundaries. Account documents indicate, for example, that Citibank moved \$10 million for Morgan Procurement in April 1996, from London through New York [CS2955]; moved \$4.5 million for the Navarrio account in April 1997, from London to New York [CS2969]; and \$39 million in four transfers in September 1998, from London to various beneficiaries in Switzerland and elsewhere [CS2995-96].

The Abacha sons requested and the private bank provided a number of measures to ensure secrecy. Three special name accounts were established – Navarrio, Gelsobella, and Chinquinto – as well as accounts in the name of a shell corporation, Morgan Procurement. The London profile for the account states: "Do not telephone Client in Nigeria." [CS2734] In 1994, after the attempted fraud on the Gelsobella account, the private bank established codes to refer to fund transfers affecting the accounts. The New York office began using one set of codes in 1994 [CS19667, 1970-71], while the London office was given another set in 1995 [CS3157].

The Relationship Managers. The London office was considered the primary account manager for the relationship. The London accounts were opened in 1988 by Michael Mathews, a

private banker specializing in African clients. He did most of the work on the accounts until 1996, when Melanie Walker and Naveed Ahmed began handling them as well. The New York accounts were opened and managed by Alain Ober, the New York specialist in African clients. He told the Subcommittee staff that he only had a few Nigerian clients, of which this was the largest relationship.

Mr. Ober's New York supervisor on the Abacha accounts was Salvatore Mollica, who told the Subcommittee staff that he did not recall either the accounts or the client names. Mr. Mollica indicated that he did not recall meeting any of the account signatories, even though he travelled to Nigeria with Mr. Ober while the accounts were open.

Due Diligence and Account Monitoring. The account documentation indicates that both Mr. Mathews and Mr. Ober performed due diligence reviews prior to accepting the Abacha sons as clients, but it is unclear whether either realized they were managing accounts for the sons of the Nigerian head of state, until sometime in 1996. The London accounts were opened in 1988, and the New York accounts were opened in 1992, prior to General Abacha's assumption of power in Nigeria in November 1993.

Prior to opening the New York accounts, Mr. Ober obtained two bank references for the Abacha sons and also asked Mr. Mathews for a reference. In an email dated March 3, 1992, Mr. Mathews wrote the following:

"Ibrahim and Mohamed Sani are the son and adopted son of Zachary Abacha, a well-connected and respected member of the Northern Nigerian community. He has given his sons power to operate his accounts, and for the last three years they have been trading commodities through us, and the account has operated entirely satisfactorily, although balances have fluctuated wildly. In contrast to other Nigerians we have dealt with, I have found Ibrahim and Mohamed unfailingly charming, polite and, above all, reliable [T]hey are clearly target market by association, and the section of the Nigerian community that we should be dealing with." [CS2071]

This description is important for two reasons. First, it suggests that it was Mr. Mathews' understanding that the funds in the London accounts actually belonged to the father of the sons, who were "target market by association." Second, his description makes no reference to General Abacha's military status, and it is unclear whether Mr. Mathews was aware of it at the time. Certainly, he did not convey it to Mr. Ober.

Mr. Ober has told the Subcommittee staff that he was unaware for the first three years he handled the accounts that Mohammed and Ibrahim were the sons of the Nigerian military leader. He said that they used "Sani" as their last name, rather than "Abacha," and he believed them to be ordinary Nigerian businessmen, rather than relatives of a public figure. He indicated that he first discovered their relationship to General Abacha when a Citibank colleague mentioned it to him by chance a few weeks before Ibrahim's death in January 1996.

Mr. Ober told the Subcommittee staff that he later asked Mr. Mathews whether he had known of the connection to General Abacha, and was uncertain from Mr. Mathews' response whether he did. A document which suggests that Mr. Mathews did not know is a May 1996 public figure review list which describes the London accounts as belonging to "Muhammed Sani[,] Son of Minister for Youth and Sport." [CS1893] Contrary to this description, in 1996, Mohammed's father was, in fact, the Nigerian head of state. The 1997 public figure review list describes the same accounts as belonging to "Muhammed Sani[,] Son of Nigerian President Account opened several years before father became President."

The fact that the New York private banker did not know, for more than three years, that he was dealing with the sons of the Nigerian head of state is a critical lapse in due diligence. A second due diligence problem involves the account documentation he provided indicating that the primary source for the funds in the New York accounts was the sons' airline business. Publicly available documentation from the U.S. Department of Transportation indicates that the relevant U.S.-Lagos flights were active for only one year, 1992-1993. In 1993, after the United States declared the Lagos airport unsafe, U.S. carriers halted all flights to that airport. These flights produced no revenue after 1993, and, based on records we have, could not be responsible for the \$47 million deposited into the New York accounts from December 1994 until June 1995, more than two years after the U.S. - Lagos flights had stopped.

The account documentation does not acknowledge until 1997, that the U.S.-Lagos flights had stopped producing revenue. Nor does it explain the source of the funds in the account after 1993, other than by making general references to plans by the Abacha sons to expand their airline business, including beginning charter flights to Mecca in 1993. The documents provided to the Subcommittee contain no evidence of the number of Mecca flights planned, the cities involved, or the years in which the Mecca flights actually took place. Nor could the Subcommittee staff find evidence of these charter flights to Mecca in U.S. Department of Transportation airline records. In addition, airline experts with the Congressional Research Service and an air charter company told Subcommittee staff that, if the Mecca flights had taken place, it was extremely unlikely that they could generate \$47 million in six months. While there may be other explanations for these funds, none appears in the New York account documentation for 1994 or 1995.

The account documentation also indicates that, at times, private bank personnel expressed concerns about whether they were being told complete information about the accountholders' business activities. For example, a memorandum dated January 18, 1995, by Luella Gentles, a service officer working with Mr. Ober in the New York office, describes receiving a request to transfer \$5 million from the Chiquinto account to the benefit of "A. Bagudu." [CS1953-55] Due to their unfamiliarity with this name and need for caution after the attempted fraud on the Gelsobella account, the private bank delayed the transfer request until they obtained more information from the accountholders. The memorandum states that Yaya Abubakar and Ibrahim Sani telephoned from Tripoli, Libya, to approve the transfer, and the following conversation took place.

"Ibrahim explained that Mr. A. Bagudu ... was an associate of theirs, and he had transacted some business on their behalf.¹¹ ... Sal [Mollica] and I questioned Ibrahim as to the nature of the business and the purpose of the funds. He assured us that it was straightforward and legitimate, but he could not go into details from the hotel telephone in Tripoli.

I inquired of Ibrahim whether his visit to Libya was to expand his airline business into that country. He stated that he, Yaya and Mr. Bagudu had accompanied the Ambassador of Nigeria to Libya for a conference with some [Libyan] businessmen with the hope of establishing business in Libya.

Sal and I thanked Ibrahim for his openness and explained why we had to question the movement of such a large sum of money under circumstances which were not in keeping with their normal request. Ibrahim assured us that he is not engaged in any political activity and all transactions are directly on terms of his business contracts.

My concern is heightened with the knowledge that he was with the Nigerian Ambassador in Libya plus the recent increase in the flow of funds into the account. For the two months – Dec. 1994 and Jan 1995, we have received in excess of \$21 MM.

Sal states that I should inform Alain [Ober] of this conversation with the client and have Alain speak with Ibrahim again when he is able to speak more freely and openly."

At the top of the memorandum is a handwritten notation: "Source of funds/Libya."

This memorandum indicates that, in January 1995, private bank personnel were aware of and were concerned about the sudden influx of more than \$20 million funds into the New York accounts, the transfer of \$5 million to an unfamiliar person, and the discovery that the Abacha sons were conducting business in Libya, which had no apparent connection to the airline supposedly generating the funds in the accounts. These transactions were out of line with the account history. Mr. Ober told the Subcommittee staff that he assumes he spoke with Ibrahim Abacha after this event, but could not recall what was said other than he must have received sufficient assurances to take no further action.

Mr. Ober's supervisors also took no action on the account. Mr. Mollica, then head of Europe, Middle East and African accounts in New York, told the Subcommittee staff that he could not even recall the accounts, much less any problems with them. The private bank

¹¹Abubakar Attiku Bagudu, a former minister in the Abacha administration, is allegedly named in the Swiss order freezing bank accounts of persons associated with General Abacha; however, it is unclear if he is the person referred to in the memorandum. See "Swiss freeze accounts of Nigeria's Abacha," Reuters (10/14/99)

compliance officer assigned to monitor client transactions in New York also could not recall the accounts. He told the Subcommittee staff that these accounts did not come to his attention even though the 1994-1995 transactions were out of line with prior transactions; account balances jumped from \$2 million to \$14 million to \$35 million in two months; millions of dollars were deposited and withdrawn within days; and Nigeria had been identified by the private bank as a high risk country for money laundering.

It is unclear whether the private bank personnel handling the Abacha sons' accounts in London were ever made aware of the \$47 million influx of funds in New York; however, they too became concerned about the business activities of the Abacha sons during 1995. [CS3190-96; 3211-12] During the summer of 1995, the Abacha sons apparently asked the private bank to guarantee a \$55 million advance payment by the Nigerian Federal Ministry of Women Affairs to its shell corporation, Morgan Procurement, to supply vaccines at a later date. Documents suggest the bank personnel were uncomfortable with the vaccine contract, which was only two pages in length, and with guaranteeing a huge advance payment for vaccines to be delivered in partial shipments at a later time.

An email dated August 3, 1995, from David Hightower in London states the following:

"Claudia, I need your help pinpointing the issues that concern you with this APG [Advance Payment Guarantee]. The client is a prominent and longstanding Nigerian customer and therefore we need to be specific, clear and diplomatic in the way we present our concern about potential money laundering scams to which we feel he may be at risk."

The reply email dated August 4, 1995, from Claudia Nazer states:

"I just do not feel right about this deal, it has 'typical' characteristics of a 419 – a women's group in Nigeria apparently has USD 210MM to spend on vaccines and is prepared to pay USD 55MM up front against a guarantee issued by Citibank, the value of the guarantee will reduce as goods are shipped – sound like a rum one to you?"

Bank personnel were still working on the transaction in 1996, and it is unclear whether it actually went forward.

What is clear is that, beginning in 1996, the funds in the London accounts began climbing rapidly. The funds more than doubled from \$18.5 million in 1996, to \$45 million in 1997, and increased another 30% in 1998 to \$60 million. These account balances do not capture the additional funds that were passing through the accounts during these years. Yet the private bankers managing the accounts do not, in the account documentation provided to the Subcommittee, identify the sources of the new funds.

At the same time the funds were increasing, the client profiles for the London accounts

twice failed reviews by compliance personnel evaluating the due diligence efforts of the private bankers. A review conducted in June 1997 found the London client profile deficient in every category tested, from source of wealth to business background to source of funds used to open the account. [CS3281] A September 1998 review states, "Lack of detail in Source of Wealth on these profiles. ... [A]greed to pass QA [Quality Assurance review] on basis that we are exiting these relationships."¹²

The client profiles in New York also do not inspire confidence. No profiles were provided for the accounts during 1994 and 1995, during the \$47 million influx. In fact, the only profiles provided are from 1997, a few months before the New York accounts were closed. The 1997 Gelsobella client profile provides this information:

"Source of Wealth/Business Background: Charter airline co owned by two sons of President of Nigeria, General Sani Abacha (Ibrahim and Mohamed) and Yaya Abubakar, a pilot. Wealth comes from father who accumulated wealth as head of state of major oil producing country. ... Please refer to profile under 'Chi[n]quinto'." [CS7182; converted from all capitals in original text]

The 1997 Chinquinto client profile adds the following information:

"Special name a/c opened ... to cover activities of charter airline (Selcon Airline Co.) Nigeria/US and Mecca flights. Wealth comes [from] father in connection with oil industry (NNPC) since Nigeria is major oil producing country. ... A/c currently dormant pending reactivation of U.S. business (flights U.S.-Nigeria with American Transair). ... General Sani Abacha is the current military ruler of Nigeria where there is a lot of corruption in connection with the petroleum industry. However, our past experience with the signers of Chinquinto has been good and very professional A/c was used mostly to pay American Transair and bills connected to plane usage." [CS7163; converted from all capitals in original text]

Both profiles identify the charter airline company as a key source of funds, without providing any information on its operations or revenues, other than to note the U.S.-Lagos flights were then dormant. The only other source of wealth identified is General Abacha's oil industry connections, "where there is a lot of corruption." The profile discounts the corruption risks by stating that the private bank's past experience with the Abacha sons has been "good," omitting the concerns and account fluctuations in 1995. The profile also states that the New York accounts were used mostly to pay bills associated with American Transair, the U.S. company that actually operated the U.S.-Lagos flights. The profile fails to note that American Transair operated those flights for only one year, from 1992-1993, and those flight revenues do

¹²The profile's section on source of wealth is not reproduced due to heavy redactions. [CS2735-36]

not explain the six-month influx of \$47 million in 1994 and 1995.

Mr. Ober told the Subcommittee staff that he had long been aware that corruption was a problem in Nigeria and had, as a result, stopped traveling to the country to solicit business. He said that he was aware of the events in 1998, when General Abacha's wife was stopped with 38 suitcases full of cash and son was stopped with \$100 million in cash. He said that he had not, however, discussed these events with his colleagues or supervisors.

Closing the Accounts. In the first quarter of 1999, in connection with its new public figures policy and renewed focus on public figure accounts, the private bank decided to close the Abacha sons' accounts. None of the persons interviewed by the Subcommittee staff provided a specific rationale for this decision. None cited the corruption allegations or concerns with the source of funds in the accounts.

Before the private bank actually closed the accounts, a London court issued an order in a civil suit in March 1999, freezing all accounts related to General Abacha at several London banks, including Citibank.¹³ The civil suit had been filed by a Swiss company seeking funds from the Abacha estate relating to a \$2.5 billion debt buy-back transaction involving a Nigerian steel plant. The suit claims monies owed to the company were diverted from the Nigerian Central Bank into accounts controlled by General Abacha and others.¹⁴ The suit cites, in particular, fund transfers in October 1996, through Citibank AG Frankfurt and Citibank New York. As a result of the court order, the Abacha sons' accounts at the Citibank private bank were and remain frozen.

In October 1999, the Swiss government issued an order freezing all Swiss bank accounts related to General Abacha, his family and certain associates. It also opened an investigation into money laundering.

The Issues

The Abacha sons' accounts again raise issues of due diligence, secrecy and the application of money laundering controls to public figure accounts. The private banker handling the accounts in New York was unaware for more than three years that his clients were the sons of the Nigerian dictator. He attributed the funds in the accounts to revenues from U.S.- Lagos

¹³Compagnie Noga D'Importation et D'Exportation SA v. Australia and New Zealand Banking Group Ltd., 1999 Folio No. 404, High Court of Justice, Queen's Bench Division, Commercial Court, Judge Colman.

¹⁴See, e.g., "London Court freezes accounts of late Nigerian ruler," Agence France Presse (6/3/99); "Nigeria seeks help in tracing billions 'taken' by former military leaders," Financial Times (London)(7/23/99).

airline flights which had ended after one year. He asked no questions about \$47 million passing through the New York accounts in six months. He never discussed with his supervisors press reports that one of the accountholders was caught with \$100 million in cash, amid allegations of corruption. His London counterparts did no better, even moving \$39 million in late 1998, amid a Nigerian government investigation into allegedly corrupt funds belonging to General Abacha, his family and associates. The private bank's senior management, compliance personnel and auditors allowed the accounts to continue for 10 years, until Mr. Aziz made the 1999 decision to close them -- a closing that has since been halted by freeze orders .

Conclusion

These case histories are four of hundreds of public figure accounts at the Citibank private bank. On paper, these public figure accounts were supposed to be subject to the highest level of scrutiny provided by the Citibank private bank. In practice, the public figure accounts reviewed by the Subcommittee staff were characterized more by customer deference than due diligence.

**PRIVATE BANKING FEATURES
CONDUCTIVE TO MONEY LAUNDERING ABUSES**

| FEATURE | HOW IT MAY FACILITATE ILLICIT ACTIVITY |
|---|--|
| MULTIPLE ACCOUNTS Banker opens multiple accounts in multiple names in multiple jurisdictions for client. | Impedes monitoring and tracing client activity and assets and allows quick, confidential movement of funds. May hide or facilitate illicit activity. |
| OFFSHORE ACCOUNTS "Shell" corporations or trusts formed to hold client assets offshore. Banker opens accounts in name of offshore entities. | Impedes monitoring and tracing client activity and assets. May hide or facilitate illicit activity. |
| SPECIAL NAME OR NUMBERED ACCOUNTS Banker opens account in code name. | Impedes monitoring and tracing client activity and assets. May hide or facilitate illicit activity. |
| WIRE TRANSFERS Banker facilitates complex wire transfers from multiple accounts to multiple destinations in substantial amounts. | Allows quick, complex movement of substantial funds across jurisdictional lines. |
| CONCENTRATION ACCOUNTS Banker conducts client business through account that commingles various funds. | Impedes monitoring and tracing client activity and assets. May hide or facilitate illicit activity. |
| OFFSHORE RECORDKEEPING Bank maintains client records offshore and minimizes or eliminates information in US. | Impedes bank, regulatory and law enforcement oversight. |
| SECRECY HAVENS Bank conducts business in country which criminalizes disclosure of bank information and bars US bank regulators. | Impedes bank, regulatory and law enforcement oversight. |

Compiled by U.S. Senate Permanent Subcommittee on Investigations, November 1999

RAUL SALINAS

| | |
|--|---|
| CLIENT'S DOMICILE | Mexico |
| IDENTITY | <ul style="list-style-type: none"> • Former Mexican government official • Brother of former President of Mexico |
| LEAD PRIVATE BANKER | Amy Elliott, Citicorp private bank in New York |
| LOCATION OF CITICORP PRIVATE BANK ACCOUNTS | <ul style="list-style-type: none"> • London • New York • Switzerland |
| YEARS IN WHICH ACCOUNTS OPEN | 1992 - present Accounts frozen in 1995 |
| TOTAL FUNDS THROUGH ACCOUNTS | \$80-100 Million |
| SERVICES PROVIDED BY PRIVATE BANK | <ul style="list-style-type: none"> • Establishment of shell corporations: Trocca, Birchwood • Special name account: Bonaparte • Investments • Loans up to \$3 million • Wire transfers, credit cards • Moved funds through concentration accounts |
| SOURCE OF FUNDS IN ACCOUNTS | <ul style="list-style-type: none"> • Client identified construction company sale • Initial \$2 million deposit from account of Carlos Hank Rhon • Bank also identified Salinas family wealth as source of funds |
| LEGAL PROCEEDINGS | <ul style="list-style-type: none"> • Swiss court has frozen accounts and determined funds include drug trafficking proceeds; appellate court ruled lower court lacked jurisdiction; further proceedings pending • Mexican court convicted Salinas of murder • Ongoing Mexican criminal investigation into allegations of illicit enrichment and money laundering |

ASIF ALI ZARDARI

| | |
|--|--|
| CLIENT'S DOMICILE | Pakistan |
| IDENTITY | <ul style="list-style-type: none"> • Former Pakistani government official and legislator • Husband of former Prime Minister of Pakistan |
| LEAD PRIVATE BANKER | Kamran Amouzegar, Citicorp private bank in Switzerland |
| LOCATION OF CITICORP PRIVATE BANK ACCOUNTS | Switzerland |
| YEARS IN WHICH ACCOUNTS OPEN | 1995-1997 |
| TOTAL FUNDS THROUGH ACCOUNTS | In excess of \$40 million |
| SERVICES PROVIDED BY PRIVATE BANK | <ul style="list-style-type: none"> • Established accounts for three shell corporations: Capricorn Trading, Marvel, Bomer Finance • Investments |
| SOURCE OF FUNDS IN ACCOUNTS | <ul style="list-style-type: none"> • \$18 million from Dubai Citibank account • Other sources unidentified |
| LEGAL PROCEEDINGS | <ul style="list-style-type: none"> • Pakistani court convicted Zardari of accepting \$9 million in kickbacks; additional charges pending • Swiss court has frozen accounts and indicted Zardari for money laundering |

EL HADJ OMAR BONGO

| | |
|--|--|
| CLIENT'S DOMICILE | Gabon |
| IDENTITY | President of Gabon since 1967 |
| LEAD PRIVATE BANKER | Alain Ober, Citicorp private bank in New York Christopher Rogers, Citicorp private bank in Paris |
| LOCATION OF CITICORP PRIVATE BANK ACCOUNTS | <ul style="list-style-type: none"> • Isle of Jersey • New York • London • Paris • Luxembourg • Switzerland |
| YEARS IN WHICH ACCOUNTS OPEN | 1970 - present Accounts in the process of being closed |
| TOTAL FUNDS THROUGH ACCOUNTS | In excess of \$130 million |
| SERVICES PROVIDED BY PRIVATE BANK | <ul style="list-style-type: none"> • Establishment of shell corporations: Tendin, Leontine • Special name account: OS • Investments • Loans up to \$50 million; credit cards |
| SOURCE OF FUNDS IN ACCOUNTS | <ul style="list-style-type: none"> • Client declined to provide information • Initial deposit of \$52 million from Citibank Bahrain account • Bank speculates primary sources of funds are Gabon government funds and oil-related revenues |
| LEGAL PROCEEDINGS | <ul style="list-style-type: none"> • French criminal investigation of allegations of illegal payments by Elf oil company to President Bongo, among others • At request of French, Swiss courts have frozen accounts associated with President Bongo at banks other than Citicorp; in June 1997 hearing, Swiss prosecutor was quoted describing President Bongo as the "head of an association of criminals." |

ABACHA SONS

| | |
|--|---|
| CLIENTS' DOMICILE | Nigeria |
| IDENTITY | <ul style="list-style-type: none"> • Mohammed, Ibrahim and Abba Abacha are sons of General Sani Abacha, former military leader of Nigeria |
| LEAD PRIVATE BANKER | Alain Ober, Citicorp private bank in New York Michael Mathews, Citicorp private bank in London |
| LOCATION OF CITICORP PRIVATE BANK ACCOUNTS | <ul style="list-style-type: none"> • Isle of Jersey • London • New York |
| YEARS IN WHICH ACCOUNTS OPEN | 1988 - present London accounts frozen in 1999; Citicorp to close all accounts |
| TOTAL FUNDS THROUGH ACCOUNTS | In excess of \$110 million |
| SERVICES PROVIDED BY PRIVATE BANK | <ul style="list-style-type: none"> • Establishment of shell corporation: Morgan Procurement • Special name accounts: Chinquinto, Gelsobella, Navarrio • Investments • Loans up to \$39 million; credit cards; trade financing • Wire transfers |
| SOURCE OF FUNDS IN ACCOUNTS | <ul style="list-style-type: none"> • Client identified charter airline business, pharmaceutical commissions, petroleum products, and other business dealings • Bank also identified General Abacha's wealth as source of funds, in particular from oil industry |
| LEGAL PROCEEDINGS | <ul style="list-style-type: none"> • Nigerian criminal investigation into allegations of money laundering and other misconduct involving billions of dollars • At request of Nigeria, Swiss court has frozen Abacha related accounts, including Mohammed Abacha accounts, and begun money laundering investigation • At request of Swiss company in civil suit, London court has frozen Abacha sons' accounts at Citicorp and other banks • Mohammed Abacha arrested on charges of murder |

PREPARED REMARKS OF AMY G. ELLIOTT
DELIVERED TO THE UNITED STATES SENATE PERMANENT
SUBCOMMITTEE ON INVESTIGATIONS OF THE COMMITTEE ON
GOVERNMENTAL AFFAIRS ON NOVEMBER 9, 1999

Good morning. My name is Amy Elliott. I work at Citibank's Private Bank and have been an employee of the Bank for the last 32 years.

This hearing will explore how banks might be vulnerable to money laundering and what banks can do to avoid unknowingly accepting money from drug dealers or other criminals. I view this as a very important topic. I share the Subcommittee's concern about money laundering. I appreciate my responsibilities in this matter -- both my fiduciary responsibility and as a citizen. As a banker, I have always tried to be alert to the risks of money laundering and to the possibility that a client might be trying to deposit tainted money.

I. Who I Am

Before discussing Mr. Salinas' accounts, I would like to provide a little personal background. I was born in Cuba and emigrated alone to this country in 1961 when I was 17 years old. My parents were not able to leave Cuba until a few years later. My grandparents were never able to leave Cuba, and their property and wealth were confiscated by the Castro government.

When I came to America, I ended up in Nebraska where I went to college. I joined Citibank in 1967 and worked in a variety of positions until 1983, when I joined the Private Bank.

In 1992, when Raúl Salinas became a client of Citibank and I became his relationship manager, I was the Mexico Team Leader in New York.

II. The Salinas Account

When I first met Raúl Salinas in early 1992, his brother, Carlos Salinas, was the President of Mexico. President Salinas was a hero both in his own country and abroad. President Salinas was a Harvard-educated reformer who had pledged to revive Mexico's economy, combat drug dealing, and stamp out corruption. He was a guest of President Bush at the White House, and both Presidents Bush and Clinton worked with him in passing NAFTA to increase trade between Mexico and the United States. In Mexico in the early 1990's, the Salinas family was known as an old, distinguished family that had wealth going back generations.

By 1992, I had been working with Mexican clients for about eight years, and my clients spoke glowingly about the Salinas family.

Raúl Salinas was referred to me by one of our most valued clients who personally brought him to the Bank in New York. At the time, the referring client had maintained accounts at Citibank for at least 10 years, and

I had been managing those accounts for almost four. Long before referring Raúl Salinas to Citibank, this client had told me that he had been close friends with Raúl Salinas since childhood and that he had worked with him on business projects.

My supervisor in New York and I met with them and discussed the possibility of Mr. Salinas opening an account. Mr. Salinas confirmed to us at that time some of the background information the referring client had previously given me.

Mr. Salinas requested that his accounts be structured in the same manner as the accounts of the client who referred him to the Bank. Mr. Salinas established a personal investment company, or "PIC," to hold his investments, and the shares of that PIC were owned by a trust. This was a very standard account structure in the private banking industry, including Citibank. Such an account structure provides for confidentiality and also allows for efficient tax and estate planning. Many wealthy Mexicans have a heightened sensitivity to confidentiality of financial information because they are frequently the targets of kidnappings and other violent crimes in Mexico.

Mr. Salinas initially deposited \$2 million dollars -- money, in fact, that was being returned to him by the referring client as a result of a joint

venture that did not go through. In mid-1993 Mr. Salinas started to deposit larger amounts of money at Citibank. By this time, I believed that his wealth had grown from a number of sources. First, I believed he had sold his construction company. Second, I knew that Mr. Salinas was a member one of Mexico's wealthy families. In Mexico, children often receive their inheritance, called patrimonio, while their parents are still alive. Third, I knew that the Mexican stock market had been doing very well, and I believed that his investments and the patrimonio had grown considerably. Fourth, Mr. Salinas married Paulina Castañon in June of 1993, and I learned that she had received a substantial divorce settlement.

For all of these reasons, I felt completely comfortable accepting his additional deposits in mid-1993 and thereafter. Mr. Salinas' deposits also made sense because Citibank's investment managers had done a good job investing the money he had deposited with us up to that point. It is for this reason he decided to deposit a larger percentage of his total assets with Citibank. The activity in the account never appeared suspicious to me in any way; in fact, quite the opposite. It seemed entirely consistent with what I knew about Raúl Salinas and his family.

The public's perception of the Salinas name today, however, is very different than it was when I first met Raúl Salinas. In 1992, when I accepted

Raúl Salinas as a client of Citibank, there were simply no questions about the integrity of Raúl Salinas or the Salinas family name. Now, Carlos Salinas is in self-imposed exile. After he left office at the end of 1994, his successor devalued the peso, and that was the beginning of the end of his sterling reputation.

III. The Context of the Salinas Relationship

There is more context. The account relationship with Raúl Salinas was one of seven or eight that I personally managed. Today, the spotlight shines on this account. At the time, however, Raúl Salinas' account was not the largest, the most profitable, or most important account I managed. In fact, it was one of the smallest accounts, and one of the least active. As large as the amounts seem to us in personal terms, they were not unusual in the context of the wealthy Mexican business people who are clients of the Private Bank.

Finally, Mr. Salinas' decision to transfer money out of Mexico and from Mexican pesos into U.S. dollars in 1993 -- which was the year before the Mexican Presidential election -- is exactly what many other wealthy Mexicans, including my clients, were doing at the time. This is, sadly, a tradition in Mexico because of the political and economic instability that occurs in the country around Presidential elections. The value of the peso

and the Mexican stock markets usually drop preceding Presidential elections. And, there seems to be a fear that, with political transition, one could suddenly find oneself under enormous political attack. So, there were large amounts of money leaving Mexico in the 1993-94 time frame, including the funds of Raúl Salinas. That, in the context of Mexican politics, was not surprising and it was certainly not illegal; rather it was prudent and happened like clockwork every Presidential election year.

Of course, this idea is quite foreign to many Americans who since birth have enjoyed living in this very stable country.

IV. Conclusion

It is easy to ignore the context I have described and instead to focus on isolated details in this matter and make them seem questionable. The world in which I operated as a private banker in the early nineties was different from the private banking environment today. Procedures, technology, and safeguards are very different today at Citibank. Today, given all the changes that have taken place at the Bank, there is much more I would be required to do to accept a new private banking client such as Raúl Salinas.

I am ready to answer your questions. I only ask you, with all due respect, to keep in your mind the broader picture I have described as you frame your inquiry of me. Thank you.

Statement of Albert Misan

Senator Collins, Senator Levin, Members of the Subcommittee, Members of the Subcommittee Staff, Good Morning.

My name is Albert Misan, and I have been a banker for almost all of my professional life. I was born in 1949 in Alexandria, Egypt. Being of Jewish descent, our family was under tremendous pressures, and after the Suez War of 1956, my family felt compelled to leave Egypt. Half of my family emigrated to Australia, while the other half, including my immediate family, went to Rio de Janeiro, Brazil. My father had a successful career in the shipping business in Egypt, but he was forced to give it up and to surrender all of our assets when we left Egypt. When we arrived in Brazil we therefore had no money, and none of us spoke the language. Fortunately my father was able to get a job working at a private British elementary school, which my siblings and I were able to attend for free. I later got a scholarship to an American High School in Brazil, and later I was able to get a partial scholarship to attend a university in the United States. In order to pay for college, during the summers, I got my union card with the AFL-CIO and worked as a union laborer.

I graduated from college in 1972 and returned to Rio, where I got a job in the human resources department at Citibank. I successfully completed a training program, and in 1974, I was promoted to work in the Consumer Bank, working on the accounts of high net worth individuals. In 1977, I transferred to the Corporate Bank, where I was first an account manager, and later became a supervisor in Citibank's Sao Paulo office.

In 1983, I got my first opportunity to work in New York when I was asked to join the Citibank team that was working on the restructuring of the Brazilian debt. I worked on this project through 1985, when I was named the head of the Corporate Bank for Ecuador. In 1987, I was transferred to the Corporate Bank in Mexico.

In early 1988, I was asked to join the Private Bank, and my first assignment was to establish what was referred to as an “onshore” presence of the Private Bank in Mexico. At the outset, I was virtually alone, but by the end of the first year we had hired a professional staff that included 4 private bankers. In 1990, there were 7 bankers reporting to me in Mexico City, and at about this time I was also given responsibility for private banking offices in San Diego, Los Angeles and Houston. In 1992, I was named the Mexico country head, and in that capacity was placed in charge of all the Private Bank’s Mexico business within the Western Hemisphere Division, including the business managed out of New York.

I was not a private banker in the sense that I was not responsible for managing any particular client relationships. Although I did meet with customers on occasion, my principal responsibilities were administrative. My immediate supervisor during the early 1990's was Reynaldo Figuerido, who was headquartered in New York. Mr. Figuerido, in turn, reported directly to G. Edward Montero, who was until recently was the Private Bank’s Division Executive in charge of the Western Hemisphere. My colleague Amy Elliott was the head of the Mexico team in New York and a senior private banker. I

continued to be the country head for the Private Bank in Mexico until 1996 when I moved to New York to manage the Private Bank's investment advisory business for the Western Hemisphere. My responsibilities have expanded over time, and now include the Private Bank's onshore local currency investment business throughout Latin America.

As I indicated at the outset of my statement, I have been a banker for virtually all of my professional life. Bankers are by and large conscientious by nature and conservative by training and inclination. When I started in banking, one of the fundamentals of the business was knowing one's customers. At that point, the reasons for doing so were principally credit driven: If you loaned money to an individual or a company you wanted to be able to have a high degree of confidence that the loan would be repaid. Everything you could learn about a client added to your ability to evaluate credit risk. If you know your customer, the risk of doing business with that customer declines materially.

Over time, additional reasons why it was important to know one's customer became more evident: for example, to adequately address "suitability" issues, which relate to ensuring that a customer's risk profile matches the investments selected for the customer's portfolio. Another reason which emerged was the growing awareness that a bank had to be vigilant against the possibility that its customers might be engaged in money laundering. The focus in this regard was at first principally on cash transactions, but the component of KYC that focused on anti-money laundering procedures was clearly taking root.

At the same time, in the early 1990's management began emphasizing the importance not only of a banker knowing his or her customer, but that there be adequate documentation of that knowledge. From a management perspective — and I was a manager — this KYC effort introduced a new issue: How do you get Relationship Managers, who are first and foremost interested in marketing efforts, to spend valuable time filling out forms. Furthermore, for some the documentation appeared superfluous since the information that was being recorded was already known to the private banker in question and therefore readily available when necessary. We had always expected our private bankers to be in effect walking sources of KYC information, but we were now taking that a step further and requiring that the information be memorialized. Unfortunately, it took a longer time to bring our KYC documentation to the levels we wanted than we expected. The documentation of KYC was a difficult task as many of our clients had been with the bank for a long time, some for 40 or 50 years. At times it was difficult for a new private banker to go back to these long-standing clients to ask them a series of detailed financial questions. We did so, but it took longer than we anticipated to get all of our questions answered. Since the outset, our Private Bankers were conscious of money laundering. Their awareness and sensitivity to these issues has grown over time as we strove to constantly raise the bar, and today, it has become a routine part of their thought processes when dealing with clients.

In closing, I would like to emphasize that in 1999 Citibank Private Banking has evolved from what it was in the early to mid-1990's and the Private Bank's current policies have tightened the procedures and systems to insure a significant improvement in the overall operation of the Private Bank.

At this point, I have completed my prepared remarks and would be pleased to take questions from the Subcommittee.

Thank you.

Albert Misan

Statement of Alain Ober

I am Alain Ober. I am originally from France, but have lived in the United States since 1972, and I enjoy dual citizenship in France and the United States. I have worked for the Citibank Private Bank as a relationship manager for African clients since 1991. Although I travel to Africa frequently, I have worked out of the New York office for the entire time. Prior to accepting the position at Citibank, I worked for Manufacturers Hanover Trust as a correspondent banker for African clients, also in New York.

As a relationship manager for African Private Bank clients, I am responsible for managing existing relationships and developing new ones. I follow the client accounts closely and tend to the clients' needs on a day to day basis. I report directly to the EMEA New York Unit Head, Jan Huisman, and also to the Global Marketing Manager for Africa, Chris Rogers, who is based in Johannesburg, South Africa. When questions or concerns arise in connection with specific clients or accounts, I confer with both Mr. Huisman and Mr. Rogers.

In my capacity as a private banker, I have specific anti-money laundering responsibilities. I am trained to be aware of and detect attempts to launder money, and information from a variety of sources, including the client, public information, references, and the knowledge of local African Citigroup personnel. The Know Your Customer procedures are extremely important, and enable the bank to ensure that it is dealing with clients who have established their wealth through appropriate and lawful means. I update

the information contained in the customer profiles throughout the course of the customer relationship.

Although procedures for obtaining information about a customer's background and source of wealth have been in place since I have been with the Private Bank, in the past few years, in light of a changing regulatory environment and lessons learned from problems in the past, the bank has significantly strengthened the procedures. For example, today my customer profiles are independently reviewed by quality assurance personnel who make sure that I have obtained the requisite information and included it in the profile. In the past, although I knew my customers and was always comfortable with their sources of wealth, I was not required to document the information in as much detail as I am today. In the last few years, the importance of documentation has been increasingly emphasized and the quality of the information has been more closely scrutinized.

I have personally handled certain accounts of public figures. Such accounts sometimes have been hard to manage because of the difficulty in getting information about account transactions directly from the client. In June 1998, the Private Bank significantly revised its Public Figure Policy, setting forth the bank's standards for accepting and maintaining accounts of politically prominent individuals and their families. Pursuant to the Public Figure policy, we do not target public figures as clients, and a new public figure client may be accepted only with approval of the Public Figure Review Committee, which consists of the head of the Private Bank and other senior

officials who do not have client-relations responsibility. Existing public figure accounts are reviewed annually by this Committee. As the Subcommittee staff is aware, as a result of this process, the Private Bank has refused or terminated accounts for certain public figures.

I am pleased to have had the opportunity to make this statement and welcome any questions you have regarding my role as a private banker. Thank you very much.

STATEMENT OF G. EDWARD MONTERO

Good afternoon Senator Collins, Senator Levin and Members of the Permanent Subcommittee on Investigations.

My name is Ed Montero and I have spent my entire 34-year banking career at Citibank. I must say that I have always been extremely proud to be a part of an organization with such strong leadership, integrity and values. I would not and could not have devoted such an important part of my life to Citibank if I had not believed this was so. I began my career as a banker in the Corporate Bank and for the last 17 years have headed the Western Hemisphere Division of the Private Bank. This Division focused primarily on clients from Latin America and Canada, but at different times had varying responsibilities concerning other regions of the world. Most recently, I became Senior Executive for Client Relationships in July of this year.

Since 1996, one of my top priorities has been to make anti-money laundering policies and procedures in the Western Hemisphere Division as strong as we could possibly make them. I have also worked very hard to assist Mr. Aziz, who until last month was the head of the Private Bank, in implementing a state-of-the-art anti-money laundering program for the entire Private Banking Group.

But, before I comment on this new program and how it came into being, I think it is very important for me to emphasize my belief that it has always been Citibank's policy to avoid customers who might seek to use the bank for

illicit or illegal purposes. We want to do business with good people, and we want to avoid bad people.

Let me focus on the international side of private banking, which I believe is your greatest area of interest today, and attempt to explain some of the reasons why we have considered it appropriate to provide confidential services to our clients. Many of the clients in Latin America are individuals who fled wars in Europe and feel a heightened need to avoid unnecessary dissemination of information concerning their wealth. In addition, many countries in Latin America have been plagued in recent years by acts of violence against wealthy and prominent citizens. I have met a great number of our clients in their homes, and many have a story to tell about a loved one, a friend, a neighbor, or a business associate who has been the victim of a kidnapping or extortion plot. I had a wonderful client who was kidnapped and killed just last year. Another client who had recently visited me was kept in a box with a broken leg for over 6 weeks, and may never walk unaided again. I could give you more examples, but the common thread is that a number of our clients have been driven by fear to a heightened desire for privacy, and these feelings have been carried over into their banking relationships, which they wish to be characterized by as much discretion and confidentiality as the law permits. These are good, law abiding customers with very serious legitimate privacy concerns.

Against that background, I want to emphasize that I am proud of what we've done in the Western Hemisphere Division of the Private Banking

Group. From the very beginning we have been quite vigorous in rejecting prospects that were questionable in any way and in closing accounts when we learned that they were problematic, no matter how profitable. In the Western Hemisphere Division over the last 17 years we've had over 50,000 accounts, only very few of which have presented any problems.

To achieve this, we have relied upon the judgment and discretion of our individual bankers. What we have learned over the past decade is that this is not good enough. In order for our anti-money laundering program to be as effective as it needs to be to protect the bank, we need thorough documentation, strict account monitoring capabilities and careful independent reviews.

This lesson was a hard one for me. The crystallizing event occurred in 1996 when, for the first time, my unit failed an internal Citibank audit. I was shocked and devastated by the audit result at the time, but I realize now that it was ultimately positive. I took the audit result very seriously and regarded it as a call to arms. It led me and the management team in the Western Hemisphere Division to focus on our anti-money laundering program with a new intensity. As a result, I led a very vigorous corrective action plan to address the deficiencies identified by the audit, and we have now regained our historically favorable ratings.

We created a full time task force comprised of 8 to 10 senior staff members to review and revise our procedures. We went over each and every existing customer profile, a total of 19,000 profiles in the Western Hemisphere

Division, investigated and corroborated missing information and assessed the desirability of each customer relationship. All of these revised profiles were reviewed by an independent Citibank quality assurance team.

Moreover, the Private Bank as a whole has made enormous progress in recent years as regulatory standards and our own audit standards have increased. I know Mr. Reed has delivered to your committee a statement by Mr. Aziz that details our institution's progress in this area. As you will see, we now have, among other things, a more rigorous pre-screening process for prospective clients, more rigorous documentation and verification requirements for Know Your Customer information as well as an independent review of all such information, an automated funds tracking system to monitor all existing accounts and a requirement that multiple bankers interact with all accounts. We also give special scrutiny to accounts of public figures and their families. We have also clarified the supervisory structure under our new system of "global market management" so that there are now clearer lines of authority and supervision within the Private Bank.

In conclusion, I am proud of the work my colleagues in the Western Hemisphere Division and indeed the entire Private Bank have done over the last several years to address these important issues. I thank you for the opportunity to address your Committee.

PREPARED STATEMENT OF JOHN REED, CHAIRMAN AND CO-CEO OF
CITIGROUP

Good morning, Madam Chairman, Senator Levin, and Members of the Permanent Subcommittee on Investigations.

I am John Reed, Chairman and Co-Chief Executive Officer of Citigroup. I appear today with Todd Thomson, who became the head of our Private Bank about ten days ago, and Mark Musi, the head of the Private Bank's Compliance and Control Department. Unfortunately, Shaukat Aziz, who ran the Private Bank for the last two years and under whose leadership many of the improvements in our Private Bank's anti-money laundering programs took place, cannot participate in these hearings. Mr. Aziz would really have been the most appropriate witness today, given his experience and knowledge but, as you know, he was called home to serve his country, Pakistan, as Minister of Finance. He left the Bank on October 29. He asked me to submit his statement for the record, and it is attached to my own.

Citibank is the only United States bank that does business all over the world. We have offices in 100 countries. We have 100 million customers around the world. We operate in a wide variety of cultures, and languages, and legal systems.

These hearings focus on money laundering — the use of the banking system to disguise the origin of money obtained by illegal or questionable means. As one of the world's largest and most global institutions, the prevention of money laundering is a special concern for us — one we have recognized and one to which we have responded. Like all similar institutions, we have had problems and made mistakes. At the same time, I believe that we have one of the best anti-money laundering programs in the industry — one that is *effective*.

Each of our businesses in each of our locations is vigilant in detecting and preventing money-laundering schemes and other efforts to misuse the financial services we provide to law-abiding clients, both here and abroad. Our anti-money laundering programs, especially in the Private Bank, have evolved and improved significantly in recent years, reflecting the changing nature of these risks and our commitment to be a leader in combating financial crimes while at the same time protecting our customer's financial privacy. It starts with attitude — and we are clear: we do not want to deal with customers who are not honest.

All Financial Institutions Are Potentially Vulnerable To Money Laundering. While the Subcommittee has chosen to focus today on private banking, my own view is *that all financial institutions — whether banks, securities firms, or other types of financial intermediaries — are potentially vulnerable to money laundering.* Private banks are just one subset of the potentially vulnerable institutions. Our Private Bank, for example, is a very small part of Citigroup, accounting for about 2.5% of Citigroup's business. Private banks in general are no more and no less vulnerable to abuse by the unscrupulous and the dishonest than the much larger parts of most financial institutions. We at Citigroup are deeply committed to the fight against money laundering in every part of the institution, not just in the Private Bank.

Combating Money Laundering. What can financial institutions do to combat the risks of money laundering? They can do the kinds of things that we at Citigroup try to do:

— establish a culture that values and rewards control and compliance, and show that senior management shares that commitment;

- create independent compliance, audit, risk management, and legal functions where compensation and promotion depend on doing a good job, not the profitability of particular customer relationships;

- develop and update policies and procedures that meet or exceed applicable legal and regulatory requirements, and train their people in them;

- invest in technology that helps line business personnel comply with anti-money laundering policies and procedures, and that helps compliance personnel monitor compliance; and

- recognize that you must keep working every day to devise even stronger methods to prevent money laundering, because you cannot ever rest safely on your laurels.

The Citigroup Anti-Money Laundering Program. Citigroup has both a corporate level anti-money laundering policy and a corporate level office responsible for anti-money laundering activity.

The Citigroup Global Anti-Money Laundering Policy. One of the first Citigroup-wide policies to be issued after the merger with Travelers in 1998 was a global anti-money laundering policy. We recently issued a revised and strengthened version of that policy. A copy is attached to my Statement.

Our Global Anti-Money Laundering Policy applies to Citigroup businesses worldwide. It requires that all our businesses adhere to specific standards to protect Citigroup from being used for money laundering activities. Each business unit must have an anti-money laundering program that includes:

- a written anti-money laundering policy that sets forth the business unit's Know Your Customer policies and procedures as well as the other basic elements of its anti-money laundering program;

- the designation of Anti-Money Laundering Compliance Officers or other appropriate personnel specifically responsible for monitoring compliance with the anti-money laundering program;

- appropriate methods of monitoring and reporting suspicious transactions; and

- anti-money laundering training and assessments by the business unit of its adherence to the anti-money laundering policies and procedures that it has established.

Making Sure Our Anti-Money Laundering Policy Works. At the corporate level, we have established the Global Anti-Money Laundering Compliance unit, which has responsibility for coordinating the anti-money laundering compliance programs of Citigroup businesses worldwide. The Global Anti-Money Laundering Compliance unit is headed by Joe Petro, whose background in law enforcement includes significant experience developing financial crime enforcement policy, and the unit has as its general counsel a former federal prosecutor.

This corporate level commitment to anti-money laundering efforts is very important not only for what it accomplishes but also for what it tells our employees about the seriousness with which we approach our anti-money laundering responsibilities.

The Private Banking Business. Private banking — in essence, the provision of sophisticated financial products and services to wealthy clients — is probably about as old as the banking business, and Citibank has been in the business for many years. The business has changed dramatically in just the last several years. On the international side particularly, it was

once driven by local inflation and bad economic policies in many emerging market countries. But with the tremendous increase in private wealth around the world, the desire for global investment opportunities is now much more important. In addition, regulatory scrutiny of how much a bank knows and has recorded in its files about the manner in which private banking clients obtained their wealth is much greater now than in the past.

I am convinced, and have been for a long time, that the private banking business can be conducted in an honorable way, fully consistent with the expectations that our regulators and the public have for an institution like Citibank. Under Mr. Aziz's leadership, the Private Bank rethought its basic business strategy and target clients. To summarize very briefly what Mr. Aziz explains in his Statement, the business model now focuses on "wealth creators" — such as business owners and corporate executives — who want superior service and investment performance. These clients, like the rest of us, want their personal financial affairs to be kept confidential, but they are not particularly driven by a desire for secrecy. This business strategy was presented to the Citicorp Board of Directors in July 1998 by Mr. Aziz, as part of the Board's oversight of the Private Bank.

The Anti-Money Laundering Program At The Private Bank. In addition to rethinking the business strategy of the Private Bank, Mr. Aziz oversaw a dramatic improvement in the anti-money laundering program of the Private Bank. His Statement reviews these developments in detail. Let me just mention some of the highlights:

— In 1997, the Private Bank put in place a new, comprehensive Global Know Your Client Policy. Strong, independent personnel review the documentation prepared by the business unit to assure that it has the information it needs about the client. The Private Bank's

multi-million dollar investment in technology includes a new software program which facilitates the compilation and review of know your customer information and therefore compliance with our policies.

— The Private Bank is putting into place a transaction monitoring capability that will allow it to monitor every transaction of every customer utilizing newly developed technological capability. This state-of-the-art computer program creates a model of each client's expected transactions and identifies deviations from expectations, so the Compliance Department can follow-up.

— In 1998, the Private Bank further strengthened its Public Figure Policy, which applies around the world and makes clear that public figures are not part of the Private Bank's target market. The policy prohibits the acceptance of a public figure client without approval of a Committee consisting of the head of the Private Bank as well as those in charge of Compliance, Legal and Risk Management at the Private Bank. Each public figure that is a client is reviewed every year by this Committee.

These are significant improvements, reflecting commitment and hard work by the Private Bank. We believe they put the Citibank Private Bank at the forefront of the industry in the fight against money laundering.

Internal Audits Of The Private Bank. One of the results of the work that Mr. Aziz and his team have put in over the last few years is that the internal audit ratings of the Private Bank on control issues have improved dramatically. As Mr. Aziz's Statement shows, in 1999, through the third quarter, the Private Bank has a 100% pass rate on internal audits. This is an excellent record.

There is no question that in the mid-1990s, the control environment in the Private Bank was not satisfactory. Our internal audits showed this. These unsatisfactory audits of the Private Bank drew my attention and that of the Audit Committee of the Board. In banking, control must come before profitability or growth. In response to these unsatisfactory audits, key personnel at the Private Bank were replaced, policies and procedures were revamped, and technology was significantly improved.

My own view, looking back over the efforts at the Private Bank through the 1990s, is that our internal processes for identifying and fixing problems worked fairly well. The internal auditors were candid and specific in expressing their concerns. Senior management and the Board's Audit Committees took note and took action. Of course, the changes did not occur overnight, and in retrospect one could take issue with whether they happened fast enough. But when part of what had to be done was to make sure that the culture of the Private Bank reflected the commitment of the whole institution to our anti-money laundering efforts — as was the case here — change takes time. You cannot simply call a meeting of all 3,600 employees of the Private Bank for 4 p.m. one day, announce that “the culture will change effective immediately,” and expect to get the results you want. It takes long, hard work. We are doing the work, and we are getting results.

Our regulators, I am glad to say, agree. In January 1999, the Federal Reserve wrote in its Examination Report that the management of the Private Bank “has demonstrated that it is committed to achieving its goal of changing the culture of the Private Banking Group and creating a well-integrated global risk management and internal control structure. Significant progress has been made in correcting control deficiencies noted at the prior inspection, including those in . . . KYC Compliance.”

The Salinas Matter. It is my understanding that the Minority Staff has been particularly interested in Citibank's actions in connection with Raul Salinas. The events in question, as you know, occurred more than five years ago, in a completely different regulatory and technological environment.

We have learned much from the Salinas matter. We remain convinced that Citibank and its employees violated no laws or regulations in the way the Salinas account was handled. At the same time, the Salinas matter was one of the events that showed us, and all financial institutions, the necessity of stricter know your customer and transaction monitoring policies, and of assuring their complete implementation. The Citibank Private Bank, as I noted before, has dramatically improved its transaction monitoring capabilities in the last few years, as well as the documentation of our know your customer information, by making a multi-million dollar investment in state-of-the-art technology.

The General Accounting Office issued a report last year on Citibank's relationship with Raul Salinas. We have prepared some comments on the Report, which I have attached to my Statement, and which I hope will put some of the Report's criticisms of our activities into the proper perspective. But I think the most important thing to tell you is that Citibank has learned from the past, and it has moved forward. After you read Mr. Aziz's Statement about the improvements in the Private Bank's anti-money laundering program, I am sure you will agree with me.

The Challenges Ahead. There are many challenges ahead of us as bankers as we deal with money laundering issues. There are also challenges for Congress and the regulators.

First and foremost, we as bankers must remember that no matter how much we learn, none of us can ever relax in the fight against money launderers. The battle against money laundering requires relentless improvement in our systems and techniques. I know that we have learned this lesson at Citigroup.

A challenge that bankers, regulators and Congress all face is learning how to fight money laundering in organizations that engage not only in banking activities, but also in securities and insurance activities in the United States through a financial holding company under the new financial modernization legislation. We at Citigroup have a bit of a head-start on other organizations, because we have been operating in this form now for a little more than a year. As I described above, we have decided to apply our anti-money laundering policies across the entire corporation, a decision that I think reflects our commitment to the fight against money laundering. I hope other institutions will make the same decision, but if they do not, the regulators and Congress will have to consider what steps to take.

Finally, I hope Congress will follow and support efforts by the private sector to establish uniform international anti-money laundering standards. We live and work in a completely global economy, where funds move at the speed of electrons and banks from all over the world compete with one another for business. The fight against money laundering cannot be won by any one institution or even by any one country. Global standards and self-regulation would ensure that Citigroup and other institutions committed to stringent and effective anti-money-laundering efforts are not undermined by institutions and countries that do not share our commitment. Global standards and self-regulation would also ensure that the long-term fight against money

laundering and governmental corruption are not held hostage to short-term political interests in any one country.

The Citibank Private Bank, under Mr. Aziz's leadership, developed a proposal for a private sector initiative through which private banks throughout the world would develop and pledge to follow a set of "Best Practices for Combating Money Laundering Risks." We raised this issue with other private banks at a meeting with Transparency International on October 28 in Zurich, Switzerland. Last week we followed up with a letter to Transparency International that included our own Know Your Client policies and a list of what our Private Bank believes are critical elements of a "Best Practices" guide. A copy of these materials is attached to my Statement. Todd Thomson, the new head of our Private Bank, will now assume responsibility for our efforts to help develop uniform international anti-money laundering standards for private banks.

I thank you for allowing me to testify, and for the attention you are giving to these important issues.

PREPARED STATEMENT OF JOHN REED, CHAIRMAN AND CO-CEO OF
CITIGROUP

ATTACHMENTS

- A. Statement of Shaukat Aziz.
- B. Citigroup Global Anti-Money Laundering Policy, issued October 28, 1999.
- C. Citibank Comments on the GAO Report on "Private Banking: Raul Salinas, Citibank, and Alleged Money Laundering."
- D. Proposal for International Standards for Private Bank Anti-Money Laundering Programs submitted to Transparency International.

TAB A**STATEMENT OF SHAUKAT AZIZ**

Senator Collins, Senator Levin and Members of this distinguished Subcommittee: I regret that I cannot participate in the hearings on the vulnerability of private banking to money laundering activities. As you know, I spent a great deal of time and effort while I was Group Executive of the Citibank Private Bank to reduce the Private Bank's vulnerability to money laundering activities, and I was looking forward to discussing with you the lessons we have learned and the policies we have adopted. However, I have been asked by the government of my home country to serve as Minister of Finance. This call to duty was unexpected and at the same time compelling. I hope you will find this Statement a useful contribution to these important hearings.

The Citibank Private Bank

Private banking — that is, providing investment management, trust and estate assistance, and other financial services to wealthy individuals — has been a part of the banking business for at least a hundred and fifty years. Today, more than 15,000 financial institutions offer private banking services; taken together, these institutions manage some \$15.5 trillion dollars worth of assets. The top ten participants in this sector, including the Citibank Private Bank, account for less than 10% of the total market.

The Citibank Private Bank serves approximately 40,000 customers and has about 3,600 employees. Although the Citibank Private Bank has a presence in more than thirty countries, with offices or branches in fifty-seven cities across the world, more than half of the Citibank Private Bank's customers come from the United States. Citigroup is not the largest provider of private banking services in the world — or even in the United States. In fact, with approximately

\$101 billion in assets under its management, the Citibank Private Bank's share of the private-banking market is about one half of one percent. Within Citigroup, the Private Bank represents only about 2½% of Citigroup's overall business.

The private banking sector is one that is growing rapidly: the greatest and longest bull market the world has ever seen, initial public offerings, lucrative stock options, the growing number of professionals in the workplace, and a baby-boom generation that is reaching its peak-earning capacity have all combined to create a potential market for private-banking services in which the opportunities for growth are large. For that reason, private banking is a sensible business opportunity for Citigroup. We have undertaken to conduct this business not only in compliance with applicable legal requirements, here and abroad, but also in an honorable and effective way.

Reducing the Private Bank's Vulnerability to Money Laundering Activities

When I accepted the job of running the Private Bank in May 1997, it was made clear to me by the company's senior management that before profitability and before growth, my immediate focus would be to address the control issues that had arisen in the Private Bank in the mid-90s. Consequently, my efforts included:

- *improving the Private Bank's Know Your Client and anti-money-laundering programs and policies, and seeing that these programs and policies were fully implemented throughout every part of the Private Bank through upgraded compliance and quality assurance programs, among other things;*
- *upgrading the technology the Private Bank uses for its Know Your Client and transaction monitoring programs;*

- *altering the Private Bank's business focus so that the target customers are "wealth creators" who want quality service and performance and of course confidentiality, but who are not focused on secrecy; and*
- *making sure the Private Bank's culture reflects its commitment to controls and compliance.*

The Private Bank has made great strides in improving the control environment. I am proud to say that in 1998, the Private Bank passed 91% of its internal audits, and *through the third quarter of 1999, the Private Bank has passed 100% of its audits.* Needless to say, that puts the Private Bank among the business units having the highest pass rates for audits in Citigroup.

The response of our regulators has also been very positive. Before we adopted the new anti-money laundering policies, we submitted them for review and comments to the federal examiners conducting targeted anti-money laundering examinations. The examiners concurred with our new policies; since then, on-site know your customer reviews conducted in many countries have validated our efforts. We make sure we keep in touch with regulators and peer banks so that we can update and improve our anti-money laundering program as new techniques or guidance becomes available.

The Private Bank's Anti-Money Laundering Program

In light of the lessons learned from problems in the past, as well as the increased regulatory guidance available, the Private Bank has made dramatic improvements in its anti-money laundering program. *I believe the anti-money laundering program at the Private Bank today is at the forefront of the banking industry's efforts to combat money laundering.*

The Global “Know Your Client” Policy.

The first pillar of the Private Bank’s anti-money laundering program is its Global “Know Your Client” Policy.

A Global “Know Your Client” Policy for the First Time. In September 1997, the Citibank Private Bank rededicated itself to a control culture by issuing a revised Global Know Your Client Policy. The Private Bank of course had know your customer policies in place before September 1997, but they varied from region to region. The new *global* policy centralized in one place disparate policies that existed across different regions and units of the bank and made these centralized standards applicable to all Private Bank units across the world. In addition to making the policy uniform around the world, we upgraded and modernized it. *The Private Bank now has, I believe, one of the most aggressive and effective know your customer policies in the industry.* It is consistent with the Federal Reserve’s guidelines for sound private banking practices.

New Customer Profiles and Independent Review. Preparing the Private Bank’s Global Know Your Client Policy was just the first stage in a long journey. *To implement this policy and make it fully effective, the Private Bank spent two years and over \$50 million to complete over 100,000 customer profiles for each of the Private Bank’s primary customers and related account holders, authorized signers, and personal investment companies.* After these profiles were compiled, they were reviewed by independent quality assurance teams to ensure that the profiles were complete and properly documented. To manage these profiles and make them readily accessible to Citibank for know your customer assessment purposes, these profiles will be maintained in a new and secure on-line database called ClientWise®.

The kinds of information that must be gathered, recorded, and confirmed under our Global Know Your Client Policy include our customers' occupations, their source of wealth, and their references. This information will be updated and enhanced regularly during the course of the relationship with the customer from call reports and other notes compiled by the relationship manager and others who work with the customer. In addition, information about other signatories on the account and related accounts is gathered and recorded under the Private Bank's Global Know Your Client Policy.

Our relationship managers have primary responsibility for obtaining this information, as they are the ones with the direct contact with our customers. In the past, relationship managers did not always record the know your customer information they had in files, their heads, or elsewhere in accordance with a standard methodology. Today we guard against that problem by requiring the know your customer information to be reviewed by independent quality assurance personnel in each region, who make sure that this information is complete. Depending on the circumstances, we may rely on publicly available information, financial statements, personal visits, references, the views of our senior Global Market Managers, and other data to confirm the know your customer information, all subject to review by independent quality control personnel.

Transaction Monitoring.

The second pillar of the Citibank anti-money laundering policy is the development and implementation of a state-of-the-art transaction monitoring system called Assist® that will permit the Private Bank to monitor *every transaction* for unusual activity that may indicate potential money laundering. Assist® is a comprehensive system that will provide the Private

Bank with industry-leading technological capabilities, further enhancing the effectiveness of our anti-money laundering policies.

The Assist® system establishes a profile of expected transactions (both number and size) for each customer, based on the customer's past activity. If there is a deviation from the expected pattern of activity in a customer's account — such as transactions for total amounts or in greater numbers than are expected — the deviation is automatically reported by the program, and the Private Bank's Transaction Monitoring Units follow up with the customer's relationship manager to see that the deviation is explained and documented.

Assist® is the latest stage in the development of the Private Bank's monitoring of transactions for signs of potential money laundering. For the first time, the Private Bank has the technological capability to monitor each customer transaction that takes place within the Private Bank. Before we implemented Assist®, we monitored all transactions for customers that met certain criteria identified as having a higher potential for money laundering risks; for the remaining clients, we relied on a series of reports that alerted us to cash transactions greater than \$10,000, large balance fluctuations, and large monetary transactions. Our old transaction monitoring systems were typical of what were then considered to be sound industry practices, given the technology that existed at the time. But the technology introduced by a very few software developers in the last two to three years is dramatically better, and we have tailored that technology to meet the particular business of private banking. With Assist®, we now have the capability to monitor more transactions with greater accuracy because we will now monitor every transaction for every account at the Private Bank.

The Public Figure Policy.

The third pillar of the Private Bank's anti-money laundering policy is the Private Bank's "Public Figure" policy, which was revised, expanded, and reissued in June 1998. The Private Bank's Public Figure policy explicitly sets forth our standards for accepting and maintaining accounts for politically prominent persons and their families, whether those persons are here in the United States or abroad. These persons, whom we call "public figures," are not a target market of the Private Bank.

Very Few Public Figure Clients. There are very few "public figure" customers at the Private Bank. Of the 40,000 customers served by the Private Bank, only 350 or so are classified as public figures.

There are two reasons why the Private Bank has so few public figure clients. First, many public figures simply are not part of the market segments that we seek as customers; because they are government officials, they are not the active business owners or corporate executives that we would like to have as customers. Second, as the Raul Salinas matter and these hearings show, clients who are public figures can expose the Private Bank to special risks because of their prominence and public positions.

The Public Figure Review Process Today. I decided to centralize the administration of our Public Figure policy. To do that, I put a mechanism in place to review all public figure accounts annually and to make sure that before any public figure is accepted as a new client of the Private Bank, he is reviewed and approved by the most senior levels of management in the Private Bank. I established a Public Figure Review Committee, made up of the Private Bank's Risk Manager, the Compliance and Control Head, the Private Bank's General Counsel, and me as Group Executive, to conduct these reviews. This provides an additional layer of control at the

most senior management level to assure that the Public Figure policy is uniformly and properly implemented. Since putting this mechanism in place two years ago, we have decided to end or have already ended a number of relationships with public figures, and we have declined to accept others as clients.

Other Changes in Policy.

In addition to these three major policy initiatives, we changed several other policies in light of the Private Bank's experience. To take one example, we no longer permit individual customers to use the Bank's internal transaction accounts, sometimes called "concentration accounts," to transfer funds between accounts in different countries as was done in the Salinas matter. Now, each transfer of funds through a concentration account must also — either immediately before or immediately after such transfer — go through the customer's deposit account. This ensures inclusion in the Private Bank's comprehensive monitoring of customer transactions.

Upgraded Compliance Function.

An independent, experienced, high-quality Compliance Department is essential to assuring that our policies, procedures, and systems work effectively and are implemented properly.

Citibank's Private Bank has an excellent Compliance Department headed by Mark Musi, an experienced compliance officer and former auditor. Mark became head of the Compliance Department in June 1996. He reports directly to the head of the Private Bank. Personnel in the

Compliance Department are compensated and promoted on the basis of how well they do their job, not on the basis of the profitability of the customer relationships.

To ensure that our extensive Know Your Client and anti-money laundering policies and procedures are being followed, Mr. Musi and his staff have developed and deployed myriad programs to teach our employees about our policies and to help them understand and follow these policies. Among these programs are an innovative series of forward-looking self-tests that allow management and line personnel to validate compliance with anti-money laundering policies, laws, regulations, and control practices and to solve problems before they have a chance to arise.

Besides these self-tests, Mr. Musi and his staff participate with the business units in the development of new products and services to make sure that these products and services do not expose the Private Bank to the risk of money laundering. Mr. Musi and his staff also interact with various regulators, to stay abreast of the latest developments in the field and to keep the regulators informed of our anti-money laundering efforts. Of course, these activities by our Compliance Department are separate from and supplementary to the internal audits, external audits, and federal regulatory examinations of the Private Bank, each of which periodically assesses our control environment.

The Private Bank's Multi-Million Dollar Investment in Technology

We made a multi-million dollar investment in state-of-the-art computer applications to assure compliance with our Know Your Client and our anti-money laundering policies and procedures. *I believe that the Private Bank is now leading the industry in using the latest technologies to combat money laundering.*

ClientWise®, which is the technology that has helped us to implement and administer our Global Know Your Client Policy, and Assist®, which is the technology that has helped us to implement and administer our transaction monitoring program, are quite new, and were certainly not available to anyone in the early or mid-90s. The Private Bank has worked tirelessly with our vendors to develop technologies that will help us stay ahead of money launderers. The cost — in terms of money, time, and business opportunities lost because of the money and time we spent on developing technology — has not been small, but the results are worth it.

The Private Bank's Business Focus Supports the Control Efforts

Our new Know Your Client and transaction monitoring policies are just one aspect of the evolution of the Citibank Private Bank. One of the things that I did as the new Group Executive was to think about the future of the private banking business at Citigroup by asking myself and others about the kinds of customers that we at the Private Bank wanted to serve and should be serving. These questions have profound implications for our Know Your Client and anti-money laundering policies and practices because the answers to these questions determine who our customers are and will be in the future.

After discussing this matter with other people, both within and outside Citigroup, and within and outside private banking, I concluded that private banking has changed profoundly over the past decade. The old model of private banking, which is sometimes called the “Swiss” model, was outdated and stagnant, from a business, legal, and compliance standpoint. The old model focused too much on clients who had inherited their wealth and who valued private banking for the secrecy and security that they believed it could provide them in the handling of their financial affairs.

I became convinced that if the Citibank Private Bank were to flourish, we needed a new model for Private Banking, an "American" model, if you will. *The focus of this new model was to be what I call "wealth creators": business owners, corporate executives, investors, and professionals like lawyers who derive most of their income and wealth from business activities.* These customers want and need the sophisticated investment strategies and other products and services that the Citibank Private Bank can provide. They want their financial information kept confidential, as does everyone, but they are not driven by a desire for total secrecy.

Thanks to the booming economy here and abroad, there are more of these individuals than there ever have been in the history of the world, and they are under-served by financial institutions. Thanks to the globalization of markets, these individuals have access to more investment opportunities than ever before, opportunities that are growing ever more complex as the global economy develops and changes.

To provide access to products in countries like the U.S., to tailor our service and products to suit their needs, and to take advantage of the opportunities that the global economy has to offer, we need more information from and about our customers. Aided by our new technology, we can obtain and record the information that we need from the customers on whom we are focusing, in order to comply with our stringent Know Your Client requirements, and we can more easily monitor and follow up on transactions in the customer's accounts that require further investigation.

It is with this new focus that we reviewed our existing customers and are seeking and accepting new customers. I believe that this strategy will be successful, both in making the Private Bank more profitable and in avoiding the kinds of issues that arose in the past relating to certain of our customers.

A Culture That Values Control

One of the great challenges in any large organization is to inculcate the right culture — in this case, a compliance culture that recognizes and rewards stringent enforcement of our Know Your Client and anti-money laundering policies and procedures. As you well know, it takes time to shape and direct the culture of any large organization, even more so when the organization operates around the world and includes a remarkable diversity of nationalities, languages, and backgrounds.

There are techniques for changing the culture of large organizations, and we have used them in the Private Bank to reinforce our commitment to creating and maintaining an effective control culture.

I began, of course, with our Know Your Client and our anti-money laundering policies and procedures. Adopting a consistent, uniform standard throughout the Private Bank demonstrated a business-wide commitment to an effective control culture. That commitment was underscored by centralizing the management of the Private Bank's Compliance and Legal functions in New York. Our commitment is also demonstrated by the continuous training and self-testing programs we have put in place. The training and the self-testing remind everyone that our Know Your Client and anti-money laundering policies and procedures are a never-ending responsibility that we must strive continuously to improve.

In addition, we have in place at the Private Bank a compensation plan that rates our bankers on a variety of criteria, including, importantly, their compliance with anti-money laundering and other control items. Our employee rating system contains what we call "boundaries," which define the limits on employee behavior. The boundaries include not

violating control and compliance standards, applicable laws, or policies. Complying with Private Bank “boundaries” is a requirement for bonus eligibility.

Bonuses of Private Bank personnel have in fact been withheld or reduced for inadequate performance on control and anti-money laundering matters. That sends a strong signal to the organization as a whole about what qualities the culture values. In addition, as I noted before, our Compliance personnel, who oversee the implementation of the anti-money laundering policies and procedures, have a compensation system that does not depend on the profitability of any particular Private Bank client relationships.

Finally, we have tried to make sure that our employees understand the relationship between control issues and our competitive position. As I noted above, I believe the Citibank Private Bank has created a new model of private banking, a model that seeks to provide superior service to wealth-creators. You can provide superior service only if you truly know your customers, and you can be profitable only if you provide superior service. The Private Bank has made its commitment to control an inseparable part of its commitment to quality and profitability; for its employees, the Private Bank’s commitment to control is an inseparable part of their compensation.

Better Regulatory Guidance since the Mid-1990s

The Citibank Private Bank was not alone in changing its response to know your customer and anti-money laundering issues. In the early to mid-90s, there was little regulatory guidance on these issues as they applied to private banking. Instead, the regulators’ focus was cash transactions and structuring of cash transactions.

But the world changed. Money launderers got smarter. They got more creative. In view of these and other developments, in 1996 and 1997, the Federal Reserve System reviewed 40 United States and foreign banks to learn about sound risk management practices in private banking operations. We participated in that study. In July 1997, the Federal Reserve issued a paper on "Sound Risk Management Governing Private Banking Activities." This was the first such guidance from our regulator. The Federal Reserve said there must be active senior management and an appropriate corporate culture to encourage compliance and control; that there must be written know your customer policies and procedures; that there must be risk management practices and monitoring systems; and that there must be a segregation of the compliance, audit, and business functions.

In the mid-90s, the Private Bank perhaps did not do as well on some of these points as it should have. But by 1997, when the Federal Reserve issued its report, we already had all of these practices in place. In fact, I am confident that some of the policies and procedures that the Federal Reserve identified in its report as "sound risk management practices" must have been influenced by its review of what we were doing at the Citibank Private Bank.

The Audit Results at the Private Bank

What results do we see from our better business focus, our better policies and procedures, our better technology, our better culture, and better regulatory guidance? For one thing, we see much better audit reports. The Private Bank audits in the mid-90s were not satisfactory. But in 1998, the Private Bank passed 91% of its internal audits, and through the third quarter of this year, the Private Bank has passed 100% of its audits.

Another sign that we are on the right track has been the regulators' response to our new policies and procedures. Before we implemented our new policies, we submitted them to our federal examiners for their comments. The examiners concurred with our new policies, and the Citibank Private Bank has since become, I believe, one of the regulators' benchmarks of excellence.

For all these reasons, I believe the Citibank Private Bank is now at the forefront of efforts to combat money laundering, but as I have said repeatedly inside the Bank, the fight against money laundering requires the relentless pursuit of new techniques of detection as those who try to misuse the Bank develop increasingly sophisticated ways to evade detection.

Doing Business in "Secrecy" Jurisdictions

I understand that one of the issues the Senators may be interested in is whether the conduct of private banking business in so-called "secrecy" jurisdictions, like Switzerland, prevents implementation of appropriate anti-money laundering programs. Citibank has a subsidiary bank in Switzerland, as well as a trust administrator that provides products and services to our non-U.S. Private Bank customers.

In my view, Swiss bank secrecy law does not impede the implementation of our anti-money laundering program. Our bankers and employees in Switzerland must comply with the same global, uniform standards that apply to our operations in the United States or anywhere else in the world. Switzerland itself has very stringent know your customer requirements; in several ways, the Swiss requirements exceed those of the United States. We brief our U.S. regulators on our Swiss operations, and our internal audits in Switzerland are provided to our U.S. regulators.

As for the contention that banking in Switzerland somehow insulates customers against inquiries from criminal authorities in the United States or elsewhere, the facts simply do not bear the argument out. As I understand it, Switzerland was the first country to sign a Mutual Legal Assistance Treaty with the United States, a sign of its commitment to cooperation with the United States in combating money laundering and other crimes. Switzerland's bank secrecy laws therefore do not bar law enforcement authorities from seeking information in cooperation with the Swiss authorities. And as the actions of the Swiss federal prosecutor have shown repeatedly, the Swiss have little patience for those whom they suspect of using Swiss law to hide criminal activity.

Citibank's Efforts To Develop Industry-Wide Standards

As you are aware, one of my interests as head of the Citibank Private Bank was the development of uniform, world-wide anti-money laundering standards that would be adopted by private banks all over the world. I am pleased to say that just before I left the Bank, we developed a proposal for a private sector initiative for the development of uniform "Best Practices To Combat Money Laundering" for private banks for presentation to other private banks at a meeting with Transparency International in Switzerland on October 28, 1999. I could not attend that meeting as I had planned, because of preparations to return to Pakistan, but I am sure others will be able to report to the Subcommittee on our progress.

I appreciate the Subcommittee's constructive inquiries into anti-money laundering developments, and I am sorry I will not be at the hearing to provide whatever assistance I could. Thank you.

TAB B

1.0 CITIGROUP GLOBAL ANTI-MONEY LAUNDERING POLICY

1.1 RATIONALE

In the global marketplace, the attempted use of financial institutions to launder money is a significant problem that has caused great alarm in the international community and has resulted in the passage of stricter laws and increased penalties for money laundering in Europe, Argentina, Australia, Canada, Colombia, Pakistan, Taiwan, the United States, and many other countries. It has also spurred the formation of the Financial Action Task Force on Money Laundering, an inter-governmental body comprised of 26 nations and two regional organizations established to coordinate the global battle against money laundering.

This Policy establishes governing principles and standards to protect Citigroup and its businesses from being used to launder money. All Citigroup employees, wherever located, must be vigilant in the fight against money laundering and must not allow Citigroup to be used for money laundering activities. We cannot permit ourselves to become participants in a violation of law.

1.2 SCOPE

This Policy is applicable to Citigroup, its subsidiaries, and its managed affiliates worldwide.

1.3 POLICY

Citigroup businesses must:

- protect Citigroup from being used for money laundering;
- adhere to the Know Your Customer policies and procedures of their businesses;
- take appropriate action, once suspicious activity is detected, and make reports to government authorities in accordance with applicable law; and
- comply with applicable money laundering laws, as well as the recommendations of the Financial Action Task Force on Money Laundering as incorporated into this Policy.

1.4 WHAT IS MONEY LAUNDERING?

Money laundering is not just the attempt to disguise money derived from the sale of drugs. Rather money laundering is involvement in any transaction or series of transactions that seeks to conceal or disguise the nature or source of proceeds derived from illegal activities, including drug trafficking, terrorism, organized crime, fraud, and many other crimes.

Generally, the money laundering process involves three stages:

- **Placement** - Physically disposing of cash derived from illegal activity. One way to accomplish this is by placing criminal proceeds into traditional financial institutions or non-traditional financial institutions such as currency exchanges, casinos, or check-cashing services.
- **Layering** - Separating the proceeds of criminal activity from their source through the use of layers of financial transactions. These layers are designed to hamper the audit trail, disguise the origin of funds, and provide anonymity. Some examples of services that may be used during this phase are the early surrender of an annuity without regard to penalties, fraudulent letter of credit transactions, and the illicit use of bearer shares to create layers of anonymity for the ultimate beneficial owner of the assets.
- **Integration** - Placing the laundered proceeds back into the economy in such a way that they re-enter the financial system as apparently legitimate funds.

The degree of sophistication and complexity in a money laundering scheme is virtually infinite and is limited only by the creative imagination and expertise of criminals.

A financial institution may be used at any point in the money laundering process. Citigroup businesses must protect themselves from being used by criminals engaged in placement, layering, or integration of illegally derived proceeds.

1.5 THE IMPORTANCE OF THIS POLICY TO THE INDIVIDUAL EMPLOYEE AND TO CITIGROUP AND ITS BUSINESSES

In adhering to this Policy, as with every aspect of its business, Citigroup expects that its employees will conduct themselves in accordance with the highest ethical standards. Citigroup also expects its employees to conduct business in accordance with applicable money laundering laws. Citigroup employees shall not knowingly provide advice or other assistance to individuals who attempt to violate or avoid money laundering laws or this Policy.

Money laundering laws apply not only to criminals who try to launder their ill-gotten gains, but also to financial institutions and their employees who participate in those transactions, if the employees know that the property is criminally derived. "Knowledge" includes the concepts of "willful blindness" and "conscious avoidance of knowledge." Thus, employees of a financial institution whose suspicions are aroused, but who then deliberately fail to make further inquiries, wishing to remain ignorant, may be considered under the law to have the requisite "knowledge." Citigroup employees who suspect money laundering activities should refer the matter to appropriate personnel as directed by their businesses' policies and procedures.

Failure to adhere to this Policy may subject Citigroup employees to disciplinary action up to and including termination of employment. Violations of money laundering laws also may subject Citigroup employees to imprisonment and, together with Citigroup, to fines, forfeiture of assets, and other serious punishment.

2.0 STANDARDS

This Policy establishes the minimum standards to which Citigroup businesses must adhere. In any case where the requirements of applicable local money laundering laws establish a higher standard, Citigroup businesses must adhere to those laws. If any applicable local laws appear to conflict with the standards of this Policy, the particular Citigroup business must consult with its local and regional legal and compliance officers who must in turn consult with Citigroup Global Anti-Money Laundering Compliance on the possible conflict.

Anti-Money Laundering Programs

2.1 Each Citigroup business unit shall be covered by an anti-money laundering program that provides for policies, procedures, and internal controls to effect compliance with applicable law and to implement the standards set forth in this Policy. Anti-money laundering programs shall include:

- a written anti-money laundering policy that sets forth a business's Know Your Customer policies and procedures as well as the other basic elements of its anti-money laundering program;
- the designation of Anti-Money Laundering Compliance Officers or other appropriate personnel responsible for coordinating and monitoring day-to-day compliance with this Policy;
- recordkeeping and reporting practices in accordance with applicable law;
- appropriate methods of monitoring so that suspicious customer activity can be detected and appropriate action can be taken;
- reporting of suspicious activity to government authorities in accordance with applicable law;
- anti-money laundering training; and
- assessments by a business of its adherence to the anti-money laundering policies and procedures that it has established.

2.1.1 In developing their anti-money laundering programs, Citigroup businesses shall assess the money laundering risks they face, taking into account the following factors:

- the different categories of customers, including whether the Citigroup customers conduct financial transactions for their own customers (Examples of such customers include banks, brokers or dealers in securities, mutual funds, investment managers, money transmitters, currency exchanges, foreign exchange businesses, check cashers,

issuers and sellers of money orders and traveler's checks, attorney escrow accounts, and hotels with casinos.);

- the nature of the Citigroup products and services that are provided;
- the customers' expected use of the Citigroup products and services; and
- the localities of the Citigroup businesses and their customers.

2.1.1.1 One category of customers, namely, "public figures and related individuals," can pose unique reputational and other risks.

2.1.1.2 For purposes of this Policy, a "public figure" is any individual who occupies, has recently occupied, is actively seeking, or is being considered for, a senior position in a government (or political party) of a country, state, or municipality or any department (including the military), agency, or instrumentality (e.g., a government-owned corporation) thereof.

2.1.1.3 For purposes of this Policy, a "related individual" is any person who is a member of the immediate family of a public figure, e.g., a spouse, parent, sibling, or child; or a senior advisor closely associated with a public figure.

2.1.1.4 In developing their anti-money laundering programs, all Citigroup businesses must assess any reputational or other risks posed to their businesses through association with public figures and related individuals. Any such risks may be compounded by other factors, for example, where the account that is to be opened or maintained is not located in the home country of the public figure or related individual.

2.1.1.5 Commensurate with the assessment of those risks, Citigroup businesses shall have policies and procedures for opening or continuing to maintain a relationship for an individual who is known through reasonable measures to be a public figure or related individual (including a customer who was not a public figure or a related individual when a relationship was established and who subsequently became a public figure or related individual) and for a legal entity which is known through reasonable measures to be substantially owned or controlled by a public figure or related individual. Such policies and procedures shall provide for:

- Referral of any questions as to whether an individual is a public figure or a related individual to an Anti-Money Laundering Compliance Officer or other appropriate personnel designated by a business;
- Inquiry as to the reputation of the public figure or related individual which

should include:

- consultation with the Country Corporate Officer or senior business manager in the home country of the public figure or related individual;
 - consultation with appropriate legal and compliance officers; and
 - review of generally available public information regarding the public figure or related individual, such as news articles from reputable sources;
- Documentation of any significant information obtained as a result of such inquiry;
 - Approval to open accounts for public figures or related individuals and approval to continue to maintain such existing accounts by a senior business manager in the country where the relationship is to be opened or maintained or that officer's designee;
 - Authorization by the public figure or related individual, including waiver of any rights under local laws (e.g., secrecy laws), to ensure that any account information or any other relevant information may be disclosed to any business, legal, or compliance personnel in order to conduct the inquiry and approval process referred to above; and
 - Appropriate methods of monitoring on an ongoing and regular basis the accounts of any public figure or related individual.

2.1.2 A business's assessment of the various factors relating to the money laundering risks it faces should be reflected in an anti-money laundering program that is practical and effective. A business's anti-money laundering program should provide for policies, procedures, and internal controls that establish reasonable measures to be taken by a Citigroup business to minimize the risk that it will be used for illicit activities, taking into account the products and services it provides and the types of customers it serves as well as the legal requirements and good practices in the locality where the business is located.

Know Your Customer

2.2 Citigroup businesses shall have Know Your Customer policies, procedures, and internal controls reasonably designed to:

- determine and document the true identity of customers who establish relationships, open accounts, or conduct significant transactions and obtain basic background information on customers;

- obtain and document any additional customer information, commensurate with the assessment of the money laundering risks posed by the customers' expected use of products and services; and
- protect Citigroup businesses from the risks of doing business with any individuals or entities whose identities cannot be determined, who refuse to provide required information, or who have provided information that contains significant inconsistencies that cannot be resolved after further investigation.

Customer Identification

2.2.1 Citigroup businesses shall have policies and procedures to obtain sufficient reliable identifying information to determine the identity of all individual customers.

2.2.2 Citigroup businesses shall have policies and procedures to obtain sufficient reliable identifying information to determine the identity of all corporations and other legal entities.

2.2.3 No special name account (i.e., an account using a pseudonym or number rather than the actual name of the customer) shall be established unless the Citigroup business determines that the customer has a legitimate reason for having such an account and the business maintains records containing the actual name and other identifying information regarding the beneficial owner of the account in the country where the account is maintained and, if applicable, in any country where the account is managed. Approval by the appropriate senior level of management for the business must be obtained before such accounts are established.

2.2.4 The authority of any person authorizing financial transactions on behalf of the customer shall be established by documentation, reference to local law, or other reliable means. Citigroup businesses shall have policies and procedures for determining that person's identity and relationship to the customer.

2.2.5 Reasonable measures shall be taken to obtain information about the true identity of the person on whose behalf a relationship is established or an account is opened or a significant transaction conducted (i.e., beneficial owners) if there are any doubts as to whether the customer is acting on its own behalf.

Other Customer Information

2.2.6 Citigroup businesses shall have policies and procedures to determine and document at the time of the establishment of a relationship or at the opening of an account, commensurate with the assessment of the money laundering risks posed by the customer's expected use of products and services:

- the customer's source of funds;

- the customer's source of income and assets; and
- the nature and extent of the customer's expected use of its products and services (i.e., a transaction profile) or the customer's investment objectives.

2.2.7 The information about a customer obtained at the time of the establishment of a relationship or the opening of an account constitutes a "customer profile." Citigroup businesses shall have policies and procedures for updating customer profiles and for confirming information provided by customers, commensurate with the assessment of the money laundering risks.

**Information Requirements for Customers
with Relationships with Another Citigroup Business**

2.2.8 Citigroup businesses shall have policies and procedures to establish the conditions under which they may rely upon another Citigroup business for the identification of a customer who has a relationship with that business and seeks to establish a relationship with another Citigroup business. At a minimum, to rely upon another Citigroup business for the identification of a customer, a Citigroup business must:

- document that the other Citigroup business has a relationship with the customer;
- determine that its identification requirements are reasonably satisfied by the other Citigroup business's Know Your Customer policies and procedures; and
- be able to obtain on request from the other Citigroup business the information and documentation that was obtained and relied upon to determine the true identity of the customer.

2.2.9 Citigroup businesses that rely upon another Citigroup business for the identification of a customer shall obtain any additional customer information required at the establishment of a relationship or at the opening of an account, commensurate with the assessment of the money laundering risks, in accordance with Section 2.2.6.

2.2.10 Citigroup businesses that provide products and services for a customer of another Citigroup business shall have sufficient information to enable them to detect suspicious customer activity. If the Citigroup business that manages the customer relationship has the required information, it shall provide it to Citigroup businesses that provide products and services. If the Citigroup business that manages the customer relationship does not have the required information, Citigroup businesses that provide products and services may obtain the information directly from the customer.

Anti-Money Laundering Compliance Officers

2.3 Citigroup businesses shall be served by Anti-Money Laundering Compliance Officers or other designated personnel responsible for coordinating and monitoring day-to-day compliance with applicable money laundering laws, this Policy, and the anti-money laundering policy applicable to the particular business. Anti-Money Laundering Compliance Officers or other designated personnel may serve other functions and may serve multiple business units.

Recordkeeping and Reporting Requirements

2.4 Citigroup businesses shall have policies and procedures in order to comply with applicable recordkeeping and reporting requirements established by law.

Cash Transactions

2.4.1 Citigroup businesses shall have policies and procedures for recording and/or reporting cash transactions as required by applicable law and in accordance with this Policy and for developing and implementing methods of monitoring cash transactions in order to comply with applicable recordkeeping and/or reporting requirements and this Policy.

2.4.1.1 Citigroup businesses that effect transactions involving currency, including deposits, withdrawals, exchanges, check cashing, and purchases of instruments, shall record all such transactions in excess of U.S. \$10,000 or its local currency equivalent, subject to Section 2.4.2.1 below. Citigroup businesses shall comply with any applicable law that sets a lower recording or reporting threshold.

2.4.2 Citigroup businesses shall develop and implement appropriate methods of monitoring customer transactions to detect cash transactions that are to be recorded and/or reported as well as actual or attempted structuring. Structuring occurs when a customer breaks down transactions below certain dollar or other currency amounts for the purpose of evading a reporting requirement (in the U.S., \$10,000) or avoiding detection. In the U.S., structuring is itself a crime, even if the funds are legitimately derived, and structuring wherever it occurs is a sign of possible money laundering.

2.4.2.1 Non-U.S. Citigroup businesses may adopt a threshold amount higher than U.S. \$10,000 or its local currency equivalent for recording, reporting, and/or monitoring after taking into account local law, the cash nature of the local economy, and the money laundering risks inherent in such transactions in their country. Citigroup businesses seeking to adopt a threshold amount higher than U.S. \$10,000 or its local currency equivalent, however, must have the approval of their Legal and Compliance officer who, before giving their approval, should consult with Citigroup Global Anti-Money Laundering Compliance.

Funds Transfers

2.4.3 Citigroup businesses shall have policies and procedures in order to comply with applicable law pertaining to funds transfers. U.S. law requires financial institutions within the U.S. and its territories and possessions, with respect to certain funds transfers equal to or greater than U.S. \$3,000, to record, maintain, and pass on certain information, including information about the originator and the beneficiary.

Record Retention

2.4.4 Citigroup businesses shall maintain the following documents for at least five years unless local law or the particular Citigroup business's policy on document retention specifies a longer period:

- customer profiles;
- reports made to government authorities concerning suspicious customer activity relating to possible money laundering or other criminal conduct together with supporting documentation;
- records of all formal anti-money laundering training conducted which include the names and business units of attendees and dates and locations of the training; and
- any other documents required to be retained under applicable money laundering laws.

Monitoring for Suspicious Activity

2.5 Citigroup businesses shall develop and implement appropriate methods of monitoring so that throughout the customer relationship suspicious customer activity can be detected, appropriate action can be taken, and reports can be made to government authorities in accordance with applicable law.

2.5.1 In developing appropriate methods of monitoring, Citigroup businesses shall consider:

- whether monitoring should be done on an individual account basis or at a product activity level using generic parameters; and
- whether computerized or manual monitoring is suitable and practical, taking into account the size and nature of its operations and available technology.

**Reports and Referrals Regarding Suspicious
Activity Involving Possible Money Laundering**

2.6 Citigroup businesses must satisfy any legal obligation to report suspicious activity involving possible money laundering.

2.6.1 Given the differences in local law regarding the reporting of suspicious activity and in some cases the absence of such law, this Policy hereby establishes a uniform standard by which Citigroup businesses, wherever located, are to determine whether activity is suspicious for purposes of internal referrals to appropriate personnel as directed by their businesses' policies and procedures so that appropriate action is taken. Consistent with U.S. law and the recommendations of the Financial Action Task Force, under the Citigroup standard, suspicious activity involving possible money laundering is any transaction conducted or attempted by, at, or through a Citigroup business involving or aggregating U.S. \$5,000 or more in funds or other assets or its local currency equivalent that the Citigroup business knows, suspects, or has reason to suspect:

- involves funds derived from illegal activities or is intended or conducted in order to hide or disguise funds or assets derived from illegal activities (including, without limitation, the ownership, nature, source, location, or control of such funds or assets) as part of a plan to violate or evade any law or regulation or to avoid any money laundering regulation;
- is designed to evade a money laundering regulation, for example, a cash reporting regulation; or
- has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage and the Citigroup business knows of no reasonable explanation for the transaction after examining the available facts, including the background and possible purpose of the transaction.

2.6.1.1 The above-referenced U.S. \$5,000 threshold is for purposes of internal referrals and does not establish a threshold for transaction monitoring.

2.6.2 Citigroup businesses shall have policies and procedures to provide for the prompt examination of customer activity that is questionable to determine and document the reason for the activity and whether the activity is suspicious under the Citigroup standard set forth in Section 2.6.1 of this Policy as well as under any standard established by applicable local law.

2.6.3 Citigroup businesses shall have policies and procedures to provide for the prompt referral of customer activity that is determined to be suspicious under the Citigroup standard set forth in Section 2.6.1 of this Policy or under any standard established by

applicable local law to appropriate personnel as directed by their businesses' policies and procedures so that appropriate action is taken, including the timely filing of suspicious activity reports in accordance with applicable local law.

Citigroup Businesses Within the United States and its Territories and Possessions

2.6.4 U.S. regulations require each Citigroup business within the United States and its territories and possessions to send suspicious activity reports ("SARs") to the Department of Treasury's Financial Crimes Enforcement Network ("FinCEN") with respect to any suspicious transaction involving possible money laundering conducted or attempted by, at, or through the Citigroup business and involving or aggregating U.S. \$5,000 or more in funds or assets. The U.S. \$5,000 threshold does not apply where a Citigroup business was used to facilitate a violation of U.S. money laundering laws and the Citigroup business has a substantial basis for identifying one of its directors, officers, employees, agents or affiliated persons as having committed or aided in the commission of the money laundering offense. Under those circumstances, a SAR must be filed with FinCEN, regardless of the amount involved in the transaction.

2.6.4.1 Citigroup businesses within the United States and its territories and possessions shall send to Citigroup Corporate Security & Investigative Services, Fraud Management Unit, copies of all SARs, when filed, relating to possible money laundering involving a director, officer, employee, or agent of a Citigroup business or a person affiliated with a Citigroup business, and an agreed upon summary on a monthly basis of all SARs that have been filed with FinCEN. In accordance with regulatory requirements, the Fraud Management Unit has the responsibility for notifying the Board of Directors of Citigroup or a Committee thereof of all SARs that are filed, including SARs concerning other suspicious activity unrelated to possible money laundering. Copies of SARs pertaining to suspicious activity involving possible money laundering that are filed should also be sent on a timely basis to the particular Citigroup business's Anti-Money Laundering Compliance Officer or other appropriate legal and compliance personnel.

Citigroup Businesses Outside the United States and its Territories and Possessions

2.6.5 Citigroup businesses outside the United States and its territories and possessions are subject to local law that may require or permit suspicious activity reporting to local authorities. Whether or not local law requires suspicious activity reporting, Citigroup businesses outside the United States must refer transactions that are suspicious under the Citigroup standard set forth in Section 2.6.1 to their appropriate compliance, legal, or business personnel as directed by their businesses' policies and procedures.

2.6.5.1 Copies of suspicious activity reports filed by a business outside the United States with local authorities and any internal referrals regarding suspicious activity

should be sent on a timely basis to the appropriate legal and compliance personnel as directed by the business's policies and procedures.

Terminating Customer Relationships

2.6.6 Citigroup businesses within the United States and its territories and possessions shall have policies and procedures concerning appropriate action to be taken before a customer relationship is terminated because of suspicious activity and before the customer is notified of the decision to terminate. Those policies and procedures concerning pre-termination and pre-customer notification action to be taken shall be reasonably designed to provide for:

- the prompt referral of the matter to a business's Anti-Money Laundering Compliance Officer or other appropriate legal and compliance personnel and
- communication of the decision to terminate and the anticipated date for notifying the customer of that decision in a SAR to be filed or as a supplement to any SARs that have previously been filed or, where appropriate, by a telephone call from a business's Anti-Money Laundering Compliance Officer or other appropriate legal and compliance personnel to a U.S. Attorney's Office or other appropriate government authority.

2.6.6.1 Situations may arise where a decision to terminate a relationship involves a customer who has used an account in a Citigroup business outside the United States to conduct suspicious transactions through a Citigroup business in the United States. Under those circumstances, the Anti-Money Laundering Compliance Officers for the respective businesses in and outside the United States must communicate and coordinate with each other so appropriate precautions are taken before the decision to terminate is communicated to the customer in question.

Prohibition Against Disclosing Suspicious Activity Reports

2.6.7 Where Citigroup businesses have filed suspicious activity reports or otherwise reported suspected or known criminal violations or suspicious activities to law enforcement authorities, Citigroup employees **must not** notify any person outside of Citigroup who may be involved in the transaction or any person who is the subject of a suspicious activity report or other report of suspicious activity that the transaction has been reported.

Training

2.7 Citigroup businesses shall provide anti-money laundering training on a periodic basis.

2.7.1 The training shall review applicable money laundering laws and recent trends in money laundering activity as well as the particular Citigroup businesses' policies and procedures to combat money laundering, including how to recognize and report suspicious transactions.

2.7.2 Citigroup businesses or appropriate legal and compliance personnel shall determine the frequency of training and which personnel must be trained commensurate with their money laundering risk assessment.

2.7.3 Records shall be kept of all formal training conducted. These records should include the names and business units of attendees and dates and locations of the training.

2.7.4 If Citigroup representatives are asked to speak on the topic of money laundering or Know Your Customer policies and procedures at an external conference, consistent with the Citigroup Statement of Business Practices, they should notify Citigroup Global Anti-Money Laundering Compliance before making a commitment to speak.

Assessments by Businesses

2.8 Citigroup businesses shall conduct assessments of their anti-money laundering policies and procedures on a periodic basis to provide reasonable assurance that their compliance programs continue to function effectively. The assessment process should include testing and analysis.

3.0 CITIGROUP GLOBAL ANTI-MONEY LAUNDERING COMPLIANCE

Citigroup Global Anti-Money Laundering Compliance has responsibility for coordinating the anti-money laundering compliance programs of Citigroup businesses worldwide. The Director of Citigroup Anti-Money Laundering Compliance shall report directly to the Citigroup General Counsel.

4.0 AUDIT AND RISK REVIEW

Citigroup's Audit and Risk Review is another important means to protect Citigroup and its businesses from being used by money launderers. Audit and Risk Review will evaluate Citigroup businesses' compliance with this Policy, their own anti-money laundering policies, and applicable money laundering laws.

5.0 POLICY OWNER

The owner of this Policy is Citigroup Global Anti-Money Laundering Compliance. Any deviation from the standards set forth in this Policy requires the approval of the Policy owner. Requests for deviations should not be made of Citigroup Global Anti-Money Laundering Compliance unless the appropriate level of management for the business has approved the request.

6.0 CONCLUSION

Adherence to this Policy is absolutely critical so that all Citigroup businesses, wherever located, comply with applicable money laundering laws. Citigroup businesses must be proactive in the implementation of this Policy. Citigroup employees must be vigilant for suspicious activity and promptly refer such activity to appropriate personnel as directed by their businesses' policies and procedures so that all reporting and other requirements are met. Only through constant vigilance can Citigroup employees protect Citigroup products and services from being used to launder money.

Issued: October 28, 1999
Effective: January 31, 2000

TAB C

**CITIBANK COMMENTS ON
THE GAO REPORT ON "PRIVATE BANKING: RAUL SALINAS, CITIBANK, AND
ALLEGED MONEY LAUNDERING"**

The GAO Report on Citibank's handling of the Raul Salinas account from 1992 to 1995 properly did not find any violation of anti-money laundering laws or regulations by Citibank or its personnel. At the same time, Citibank would, under current policies and procedures, handle the Salinas account differently in various significant respects today.

Account Acceptance. The GAO Report is critical of certain aspects of Citibank's acceptance of Mr. Salinas as a Private Bank client more than seven years ago. It is true that the documentation of the know-your-customer information relating to Mr. Salinas did not comply with Citibank's then-applicable policy. In particular, the relationship manager did not complete an internal report called CAMS (Customer Account Management System), on which information about Private Bank clients should have been recorded. However, the relationship manager had met with Mr. Salinas more than once prior to opening the account, had received a very strong in-person reference from a long-standing, well-regarded customer of the bank, and believed that she had substantial information (albeit not reflected in CAMS as it should have been) regarding Mr. Salinas and his sources of wealth. Notably, even in 1995, after Mr. Salinas' arrest in Mexico, the *Washington Post* reported that Raul Salinas "was well known across Mexico as the man who managed the Salinas family's substantial fortune during Carlos Salinas' six year term in office."

The Private Bank's current policies, procedures and systems for account opening are different today, reflecting lessons from the Salinas matter, increased regulatory guidance, and better available technology. Today the relationship manager must obtain and record more specific information about the client's source of wealth and anticipated transactions, and that information is independently reviewed by quality assurance specialists as part of the account opening process. The Private Bank's state-of-the-art software system for collecting and updating client information (called ClientWise®) is used for recording and reviewing this know-your-customer information. In addition, public figure clients would now not be accepted unless specifically approved by the head of the Private Bank and the other members of the Private Bank's Public Figure Review Committee.

Account Monitoring. The GAO Report says that the Private Bank "disguised" the "origin, destination, and beneficial owner of the funds." This in turn is largely based on GAO's view that the Private Bank "broke the funds' paper trail" principally by using a "concentration account" in New York for transferring funds from Mexico to Mr. Salinas' accounts elsewhere. It is true that use of the concentration account had the effect of adding an element of confidentiality to the transfers, and Citibank policy no longer permits transfers through a concentration account in the same way as was done in the Salinas matter. However, depositing the funds into the concentration account also met the relationship manager's objective of receiving immediate telephonic notification of the funds' arrival, thus enabling her to direct their investment in the most timely manner possible. And most fundamentally, there was in fact an audit trail for the

movement of the Salinas funds. Citibank could always have identified at the time, as it later did, the origin, destination and beneficial owner of the funds. Ernst & Young and KPMG Peat Marwick, independent auditors consulted by Citibank, have confirmed that transferring funds into and out of the concentration account does not break the audit trail.

Nonetheless, in light of the Salinas experience and other developments, Citibank has changed its policies. Under Citibank Private Bank's existing policies, each transfer of funds through a concentration account now must also -- either immediately before or immediately after such transfer -- go through the client's deposit account, which ensures its inclusion in the routine monitoring of that client's transactions. In addition, the Private Bank's new software system (called ASSIST®), which is being implemented throughout the Private Bank this year, automatically monitors all client transactions. This is a vast improvement over prior monitoring techniques, and was simply not available in the early to mid-1990's when the Salinas transactions took place.

Conclusion. The GAO Report does not, and could not, conclude or even assert that Citibank engaged in money laundering, which would require both proof of a "predicate offense" from which the money arose, and proof that the Bank knew (or was "willfully blind") that the funds had an illegal source. Mr. Salinas has never been convicted of any crime linked to his Citibank funds and in any event the relationship manager involved believed in good faith that the funds were legitimate.

The fundamental point remains that, while there were no legal or regulatory violations in the handling of the Salinas account by the Private Bank back in the early 1990's, Citibank learned a great deal from the Salinas matter, and has dramatically improved its anti-money laundering policies, procedures and systems in the seven years since that account was opened. Regulatory guidance in the area has also significantly increased, as reflected, for example, in the July 1997 publication of "Guidance on Sound Risk Management Practices Governing Private Banking Activities" by the Federal Reserve.



THE CITIBANK PRIVATE BANK

Citibank, N.A.
 399 Park Avenue
 15th Floor/Zone 4
 New York, NY 10043
 Tel 212/559-5125
 Fax 212/793-4144
 mark.musi@citicorp.com

Mark Musi
 Chief Compliance & Control Officer

TAB D

November 3, 1999

Mr. Fritz F. Heimann
 Chairman
 Transparency International
 General Electric Co.
 3135 Easton Turnpike, W3E
 Fairfield, Connecticut 06431

Dear Mr. Heimann:

As we discussed last week at the meeting in Zurich, The Citibank Private Bank believes that the time has come for a private sector initiative, through which private banks throughout the world will develop and pledge to follow a set of "Best Practices For Combating Money Laundering."

We all know that money laundering activities create substantial reputational and legal risks for every private bank, and for the private banking business as a whole. These risks cannot be stopped by one institution or even by one country's laws and regulations. It is, therefore, in our best interest, as industry representatives, to act to establish uniform, global standards.

Global standards established through this initiative can help ensure that institutions with effective anti-money laundering efforts are not undermined by those who do not share this commitment. Global standards can also help ensure that the long-term fight against money-laundering will not be subject to short-term political concerns in any one country.

We believe that a set of "Best Practices" can be developed and adopted by private banks everywhere. To assist in that process, I have enclosed our view of the key elements of a "Best Practices" guide. As promised, I have also included a copy of the Citibank Private Bank's "Global Know Your Client" Policy and the recently revised Citigroup Anti-Money Laundering Policy. I hope you will find all three documents useful and that you will feel comfortable sharing relevant policies and standards from your organizations. By understanding how we each deal with the complex challenges of anti-money laundering we can all improve our efforts.

One final note. As you know, Shaukat Aziz has left Citibank to return home to serve as his country's Minister of Finance. His successor, Todd Thomson, has been involved in the formulation of our proposal for this private sector initiative. Todd Thomson, has asked me to tell you that he will continue Shaukat's strong support for the development of international anti-money laundering standards for private banks, and that he looks forward to working with us on this important project.

Please feel free to call me to discuss any of the enclosed documents or our proposal. Thank you for your interest.

Sincerely,



THE CITIBANK PRIVATE BANK

PROPOSAL FOR INTERNATIONAL STANDARDS FOR
PRIVATE BANK ANTI-MONEY LAUNDERING PROGRAMS

Private banks, which provide specialized and sophisticated investment and other financial services to wealthy individuals and families, are inevitably exposed to the risk that an unscrupulous client will attempt to "launder" the proceeds of illegal activities through the bank. Money laundering activities create substantial reputational and legal risks for every private bank, and for the private banking business as a whole. In addition, private banks as responsible citizens want to take all appropriate steps to assure that they are not inadvertently helping criminals by facilitating the movement of funds derived from illegal activities.

In our global economy, where funds move at the speed of electrons every hour of the day, and banks from all over the globe offer private banking services, it is prudent for all private banks to take appropriate protective measures. Money laundering cannot be stopped by one institution or even by one country's laws or regulations, and thus far, government to government discussions have not resulted in a set of uniform international requirements for banks to follow in combating money laundering.

We believe that the time has come for a private sector initiative, through which private banks throughout the world will develop and pledge to follow a set of "Best Practices For Combating Money Laundering Risks." Global standards established through this private sector initiative can help ensure that institutions committed to anti-money laundering efforts are not undermined by institutions that do not share this commitment. Global standards can also help ensure that the long-term fight against money laundering will not be subject to the short-term political concerns in any one country. We believe that a set of "Best Practices" can be developed and adopted by private banks everywhere.

We look forward to working with other private banks to develop a set of Best Practices For Combating Money Laundering Risks that can be adopted by banks throughout the world.

October 28, 1999



THE CITIBANK PRIVATE BANK

**PROPOSAL FOR INTERNATIONAL STANDARDS FOR
PRIVATE BANK ANTI-MONEY LAUNDERING PROGRAMS**

Best Practices For Combating Money Laundering Risks include the following elements:

Committed Senior Management

- Senior management of the private bank establishes a culture that values and is committed to full compliance with the private bank's anti-money laundering program.
- Senior management of the private bank identify the bank's products and services that may be especially vulnerable to misuse by money launderers and establish special controls (including management review requirements) for the use of these products and services.

Key Elements of Effective Anti-Money Laundering Policies, Procedures And Systems

- Senior management's clear communication to all personnel of its commitment to the private bank's anti-money laundering program.
- "Know your client" procedures that apply to all clients of the private bank. Effective procedures verify the true identity of a client and the beneficial owners of all accounts as well as describe and confirm the client's sources of wealth.
- Sophisticated systems that monitor all transactions so that suspicious or unusual transactions relative to the client's known wealth or business are identified and information on the source of funds for such transactions is obtained in a timely way.
- Client confidentiality policies that do not hinder the "know your client" and transaction monitoring processes.
- Standards and procedures for determining when a client's transactions or activities should be reported to management and appropriate governmental authorities as suspicious.
- Strong compliance, control, risk management, legal and audit functions, each with clearly defined roles, responsibilities and accountability, to oversee and support the implementation of the anti-money laundering program.
- Regular training for private bank employees on money laundering activities and the bank's anti-money laundering program.

October 28, 1999

1003



Private Banking Group

Global 'Know Your Client' Policy

September 9, 1997



Private Banking Group
Global 'Know Your Client' Policy
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GLOBAL 'KNOW YOUR CLIENT' POLICY

OBJECTIVE/RATIONALE

The primary objective of this policy is to establish a set of global minimum standards for knowing and documenting the *clients* and *account holders* of the Private Banking Group (PBG). This will enable PBG bankers and staff to:

- Ensure compliance with the United States and applicable local money laundering laws and regulations, and the Citicorp Global Anti-Money Laundering Policy
- Ensure that PBG employees adhere to PBG's 'Know Your Client' Policy and that the PBG does business with clients who are reputable and whose legitimacy can be determined
- Protect the PBG from being used for money laundering activities
- Protect the good name and reputation of the PBG and Citicorp
- Ensure that PBG employees advise appropriate levels of management if they detect suspicious or criminal activity, so that all required reports are made to governmental authorities and appropriate action is taken.

OVERVIEW

The policy covers four areas:

- **Client Acceptance.** It is critical that the PBG initiate and maintain relationships with clients and *account holders* whose true identity is known, whose *source of wealth*, *source of funds*, and business are legitimate, and who use the PBG appropriately. The process of selecting the right client is critical at the initiation of the relationship. This policy addresses the minimum standards that must be met before a relationship can be established or an account can be opened. It also establishes special criteria for approval of accounts for public figures, *Special Names*, PBG employees, *non-target market clients*, and *Money Managers*.
- **Client Profiling.** The profile requirements for different types of clients and *account holders* are established. It also determines who can have access to the profile information.
- **Transaction Monitoring.** This policy establishes the process for monitoring and reporting the movements of funds *into and out of* accounts. It also establishes the record keeping and record retention requirements for monitoring cash transactions. It outlines the anti-money laundering training requirements for the PBG.
- **'Know Your Client' Roles and Responsibilities.** This policy defines the responsibilities in the 'Know Your Client' process for staff who have contact with a client, account holder, or related party.



SCOPE

This policy is applicable worldwide for all activities and in all locations of the Private Banking Group (PBG).

POLICY

All PBG business units must establish and maintain a formal 'Know Your Client' process for accepting, maintaining, and documenting clients and accounts, according to the standards below.

CLIENT ACCEPTANCE POLICY

The client profile must confirm that the client/*account holder* has met the following minimum standards prior to acceptance.

All approvals described below can be adapted to equivalent levels in the different market regions.

Minimum Standards - Requirements for Client and Account Holder Acceptance

1. **Target Market.** A *client* must meet the *target market* definition of the PBG. For exceptions, see Standards 25-27.
2. **Identity of the Client/Account Holder.** The true identity of a client/account holder must be determined, verified, and documented. Before the relationship may be established, a prospect must provide consistent and satisfactory information in substantiating his identity and character.
 - 2.1 Supporting documents on the client must be maintained on file. (Refer to PBG Front End Policy.)

Samples of acceptable identification documents are in Appendix A.
 - 2.2 Contact information must be obtained and documented.
 - 2.2.1 At a minimum, information must be recorded on the client's/account holder's legal name, primary residence address for individuals and principal place of business address for entities, telephone, and nationality.
 - 2.3 *Beneficial Owners.* The minimum 'Know Your Client' standards must be met for Private Investment Companies (PICs), trusts, and similar fiduciary vehicles. In addition, however, *beneficial owners* of such vehicles must be identified and profiled.



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2.3.1 New accounts (opened after September 30, 1997)

- 2.3.1.1 When a new PBG account is opened in the name of a Private Investment Company (PIC), trust, or similar *fiduciary vehicle*, the *beneficial owner(s)* must be identified at each *Booking Center* holding an account for the *fiduciary vehicle* and at the PBG entity which manages or administers the *fiduciary vehicle* if applicable. Each such *Booking Center* must also maintain a *full profile* on the *beneficial owner(s)* of the *fiduciary vehicle* except as provided in Standards 2.3.1.2 and 2.3.1.3 for non-U.S. *Booking Centers*.
- 2.3.1.2 If a *fiduciary vehicle* is managed and administered by the PBG, the PBG entity managing or administering the vehicle may provide, subject to Standards 60.2, 61, and 62, a Due Diligence Confirmation in the form of Appendix B to non-U.S. *Booking Centers* holding accounts for the vehicle.
- 2.3.1.3 Where a Due Diligence Confirmation in the form of Appendix B is acceptable under local law or policy applicable to the non-U.S. *Booking Center* holding an account for the *fiduciary vehicle*, such *Booking Center* is permitted to hold *Basic Information* and a current Due Diligence Confirmation in lieu of a *full profile* on the *beneficial owner(s)*.

2.3.2 Existing accounts (opened on or before September 30, 1997)

- 2.3.2.1 For accounts of PICs, trusts, or similar *fiduciary vehicles* managed or administered by the PBG, the *Booking Center* must obtain a Due Diligence Confirmation in the form of Appendix C or a full profile on *beneficial owner(s)*. The Due Diligence Confirmation must be obtained from the PBG entity that manages or administers the *fiduciary vehicle* by October 31, 1997.
 - 2.3.2.1.1 If Due Diligence Confirmations or full profiles cannot be obtained by October 31, 1997, the *Booking Center* must submit a list of such accounts to its *Market Region Head* and Regional Compliance and Control Head for review by October 31, 1997. They will decide whether to provide additional time to obtain the required information or to terminate an account.
- 2.3.2.2 For accounts of PICs, trusts, and similar *fiduciary vehicles* not managed by the PBG, the *beneficial owner(s)* must be identified and *full profiles* obtained.



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- 2.3.2.2.1 If identification and *full profiles* cannot be obtained by October 31, 1997, the *Booking Center* holding such accounts must submit a list of the accounts to its *Market Region Head* and Regional Compliance and Control Head by October 31, 1997. They will decide whether to provide additional time to obtain the required information or to terminate an account.
- 2.4. Due Diligence Confirmations for *Beneficial Owners* (Appendices B and C) must be signed by the head of the PBG entity that manages or administers the *fiduciary vehicle*. For example: The Managing Director of Cititrust (Bahamas) Limited.
3. **Source of Wealth.** Detailed information on a client's/*account holder's* economic activities must be obtained to support net worth and income level prior to opening an account. The *source of wealth* should be wholly legitimate and sufficient to account for the size of relationship with the client.
- 3.1 *Source of wealth* information must include, as applicable:
- 3.1.1 Ownership of and/or a client's relationship to his primary businesses
 - 3.1.2 Names of partners and the nature of their involvement in the business, where appropriate
 - 3.1.3 The business' locations and geographic trade areas
 - 3.1.4 Details of other sources of wealth.
- This information should be documented over time by a call report or a plant or office visit, annual financial reports, third party confirmations, newspaper clippings, marketing brochures, or other reasonable information sources.
- Sample* questions for determining and documenting sources of wealth are in Appendix D.
4. **Source of Funds.** *Source of funds* refers to the origin and the means of remittance by which funds are sent to the PBG. Examples of *sources of funds* are: incoming funds from the sale of a private business or property, and a liquidation of a financial investment at another institution that is remitted to the PBG.
- 4.1 The *source of funds* for the initial account opening must be identified and documented.
 - 4.2 The source of significant additional funding to the account needs to be identified and documented. The transaction monitoring process is key to identifying significant additions of funds to client accounts.
- Samples of Source of Funds* statements are in Appendix E.



5 **Opening Diary Note (ODN).** A written summary is required that explains why the prospect should be accepted as a client of the PBG.

5.1 The *ODN* must include information on:

- 5.1.1 How a client was sourced
- 5.1.2 How a client plans to use his relationship
- 5.1.3 Identity of the *joint account holders* and *related account holders*, if any, to a client or entity that heads a client relationship
- 5.1.4 Details of a client's business background, *source of wealth*, and initial *source of funds*.

5.2 The *ODN* must demonstrate how this information has been obtained.

5.3 The *ODN* must remain in the profile as a permanent document. The *ODN* is the only part of a profile that will not be updated on a continuing basis.

5.4 The *ODN* applies to clients/*account holders* acquired after September 30, 1997. The *ODN* is not required for existing clients.

Examples of Opening Diary Notes are in Appendices G and H.

6. **References.** To check the integrity and character of the prospect, two *references* are required and must be documented in writing. References generally should contain a description of the capacity in which the referral party knows the prospect.

References may be obtained from Citicorp officers (Assistant Vice Presidents and above), clients in good standing, a bank, and external sources that are acceptable to the *Global Market Manager* (e.g., prospect's business associates, lawyers, or accountants).

6.1 *References* are required for *joint account holders* who are not *nuclear family members*

6.2 *References* are required for *related account holders*, including individuals, corporations, and non-Citicorp managed vehicles.

6.3 All *references* must be received before accepting a client.

6.3.1 Exception: Bank *references* must be received within 90 days after the account is opened.

6.3.1.1 If the bank *references* are not received within 90 days, all account transactions must be approved by the *Global Market Manager* or *Investment Center Head*.

6.3.1.2 If the bank *references* are not received within 120 days, the account will be closed.



- 6.4 When a PBG client is referred by or opens an account in another *Client Center* or *Booking Center*, additional new *references* are not required. The client's Private Banker in the referring jurisdiction must provide a written internal introduction, supported by a description of the existing relationship or other explanatory information about the client.
- 6.5 If a non-PBG client of Citicorp (for example, a GCB customer) is transferred (not referred) to the PBG, a written internal reference with supporting documentation from the referring unit will satisfy the *reference* requirement as long as the referring unit confirms in writing that their KYC criteria have been met.
7. **Approvals.** Upon the satisfactory completion of the above standards, a prospect, including *joint account holders* and *related account holders*, should be submitted by the Private Banker to his supervisor, and the *Global Market Manager* for the country where the client is domiciled, for approval.
- 7.1 If the domicile country of a client/*account holder* is not the same as the country in which the new client/*account holder* relationship will be opened (the *Booking Center*), the *Booking Center Head* (usually the *Investment Center Head*) must also approve the acceptance of a client/ *account* at that location.
- 7.2 Exception: For relationship/accounts opened in Switzerland or Luxembourg, the Market Region's representative in Switzerland/Luxembourg for the prospect's domicile may approve the acceptance of the client/*account holder* in lieu of the *Global Market Manager*.
- For example:* If a client whose domicile is Venezuela wants to establish a relationship in Chile, then the Venezuelan *Global Market Manager* and Chilean *Booking Center Head* must approve the acceptance of the client. If the same client opens an account in London, the *Investment Center Head* in London must also approve the opening of the London account.
- 7.3 During periods of absence or unavailability, a *Global Market Manager* or *Booking Center Head/Investment Center Head* may temporarily delegate approval authority.
8. Prospects cannot be accepted if they are governments, individuals, entities, or those acting on their behalf, whose name or business appears on the list of *Specially Designated Nationals* (SDN) promulgated by the Office of Foreign Assets Control (OFAC) or who are prohibited by U.S. sanctions.
- 8.1 *Market Region Heads* must establish an ongoing process to ensure that clients/*account holders* are not on the SDN list, which is revised from time to time, as well as a process to prevent or block clients/*account holders* from transacting with entities or individuals on the SDN list or prohibited by U.S. sanctions.



Approval Policy for Public Figures

A **public figure** is a government official, senior executive of a government owned corporation, military officer, politician or related family member or close associate of the public figure. This definition includes any individual who occupies, recently occupied, advises, or is actively seeking or is being considered for a senior position in the government, political process, or government owned corporation, or military of a country, state, or municipality. *Market Region Heads* may decide to broaden the definition of a public figure to include individuals with high public profiles.

Minimum Standards for Public Figures

9. For accounts opened after September 30, 1997, the Private Banker is responsible for identifying prospects who are public figures to the PBG officers who must approve acceptance per Standard 7. Additionally, prospects who are public figures must be identified to the *Market Region Head* for the prospect's domicile for approval prior to acceptance, or in the case of existing clients/ *account holders*, when the client/account holder becomes a public figure.
 - 9.1 A public figure will be accepted as a client/account holder of a secrecy jurisdiction only if the client/account holder has authorized disclosure of client information to the extent necessary to obtain the required approvals per Standards 9-12.

Note: Public figure clients accepted after September 30, 1997 may not be *isolators*.
 - 9.2 The *Opening Diary Note (ODN)* must clearly describe the circumstances that makes a prospect a public figure.
10. In addition to approvals required by Standards 7 and 9, the Private Banker must notify the following for public figures prior to acceptance.
 - 10.1 For non-U.S. prospects or clients: the *Country Corporate Officer* for the *Booking Center's* country.
 - 10.2 For U.S. prospects or clients: the *Corporate State Officer* for the state where the account is booked.
 - 10.3 The *Market Region Head* for the *Booking Center* (if different from the prospect's domicile).
11. After acceptance, the *Global Market Manager* will ensure that the names of public figures for his country are reviewed annually, or as events dictate necessary, by the PBG Regional Compliance and Control Office.



12. After acceptance as a public figure client, the PBG Group Executive, in consultation with the *Market Region Head* representing the client's domicile and the *Market Region Head* of any *Booking Center* where the client holds PBG accounts will review the existing public figures annually, or as events dictate necessary, to identify and analyze changes in client status and relationship with the PBG in order to
 - 12.1 Ensure that the retention of existing public figures continues to be appropriate
 - 12.2 Approve the PBG's termination of a relationship
 - 12.3 In the event that the PBG files a Suspicious Activity Report (per Standards 48 and 49) with regard to a public figure client, the PBG Group Executive and relevant *Market Region Heads* shall be advised promptly and a review per this Standard initiated.

Approval Policy for Special Name Accounts

A **Special Name account** is an account using a pseudonym or number established as an accommodation for a client/account holder. *Special Name accounts* should not be marketed as a core PBG service and will only be permitted in the case where a client/account holder has legitimate reasons to request this service (for example, personal security, or concerns about undesirable publicity). In considering whether to approve a client's/account holder's request for a *Special Name account*, consideration should be given to whether such accounts are customary market practice in the location where the account will be held.

Minimum Standards for Special Name accounts

13. For accounts opened after September 30, 1997, except as provided in Standard 13.1, clients requesting a *Special Name account* must authorize disclosure of client information to the extent necessary to obtain the approvals required by this policy and Standard 7.
 - 13.1 If an account is being established in Switzerland or Luxembourg, the market region's designated representative in Switzerland or Luxembourg of the prospect's or client's domicile may approve the opening of the *Special Name account* in lieu of obtaining the approval of the *Global Market Manager* for the client's domicile.
 - 13.2 The *Opening Diary Note* must clearly describe why the account should be given a *Special Name*. (For Example: For personal safety reasons, the client wants additional confidentiality.)
14. The laws of the country where the account is located must not prevent the use of *Special Name accounts*.



15. The Private Banker must advise a client/account holder, in writing, that
 - 15.1 The use of a *Special Name account* provides only limited rights
Example: omission of a client's or account holder's name during internal dealings between employees who have no need to know the client's name.
 - 15.2 The real name of the owner(s) of the account must be maintained on file at the location where each account is held, but may be kept separate from the account profile and files.
 - 15.3 The Bank will release account information, including the identity of the account owner, as required by law.
16. A client's/account holder's written consent to the disclosures required by this policy must be obtained as part of the account opening documentation, or at any time that an account is changed to *Special Name* status.
17. The Private Banker must maintain a record of all *Special Name accounts* held by a client.
18. After acceptance, the *Global Market Manager* for the client's domicile will
 - 18.1 Ensure that the *Special Name accounts* are reviewed annually, or as events dictate necessary, by the PBG Regional Compliance and Control Office.
 - 18.1.1 For accounts opened after September 30, 1997 in Switzerland and Luxembourg, the review can be done by the Local Compliance and Control Office.
 - 18.1.2 For accounts opened on or prior to September 30, 1997, if the client has not authorized disclosure of the account outside the *Booking Center* and the *Client Center*, the compliance review can be done by the Local Compliance and Control Office.
19. The *Global Market Manager* will review the *Special Name accounts* annually, or as events dictate necessary to identify and analyze changes in client status and relationship with the PBG, in order to
 - 19.1 Ensure that the retention of existing clients continues to be appropriate
 - 19.2 Approve the PBG's termination of the relationship of a client
 - 19.3 If the PBG files a Suspicious Activity Report per Standards 48 or 49 with regard to a *Special Name account*, the *Market Region Head* for the client's domicile and the *Booking Center* (if different) shall be advised promptly and a review of the client/account holder per standard 19 initiated.
20. In the case of *Special Name accounts* in Switzerland, the market region's Swiss representative for the client's domicile may fulfill Standard 19 and the EMEA Market Region Head will fulfill Standard 19.3. In Luxembourg, the *Country Corporate Officer* will fulfill Standard 19, including 19.3.



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Approval Policy for Employee Accounts

An **Employee account** is an account for a PBG employee or a *relative* of a PBG employee. An employee may not book accounts in a secrecy jurisdiction that is not his home country, unless he has signed a disclosure authorization.

Minimum Standards for Employee Accounts

21. The Private Banker is responsible for identifying accounts of PBG employees or *relatives* of PBG employees when requesting his supervisor's and *Global Market Manager* and/or *Investment Center Head* approval per Standard 7 prior to acceptance.
 - 21.1 The *Opening Diary Note* must clearly describe why the account should be accepted by the PBG.
22. To avoid any potential conflict of interest, PBG employee accounts must be administered by a Private Banker not related to the *account holder*.
 - 22.1 A PBG employee may not in any way influence the activity of his accounts and those of his *relatives*.
23. After acceptance, the *Global Market Manager* will report the names of accounts of employees or *relatives* of PBG employees to the PBG Local Compliance and Control Office.
24. After acceptance, the *Global Market Manager* will review annually the accounts of PBG employees and of *relatives* of PBG employees to identify and analyze changes in client status in order to
 - 24.1 Ensure that the retention of existing clients/*account holders* continues to be appropriate
 - 24.2 Approve the change of status of PBG employees and *relatives* of PBG employees, and/or the PBG's termination of a relationship.

Approval Policy for Non-Target Market Clients

Minimum Standards—Non-Target Market Clients

25. For accounts opened after September 30, 1997, the Private Banker will identify non-*target market* clients/*account holders* when requesting his supervisor's and *Global Market Manager's* approval to acceptance.
 - 25.1 The *Opening Diary Note* must clearly describe why this account should be accepted by the PBG.
26. **[RESERVED]**
27. The *Global Market Manager* will review annually the non-*target market* clients/*account holders* to ensure that their retention continues to be appropriate.



Approval Policy for Money Manager Accounts

As the term will be used here, *Money Managers* are PBG clients who manage funds for other individuals or entities. These individuals/entities are clients of the *Money Manager* and *Beneficial Owners* of funds the *Money Manager* deposits or invests with or through the PBG. The 'Know Your Client' requirements that are applicable for *Money Managers* have a different set of standards.

This policy does not apply to *Money Managers*/financial advisors who manage client relationships (on a discretionary or non-discretionary basis) where the PBG account is held in the name of the *Beneficial Owner* rather than the *Money Manager*. In such cases, the client/account holder, instead of the financial advisor or *Money Manager*, requires a *full profile*.

Minimum Standards for Money Manager Accounts

28. Effective December 31, 1997 (except as provided in Standard 29), *Money Managers* are fully subject to the minimum standards of PBG's 'Know Your Client' policy, including the additional standards here (Standards 28 - 30).
 - 28.1 The *Opening Diary Note* must clearly describe why the account should be accepted by the PBG.
 - 28.2 The *Money Manager* must provide adequate written assurances that his clients are reputable and evidence that he has a KYC process in place that is sufficient to meet the standards/guidelines to be issued by PBG Group Compliance and Control.
 - 28.2.1 The *Money Manager* must agree that it will permit the PBG to periodically review and test its KYC process and, on request, will provide any information necessary to assure the PBG of the adequacy of the KYC process.
 - 28.3 In cases where a *Money Manager* establishes an account(s) with the PBG in the *Money Manager's* name or in a company or other *Special Name account*, if the account represents the funds of a single individual or a group of related parties (e.g., family group), then
 - 28.3.1 The identity of the *beneficial owner* of the funds must be disclosed to the PBG, and
 - 28.3.2 The *Money Manager* must provide a *partial profile* on the *beneficial owner*.
 - 28.4 In cases where a *Money Manager* establishes an omnibus account – an account combining the funds of two or more unrelated parties – the *Money Manager* must provide to the PBG the *name and primary residence address* on each *beneficial owner* whose funds are held in the omnibus account to the PBG so that the PBG may review the names for SDNs (per Standard 8).



- 28.4.1 The *Money Manager* must agree that once the account is established, he will promptly notify the PBG of the addition of new *beneficial owners* and provide the name and address.
- 28.4.2 Information on the identity of clients of the *Money Manager* must be maintained on file at the *Booking Center* but may be kept separate (in a confidential file) from the *Money Manager's* KYC profile.
- 29. For *Money Manager* accounts opened on or before December 31, 1997, Standard 28 (except for 28.1) and Standard 32 must be met by March 31, 1998.
- 30. In addition to the approval requirements in Standard 7, for accounts of *Money Managers* opened after December 31, 1997, prior to the acceptance of a new *Money Manager* relationship, the approval of the *Market Region Head* for the *Money Manager's* domicile is required.
- 31. If a relationship with a new *Money Manager* is being established in Switzerland, the market region's Swiss representative for the *Money Manager's* domicile and the EMEA *Market Region Head* may approve the opening of the relationship. In Luxembourg, the *Country Corporate Officer* may approve the opening of the relationship in lieu of the *Market Region Head*.
- 32. After acceptance, the *Market Region Head*, or in Luxembourg, the *Country Corporate Officer* will perform annually a due diligence review of *Money Managers* to ensure that
 - 32.1 The *Money Managers* provide adequate written assurances that they continue to enforce acceptable KYC processes and that KYC information on each of their clients is updated
 - 32.2 Retention of existing clients continues to be appropriate.



CLIENT PROFILE POLICY

A profile represents the primary information that is maintained on a client/account holder or associated individual or entity. It is a dynamic document that will be amplified as knowledge of a client/account holder/associates grows.

All elements of the Client Acceptance Policy must be documented prior to accepting the client/account holder or associated individuals or entities and to opening the account. Five more elements (Standards 35 - 39) must be addressed to establish a *full profile*.

The PBG will develop a revised global profile format in conjunction with the new front end system. Information on existing clients/account holders will be transferred to the new format as the new system is implemented. In the meantime, each Market Region will establish formats to be used to profile clients/account holders with accounts in the region.

33. English will be the official language for recording profile information required by the 'Know Your Client' policy. Background data that supports the profile does not need to be in English.
 - 33.1 From the date of the approval of this policy, information on all new clients/account holders or associated individuals or entities must be recorded in English.
 - 33.2 For existing clients/account holders, information in other languages must be translated into English. At the latest, the translation must be completed during the conversion phase to the newly automated profile format.
34. A *full profile* must be prepared by the Private Banker within 60 days of client/account holder acceptance and approved by his supervisor.
 - 34.1 If the profile is not completed in 60 days, the *Global Market Manager* or *Investment Center Head* must approve all transactions on an exception process basis.
 - 34.2 For accounts opened after September 30, 1997, if the profile is not available within 120 days of client acceptance, the account must be terminated.

Minimum Standards - Ongoing Client Profile Requirements

35. **Transaction Profile.** A brief summary of the anticipated account usage must be documented and updated annually, or more frequently if the relationship or anticipated account usage changes significantly.
 - 35.1 The transaction information must be recorded for each *account holder* and will be recorded in the client profile at the client level. *Money Managers* establishing accounts pursuant to Standard 28 will be considered the *account holders* for purposes of this Standard.



35.2 The PGB has established 'normal' monthly transactional account activity as follows: increases and decreases of 10% of an *account holder's* total *assets* and up to 5% outflow of the *account holder's assets*. Anticipated activity outside of these parameters must be recorded in the transaction profile.

Note: This information will be used only as a point of reference when investigating the transaction trends of an *account holder*, if required. (See the Transaction Monitoring Policy below.)

36. **Client/Account Holder Structure.** The relationship of associated entities and individuals related to the *client/account holder* must be identified in the profile and include:

36.1 *Joint account holders and related account holders* (individual and corporate)

36.2 *Authorized signers*

36.3 Directors and officers of non-Citicorp managed *vehicles* that maintain accounts at Citicorp

36.4 Any other individuals relevant to the relationship.

37. **Financial Summary.** A client's maximum potential should be evaluated. If the financial summary is estimated, it must be amplified as the relationship develops. The summary must include an estimate of a client's total assets, total liabilities, net worth, and current income, both offshore and onshore.

38. **PBG Team Identification.** All PBG contacts of a *client/account holder* must be identified, including the

38.1 Private Banker

38.2 Backup Private Bankers and the Private Banker's local representative, where applicable

38.3 Supervisors

38.4 Service team support

38.5 Internal product and service providers

38.6 Any other employees significantly involved in the relationship.

39. **Other Citicorp Relationships.** Information on a client's relationships with other (non-PBG) areas of Citicorp, to the extent known, must be described.

40. **[RESERVED]**

Profile Requirements

41. Profile requirements are as follows:

41.1 Clients require a *full profile*.

41.2 *Related Account holders*, whether individuals, corporations, or *vehicles*, require a *full profile*.

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- 41.3 *Joint Account Holders* who are not *nuclear family members* require a *partial profile*. A *nuclear family member* is a client's spouse who does not have an independent source of wealth or a child who is under the age of 21 or of student status.
- 41.4 *Joint Account Holders* who are a spouse with an independent source of wealth and/or a child over the age of 21 who is not a student require a *partial profile*.
- 41.5 *Joint Account Holders* who are *nuclear family members* and do not meet the specifications in Standard 41.4 require *Basic Information*.
- 41.6 *Authorized Signers* require *Basic Information*. They perform a variety of functions for clients.

Examples: a secretary who is authorized to transfer funds, a financial advisor who is authorized to make investment decisions, a lawyer who acts as an officer or director of a non-Citicorp managed vehicle, a non-Citicorp bank officer who directs a client's investments.
- 41.7 *Beneficial Owner's* information required depends on the nature of the account. See Standard 2.3 for requirements on *beneficial owners* of PICs, trusts, and similar *fiduciary vehicles*. See Standard 28 for *beneficial owners* of *Money Manager accounts*.

Other Profile Responsibilities

- 42. The Private Banker will
 - 42.1 Complete call reports, which will be held in confidence, to record ongoing developments in a client relationship.
 - 42.2 Review and update client profiles whenever significant changes in activity, ownership, or public information about the client occur.
- 43. An annual review of profiles will be conducted by the Private Banker and approved by the Private Banker's supervisor. This review must be documented and dated.
 - 43.1 The projected transaction activity for each *account holder* must be reviewed annually in order to ensure accuracy and to substantiate exceptions. Subsequent updates to the expected transaction profile require approval by the Private Banker's supervisor.
- 44. Any deficiencies in the acceptance or ongoing profiling requirements for existing clients must be clearly dimensioned, targeted for resolution, and closely monitored until full compliance is achieved.

Access to Profile Information

- 45. Each *Market Region Head* must ensure that access to profile information is in compliance with local laws and regulations, and is limited to persons with a need-to-know. Personnel presumed to have a need-to-know include:



- 45.1 The *PBG relationship team* for the client
- 45.2 Direct supervisors
- 45.3 Product and service providers, including investment finance and risk managers, as needed
- 45.4 Designated trust and/or private investment company officers who manage *fiduciary vehicles* for a client
- 45.5 Authorized internal auditors and internal legal counsel
- 45.6 PBG Compliance and Control Officers
- 45.7 PBG Risk Managers
- 45.8 Additional persons authorized by the *Market Region Head* or *Global Market Manager*, as appropriate.
- 46. Each Market Region Head will be responsible for maintaining adequate procedures to ensure that:
 - 46.1 Files or materials containing names, profiles, or other identifying information relating to *account holders* and *beneficial owners* of accounts, as required by Standards 17 (*Special Name accounts*), 28 (*Money Manager accounts*), and 2.3 (Citicorp managed trusts, PICs, or other vehicles), above, are maintained in a confidential manner and access to the files and information is available to authorized persons listed in Standard 45, on a need-to-know basis.
 - 46.2 The files and information described Standard 46.1 are available or retrievable, in each location where accounts of the entities mentioned are held or managed, in order to meet PBG 'Know Your Client' requirements.
 - 46.3 A PBG employee cannot access profile information or be allowed to update the list of those with access to profile information of the accounts of any of his *relatives*.



TRANSACTION MONITORING POLICY

PBG employees must be alert at all times to unusual or possibly suspicious account activity and be aware of U.S., local government, and PBG reporting requirements. The ultimate responsibility for monitoring client account activities is with the Private Banker, or his local representative, as appropriate.

Money laundering laws require financial institutions to establish a transaction monitoring process. Employees who participate in monitoring transactions must understand that "knowledge" includes the concepts of "willful blindness" and "conscious avoidance of knowledge." Those employees whose suspicions are aroused, but then deliberately fail to make further inquiries, may be considered under the law to have the requisite "knowledge." Employees who suspect money laundering should refer the matter to appropriate personnel as directed in Standards 48 and 49 of this policy.

To avoid persons who seek to use Citibank for illicit purposes, the PBG is adopting a two-tiered approach. A detailed transaction review process will be implemented for designated clients who may have a higher risk potential. PBG will also establish a set of parameters with minimum standards for addressing unusual fund movements in all client accounts. Both levels of review will be supported by a process for investigating and reporting unusual trends to management and the Compliance and Control Office. This process will be established at the *Booking Center* level, following the standards below.

The PBG's parameters for monitoring transaction activity will be based on an *account holder's assets* in a *Booking Center*. Increases and decreases in excess of 10% of an *account holder's* total *assets* in the *Booking Center* during the month will be identified. An *account holder's* aggregate *outgoing funds flows* in excess of 5% of his *assets* in the *Booking Center* during the month will also be reported. *Internal funds flows* will not be monitored.

For the purpose of transaction monitoring, the PBG will monitor activity at the *account holder* level, rather than the client level. For example, a husband is an *account holder*, a husband and wife are another *account holder*, a husband and a business partner are another *account holder*.

Note. The PBG's parameters are defined as follows:

- *Assets* - an *account holder's* total investments and deposits within a given *Booking Center*.
- *Outgoing funds flows* - funds transfers, cash transactions, checks, free payments and deliveries of securities, and Citibank branch check and cash activities within a given *Booking Center* to third parties, or between *Booking Centers* to any beneficiary, including the same client/*account holder*.
- *Internal funds flows* - transactions between the accounts owned by the *account holders* within a given *Booking Center*.

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Minimum Standards—Monitoring Process

47. A consistent process for transaction monitoring must be established for each *Booking Center*. PBG Regional Compliance and Control will review transaction monitoring procedures and test transaction monitoring from time to time.
- 47.1 **Higher risk clients.** Each *Booking Center* (with support from Product Areas) must maintain a list of clients to monitor closely.
 - 47.1.1 In considering names for this list, priority should be given to clients who:
 - Have frequent transactions of a high monetary amount
 - Are in businesses with a higher potential for money laundering (see Citicorp Legal Desk Book)
 - Are public figures as defined by Standard 9
 - Request extreme confidentiality
 - 47.1.2 The review process can be manual or automated (depending on system capabilities in each region); however, it must include a documented analysis of transactions for clients identified in 47.1.1. This can be accomplished by reviewing daily activity, monthly statements, or comparable records.
- 47.2 For all PBG clients, the Private Banker or his local representative in a *Booking Center*, as appropriate, must determine the *account holder's* initial historical *assets* based on the client's previous three months' closing balances. The initial historical *assets* will be determined from a system output.
 - 47.2.1 If an *account holder* does not have a three month history, the Private Banker or his local representative, as appropriate, must use the prior month's end balance in U.S. Dollar or local currency equivalent.
- 47.3 Once the initial *asset* level is established, the Private Banker or his local representative, as appropriate, will have the right to raise or lower the *assets* that will be monitored.

Note: Adjustments in the *assets* may be due to anticipated increases or decreases in the account level.

 - 47.3.1 Changes in the *assets* must be documented and approved by the Private Banker's supervisor.
- 47.4 The historical or adjusted *assets* will serve to monitor the account activity of the *account holder*.
- 47.5 The system will generate a report that will match the historical/adjusted *assets* versus movements in *assets* during the month and *outgoing funds flows*. This report will highlight a 10% deviation over/under the historical/adjusted *assets* and a 5% deviation of funds outflow from the account during the month.

Note: These percentages may be adjusted by the *Market Region Head* with prior approval from the Regional Compliance and Control office.

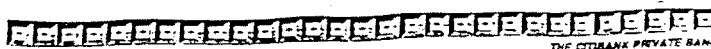


47.6 Exceptions to the established monitoring percentages for specific *account holders* require approval of the *Global Market Manager* and the PBG Regional Compliance and Control Officer.

Note. All of the above refer to funds flows within a given *Booking Center*.

Minimum Standards—Reporting

48. The Private Banker or his local representative at the *Booking Center* must review and obtain his supervisor's and his Anti-Money Laundering Compliance Officer's (appointed pursuant to Standard 64) approval on the monthly reports that are generated by the system that highlights deviations in excess of the parameters in Standard 47.
 - 48.1 If an *account holder* has exceeded either the total *asset* or the *outgoing funds flows* parameters, then the Private Banker must document an explanation for the exception and sign the report, which must be sent to his Anti-Money Laundering Compliance Officer, with a copy maintained in the client's file.
 - 48.1.1 If the Private Banker requires additional information about a particular transaction or *account holder*, an investigation should continue until the Private Banker is satisfied.
 - 48.1.2 If the investigation cannot be concluded within 30 days, the Private Banker should notify his supervisors and Anti-Money Laundering Compliance Officer of the situation.
 - 48.2 If a Private Banker detects suspicious account activities, as defined by Citicorp's Global Anti-Money Laundering Policy, he must immediately notify his supervisors and the Anti-Money Laundering Compliance Officer for further action.
 - 48.2.1 All investigations must be concluded within 30 days.
 - 48.2.2 The Anti-Money Laundering Compliance Officer is responsible for reporting suspicious account activities to outside authorities.
49. The *Market Region Head* working with the Regional Compliance and Control Head must ensure that an independent unit is established at each *Booking Center* within his region in order to provide the necessary support to:
 - 49.1 Receive the system output reports, distribute them to the respective Private Bankers, and ensure that the signed reports are returned
 - 49.2 Provide specific item investigations when required by the Private Bankers
 - 49.3 Identify *account holders* who repeatedly deviate from the set standards
 - 49.4 Monitor changes to the *asset* level
 - 49.5 Report suspicious activity, as required, to management and the Anti-Money Laundering Compliance Officer (who is appointed pursuant to Standard 64).



- 49.5.1 *Market Region Heads* must ensure that a suspicious transaction reporting procedure satisfactory to PBG Regional Compliance and Control is established to provide for timely reporting of transactions to management and the relevant Anti-Money Laundering Compliance Officer so that a Suspicious Activity Report (SAR) is submitted to the proper authorities as applicable.
- 49.5.2 *Market Region Heads* must ensure that a process is established so that copies of all PBG Suspicious Activity Reports are sent on a monthly basis to Citicorp's Investigation and Potential Loss Department (IPL)
- 49.5.3 Non-U.S. PBG businesses are expected to have policies and procedures to comply with any local reporting requirements.

Monitoring of Cash Transactions

Reporting Cash Transactions

- 50. *Market Region Heads* must establish procedures to monitor cash transactions in their region as required by U.S. or local law.
 - 50.1 To ensure compliance with U.S. or local record keeping and/or reporting requirements, *Market Region Heads* must have procedures for:
 - 50.1.1 Recording and/or reporting cash transactions as required by U.S. or local law
 - 50.1.2 Developing and implementing methods of monitoring cash transactions.
 - 50.2 *Booking Centers* that effect transactions involving currency, including deposits, withdrawals, exchanges, check cashing, and purchases of instruments, must record all transactions in excess of U.S.\$10,000 or its local currency equivalent, subject to Standard 51.1 below.
 - 50.2.1 *Booking Centers* must comply with local laws that set a lower recording threshold.

Monitoring for Structuring

- Structuring occurs whenever a client/account holder breaks down transactions below certain dollar or other currency amounts to evade a reporting requirement (\$10,000 in the U.S.) or to avoid detection. In the U.S., structuring is illegal even if the funds are legitimately derived, and structuring wherever it occurs is a sign of possible money laundering.
- 51. *Market Region Heads* must establish appropriate methods for monitoring client/account holder transactions in their region to detect cash transactions that are actual or attempted structuring.



- 51.1 *Booking Centers* outside the U.S. may obtain approval to adopt a threshold amount higher than \$10,000 or the equivalent for recording, reporting, and/or monitoring after taking into account local law, the cash nature of the local economy, and the money laundering risks inherent in such transactions in their country, subject to approval requirements set forth in this section and Citicorp's Global Anti-Money Laundering Policy.
- 51.2 *Market Region Heads* seeking to adopt a threshold amount higher than \$10,000 must have the approval of PBG Group Legal Counsel and the PBG Group Compliance Officer, who must consult with the Litigation Unit of Legal Affairs prior to approval.

Record Retention Requirements

- 52. All documents listed below must be maintained by *Booking Centers* for at least five years unless local law or the Citicorp policy on document retention specifies a longer period:
 - 52.1 Client/account holder profiles or when appropriate, Due Diligence confirmations, (upon completion of the annual review process) and any other relevant information about a client, including information concerning *beneficial owner(s)* of the accounts
 - 52.2 Transaction monitoring records
 - 52.3 Suspicious Activity Reports with supporting documentation
 - 52.4 Records of all formal training conducted which include the names, levels, and business units of attendees, and dates and location of the training
 - 52.5 Any other documents required to be retained under U.S. or local money laundering laws.

Training

- 53. The PBG University must conduct formal anti-money laundering training programs for Private Bankers and service staff, at a minimum. The training will include
 - 53.1 Programs on U.S. and local anti-money laundering laws and on recent trends in money laundering
 - 53.2 Bank policies and procedures to combat money laundering, including how to recognize and report suspicious transactions.
- 54. The PBG University will establish procedures for determining the training and which personnel must be trained commensurate with their money laundering risk assessment.
- 55. The PBG University will maintain records of all formal training conducted. The records will include the attendees' names, levels, and business units, and the dates and locations of the training.



POLICY ON ROLES AND RESPONSIBILITIES

The officer with the primary responsibility for a client/account holder, the Private Banker, has the responsibility for fulfilling the PBG 'Know Your Client' process. Product and service providers should not have primary responsibility for this process, unless they are designated as the primary contact. Transactions with a client may not occur without first ascertaining that the 'Know Your Client' process has been completed satisfactorily.

Minimum Standards - Roles and Responsibilities

56. The *Global Market Manager* for the client's domicile must ensure that each client/account holder is assigned a Private Banker or another primary contact who is responsible for fulfilling the 'Know Your Client' process.
57. Every client/account holder must have an officer responsible for the 'Know Your Client' process assigned as his Private Banker.
 - 57.1 If a product or service provider is the primary contact, then he may be designated as the "Private Banker" by the *Market Region Head* and relevant *Global Product Manager*, and will have the responsibility to fulfill the 'Know Your Client' role.

For example: If the primary relationship is with the Global Real Estate Investment Unit or Global Investment Advisory Unit, then the client's primary contact in the unit may serve as the "Private Banker" responsible for 'Know Your Client' policy.
58. The Private Banker has the responsibility to advise product and service providers on the PBG contact team (see Standard 38) on a timely basis of any significant information that affects the relationship.
 - 58.1 PBG Product and service providers, the Private Banker's local representative, and any other members of the PBG contact team (see Standard 38) have the responsibility to provide the Private Banker with any material information that they learn about a client while providing products or services, and vice versa.
 - 58.2 Procedures must be adopted to ensure that this process is defined and followed.
59. PBG Product and service provider organizations must adopt standards and procedures that address the extent to which they need to access and review 'Know Your Client' information, taking into consideration
 - 59.1 The nature and extent of a client contact
 - 59.2 The legal and regulatory background/requirements of the organization, particularly applicable Anti-Money Laundering requirements
 - 59.3 The jurisdiction providing the product or service



- 59.4 Where credit exposure exists, the credit and related risks involved. (For example, in certain jurisdictions such as the U.S., assets of money launderers, including collateral, may be subject to seizure and forfeiture.)
- 59.5 The quantity/quality of information available where the client has not authorized full disclosure of information on accounts held at all PBG *Booking Centers* (for example, where a client does not waive secrecy jurisdiction rights).
- 60. At a minimum, all PBG product and service providers who do not have required 'Know Your Client' information must obtain a current 'Know Your Client' Due Diligence Confirmation in the form of Appendix B or Appendix C for PICs, trusts, *fiduciary vehicles* and their *Beneficial Owners*, or in the form of Appendix F for other clients/*account holders*.
 - 60.1 PBG Product and service providers may rely on such a confirmation to satisfy the minimum standard (instead of a *full profile*) if the legal vehicle and sovereign jurisdiction of the primary client relationship and the product or service provider are the same.
 - 60.1.1 If the product and service providers are located in a different legal vehicle and/or jurisdiction, the laws and policies of the jurisdiction that would receive the confirmation will determine whether or not confirmation is acceptable as an alternative to 'Know Your Client' information.
 - 60.2 PBG entities managing or administering *fiduciary vehicles* in secrecy jurisdictions may issue a 'Know Your Client' Due Diligence Confirmation in the form of Appendix B only in cases where the client has authorized disclosure of information (waived applicable secrecy rights).
- 61. The 'Know Your Client' Due Diligence Confirmation:
 - 61.1 Will be issued only if a client or *Beneficial Owner* profile meets the minimum standards of client acceptance and client profiling of this 'Know Your Client' Policy
 - 61.2 Must be reviewed and updated annually by the Private Banker
 - 61.3 Must be signed by the head of the PBG entity that manages or administers the PBG managed PIC, trust, or *fiduciary vehicle*, and by the *Global Market Manager* or *Client Center Manager* for other clients/*account holders*.
- 62. If an operating unit has been audited or self-rated and "Major Risks" related to 'Know Your Client' documentation or transaction monitoring have been identified, then
 - 62.1 That unit cannot issue Due Diligence Confirmations until approval is given by the PBG Regional Compliance and Control Office.
 - 62.2 Profiles must be obtained until the unit resolves its outstanding issues.



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63. For clients/*account holders/Beneficial Owners* who have authorized client information disclosure, if confirmation is considered insufficient, then the product and service providers may request a copy of a client's/*account holder's/Beneficial Owners* 'Know Your Client' profile. Additionally, product and service providers may request a copy of the 'Know Your Client' profile if:
 - 63.1 Required by Citicorp or PBG policy, the regulatory authorities, or the jurisdiction providing the product or service
 - 63.2 The providers believe that a copy of this information will enhance their delivery capability.
64. **Anti-Money Laundering Compliance Officers.** Each *Booking Center/Client Center*, in consultation with the PBG Regional Compliance and Control Office, must designate an Anti-Money Laundering Compliance Officer who will interface with regulatory authorities on issues related to money laundering.
 - 64.1 The Anti-Money Laundering Compliance Officer must be contacted to report suspicious client activities tracked from the 'Know Your Client' process.
 - 64.2 A responsibility of the Anti-Money Laundering Compliance Officer, along with Private Bankers and management, is to report these activities to local legal and regulatory authorities.
 - 64.3 Group Compliance and Control will appoint a Regional Anti Money Laundering Officer for each Market Region.
65. The Regional Compliance and Control Office must conduct annually an assessment of the market region's anti-money laundering policies and procedures to provide reasonable assurance that the compliance program continues to function effectively.
 - 65.1 The assessment process must include testing and analysis.



EXCEPTIONS FROM MINIMUM STANDARDS

On occasion, there will be a need to approve exceptions for a given client.

Any and all exceptions to this policy for new or existing clients must be documented by the Private Banker and approved by the *Market Region Head*, and the Regional Compliance and Control Head representing the prospect's or client's country.

Exceptions must be kept to a minimum.

DEVIATIONS FROM MINIMUM STANDARDS

Any deviations requested for a significant number of clients or an entire business (*Booking Center/Investment Center*) or Market Region from the minimum standards must be documented and require the approval of the PBG Group Head, the Group Compliance Officer, and the Group Legal Counsel.



Appendix A

Identification Documents

Acceptable forms of Identification

1. Passport with photo
2. National ID Card with photo
3. Resident's ID (if status equal to National ID)
4. Driver's License with photo
5. Armed Forces ID with photo

Unacceptable forms of Identification

6. Birth Certificate
7. Provisional Driver's License
8. Credit Card
9. Student ID

For a corporation, the following documents are required

10. Certificate of incorporation or registration, or its equivalent
11. Articles of incorporation, charter and by-laws, or their equivalent
12. Corporate Resolution.
13. Good Standing Certificate, or equivalent if available in the jurisdiction where the corporation was formed, if the corporation has been formed more than one year before the date of account opening.

For other business entities, documentation will include formation documents and documents designating persons authorized to act on behalf of the entity, e.g., partnership agreements, incorporated association charter, trust agreement.



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Appendix B

**Confirmation of Due Diligence and Profile Procedures for
Beneficial Owners of PBG Managed Fiduciary Vehicles
Opened after September 30, 1997**

To: [Booking Center for Fiduciary Vehicle's Account e.g., Citibank, N.A.
London.]
From: Trustee or managed fiduciary [e.g., Cititrust (Cayman) Ltd.] vehicle directors
or officers
Re: [Fiduciary Vehicle Name]

We confirm that we have in our files information concerning the true identity of the beneficial owner(s) of the referenced vehicle, for which we serve as Trustees or Administrators.

We further confirm that we have complied with Citicorp corporate policies to prevent money-laundering with respect to the referenced vehicle above and its beneficial owners. In particular we represent that we hold in our files confirmation resulting from our own due diligence or from Private Bank staff referring this account (Referral Party) of the following:

1. Steps have been taken to confirm the true identity of the beneficial owner(s) of the vehicle and copies of acceptable identification documents are held in our files.
2. Inquiries as to the nature of the beneficial owner's business and associations have been made and we or the Referral Party have sufficient information to judge the beneficial owner(s) to be reputable and have no reason to suspect the beneficial owner of money-laundering or other criminal activities.
3. We or the Referral Party have identified a legitimate source of funds to be credited to the accounts, or used to fund current or imminent transactions with you, and a source of wealth which reasonably accounts for the amount and composition of those funds.

We also confirm that:

1. We will monitor, so far as reasonably practicable and for as long as the vehicle is managed or administered by this office, the activity on the account/transactions with you and the vehicle's and beneficial owner's business and associations, and will notify you if we have any suspicions relating to money-laundering or other criminal activities.
2. We have complied and will continue to comply with all local, legal, and regulatory requirements applying to the above-named at our offices, and
3. Full profiles relating to the above-named vehicle and beneficial owner(s) thereof are maintained at this office and they meet the minimum standards of the PBG 'Know Your Client' Policy, including information supporting the statements in this letter.
4. I will give you access to any information you require for compliance with legal and regulatory 'Know Your Client' requirements.

Signed: _____ Date: _____

Name and Title _____ (Fiduciary Vehicle Director or Officer)

Signed: _____ Date: _____

Name and Title _____ (Head of PBG entity)

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Appendix C

**Confirmation of Due Diligence and Profile Procedures for
Beneficial Owners of PBG Managed Fiduciary Vehicles
Opened on or before September 30, 1997**

To: [Booking Center for Fiduciary Vehicle's Account e.g., Citibank, N.A.
London.]
From: Trustee or managed fiduciary [e.g., Cititrust (Cayman) Ltd.] vehicle directors
or officers
Re: [Fiduciary Vehicle Name]

We confirm that we have in our files information concerning the true identity of the beneficial owner(s) of the referenced vehicle, for which we serve as Trustees or Administrators.

We further confirm that we have complied with Citicorp corporate policies to prevent money-laundering with respect to the referenced vehicle above and its beneficial owners. In particular we represent that we hold in our files confirmation (from our own due diligence or from Private Bank staff referring this account (Referral Party)) of the following:

1. Steps have been taken to confirm the true identity of the beneficial owner(s) of the vehicle and copies of acceptable identification documents are held in our files.
2. Inquiries as to the nature of the beneficial owner's business and associations have been made and we or the Referral Party have sufficient information to judge the beneficial owner(s) to be reputable and have no reason to suspect the beneficial owner of money-laundering or other criminal activities.
3. We or the Referral Party have identified a legitimate source of funds to be credited to the accounts, or used to fund current or imminent transactions with you, and a source of wealth which reasonably accounts for the amount and composition of those funds.

We also confirm that:

1. We will monitor, so far as reasonably practicable and for as long as the fiduciary vehicle is managed or administered by this office, the activity on the account/transactions with you and the vehicle's and beneficial owner(s)'s business and associations, and will notify you if we have any suspicions relating to money-laundering or other criminal activities.
2. We have complied and will continue to comply with all local, legal, and regulatory requirements applying to the above-named.
3. Full profiles relating to the above-named vehicle and beneficial owner(s) thereof are maintained at this office and they meet the minimum standards of the PBG 'Know Your Client' Policy, including information supporting the statements in this letter.
4. I will give you access to any information you require for compliance with legal and regulatory 'Know Your Client' requirements that can be lawfully disclosed to you.

Signed: _____ Date: _____

Name and Title _____ (Fiduciary Vehicle Director or Officer)

Signed: _____ Date: _____

Name and Title _____ (Head of PBG entry)

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Appendix D

Sources of Wealth

Sample Questions

- | | |
|--|--|
| <p>1. Past and/or Present Wealth generated from business ownership</p> | <p>Description and nature of the business and its operations?</p> <p>Percent ownership?</p> <p>Percent and names of other owners?</p> <p>Estimated sales volume?</p> <p>Estimated net income?</p> <p>How long in business?</p> <p>How was the business established?</p> <p>Market penetration?</p> <p>Primary trade areas?</p> <p>Number of employees?</p> <p>Significant patents/inventions?</p> <p>Number of locations?</p> <p>License agreements?</p> <p>Is the company publicly traded?</p> <p>Significant revenues from government contracts or licenses?</p> |
| <p>2. Past and/or Present Wealth derived from being a top executive</p> | <p>Compensation?</p> <p>What does the company do: manufacturer? service?</p> <p>Position held: President? CFO?</p> <p>Length of time with company?</p> <p>Area of expertise: finance? production?</p> <p>Publicly or privately owned?</p> <p>Client's past experience: CFO with another company?</p> <p>Share/option ownership?</p> |
| <p>3. Past and/or Present Wealth was through inheritance</p> | <p>How was the original wealth created?</p> <p>In what business was the wealth generated?</p> <p>Inherited from whom?</p> <p>Type of asset inherited: land? securities? company? trusts?</p> <p>When were the assets inherited?</p> <p>How much was inherited?</p> <p>Any history since inheritance, such as current occupation?</p> <p>Percent ownership?</p> |



Appendix D
Sources of Wealth *Continued*
Sample Questions

**4. Past and/or Present Wealth
generated from a Professional
Occupation or as a Public
Figure**

For example: physician, lawyer,
politician, government official,
military officer, or other public figures;
dentist, engineer, sports professional,
entertainer, etc.

What is the profession, including area of specialty?
Source of wealth: lawyer who derived wealth from real
estate? doctor from running clinics? etc.

If a public figure, describe in detail the background of the
client: was he elected or appointed, number of years in
office, reputation, etc.

**5. Past and/or Present Wealth
generated through
investments**

Someone who buys and sells assets of
any type. For example: real estate,
securities, companies, royalties,
patents, inventions, franchises, etc.

Where did the source of wealth originate?
What did/do they invest in: real estate? stock market? etc.
Size of investment?
Cite notable public transactions, if any

What is the client's role in transaction: takes positions in or
buys companies and turns them around? middle man? etc.
Estimated annual income/capital appreciation?
How long has he been an investor?



Appendix E

Sources of Funds

Statement Examples

I. Source of funds at the opening of a relationship

At the opening of the relationship, the source of funds should be well documented. The following types of information should be specified:

1. Source of funds, such as cash, sale of securities, real estate, etc.
2. Type of transfer – wire, personal check, cashiers' check, etc.
3. Date of transfer – actual or anticipated
4. Amount to be transferred
5. Drawee or Admitting Bank
6. By order party, if other than client/account holder
7. Any other *references* or identifying details

Sample: Source of funds statement

Mr. Client/Account Holder indicated that he has sold shares in IBM and will be wiring \$750,000 from Merrill Lynch on January 10, 1997.

II. Source of funds after the relationship has been opened

Call reports should be used during the course of the relationship to document the source of significant funds inflow. Items 1-7 above should be considered when documenting where the funds originated.

Sample: Source of funds statement

Mr. Client/Account Holder has recently sold his franchise rights to his local ice cream business for approximately \$1MM. He has wired \$500,000 to New York to increase his investment portfolio.



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Appendix F

Confirmation of Due Diligence and Client Profile Procedures

To: [Booking Center/Product or Service Provider
e.g., Citibank, N.A. London.]
From: [Private Banker for Client]
Re: [Client Account Folder Name], [Reference Number], [Reference Number
alone (for clients referred on an "anonymous" basis)]

Confirmation of Due Diligence and Client Profile Procedures

I confirm that I have complied with Citicorp corporate policies to prevent money-laundering with respect to the client/account holder referred to above. In particular, I confirm that:

- 1? I have taken steps to confirm the true identity of the client/account holder (and where appropriate the true beneficial owners thereof) and hold copies of an acceptable identification document on file;
- 2? I have made inquiries as to the nature of the client's/account holder's business and associations and have sufficient information to judge the client/account holder to be reputable; I have no reason to suspect the client/account holder of money-laundering or other criminal activities;
- 3? I have identified a legitimate source of funds to be credited to the accounts, or used to fund current or imminent transactions with you, and a source of wealth which reasonably accounts for the amount and composition of those funds;
- 4? I will continue to monitor, so far as reasonably practicable and for as long as the client/account holder maintains a primary relationship with me, the activity on the account/transactions with you and the client's/account holder's business and associations, and will notify you if I have any suspicions relating to money-laundering or other criminal activities to the extent this information can be lawfully disclosed to you;
- 5? I have complied and will continue to comply with all local, legal, and regulatory requirements applying to any accounts of the above-named client that are maintained at this office;
- 6? I confirm that a client profile, relating to the above-named client, is maintained at this office and that it meets the minimum standards of the PBG 'Know Your Client' Policy, including information supporting the statements in this letter; and
- 7? I will give you access to any information you require for compliance with legal and regulatory 'Know Your Client' requirements that can lawfully be disclosed to you.

Signed: _____ Date: _____

Name and Title _____ (Private Banker)

Signed: _____ Date: _____

Name and Title _____ (Global Market Manager or Client Center Manager)

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Appendix G

Sample of Opening Document Notes/ Internal Reference Instrument

New Client (s) Name: Date:

Client A, Client B

Background for acceptance as a client:

I met both Mr. Client A and Mr. Client B through a cold call after eating in one of their restaurants in Santiago. Checks with several of our clients in similar businesses revealed that these gentlemen are known as honest, hardworking and successful. Client A is also very well known since childhood to Citibank Name, VP Citibank branch name, who regards him highly. Citibank Name has agreed to send a brief written reference.

Client A and Client B are longtime friends and business partners. They own and operate a chain of restaurants in and around Santiago catering to clientele seeking mid-priced fare. I have eaten in them on a number of occasions with Client A and Client B who are very proud of the quality of food relative to the price to their customers. Both gentlemen come from relatively humble backgrounds and learned their business skills through their experience working in a number of restaurants while they were students at the University of Santiago. In a business class they both attended, they met and found they each had a desire to run their own restaurant. After graduating, they pooled their resources and they decided to replicate it and now have a total of ten built up over the past fifteen years.

I estimate their net worth outside of their business at about \$5MM each. These funds have been raised through profits from their restaurant business and recently from financial investments abroad. They have decided to invest some of their wealth outside of their restaurants and abroad, fearing that they may be saturating the market and desiring diversification. Typically, as in their business, they have decided to invest with us together and would like to open this account in both of their names. Neither of them has much experience in investing. Therefore they will begin with conservative investments, such as US\$ TDs totaling \$2.5MM to be divided into three approximately equal pieces and laddered into 3, 6 and 9 month maturities. The funds will be remitted through Banco Santander which is a New York correspondent of their local bank, Banco de Chile. Their accounts with us will be used only for their investments and some US\$ remittances with expected transactions to number no more than five per month.

Although both Client A and Client B are married and each have several children, I have not had the opportunity to meet them.

I recommend we start this relationship.

Signature of Private Banker:

Signature of Market Manager:

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Appendix H

Sample of Opening Document Notes/ Internal Reference Instrument

New Client(s) Name: Date: June 19, 1996

Mr. Client A, Mrs. Client A

Background for acceptance as a client:

Mr. Client A, a 50 year old Argentinean, was introduced to us about three years ago by our longtime client Citibank client's name. These two gentlemen have been friends for many years having attended the same schools in their youth. In fact they both attended college name-town where they received their engineering degrees.

Mr. Client A is well known to a number of our other clients and the Global Finance Head of Citibank, Argentina. Citibanker Name, as the President of a family owned business which was started by his father in about 1947. The company produces high-end priced kitchen utensils for sale in Argentina, Chile and Peru under such well-known brands as Brand X, Brand Y, and Brand Z. The company's first factory is located near town's name, the traditional home of the family. Mr. Client A opened a second factory near another town's name in 1987 especially to produce the then new Brand X line. I first met him there in 1993 and was impressed by the size and apparent efficiency of the facility. According to Mr. Client A, 1995 sales exceeded \$25MM with earnings of \$3.6MM. I estimate the net worth of Mr. Client A to be in excess of \$10MM. Income from this business and financial investments with another-US-bank's name, Merrill Lynch, NY and perhaps several other financial institutions are his main sources of wealth.

Mr. Client A is a financially sophisticated investor having been active with the competitors named above for at least the last ten years investing in Brady Bonds, US equities and some non US \$ bonds and equities. He is attracted to us now because Mr. Citibanker is impressed with and benefited from our long term oriented asset allocation approach. Mr. Client A intends to start with us with about \$2MM in funds to manage in a discretionary portfolio, probably a US Earnings Growth Portfolio, because he has been impressed with that portfolio's strategy and long term performance. The funds will come from another-US-bank's name

Mrs. Client A comes from a socially well-known family also in Town name, however, she does not appear to have a source of wealth independent from her husband. Although she has attended a number of the meetings, including lunch, where Mr. Client A and I discussed potential investments, she defers to Mr. Client A on decisions in this area. Mr. and Mrs. Client A have a daughter, daughter's name, who is about to graduate from her father's alma mater, college name-town, with a degree in chemistry.

Mr. Client A has a younger brother, brother's name, also US educated and who is the manager of the town's name plant, and a sister, sister's name. Neither of them will be signatories on our accounts. I hope to learn more about them as potential clients as we develop our relationship with Client A.

The accounts I recommend we open will be used for longer term investing and relatively few personal remittances mostly connected to their daughter's education in the United States. Therefore we can expect fewer than ten third-party transfers a month. It should be noted that Mr. Client A uses another-US-bank's name for some of his international remittances for his company as well as for purely financial investments.

I recommend we start this relationship.

Signature of Private Banker:

Signature of Market Manager:

'Know Your Client' Policy

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Appendix I
Approval Requirements
PBG 'Know Your Client' (KYC) Policy

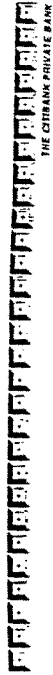
| Type of Client | Private Banker | Super-visor | GMM ¹ | Booking Center/ Investment Center Head ² | Market Region Head | Product Head | Compl. & Control | Group Head | CCO/CSO |
|--|----------------|-------------|------------------|--|--------------------|--------------|------------------|----------------|---------|
| Regular Target Clients including Joint & Related Account Holders | X | X | X | X | | | | | |
| Non-Target Clients | X | X | X | X | | | | | |
| Public Figures | X | X | X | X | X | | * | X ³ | * |
| Special Name Accounts | X | X | X | X | | | * | | |
| Employee Accounts | X | X | X | X | | | * | | |
| Money Manager Accounts | X | X | X | X | X | | | | |

Notes

- ¹ GMM Head where client is domiciled
 - ² The Booking Center/Investment Center Head where account is held, if it is different from the client domicile/GMM Head where the client is domiciled.
 - ³ The Group Head is part of the annual review of public figure names. The Group Head does not need to be part of the approval process for client acceptance.
 - * Notification only
- "Blanket" delegation of approval authorization is prohibited; temporary delegation of authority is allowed during periods of absence or unavailability.

*Know Your Client' Policy

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Appendix J
KYC Client Profiling Requirements

| Subject | Full Profile | Partial Profile | Basic Information |
|---|--------------|-----------------|-------------------|
| Clients | X | | |
| Joint Account Holder | | | |
| Nuclear Family | | X | |
| Under Age | | | X |
| With independent source of wealth | | X | |
| Related Account Holder | X | | |
| Authorized Signers | | | X |
| Public Figures | X | | |
| Special Name Accounts | X | | |
| Employee Accounts | X | | |
| Non-Target Clients | X | | |
| Money Managers | X | | |
| PICs | X | | |
| Trusts | X | | |
| Beneficial Owners of PICs/Trusts | X | | |
| Beneficial Owners of Money Manager Account for individual or family group | | X | |
| Beneficial Owners for Money Manager's omnibus account | | | X * |

Note: * Name and Address only



GLOSSARY

Account Holder - One or more persons with a legal contract with Citibank.

Assets - An *account holder's* total investments and deposits within a given *Booking Center*.

Authorized Signer - An individual with limited or full authority over a client's account.

Basic Information - Name, primary residence or legal address of record, phone number, occupation, employer and title, relationship to the primary account owner, and specific powers held over accounts.

Beneficial Owner - The true economic owner of an account.

Booking Center - The location of the legal contracting unit of the PBG in a specific country where an account is booked. For example, New York and Miami are both *Booking Centers* in the U.S., where the client account is booked, as are Paris, Madrid, and Rome in Europe.

Client - An individual who is an *account holder* and is an independent decision maker, who has his own *source of wealth*, and who employs the services of the Citibank Private Banking Group for himself and/or affiliated legal entities.

Client Center - The jurisdiction where accounts are managed by a Private Banker. The Client Center may or may not be a *Booking Center* where the client holds an account.

Client Center Manager - The manager of a jurisdiction where accounts are managed by a Private Banker.

Corporate State Officer - The officer designated by Citicorp to serve as the Corporation's senior officer in a given state in the U.S.

Country Corporate Officer - The officer designated by Citicorp to serve as the Corporation's senior officer in a given country. One of his key duties is to protect the Bank's franchise.

Fiduciary vehicle - A legal entity such as a trust, a Private Investment Company (PIC), or foundation that holds a client's assets. A PIC is a non-U.S. corporation which is used to hold investments (in the U.S. or elsewhere). As defined and used here, PICs are not operating companies.



THE CITIBANK PRIVATE BANK

GLOSSARY

Full Profile - The minimum elements that must be documented in order to dimension a client fully, including information on the identity of the *beneficial owner*, contact information, source of wealth, source of funds, transaction profile, client structure, financial summary, PBG team identification, and other Citicorp relationships. An *Opening Diary Note* must be included for new clients/*account holders*.

Global Business Platform Heads (GBPHs) - Appointed by the PBG Group Head as responsible for the global delivery of each of the components of the *Global Business Platform* (for example, the Group Financial Controller, the Group Compliance Officer). The *GBPHs* are jointly responsible with both *Market Region Heads* and *Global Product Managers* for the delivery of the PBG global strategy in each region.

Global Investment Product Manager - The head of the global Investment Product area of the PBG.

Global Market Manager - Appointed by the *Market Region Heads* as responsible for the global sales and marketing activities of the PBG in specific geographic locations, both onshore and offshore. There is only one *Global Market Manager* per country.

Internal funds flows - Transactions between the accounts owned by the *account holders* within a given *Booking Center*, unless available on a more consolidated level.

Investment Center Head - Represents the PBG in a given country to both the *Country Corporate Officer* and local regulators. The *Investment Center Head* and the *Global Business Platform Heads*, or their regional/local representatives, are jointly responsible for the delivery of the infrastructure services to both marketing and product organizations in that country.

Isolators - Clients who conduct their wealth management activities through a single Relationship Manager in a PBG bank secrecy jurisdiction, and do not waive their secrecy rights from that jurisdiction. *Isolators* typically require levels of privacy and confidentiality which they consider are best met by dealing in such a jurisdiction.

Joint Account Holder - An *account holder* named in the title other than the client.

Market Manager - The manager of sales and relationship management for a particular geography.

Market Region Head - The individual appointed by the PBG Group Head as responsible for managing client relationships globally for clients from a specific geographic region. The regions are Western Hemisphere, US, Asia, Europe-Middle East-Africa, and Japan. The *Market Region Head* has joint responsibility with both *Global Product Managers* and *Global Business Platform Heads* for the delivery of the PBG global strategy in their region.

'Know Your Client' Policy

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GLOSSARY

Money Manager - A client who manages money on behalf of his own clients.

Nuclear Family Member - A client's spouse who does not have an independent *source of wealth*, or a child who is under the age of 21 or of student status.

Opening Diary Note (ODN) - A written summary documenting how a prospect was sourced and why he should become a client of the PBG.

Outgoing funds flows - Funds transfers, cash transactions, checks, free payments and deliveries of securities, and Citibank branch check and cash activities within a given *Booking Center* to third parties, or between *Booking Centers* to any beneficiary, including the same client/*account holder*.

Partial Profile - A profile for a joint *account holder* who is a non nuclear family member or a spouse with an independent source of wealth, and/or a child over the age of 21 who is not a student. A partial profile must include the *account holder's* name, address, phone number, relationship to the primary *account holder*, and information on his business background and source of wealth.

PBG Relationship Team - A client's PBG contacts, who include the Private Banker, backup Private Bankers, the Private Banker's local representative, supervisors, service team support, internal product and service providers, and any other Citibank employees involved in the client relationship.

Private Banker - The officer primarily responsible for the overall client relationship.

References - One of the methods used to substantiate the integrity and character of a client. References may be obtained from a bank, Citicorp officers (Assistant vice presidents and above), clients in good standing, and external sources that are acceptable to the PBG.

Related Account Holder - An individual, corporate entity, or trust that has accounts separate from a client and would not qualify as *target market* on its own, but has a close relationship with a client (i.e. accommodation accounts).

Relative - A PBG employee's spouse, children, parents, and siblings of the employee and spouse.

Source of Funds - A description of the origin and the means of transfer for monies that are accepted at the PBG for the initial account opening, and of subsequent significant inflows.



GLOSSARY

Source of Wealth - A description of the economic activities that have generated a client's net worth, including, if applicable, details about the nature and ownership of his business.

Specially Designated Nationals - The list of individuals and entities that the U.S. government has designated as unacceptable to transact with or to have as clients of U.S. financial institutions, as promulgated by the Office of Foreign Assets Control (OFAC).

Special Name Account - An account using a pseudonym or number, rather than the real name of the individual(s) or legal entity that holds the account, permitted under the law to be established as an accommodation for a client in order to provide enhanced confidentiality.

Target Market - Target market clients are individuals with a net worth of at least US \$3MM, and CNR potential for the PBG of at least US \$5M within 12 months and US \$10M within 24 months.

Vehicle - See *Fiduciary vehicle*.

Statement of
ANTONIO GIRALDI
 Before The
 U. S. Senate Permanent Subcommittee on Investigations
 Hearings On
Private Banking and Money Laundering:
A Case Study of Opportunities & Vulnerabilities
 November 10, 1999

★ ★ ★

My name is Antonio Giraldi. I graduated from Culver Military Academy, Culver, Indiana, in 1975; from Baylor University, Waco, Texas, with a B.A. in 1979; and from Georgetown University, Washington, D.C., with an M.A. in 1981. I began my banking career at the Bank of America in 1981 in the International Management training program, where I became a corporate banking officer and, later, a credit review officer for Latin America. In 1984, I was recruited by Riggs Bank in Washington, D.C., to work in the International Division, and in the fall of 1986 I was recruited to join Citibank's Private Banking team in New York City. In 1988, I accepted a position as Vice President/Country Manager for Mexico Private Banking at Bankers Trust, and I joined American Express Bank in 1990 as a First Vice President and Marketing Group Head for International Private Banking in Beverly Hills, California. This written statement is based on my personal experiences, and those of my many former colleagues and friends, in the banking industry.

A historical overview of the private banking industry will help put my remarks into perspective. For much more than a century, private banking was the mainstay of European banks, which managed, with absolute privacy, the assets (currency and specie) and investments of select clients, most of whom possessed political, business, and social status uniformly recognized and accepted within the European community of nations. The experienced European banks exploited the generation of new wealth in the emerging republics, as well as the simultaneous revolutionary developments in communications and transportation, by establishing what we know today as International Private Banking ("IPB"). In so doing, they replaced the concept of "privacy" in their client relationships with the concept of "*secrecy*." Foremost in this field were the Swiss banks, who had the advantage of being domiciled in a politically neutral and stable country. Swiss banks, which actively promoted "numbered accounts" as a marketing tool, obtained billions in deposits of foreign origin. These deposits, which, as circumstances dictated, were kept in liquid assets or invested, generated substantial earnings for the banks. At one point, the inflow of funds was such that the Swiss banks charged *negative* interest on deposit accounts.

IPB clients were motivated to establish their banking relationships for a variety of reasons, both legitimate and illegitimate. These reasons included concealment of assets, tax avoidance and/or evasion, estate planning concerns, avoidance of foreign exchange controls, fear of currency devaluation, fear of confiscation resulting from political upheaval, concealment of ill-gotten gains by corrupt political figures, and concealment of ill-gotten proceeds of illegal activity. Although IPB provides entirely legal and valuable services for its legitimate clients, IPB's increasing accessibility

to the criminal elite and vulnerability to their illegal money laundering objectives have cast a dark shadow on the industry. Foreign political figures, military leaders, and their families and close associates have established substantial IPB relationships, many using funds that were later identified publicly as "tainted." The sources of these extremely profitable IPB deposits, in most cases, were neither requested nor challenged, consistent with the IPB industry's well-developed atmosphere of "quiet, respectable exclusivity and confidentiality" (i.e., "secrecy"), an atmosphere specifically designed, projected, and maintained in order to encourage the ever-increasing and quasi-permanent volume of IPB deposits.

The United States banking community recognized private banking as a desirable and profitable source of business and ventured into IPB as a new market. This decision proved sound, as the potential market in IPB grew to trillions of dollars. The IPB clientele courted by United States banks consisted primarily of customers already served by, or at least familiar with, the services offered by the European banks. To be competitive, United States banks had to extend, and/or improve upon, the treatment and services IPB clients had come to expect from foreign banks in return for the promise of their deposits. A description of the more common products employed by IPB groups at United States banks is attached to this statement as Exhibit "A."

In the 1980s and early 1990s, with money laundering awareness in its infancy, compliance and due diligence procedures were not fully effective. Training for Relationship Managers ("RMs") was limited, and focused on cash transactions in response to regulatory and law enforcement requirements, but that training did nothing to change the IPB "culture" or its product base, which were becoming the primary tools for sophisticated criminals to manage the proceeds of their criminal activities. When the United States' regulatory framework of tightened controls would not permit the same degree of secrecy and tax flexibility enjoyed by many of the United States banks' foreign competitors, the United States IPB groups moved offshore, using island "tax" havens where prevailing legal and regulatory structures made possible the same treatment for IPB deposits as that offered by competing foreign banks. Offshore facilities are now used by European banks as well.

RMs were taught by their superiors that secrecy in IPB transactions was paramount. The obsession with secrecy went far beyond the United States banks' imaginative use of offshore banking "tax" havens. RMs often posed as tourists and were encouraged to travel on tourist visas when visiting foreign clients abroad. RMs and their clients were encouraged to speak in "code" during business-related telephone conversations, and RMs carried account statements that had been reduced in size to avoid being recognized by foreign customs officials for what they actually were. United States financial institutions marketed to IPB clients from offices located abroad and refused to share client information with staff and personnel in their domestic offices. Trust officers continually admonished RMs who inadvertently cross-referenced or otherwise linked their clients' names (the names of the beneficial owners, that is) with the offshore financial structures used to manage those clients' assets. RMs were told that it was not their responsibility to determine whether or not an IPB client had complied with the laws and financial regulations of his/her home country. RMs were far more concerned with "appearance" than with "substance" when it came to issues of due diligence and what would later become the Know Your Client ("KYC") doctrine. If an

“acceptable” level of due diligence could be fashioned with the guidance and encouragement of senior management, then the RM had done his/her job. No RMs known to me consciously attempted to legitimize what was known or believed to be proceeds of specified unlawful activity, but no one *seriously* attempted to determine the *actual* origin of a client’s money. Our world (the IPB “culture,” that is) was all about playing the “new deposits” game the way our senior management “coaches” insisted we play it, about being rewarded by them when we “succeeded,” and about being too naive to realize how dangerous a game we were playing.

Money launderers who are beneficial owners of billions of dollars are aggressive, intelligent, and streetwise individuals who have built successful criminal enterprises. Their wealth is used to purchase legal industries as well as corrupt branches of governments that can be used to their private advantage. They have also learned to use “third parties” to accomplish many of their illegal endeavors. The perceived legitimacy of these “front persons,” who typically have no known prior criminal affiliations, helps them manage the vast financial holdings entrusted to them. Ironically, the beneficial owners of tainted IPB assets, and their “front persons,” have been encouraged by the financial institutions which hold their assets to “layer” them (the assets) with financial structures which further conceal their true origin and ownership. IPB groups and senior bank managers played the lead role in creating the IPB “culture,” where each additional layer of “structure” generates additional earnings for the financial institution, and generates another layer of “exclusivity” (the functional equivalent of “anonymity”) for money launderers. United States financial institutions often fire, hire, sell, and/or purchase entire IPB teams, and sell or purchase IPB portfolios. Large banks purchase and/or merge with other financial institutions in order to create mega-institutions. Similar to another layer of financial “structure,” each of these types of events also provide opportunities for a sophisticated money launderer to avoid law enforcement scrutiny.

The IPB industry, worldwide, evolved from the substantial flow of funds from non-United States residents, and, in large part, from the geometric growth of the illegal drug industry and the “narco-wealth” it generated. IPB clients’ increasing demands for confidentiality, exclusivity, secrecy, and the use of fictitious names unquestionably should have triggered suspicions that substantial portions of these funds had originated from other-than-legitimate business activities. The massive size of these deposits and the income they generated for United States financial institutions, however, weighed against the application of principles of bank “morality.”

As governments around the world followed the lead of the United States government in attempting to combat the drug cartels by seizing the proceeds of their illegal activities, drug traffickers were quick to identify the advantages of IPB for processing their ill-gotten gains. The IPB industry was a ready-made haven for money launderers, who sought to emulate the respectability and legitimacy of the “old money,” upperclass clients for whom the industry had traditionally provided its services. Money launderers hurried to acquire the talent and skills necessary to funnel their illicit profits into this financial arena. Needless to say, the quasi-impenetrable fabric of absolute secrecy in IPB relationships which is the cornerstone of IPB “culture” has impeded the efforts of law enforcement agencies everywhere. IPB “culture,”

reinforced by the Bank Secrecy Act and similar legislation in other countries, has often defended itself with the rationale that “banks should not be obliged to act as law enforcement entities.”

The objectives of most money launderers are to legitimize their financial holdings, to gain acceptance to the hallowed halls of international financial institutions as “trusted and valued” clients, and to receive the attention traditionally lavished on such clients by said institutions’ senior managers. Money launderers are frequently credited with authorship of their imaginative financial schemes, but the ultimate responsibility for authorship of these schemes properly rests on the shoulders of the financial institutions and their senior managers. A senior bank manager confronted with an RM’s decision not to accept a new IPB client was just as likely to chastise the RM for losing the new client to a competitor institution as to congratulate the RM for protecting the integrity of his/her employer. “IPB” says it all – the word “private” means “secluded from sight, presence, or intrusion of others.” Money launderers succeed by simply permitting the IPB “culture,” which is driven by senior management’s pursuit of profit, to dictate the actions of their respective RMs. Everyone “wins” – everyone, that is, but law-abiding citizens everywhere.

The money launderer has shed his/her conventional image and now wears a “chameleon” cloak provided courtesy of the IPB industry. This fact, coupled with the demise of the recently proposed KYC regulations and the arrival of a whole new generation of cyber-savvy money launderers, has compounded the difficulties faced by federal law enforcement agencies and the United States Department of Justice, and bodes ill for their efforts to combat the evils associated with money launderers and their activities. If the issue of money laundering is to be addressed effectively, United States financial institutions, at every level, *must* interface with federal law enforcement agencies. United States financial institutions *must* effect fundamental changes in the prevailing IPB “culture” and product base. And senior bank managers *must* implement supervisory procedures designed to identify “rogue” RMs who manipulate international financial resources and activities for their own personal gain. As long as United States financial institutions continue to use their IPB groups the way they have for years, the managers of international criminal enterprises will continue to use our highly imaginative and flexible banking system and its products to handle the proceeds of their illicit operations, and to legitimize themselves in the eyes of the international business community. United States financial institutions should no longer succumb to the established yardstick, “If we don’t accept this account, one of our competitors will.”

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COMMON FINANCIAL PRODUCTS UTILIZED BY
THE INTERNATIONAL PRIVATE BANKING COMMUNITY

The following products, among others, are commonly used by United States financial institutions to manage the assets of private banking customers:

1. Demand Deposit Account and Savings Account –

These are the traditional accounts available to all. Savings accounts are not commonly utilized due to their limited flexibility and interest yield.

2. Money Market Account (MMA) –

The MMA is an attractive vehicle, earning a higher interest yield than checking accounts, and providing a high degree of flexibility for transfers of funds to and from the account and “parking” of funds pending their subsequent utilization and investment. The amounts involved are substantial. MMAs are attractive to banks because of the minimal expense associated with maintaining them. Relationship managers (RMs), with preestablished authorization from their clients, can readily make charges to MMAs for transfers to other accounts, investments, payments of bank fees, and credit card billings, as well as for payments of expenses incurred by their clients outside the bank. MMAs can also be held in the name of PICs (see 4. below).

3. Time Deposit (TD) –

These fixed maturity instruments are often used by conservative clients venturing into a private banking relationship for the first time, and prior to becoming familiar with the full range of available investment options offered by the bank. Fees are not typically charged for establishing TDs.

4. Private Investment Company (PIC)/Trust –

PICs are established via the banks’ “offshore” trust companies, and are opened in names other than the clients’. A PIC is administered and managed by the officers of the bank trust company, who typically register as the PIC’s officers and directors. Once a PIC has been established, the client’s assets are processed in the name of the PIC (as the nominative owner), providing a “layer” of anonymity for the client, who becomes the “beneficial owner.” Funds transfers, investments, and other banking services are conducted in the name of the PIC. Additional PICs may be set up in the same or another “offshore” domicile. A client can easily establish a second PIC to administer and manage the assets of his/her first PIC, thereby adding another “layer” of anonymity. PICs generate attractive fees for banks.



administer and manage the assets of his/her first PIC, thereby adding another “layer” of anonymity. PICs generate attractive fees for banks.

Banks’ offshore trust companies can also create trusts (which can include PICs among their assets). Many IPB divisions of banks have trust officers domiciled in the United States who interface with their respective “offshore” bank trust companies. These trust officers work extremely closely with RMs in the marketing and structuring of fiduciary vehicles. They also meet with existing and prospective clients to personally identify and review their needs, to sell the bank’s fiduciary products, and to generally promote client satisfaction. Extreme caution is taken by the banks’ trust specialists to ensure that PIC/trust files, wherever they may appear throughout the bank, are devoid of the beneficial owners’ names, and that PIC/trust transactions leave no clues as to the actual identities of their respective beneficial owners.

5. Discretionary Portfolio –

The establishing of discretionary portfolios, a highly profitable activity, is strongly encouraged. Portfolio managers regularly meet with a client and his/her RM to evaluate the client’s investment history, risk tolerance, and estate planning requirements. A portfolio is then structured, generally in a PIC and/or trust, to accommodate the client’s needs. Once the client consents to a discretionary portfolio, he/she has very little, if any, input into the investment strategy employed for his/her portfolio. Discretionary portfolio investment parameters, however, can be modified as the client becomes better educated or as his/her risk tolerance increases. Equities and fixed income instruments are often purchased in blocks in the name of the financial institution, and then allocated among the various discretionary portfolios under the financial institution’s management. Some financial institutions facilitate the establishment of discretionary portfolios in Europe and Asia to enhance confidentiality and investment diversification.

6. Credit –

Lines of credit are almost universally extended to clients. These include loans, letters of credit, and guarantees, any of which can be extended in the name of a client, a company owned and/or controlled by the client, a third party, or a PIC. Credit requests are prepared by RMs and submitted to bank credit officers for their review and approval. In almost all cases, the extensions of credit are 100 percent secured by the assets of the client in question, which results in lower than normal scrutiny of the terms and conditions of the credit, including purpose of loan and borrower source of repayment. These are very attractive (*i.e.*, profitable) products for banks. Clients

requesting a partial liquidation of managed assets to generate liquidity are often encouraged to borrow in lieu of disrupting their asset bases.

7. Real Estate –

Several major private banking groups provide real estate products to IPB clients. They utilize real estate specialists within the Private Banking Division to promote real estate products to RMs and to their clients. Specialists representing the bank often purchase commercial property on behalf of a client, and establish domestic and/or offshore PICs to serve as the nominative owners of the property. These specialists will also assist in structuring any financing that is required, and assist clients with property management issues.

* * * * *

It should also be noted that RMs are strongly encouraged to “cross over” to other divisions of their respective banks in order to meet clients’ needs. One example of a “cross over” division is the Corporate Division, whose expertise and research can be offered to those clients who express an interest in business acquisitions and/or sales.

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MONEY LAUNDERING AND FLIGHT CAPITAL**THE IMPACT OF PRIVATE BANKING**

By Raymond W. Baker

Good afternoon Madam Chairman and Senators. Thank you for the opportunity to appear before the Permanent Subcommittee on Investigations to talk with you about one of this nation's larger but least visible problems.

What I would like to do today is frame the issues of money laundering and flight capital in the context of our domestic and foreign interests, discuss two principle components of flight capital -- corruption and trade mispricing, provide examples of how U.S. policies and practices facilitate the stream of illegal funds into our economy and suggest restraints on private banking necessary to begin resolving these issues.

Parallel Flows

The theft of funds and disappearance of resources out of Russia has brought to world attention more vividly than at any earlier moment in history the problems of money laundering and capital flight. Yet, what has been taking place in and out of Russia closely resembles what has been occurring in connection with Latin America throughout the 20th Century, in and out of Africa since the years of independence in the late 1950s and early 1960s, in the Middle East long riven with wealth disparities and ideological shifts and in Asia in recent decades, particularly in the last two years of the Asian financial crisis. Of equal concern must be the severe impact of these global problems on U.S. domestic and international interests.

Laundered criminal money and illegal flight capital passes out of other countries and into the United States by the hundreds of billions of dollars. As destructive as these tides are, however, they are aided by both U.S. public policies and private practices. The problem is not limited to a single or a few institutions. It is one that the United States faces as a nation.

In order to distinguish money laundering from parallel financial flows that do not constitute money laundering, it is useful to add the word "criminal," to assure that what is being referred to is the movement of funds that violate U.S. anti-money-laundering legislation. This legislation specifies some 170 crimes

and malpractices which establish a predicate offense for criminal money laundering.

The term "flight capital" generally does not encompass criminal proceeds but instead refers to commercial and private funds being moved from one country to another. A distinction must be made between its legal and illegal manifestations. The legal component of flight capital is generally after-tax money that is properly documented as it passes across borders, and it remains on the books of the entity from which it is transferred. Such free market operations are accepted as largely beneficial to investment, trade and development, leaving aside the question of the utility of short term capital controls.

The illegal component of flight capital is quite different. Almost always tax evading and therefore illegal out of the countries from which it comes, it is improperly documented or related to a preceding or following improperly documented transaction, and it disappears from any record in the country of its origin. The destructiveness of this cascade for both originating and receiving countries is now gaining long overdue attention.

The motivations for these two forms of flight capital differ. The legal component is normally fleeing to safety and can be expected to return to the country of origin when investment conditions are attractive. The illegal component is fleeing to secrecy, to be accumulated in a hidden manner and, as private bankers can attest, rarely returns to the country of origin.

Components of Illegal Flight Capital

Illegal flight capital has many elements, of which the more important include the following:

- Corruption by foreign government officials, arising from misappropriation or embezzlement of public resources and bribes and kickbacks on government contracts paid into or accepted as deposits into foreign bank accounts, is an especially secretive aspect of these financial flows.
- Falsification of prices on import and export transactions in order to generate a percentage or even a multiple of the value of the trade that is then paid into a foreign bank account is the most widely used means of producing illicit transfers.
- Real estate transactions and securities trades, often between related parties and improperly priced and paid for in order to shift money between countries, offer creative avenues for generating illegal flight capital.

- Wire fraud, particularly emanating from ostensibly respectable but criminally compliant banks, has become a major aspect of the problem, inundating western financial institutions with the proceeds of ill-gotten gains.

The first two of these major components of illegal flight capital — corruption and trade mispricing — have been carefully studied, specifically because both are dependent on international cooperation to facilitate their movement. Out of other countries into western coffers has poured at least \$1 trillion in the decade of the 1990s by these two means alone, virtually every dollar assisted by western financial and commercial interests.

The passage of corrupt money from developing and transitional economies into the United States and Europe is estimated at a minimum of \$20 billion per year and perhaps as high as \$40 billion per year. Mispriced international trade generates a flood of money from developing and transitional economies into the United States and Europe of at least \$80 billion per year. The total of these two components of illegal flight capital is therefore at least \$100 billion per year coursing into western economies. It is estimated that no less than half is immediately or eventually transferred to the United States — \$50 billion a year, a half trillion dollars in this decade.

A more exhaustive examination of illegal flight capital, including an estimate of a) the exploding wire fraud component, and b) money that spills from developing and transitional economies directly into offshore tax havens often without immediate assistance by western business people and bankers, although eventually lodged in U.S. and European accounts, would produce substantially higher figures, likely multiplying the total to several hundred billion dollars annually.

Benefits and Costs

Focusing on the \$100 billion per year of illegal flight capital facilitated by the United States and Europe arising from corruption and trade mispricing, the benefits and costs of this inflow merit clear analysis. The benefit is that it brings that sum of money — \$100 billion a year — into western economies, at least \$50 billion to the United States. The costs can be seen in the impact of these torrents on both domestic and foreign interests.

A) Domestic

One hundred billion dollars a year in illegal flight capital coming into the United States and Europe provides cover for a far larger amount of criminal money laundering, estimated at \$500 billion to \$1 trillion per year, again half to the United States. Illegal flight capital and criminal money laundering are two rails on the same tracks through the international financial system. The

Treasury Department has estimated that 99.9 percent of the criminal money that is presented for deposit in the United States gets into secure accounts. Anti-money-laundering efforts are a failure. The United States has been progressively pursuing various aspects of this program for more than 25 years and cannot point to a reasonable measure of success. The easiest thing for criminals to do is to make their criminal money look like it is merely corrupt or tax evading money, and when they do it passes easily into our economies.

The domestic cost of illegal flight capital is that it removes anti-money laundering as an effective instrument in the fight against drugs, crime and terrorism, thereby weakening our ability to prevail in facing some of the most perilous threats to our society.

B) Foreign

Illegal flight capital facilitated by the United States and Europe has an equally severe impact on foreign interests, as can be illustrated with specific examples:

- Russia, of major strategic importance, has been impoverished by the greatest illicit diversion of resources that has ever occurred out of any country in a short period of time -- \$150 to \$200 billion in a decade by very conservative estimates, with figures as high as \$500 billion being offered. This has been accomplished through a combination of criminal money laundering and non-criminal but illegal flight capital, and almost every dollar of this unprecedented deluge has been aided and expedited by western commercial and banking institutions.
- Nigeria is one of the principal suppliers of oil to the United States, the most populous country in Africa and pivotally important to the stability of that continent. Yet, the biggest single thief in the world in the 1990s was almost certainly the late military dictator Sani Abacha, with \$12 to \$15 billion passing out of Nigeria in corrupt and tax-evading money during his murderous five-year regime, most of this to the personal accounts of Abacha and his immediate family members.
- Pakistan is a nuclear state in a volatile subcontinent, where corruption and tax evasion are so rampant and the economy so depressed that these conditions contributed to a coup d'etat, upsetting the nation's tenuous hold on democracy.
- From Mexico the surge of drugs into U.S. cities and economically depressed aliens across borders presents what many consider to be one of our principal foreign policy challenges. Yet, we legally give "white glove treatment" to high

status criminals moving drug and bribery proceeds out of our southern neighbor.

- China could be the next country destabilized by corrupt and tax-evading flight capital. Semi-official estimates provided in Beijing suggest that already \$10 billion a year, probably more, in illegal funds is passing out of the country. The possibility exists that, as China integrates more into the world economy, this could grow to \$20, \$30 or \$50 billion a year, potentially repeating the Russian scenario.

In these and many other states, facilitation of the movement of corrupt and tax-evading money drains hard currency reserves, heightens inflation, reduces government revenues, worsens income gaps, cancels investment, hurts competition, limits free trade and solidifies the permanence of poverty. And it does this at a time when growth in the rest of the world is of rising importance to the economic prosperity of the United States.

The foreign cost of illegal flight capital is that it erodes U.S. strategic objectives in transitional economies and undermines progress and stability in developing countries comprising two-thirds of the world's population.

Examples of Facilitation

The word "facilitate" has been used at several points above in reference to U.S. and European activities that encourage and enable the channeling of illegal flight capital out of transitional and developing economies into western assets. A selection of examples of ambiguities and contradictions in policies and practices, focusing primarily on the United States, will serve to illustrate the point:

- The United States has enacted cash deposit reporting requirements and anti-money-laundering legislation, beginning some 25 years ago and expanding since. In contrast, Treasury Department officials have stated on multiple occasions that it is U.S. policy to attract flight capital out of other countries, with little or no heed paid to whether or not it is tax evading.
- The United States requires a customs declaration to be filed in connection with imports and exports into and out of the United States, and it is an offense to file a false declaration. Yet, in practical terms the customs declaration is signed by a freight forwarder, not by the buyer or seller, and so long as it accords with the commercial invoice accompanying the transaction it is rarely challenged by the U.S. Customs Services. Because of this laxity, trade mispricing in the form of commissions, rebates and kickbacks is often routine practice in winning and maintaining export and import orders in soft

currency markets, present in hundreds of thousands of transactions handled by U.S. commercial and banking interests.

- A perception of tax evasion is expected to generate a Suspicious Activities Report (SAR) in U.S. banks. Yet, when an exact percentage of proceeds from an international trade transaction is taken out of the domestic party's account and deposited into the foreign party's account within the walls of the same bank, even transaction after transaction, no SAR is filed, although from long experience the bankers and business people involved know full well that tax evasion is a result of these kickbacks.
- The United States has enacted an Advance Pricing Agreement that makes it difficult for foreign multinational corporations with local subsidiaries to misprice trade in order to take tax-evading money out of the United States, placing the onus for demanded clarifications squarely on the suspected evader. Yet, U.S. regulations are, across the board, far more accommodating to mispricing that brings corporate tax-evading money from other countries into the United States.
- The total amount of foreign aid from the United States, other Organization of Economic Cooperation and Development (OECD) countries and the World Bank combined is about \$50 billion per year. Yet, this \$50 billion inflow to developing and transitional economies is completely offset by the \$100 billion which illegally flows back out of other pockets in those same countries with U.S. and European assistance.
- No contradiction is more glaring than in connection with the issue of corruption, on which these hearings are principally focused. The Foreign Corrupt Practices Act makes it illegal for Americans to bribe foreign government officials. Yet, it is not illegal for private bankers and financial advisors to call on foreign government officials, including those perceived to be corrupt, and offer to assist them in moving, consolidating and managing ill-gotten gains in foreign bank accounts. What U.S. law conveys, in effect, to American business people, financial advisors and bankers is, do not bribe foreign officials; however, if wealthy foreign officials are encountered, including those suspected to be corrupt, then the United States wants their money.
- Officials from Treasury, Justice and State departments, the Federal Bureau of Investigation, the Drug Enforcement Administration and the United States Agency for International Development frequently meet with foreign leaders and officials to discuss and offer assistance in addressing issues of drugs, crime, corruption and terrorism. Yet, these earnest efforts are severely undercut when private bankers initiate or respond to the desires of corrupt foreign officials or those acting on their behalf to move funds to and hold assets in U.S. bank accounts. The perception is very widespread in

developing and transitional economies that the West – the United States and Europe in the main – is not serious about reducing the very profitable part of its business maintained from the accumulation and management of the proceeds of corruption.

Private Banking

The United States has, according to all credible estimates, become the largest repository of ill-gotten gains in the world. U.S. private bankers honed their products and services in the 1970s and '80s, targeting particularly Latin American, African and Asian capital that was gushing into Europe. What had earlier been a somewhat passive function has now become an active pursuit, with expanding private banking departments taking advantage of porosities in the regulations of this and other nations, frequently operating at the outer edges of legal and policy constraints. In these efforts, more secrecy is often accorded to corrupt foreign interests than is available to U.S. citizens. Long before the expression "don't ask; don't tell" entered into the American lexicon, it had become established procedure in U.S. financial institutions.

The United States should take the lead in removing the offer of safe haven to corrupt money from around the world. An effective approach to this task would, while maintaining existing compliance requirements, add three strengthened regulations to U.S. banking practice:

- Establish that public corruption by foreign government officials or handling the proceeds of corruption by their immediate family members or anyone acting on their behalf constitutes a crime or predicate offense under U.S. anti-money-laundering legislation.
- As regards deposit, savings or custodial accounts of foreign government officials, their immediate family members or anyone acting on their behalf, require U.S. banks to maintain on file two current reports signed by bank officers attesting to inquiries and examinations confirming that deposits and inward transfers to these accounts (possibly above a threshold amount such as \$10,000) have been carefully scrutinized, including through third party inquiries, to reasonably assure that such inflows comprise money that has been legally earned and legally transferred.
- Require the account holder – foreign government official, immediate family member or anyone acting on their behalf -- to sign a periodic declaration to be held by the bank stating that deposits and inward transfers being made constitute money that has been legally earned and legally transferred.

These regulations will have little or no effect on U.S. banking activities of foreign government officials who have legitimate non-government financial

resources and/or government compensation levels sufficient to their U.S. account activity. However, the regulations, in particular the final one requiring account holders' declarations, will have the effect in very large measure of discouraging lodgment in the United States of the proceeds of corruption. After establishing such regulations in the U.S. banking system, efforts should then be made, as was done in the case of the Foreign Corrupt Practices Act, to encourage adoption of similar legislation by other governments.

A Three-Part Problem

The combination of criminal money laundering and illegal flight capital constitutes the biggest loophole in the free market system. Drug kingpins and global thugs thrive because money laundering is easy, and money laundering is easy because illegal flight capital is cultivated and maintained. No western nation is more harmed in this process than the United States. The fallacy in our policy is that we attempt to control the criminal element while at the same time pursuing and facilitating the corrupt and tax-evading elements. This is not possible. We will never effectively curtail the one while at the same time soliciting the other.

Success in fighting dirty money will be achieved only when the United States addresses all three parts of the problem -- criminal, corrupt and commercial. Of these, the corrupt component arising in foreign countries is perhaps the most damaging in its impact on U.S. domestic and foreign interests, hugely multiplying the criminal and commercial tax evasion components. Purposefully drawn policies and regulations can greatly diminish foreign corrupt money in U.S. financial institutions, markets and assets, and the effort will prove beneficial to a broad range of our most vital interests.

Attachment:

Raymond W. Baker, "The Biggest Loophole in the Free-Market System," *The Washington Quarterly*, Vol. 22, No. 4 (Fall, 1999), pp. 29-46.

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Raymond W. Baker

The Biggest Loophole in the Free-Market System

Soon after arriving in Nigeria in 1961, I got into a conversation about how to do business in Africa with the director of John Holt Trading Company, a British-owned firm that had been around since the 1800s. When I asked how he priced his imported cars, building materials, and consumer goods, he said it was not his intention to produce a profit but rather to generate high turnover. Having spent two years at Harvard Business School reading balance sheets and income statements, I had no idea why anyone would run a business with disdain for the bottom line.

By the end of the decade, I was, perhaps, marginally wiser—after setting up two companies, buying two others, witnessing a lot of skullduggery, and surviving the Nigerian civil war. A third acquisition opportunity presented itself, a medium-sized packaging manufacturer whose pesky balance sheets and income statements showed five years of losses. I figured the Syrian family that owned majority interest, besides being poor managers, was doing the same thing John Holt was doing—overloading import prices and thereby undercutting local profits in order to generate hefty kickbacks out of the country. I offered ten times book value to buy the company, which Harvard students later studying the case unanimously agreed was evidence of tropically induced dementia. After the acquisition, I purchased imported raw materials at much cheaper world-market prices, paid off all the debts in the first year, and then distributed generous dividends to myself and minority stockholders for years thereafter. These and a great many other experiences and observations in the 1960s and 1970s initiated my awareness of certain aspects of financial chicanery, in particular, how to make money disappear

Raymond W. Baker, with a career in international business concentrated primarily in developing countries, is a guest scholar in Economic Studies at the Brookings Institution. The views expressed in this piece are those of the author and should not be ascribed to the trustees, officers, or other staff members of the Brookings Institution.

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The Washington Quarterly • 22:4 pp. 29–46.

THE WASHINGTON QUARTERLY ■ AUTUMN 1999

| Raymond W. Baker

in one place and reappear in another.

Over time it has become clear that I was seeing only the tip of a global iceberg. In 1980s trading activities, I observed the means of moving money illegally by others in some 20 countries, and in the early 1990s I carefully undertook highly structured, in-depth investigative work on this subject with more than 500 business owners and managers in a dozen countries. In 1997 I talked at length with some 335 central bankers, commercial bankers, government officials, economists, lawyers, and sociologists in 23 countries about this phenomenon.¹ What I have learned is surprising if not startling.

The bottom line is that anti-money-laundering efforts are not working.

Dirty money is an opaque subject, fraught with murky uncertainties, shunned by international financial institutions and inadequately addressed by government officials. Estimates of its magnitude, either made by others or developed in the course of work leading to this article, suggest that roughly \$500 billion to \$1 trillion of international

criminal proceeds and another unknown sum in the hundreds of billions of illegal flight capital² is sent across borders and deposited into private bank accounts annually. In the short term, perhaps half of this money comes to the United States and half goes to Europe, while some of the deposits in Europe eventually wind up in dollar-denominated holdings. Criminal money has now likely accumulated to several trillion dollars in hard currency assets, and tax-evading flight capital to perhaps a comparable amount. Western countries fight crime with one hand and welcome dirty money with the other hand, in contradictory practices long on tradition and short on thoughtful analysis. Disingenuous hand-wringing substitutes for action on both sides of the Atlantic. Addressing the dirty-money problem suffers from a lack of will, not a lack of solutions.

The two components of dirty money differ in origin and hence in the degree of their illegality. First, money that has a serious criminal antecedent, defined by many countries as drug trading and by the United States and some other countries as also including counterfeiting, espionage, gun running, extortion, kidnapping, toxic waste, nuclear materials, slave trading, alien smuggling, and more is referred to as "laundered" as it passes through financial systems. Furthermore, it is illegal to knowingly receive such money in the United States and other countries that have adopted anti-money-laundering legislation.

Second, money that arises from corruption, tax evasion, and currency smuggling is referred to as "illegal flight capital" as it exits the home coun-

try. The generation of this money is illegal in countries from which it comes; however, it is almost always legal to receive such money elsewhere, including in the United States, Europe, the Middle East, Asia, and a host of tax havens around the world.

Money Laundering

I was recently told in Frankfurt that 99.99 percent of the criminal money that is presented for laundering in Germany is believed to pass successfully through the banking system's regulatory roadblocks and into secure deposits. In Zürich, an estimate from the Swiss central bank was the same. In Washington, Treasury Department officials left off the second decimal and said that 99.9 percent of laundered money is safely deposited into U.S. banks. The bottom line is that anti-money-laundering efforts are not working. Officials know it but claim they cannot figure out why.

The U.S. Bank Secrecy Act³ has since 1972 required financial institutions to report to the Treasury Department cash deposits of a certain magnitude—now \$10,000 or more—or any pattern of suspicious transactions. This requirement has led banks to set up costly compliance offices and to adopt “due diligence” procedures, placing responsibilities on bank managers to “know your customer,” so that large and repetitive cash deposits or unusual transfers can be spotted. Under U.S. prodding, most European and some other countries have set up similar procedures, although only 10 nations can be said to exercise marginally active oversight.⁴

Despite the fact that for more than 25 years money laundering has not been curtailed to any perceptible degree, law enforcement officials proudly point out that the cost of laundering has risen. Criminals paid only 5 percent or 6 percent in commissions some years ago, whereas it now costs around 20 percent.⁵ Criminals laundering money still circumvent the roadblocks; it just takes more time and ingenuity.

For a small, local drug distributor in the United States or Europe with a take of a few million dollars a year, the simplest way to launder cash without detection is “smurfing”—using a few innocuous-looking bag men to deposit random amounts of less than \$10,000 into variously named accounts at many different banks. Due diligence rarely catches this activity.

Drug kingpins, however, with hundreds of millions of dollars in cash in assorted denominations, weighing several tons and occupying a volume larger than the drugs themselves, have a more onerous laundering task. Smurfing will not work because it would require hundreds of innocuous-looking bag men making repeated trips to the banks, not to mention the control problems arising from those bag men foolish enough to try to ab-

| *Raymond W. Baker*

second with their day's deposit. Using cash to live high and buy cars and houses is not very smart and fails to soak up much of the hundreds of millions. So basically the kingpins are left with two choices, both of which move the transaction into the international arena—ship cash or ship goods overseas.

"Mules" carry briefcases or suitcases with hundreds of thousands of dollars of cash for deposit into Caribbean banks, though this is risky. More commonly, bundles of dollars are concealed in refrigerators, overstuffed furniture, machinery, industrial products, coffins, or even dead bodies for shipment to Mexico, Panama, Colombia, Nigeria, Pakistan, or almost any other country with lax regulations where large dollar deposits into branch banks are enthusiastically welcomed.

Alternatively, the cash can be spent to buy something else that can cross borders. Retail businesses or chains that already deal in large amounts of cash are a natural supply source. For example, a transaction can be made for shipment of \$5 million worth of appliances or electronics, for which the kingpin will pay \$6 million, thus giving the seller 20 percent for laundering services. The seller feeds this \$6 million into his normal cash receipts and deposits. The kingpin takes delivery of the goods in another country, sells them and deposits the \$5 million or so in bank accounts. Then without much difficulty this money can be transferred back to the United States or Europe.

There are huge numbers of variations on these themes of moving cash or goods or for that matter services or securities across national borders. But what is most striking is that those doing the laundering have not invented any new ways of transferring money from one place to another. They have merely stepped into the same channels that have been developed and used for years and years by businessmen and bankers—the processes of moving illegal flight capital.

How to Get Rich and Hide Money

Flight capital has both a legal and an illegal component. The legal component arises when someone decides to diversify assets into another country and does so properly by using after-tax money, complying with necessary documentary regulations, and retaining the asset on the books of the entity from which it is transferred. Most, though certainly not all, of the money that recently fled from Asia constituted legal, surplus funds seeking safety from exchange risks. While sudden transfers introduce volatility into global capital movements, the absence of controls spurs foreign investment in open markets and has been demonstrated to be generally beneficial to nations focusing on growth.

Illegal flight capital is another matter entirely, as can be seen by understanding how it works. The most widely used but least glamorous means of generating illegal flight capital is the falsification of foreign trade prices, usually overpricing imports and underpricing exports. This practice is done secretly and almost never put in writing. For example, a business manager or owner in Venezuela negotiates to purchase machinery from a U.S. manufacturer. He requests that the \$1 million price be increased by 10 percent so that upon payment of \$1.1 million for the machinery the extra \$100,000 is to be deposited into his private bank account in the United States. This overpricing is illegal under Venezuelan law; it evades taxes, and the money paid disappears from the assets of the company and the country.

Similarly, an exporter of art works in Ukraine can sell her paintings, sculptures, and icons to a West European dealer for, say, 50 percent less than their negotiated value, with the understanding that when payment is made the extra 50 percent will be deposited into her German bank account. Again, illegal; the funds evaded taxes and disappeared from any record in Ukraine.

The second most common means of generating illegal flight capital is corruption—stealing—by government officials. Mobutu Sese Seko of Zaire, now Congo, and Ferdinand Marcos of the Philippines were world renowned for their thievery, both reportedly able to have money transferred directly from central bank reserves to their overseas personal accounts. Other leaders with less power, such as Stroessner of Paraguay, Craxi of Italy, and Houphouët-Boigny of Ivory Coast, were more likely to use middlemen to arrange government contracts or licenses or concessions in return for payments of huge bribes, always into foreign bank accounts. And such corruption is not limited to heads of state. There is ample record of ministers, civil servants, directors of government-owned utilities, airlines, and other corporations, as well as ambassadors and generals, playing the flight-capital game through kickbacks paid abroad on everything from armored personnel carriers to the embassy catering bill.

A third form of illegal flight capital involves black-market currency deals and petty smuggling. An expectant traveler goes into a back alley, converts pesos to dollars, and hopes to avoid a search when passing through customs.

There are many other ways the same end is accomplished, including paying for imports and exports that do not exist or for services never rendered, cross trading through cooperative brokers who eventually lose one leg of the

Money laundering is easy because illegal flight capital is pursued and facilitated.

deal, transferring business and property ownerships offshore without repatriating full compensation, and carefully constructing bank transfers of untaxed funds. And while all of these additional methods are important, it is extremely difficult to estimate their magnitude.

Many observers think that illegal capital flight is a temporary reaction to unstable conditions in countries from which it comes, that is, short-term money parked outside to avoid threat of confiscation or to evade taxes or, like its legal counterpart, to minimize inflation and exchange risks. The argument accompanying this idea is that once a country confidently achieves stability, the incentive for illegal flight capital will disappear. Similarly, these observers say that money arising from government corruption will decline with democracy, accountability, and the rule of law. While all of this has an element of truth, it demonstrates a misunderstanding of the most basic reason for these illegal flows and the role of western businesses and financial institutions in serving this demand.

The primary motivation for illegal flight capital is the hidden accumulation of wealth. It is about getting rich secretly and avoiding pressures to distribute profits locally. For that Venezuelan businessman who had \$100,000 deposited into his foreign bank account, not another person in Venezuela needed to be aware of that transaction. The same is true for the government official who has a bribe paid into his foreign account. Concealed payments made on verbal agreements allow both of these individuals to gain, while avoiding demands from relatives and in-laws or from employees and managers or from other government officials to share the riches. The secret amassing of wealth is what keeps this business going long after a country has put its affairs in order.

Besides the push by foreign commercial elites and government officials for flight capital abroad, there is a pull exerted by Western companies and financial institutions. Americans, Europeans, Japanese, and others legally pay kickbacks on transactions with foreign private interests. This is routine in winning and maintaining export and import orders in soft currency markets, and, while the practice abets breaking tax and other laws in those countries, it rarely breaks laws in the industrialized countries.

Bankers from these same Western countries approach foreigners to make arrangements for the movement of flight capital, advising how other customers have done it, providing introductions to overseas traders, offering to assist with necessary credits and documentation and ultimately managing the accumulating funds in their private banking departments. While I was in New Delhi recently, a Swiss banker was calling on potential customers offering to set up private accounts in her bank, even though it is against the law for Indians to have such accounts out of the country.

The U.S. Foreign Corrupt Practices Act⁶ makes it illegal to pay bribes to foreign government officials but says nothing about bribes to foreign private citizens. An American machinery salesman taking two managing directors to lunch in Southeast Asia, both heads of vegetable oil mills, one government-owned and the other a private enterprise, risks a jail term for bribing the director of the government mill and gets a pat on the back from his boss for bribing the director of the private firm. And, of course, the American's competitors from most other countries can bribe both managing directors with impunity, although we have finally persuaded the Europeans to consider enacting legislation similar to our own, with prohibitions against bribing government employees and officials.

Meanwhile, the best informed legal experts in the United States and abroad confide that what appears to be a majority of U.S. Fortune 500 companies circumvent the FCPA by a multitude of means, including agents' commissions, parallel transactions, countertrade deals, and charitable trusts, among others. Arms manufacturers are particularly pliable. A prominent expatriate lawyer in the Middle East explained the way he does it as follows: Weapons sales generally involve requirements for support services such as training, maintenance, and software updates. Defense and military officials in the purchasing country typically request that these ancillary services be provided through a joint venture company between the arms manufacturer and local participants. Entities for this purpose are incorporated offshore, often in a tax haven such as the British Virgin Islands, with joint venture partners who are relatives or friends of the officials. While doing no work, these partners share in the venture's bloated revenues, passing the funds along to their principals. As long as the U.S. firm had no "intent" to bribe, these arrangements are overlooked by regulators anxious to maintain the flow of U.S. weapons and influence.

The desire of foreign private citizens and government officials to accumulate hidden wealth is accommodated attentively and creatively by Western businesses and banks. And by accommodating this activity—this movement of flight capital that passes illegally out of one country but almost always legally into another country—they are providing exactly the same channels through which criminal money is laundered.

Money, Money, Money

One of the difficulties in dealing with this subject is arriving at believable estimates of the magnitude of illegal flows. A 1997 United Nations report estimates the international drug trade alone at \$400 billion a year⁷—8 percent of world commerce. The Financial Action Task Force in Paris, an anti-

money-laundering coordination group, has been attempting to consolidate money laundering estimates from its members, with \$500 billion annually being a commonly mentioned figure.

Measuring flight capital is complicated by the intermingling of its legal and illegal components. International trade and financial statistics make no effort to distinguish between the two, and therefore the illegal portion remains almost completely invisible in such data. For example, on that transaction by the machinery manufacturer with the Venezuelan customer, as far as U.S. export and Venezuelan import statistics are concerned, that machine was worth \$1,100,000. Using every available piece of official data, there is no way to demonstrate that money was diverted into a private account.

The aspects of illegal flight capital which lend themselves to rough estimation are those which involve cooperation between parties in Western nations and counterparts in developing and transitional economies. Other aspects of the phenomenon, where money goes out of a country directly into a tax haven, are virtually impossible to fathom.

I have developed techniques for measuring illegal flight capital that occurs through price manipulation. For example, a selection can be made of several hundred documents covering imports into and exports out of a foreign country. Prices on these transactions can be checked by negotiating fresh quotations on the same items under the same terms with the same suppliers, but with different destinations to disguise the inquiry. This process, and others, can reveal a pattern of mispricing, and such a pattern can be tested by additional investigative methods that focus specifically on kick-backs paid abroad.⁸

Based on such work, the proportion of foreign trade transactions that are falsely priced going into or out of Latin America is indicated to be between 45 and 50 percent, with Argentina, Brazil and Venezuela all falling within or close to this range. Mispricing levels average more than 10 percent. Multiplying these two percentages produces an estimated flight capital component for Latin American trade of 5 percent, amounting to \$25 billion to \$30 billion annually.

For Africa, 60 percent of trade transactions are indicated to be mispriced, by an average of more than 11 percent, resulting in a flight capital component of 7 percent on African trade, totaling \$10 billion to \$15 billion annually. Ivory Coast and Nigeria exceed the 7 percent norm considerably.

One of Russia's unsolved problems is that payments for many export shipments of oil, gas, minerals, diamonds, gold, and basic manufactured goods are made in foreign currencies, which are deposited abroad and never converted into rubles despite prevailing regulations, creating effectively a 100 percent flight capital component, totaling \$15 billion to \$25 billion per year.

Other Commonwealth of Independent States (CIS) countries, in particular Ukraine, Belarus, Uzbekistan, and Kazakstan, are notoriously porous, adding \$5 billion to \$10 billion or more to flight capital flows.

Measuring price manipulation into and out of the Middle East is complicated by the fact that the recycling of petrodollars makes it unclear what is and is not legal. Nevertheless, omitting oil exports from kingdoms and sultanates, the remainder of Middle East trade produces flight capital on the order of \$5 billion to \$10 billion annually. Indonesia, Pakistan, India, Thailand, and Burma alone generate another \$5 billion to \$10 billion. A similar estimate could be made for East Asian countries, including principally Hong Kong, South Korea and the Philippines, before the 1998 currency crisis accelerated the drainage. And semi-official figures given to me in Beijing indicate that mainland China's illegal outflows are at least \$10 billion a year and probably more.

Addressing the dirty money problem suffers from a lack of will, not a lack of solutions.

As to theft by corrupt government officials that results in flight capital, the biggest offenders in recent years certainly include Russia, Iraq, Nigeria, Congo, Venezuela, Pakistan, Algeria, Egypt, Indonesia, Burma, the Philippines, South Korea, Mexico, Paraguay, Peru, Panama, Haiti, Ivory Coast, Kenya, Italy, and lately the People's Republic of China. In many other countries, ambitions may be large, but treasuries are rather small.

If a country keeps modestly accurate trade and financial data, those sectors of the economy which are controlled by the government can be revealing. For example, at the request of a successor government, a Nigerian economist recently examined oil income received by the preceding government. He found that during the Persian Gulf crisis, when petroleum prices shot up, \$12.2 billion of Nigeria's receipts escaped adequate accounting. Saddam Hussein of Iraq has similarly tapped oil revenues in the past to secrete billions overseas.

For leaders and officials without dictatorial powers, transfers expropriated and bribes paid abroad can be estimated only in the short term. Some credence must be given to reports by other government officials, traders, bankers, Western ambassadors, and embassy economic officers who may have a good idea of the prevailing level of corruption and the amount of that corruption that ends up overseas.

Reasonably well-informed estimates of flight capital through this kind of official corruption put the figure at a minimum of \$20 billion per year and

possibly as high as \$40 billion per year. While many second-echelon officials get away with their ill-gotten gains, the success rate for heads of state is hardly encouraging. Mobutu was usually holed up in his hometown palace or one of his foreign villas. Marcos was driven out. Craxi of Italy is on trial in absentia. Noriega is hardly enjoying the Florida sun. "Baby Doc" Duvalier, Haitian in exile, is broke. Carlos Salinas was certainly uncomfortable when he briefly returned to Mexico. Daniel arup Moi of Kenya is under pressure. Samuel Doe, the deposed head of Liberia, was tortured and mutilated while being asked for his Swiss bank account numbers, as I saw in a gruesome video which was made shortly before his execution.

The total flow of these components of illegal flight capital is in this analysis about \$100 billion to \$150 billion per year, and an average of \$100 billion annually is probably a very conservative figure. Other components that do not usually depend on Western involvement may be larger.

The Importance of the Issue

The consequences of Western solicitation and acceptance of illegal flight capital and the correlative flow of laundered criminal money are huge. For the United States the documentation is well reported—drugs in society, gang warfare, drive-by shootings, an expanding prison population, racial tensions, inner-city decay, threats to a generation of urban youth, and parents deeply concerned about the potential impact of crime and drugs on children. What has not been well reported is that money laundering, the key to this activity, is almost universally successful.

Besides drug dealers, other international criminal organizations, including terrorists—Osama bin Laden, for example—likewise benefit from having clandestine channels readily available for moving hot money around the globe. Trade in nuclear, chemical, and biological weapons components has reached alarming proportions, certainly in the hundreds of millions of dollars if not considerably more. When Saddam Hussein and Muammar Qadhafi purchase machinery and materials for this purpose, they set up elaborate dummy corporations and circuitous money laundering procedures to cover their transactions, easy to do in the Middle East where billions in illegal money pass to Europe regularly.

Money laundering's fellow traveler, illegal flight capital, badly undermines U.S. and European foreign policies. The total of all U.S. foreign aid and the bilateral assistance of all other countries of the Organization for Economic Cooperation and Development (OECD), as well as all World Bank financing going into developing countries and former Communist states amounts to about \$50 billion a year. This is completely offset by the

\$100 billion a year that comes back out of recipient countries with Western complicity into private bank accounts abroad. Flight capital drains hard currency reserves from poorer states and transitional economies and, in the process, heightens inflation, reduces tax collection, worsens income gaps, cancels investment, hurts competition, undermines free trade, and solidifies the permanence of poverty. A Western focus only on the dispersing side of the development equation—foreign aid, World Bank financing, International Monetary Fund (IMF) credits, and so forth—while ignoring the illegal return cash flows of greater magnitude, is woefully inadequate to the challenges of poverty, development and globalization.

The consequences in major regions of the world are severe. Russia has suffered the greatest theft of resources that has ever occurred from any country in a short period of time—\$150 billion to \$200 billion in a decade. This is the low end of figures (which go as high as \$350 billion) compiled by premier economists in the country and is an amount substantially more than the \$120 billion⁹ in economic assistance given to Russia by Western governments, the World Bank, and the IMF combined. Foreign bankers have marketed aggressively in Moscow and other cities, and European vaults are bulging with Russian flight capital. Cyprus has been a popular ex-Communist money laundromat, now supplemented by Malta, Gibraltar, and Lebanon, with major transfers going to deposit accounts and real-estate purchases in Switzerland, Germany, France, England, Spain, Turkey, and especially Israel.

In the volatile Middle East the gap between individuals with hundreds of millions, even billions, spirited out of the region and others tied to mud and stone villages is explosive. Islamic fundamentalism is preached principally in the mosques of the poorer strata of society. The numbers living in poverty in Egypt have soared in recent years, while government officials bragged to me about forcing one corrupt executive in a state-owned firm to repatriate \$50 million from Switzerland to Cairo.

In Saudi Arabia, corruption and flight capital are neither illegal nor tax evading. Kickbacks to government officials are acceptable so long as the level is not offensive to the king, and there are no income taxes of significance to evade. Thus, \$400 billion of private Saudi money is in foreign accounts, and resentment is rising over the excesses of the royal family.

Latin America has been exporting illegal flight capital throughout the twentieth century. Currently, Swiss bankers report that they see no diminu-

Illegal flight capital badly undermines U.S. and European foreign policies.

tion but rather continued increases in flows out of Latin America into private accounts.¹⁰ In the 1970s and '80s most Latin American governments were collecting only a fraction of lawful taxes and were experiencing heavy illegal capital flight through the overpricing of imports. So they installed value-added taxes of about 20 percent on imports and legalized outward capital transfers to try to remove the incentive for illegal transactions. Many sectors of the business community immediately reversed their *modus operandi*. As an example, in Argentina they now substantially underprice their imports to escape value-added taxes (VAT) and operate part of their businesses completely off the books to generate side revenues. They then take these unrecorded revenues to the bank to make a legal capital transfer abroad, which is in fact a trade payment for the balance due, plus the traditional extra component, on their underpriced imports. Thus, for Latin American governments, tax collection is not much improved and flight capital is not much diminished, because the primary motivation for this illegal activity still remains—the concealment of accumulating wealth. And, furthermore, because of this practice, Latin American trade and capital statistics are intermixed or mislabeled to the tune of 5 percent or more yearly, making it impossible to know accurately the status of these “emerging markets.”

Finally, Africa, the world's most despoiled continent, has had a greater portion of its resources stolen than any other part of the world. There are thousands of businesses in Africa which operate at the break-even point or marginally in the black or even in the red with local currency replenishment in order to provide continuous flight capital out of the continent. Ever since African countries became independent, dictators, corrupt government officials, and wealthy businessmen have been called on by bankers from the United States, England, France, Germany, and Switzerland seeking their money. In the time it takes to read this article, illegal flight capital out of the continent equal to the annual incomes of at least ten thousand Africans is being deposited into Western accounts. And this does not include the greatest example of price manipulation known to have occurred and continuing to this day, according to a prominent central banker: a century of diamond exports out of his country at essentially zero value, to be graded, cut, and sold abroad, with only a small portion of profits brought back to keep mining operations going. The World Bank estimates that nearly 40 percent of Africa's accumulated wealth, which might be contributing to basic necessities of life, is instead in foreign accounts, strengthening Europe and the United States.

A half-century ago it was said that Western countries should assist by whatever means necessary movements of money for Holocaust victims,

families escaping Eastern Europe, Arabs fleeing domestic turmoil, Chinese businessmen departing the mainland, and more. In the chaos of earlier times, that was no doubt true. But today, the \$100 billion yearly flow in illegal flight capital which the West facilitates fails to serve any legitimate purpose the United States and Europe have. Western economies are not dependent on this inflow, and Western governments and financial institutions should not be targeting the foreign exchange assets of weaker trading partners, eroding the tax bases of friendly countries around the world. Furthermore, and perhaps most important to Americans and Europeans, this \$100 billion of illegal flight capital provides cover for \$500 billion or more of criminal money laundering. These are two rails on the same tracks through the international financial system. Trying to restrain movement on the money laundering rail while going full speed ahead on the flight capital rail is not possible. When we determine to curtail illegal flight capital, the problem of criminal money laundering will substantially decline.

The Maginot Line

Several arguments have been offered in defense of the status quo. First, it is suggested that any attempt to correct the illegal flight capital situation would restrict free trade. The truth is just the opposite. When a buyer and seller get comfortable in an arrangement that generates flight capital in a convenient, secret manner, it is almost impossible to break that arrangement. A friend of mine recently called on the managing director of a potential corporate customer in Africa to offer linerboard (paper to manufacture corrugated cartons). His sales terms were identical, and his prices were significantly lower than the user was paying. After the meeting, a second person, the purchasing manager, walked with him out of the factory and said, "Forget it; the current supplier handles the M.D.'s commissions in Europe." I have observed this situation repeated hundreds of times. Removing the flight capital component would open trade and stimulate competition.

Second, it has been argued that any country acting against false invoicing will lose the commerce that is tied to this practice, as trading partners in other countries take their business elsewhere. This is the same argument that was offered in opposition to the U.S. Foreign Corrupt Practices Act. In fact, in relative terms, little harm accrued to U.S. trade resulting from this act, and Europeans are now moving toward adoption of anti-corruption positions similar to those enacted by the United States two decades ago. As with the corruption issue, U.S. leadership on the illegal flight capital problem would be highly beneficial.

Third, it has been pointed out that transfer pricing between parent and

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subsidiary can be a form of flight capital. For example, pharmaceutical and chemical companies often charge their foreign affiliates as much as five or ten times home-country prices for proprietary items exported to them. While these situations work for a while, government scrutiny, customs inspections, external price verification services, and normal competitive forces usually restrain such activities over time.

The toughest laws against illegal flight capital via exaggerated transfer pricing exist in, of all places, the United States. Throughout the 1970s and '80s, the Internal Revenue Service (IRS) was frustrated with many foreign subsidiaries operating locally, particularly Japanese ones, because they reported minuscule profits and therefore paid little or nothing in U.S. taxes. Often, such firms were overpricing their exports of component parts and finished goods to the United States, so that margins were transferred back to the parent company within the selling prices of the items and not accumulated on their American subsidiaries' books as profits. Under regulations that were strengthened in the 1990s, the IRS can now levy taxes on reasonably estimated U.S. profits that would have been earned had not transfer prices been excessive, and if the subsidiary chooses to dispute the assessment, the parent company must provide access to corporate pricing data. Thus, while the United States reacts with resolve on pricing that takes capital out, the nation's laws support mispricing that brings capital in.

Finally, it is argued that flight capital turns around and goes back from whence it came when investment conditions become favorable. While it is true that legally transferred flight capital often returns, the illegal component seldom does. That Venezuelan mentioned earlier is unlikely to bring his \$100,000 back, because he would not want to admit that he generated that money illegally in the first place. Private bankers know that flight capital, once out, rarely returns. The greater part, by far, of this wealth, motivated by its hidden accumulation, constitutes a permanent outward transfer.

Ends and Means

Isaiah Berlin, in his 1958 lecture at Oxford, "Two Concepts of Liberty," said, "Where ends are agreed, the only questions left are those of means, and these ... are technical, that is to say, capable of being settled by experts or machines like arguments between engineers and doctors."¹¹ Of course, Berlin was a philosopher, not a lawyer or politician or Wall Street banker.

According to a high-ranking U.S. Treasury Department official, the pursuit of tax-evading flight capital out of other countries has been supported as a matter of U.S. policy. Another Treasury official advised an executive vice president of a West Coast bank that his institution should open a

branch in the Caribbean to capture its fair share of flight capital.

U.S. bank regulators point out that a perception of foreign tax evasion is supposed to generate a suspicious-transactions report from financial institutions. Yet, banks in major money centers handle thousands of foreign trade documents and make deposits within their banks from those transactions to accounts belonging to the foreign trading partners, fully aware that tax evasion is the purpose.

An ex-Scotland Yard detective and expert on money laundering suggested to me in London that commercial banks cooperating with anti-money-laundering procedures know that such efforts cannot work. Just as I felt certain this viewpoint was excessively cynical, two Swiss bank compliance officers showed me their two-page policy declarations demonstrating how aggressively their institutions fight illegal flight capital. Knowing something about business and banking, I read and criticized their elaborate statements, obtaining a confirmation from each that the only thing meant by these legal obfuscations was that bank officers themselves should not physically transport cash, gold, or negotiable instruments from one country to another on behalf of their clients.

Sen. John Kerry, in his wake-up call about international crime, *The New War*,¹² says that the nations of the world "must agree both on a consistent system of laws and a consistent system of punishment" regarding illicit financial dealings. But the attainment of that goal is far off, requiring decades to reach consensus. An open letter to Congress published in major U.S. newspapers in February 1998, signed by 139 former presidents, secretaries of state, cabinet officers, national security advisors, senators, and current corporate CEOs, called on Congress to "insist on greater financial transparency"¹³ in the global system. Given an appropriate level of will, the initial steps that can be taken are straightforward.

First, Western governments need to get much more aggressive in exposing corruption by foreign government officials and in seizing assets of such officials in or out of office. The United States froze the assets of Raoul Cédrès and his clique and thereby contributed to their departure from Haiti. Some of the assets belonging to Ferdinand and Imelda Marcos in the United States and Switzerland have been identified, though not yet returned to the government of the Philippines. The rationale for letting Mobutu keep his stolen billions was that he was a Cold War ally, a premise that has now lost

Tax-evading flight capital out of other countries has been supported as a matter of U.S. policy.

relevance. Western democracies should have a higher level of intolerance for serving as repositories of ill-gotten gains. Tools for seizing or freezing assets of corrupt leaders are available but underutilized.

Second, multinational corporations should be urged by commerce and treasury departments of Western countries to discontinue over- and under-invoicing to facilitate flight capital for foreign private interests. This practice is the dirty underside of international trade and should not be part of the negotiating tools of respectable companies. But no one has said this purposefully to major corporations, and, since it is legal, it is commonly done.

Third, the World Bank and the IMF need to address seriously the issue of illegal flight capital. Unfortunately, at the highest levels there is a close relationship between development bankers who hand money out to needy nations and private bankers who take at least twice as much back from these same nations, while at the middle levels there is a revolving door from the World Bank and IMF to leading commercial and investment banks worldwide. The result is that illegal flight capital, a sensitive issue, is not discussed in polite circles, and the goals of the World Bank and IMF are undermined in the process.

Fourth, nations that want to curtail the most common means of generating illegal flight capital, which occurs through the falsification of trade prices, can do so simply with two signatures, the buyer's and the seller's, on a routine trade document that says that the stated price is the actual price, without any element of mispricing for the purpose of creating value or benefit for a citizen of that nation in his country or in a foreign jurisdiction. Such a document, in the appropriate legal language of the country, can be backed by inspection and price-verification services in adopting nations, already common practice, buttressed with penalties for violations. Responsible buyers and sellers would not sign such a document and then risk paying kickbacks as usual, particularly in face of the possibility of fines or sanctions. With two signatures, the most prevalent component of illegal flight capital can be significantly curtailed.

Fifth, a Swiss banker cut to the core of the problem with what he would like to see adopted as standard procedure by his very prominent bank and other U.S. and European institutions: "one signature." Specifically, depositors should be required to sign a document stating that the deposit being made by any noncitizen, whether an individual or a company, is money legally earned and legally transferred. As he said, we do not have to get in the business of enforcing or abiding by other countries' laws, but we can tell our customers that we expect and require them to do so. Building on that, the international system can move toward the cooperation and consistency called for by Senator Kerry and others.

The combination of criminal money laundering and illegal flight capital constitutes the biggest loophole in the free-market system. Drug kingpins and global thugs thrive because money laundering is easy, and money laundering is easy because illegal flight capital is pursued and facilitated. Neither the United States nor any other nation will effectively curtail the one while at the same time soliciting the other.

Encouraging and facilitating the flow of tax-evading money out of developing and transitional economies contradicts the reason d'être for foreign aid and belies the purposes of the international financial institutions. Moreover, it contributes to widening income disparities between rich and poor and diminishes the lives of billions of people.

The breakthrough that is required is a clear reversal of current positions. Instead of supporting the movement of illicit funds between countries, we should do just the opposite—make it clear that this relic of an earlier, fragmented world is no longer acceptable.

Isaiah Berlin was, in a narrow sense, right; “where ends are agreed,” the rest is technical.

Notes

1. With a grant for research and writing from The John D. and Catherine T. MacArthur Foundation, not-for-attribution interviews were conducted in Venezuela, Brazil, Argentina, Nigeria, South Africa, Kenya, Egypt, Germany, Switzerland, France, England, Poland, Russia, Turkey, Saudi Arabia, Pakistan, India, Indonesia, China, South Korea, Japan, and the United States.
2. United Nations (UN) Office for Drug Control and Crime Prevention, *Financial Havens, Banking Secrecy and Money-Laundering*, (New York: UN, 1998), pp. 34-35.
3. *Amendment to The Federal Deposit Insurance Act*, U.S. Public Law 508, 91st Congress, October 26, 1970, H.R. 15703. Commonly referred to as the “Bank Secrecy Act,” it was further amended in 1972 to raise the cash transaction triggering level to \$10,000.
4. United Nations Office for Drug Control and Crime Prevention, *Attacking the Profits of Crime: Drugs, Money and Laundering*, (Vienna: United Nations, 1998), p. 40.
5. “That Infernal Washing Machine,” *The Economist*, July 26, 1997, p. 20.
6. *Foreign Corrupt Practices Act of 1977*, U.S. Public Law 213, 95th Congress, December 19, 1977, S. 305.
7. United Nations International Drug Control Programme, *World Drug Report*, (New York: Oxford, 1997), p. 124.
8. A different technique can be used to examine an alternative mispricing procedure—re invoicing. Many companies maintain offshore offices that change prices by interjecting new documents into transactions, ostensibly while performing a buying or selling service for their parent companies. Similarly, many banks and other financial institutions perform this service for customers, operating from locales in the Caribbean and the Channel Islands. This re invoicing activity can sometimes be isolated statistically for a class of products as a difference in export figures from one

country and import figures into another country. Re invoicing is much less commonly utilized than the simpler procedure of increasing or decreasing prices as a matter of agreement between buyers and sellers. Recent statistical surveys do, however, indicate that imports into Latin America are being routinely underpriced to escape VAT.

9. Central Intelligence Agency (CIA), "Table 76, Russia: Economic Support From the International Community, by Donor and Year 1989-98" *Handbook of International Economic Statistics*, 1998 (Washington: CIA), p. 72.
10. Support for this observation comes from data provided by the Bank for International Settlements in Basle, Switzerland, on *Cross Border Bank Deposits of Nonbanks by Residence of Depositor*, broken down by countries of origin and principal countries of receipt.
11. Isaiah Berlin, *Two Concepts of Liberty* (London: Oxford, 1958), p. 3.
12. John Kerry, *The New War* (New York: Simon & Schuster, 1997), p. 187.
13. "A Time for American Leadership on Key Global Issues," *New York Times*, February 11, 1998, p. A18.

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For Release Upon Delivery
1:00 p.m. November 10, 1999

TESTIMONY OF
RALPH E. SHARPE
DEPUTY COMPTROLLER OF THE CURRENCY
for
COMMUNITY AND CONSUMER POLICY
OFFICE OF THE COMPTROLLER OF THE CURRENCY
Before the
PERMANENT SUBCOMMITTEE ON INVESTIGATIONS
of the
COMMITTEE ON GOVERNMENTAL AFFAIRS
of the
UNITED STATES SENATE
November 10, 1999

Statement required by 12 U.S.C. § 250:

The views expressed herein are those of the Office of the Comptroller of the Currency and do not necessarily represent the views of the President.

I. Introduction

Madam Chairman, Senator Levin, and members of the Subcommittee, my name is Ralph Sharpe and I am the Deputy Comptroller for Community and Consumer Policy at the Office of the Comptroller of the Currency (OCC). We appreciate this opportunity to testify on private banking activities and the vulnerability of private banking to money laundering. Money laundering, namely the movement of criminally derived funds for the purpose of concealing the true source, ownership, or use of funds, is a serious domestic and international law enforcement problem and we commend the Subcommittee for focusing attention on the problems that it poses.

The Office of the Comptroller of the Currency (OCC) has a longstanding commitment to combat money laundering and to address this problem in the banks that we supervise. We share the Subcommittee's belief in the importance of preventing U.S. financial institutions from being used wittingly or unwittingly to aid in money laundering. As part of our efforts to combat money laundering in private banking, we are focusing on the risks associated with the increasing size, complexity and global reach of private banking, and we have taken a number of steps to prevent the misuse of national banks for money laundering. We are also committed to working with the law enforcement community to assist in the investigation and prosecution of organizations and individuals who violate the law and engage in money laundering.

My testimony today addresses the issues you raised in your invitation letter. I will begin by describing the nature of private banking, the statutory and regulatory requirements, the vulnerabilities of private banking, techniques banks may use to protect themselves against these

vulnerabilities, and the examination procedures OCC uses to address potential money laundering in all aspects of a bank's operations, including those relating to private banking. I will then discuss our review of Citibank's anti-money laundering programs, including those carried out in the bank's private banking department. Then, I will discuss our experience in obtaining customer information from banks supervised by the OCC in foreign jurisdictions, and OCC initiatives to combat money laundering. I will conclude by addressing the Administration's National Money Laundering Strategy of 1999 and how it should enhance our ability to deal more effectively with the many challenges presented in this area.

II. Background

Broadly defined, private banking involves providing a wide range of financial services to high net-worth customers. Based on an informal 1997 OCC examiner survey of several large banks supervised by the OCC, the typical private banking customer has assets of between \$1 million to \$5 million available for investment. Of course, these figures may be considerably less in some markets.

Once a service provided only by European banks to a small number of wealthy clients, private banking has become a growing source of business for a number of banks in the United States, particularly larger banks. The United States has become the largest private banking market in the world and private banking services provide an important source of fee income for banks seeking to diversify and provide additional services to their customers. Continued expansion of private banking is likely as the number of high net-worth individuals grows.

Banks offer a mix of financial services under the umbrella of private banking. A relationship manager is typically the single point of contact for the private banking customer within the bank, identifying the needs of the customer and arranging for the delivery of products and services designed to meet those needs. These services often include: asset management relationships (trust, investment advisory, and investment management accounts), offshore facilities, custodial services, funds transfer, lending services, checking accounts, overdraft privileges, letter of credit financing, bill-paying services and tax and estate planning. There is no uniform structure for the location of private banking activities within a bank. Private banking activities may be conducted within a separate unit of a bank, or may be interspersed throughout the bank according to product lines. Several national banks also operate as independent trust banks that offer private banking services exclusively.

III. Statutory and Regulatory Requirements

The Bank Secrecy Act (BSA), and its implementing regulations is one of the primary tools the government uses to fight drug trafficking, money laundering, and a host of other crimes. Congress enacted the BSA to attempt to prevent banks and other financial institutions from being used as intermediaries for or to hide the transfer or deposit of money derived from criminal activity.

The reporting and record keeping requirements of BSA regulations create a paper trail for law enforcement to follow to trace drug and other illegal proceeds to their sources. The paper trail is used by the government to help identify, detect and investigate criminal, tax and regulatory

violations. It is used to deter illegal activity and to trace the movements of money into and out of the United States. Over the years Congress has amended the BSA to enhance its usefulness as a law enforcement tool while also reducing the regulatory burden.

In addition to the BSA, in 1986 Congress made money laundering itself a criminal activity with the enactment of the Anti-Drug Abuse Act of 1986, which included the Money Laundering Control Act of 1986 (MLCA). The law prohibits any person from knowingly engaging in a financial transaction that involves the proceeds of a specified unlawful activity.

The primary responsibility for compliance with the BSA and the anti-money laundering statutes rests with the nation's financial institutions themselves -- they represent the front lines in the fight against money laundering. National banks have significant anti-money laundering responsibilities. As described in the BSA section of the *Comptroller's Handbook for National Bank Examiners (BSA Handbook)*, 12 CFR 21.21 requires national banks to establish and maintain adequate internal controls and independent testing, to designate an individual or individuals to coordinate and to monitor day-to-day compliance with the BSA, and to train responsible personnel. In addition, OCC regulations at 12 CFR 21.11, require banks to report suspicious transactions and violations of law or regulation. An adequate BSA program must enable a bank to detect and report suspicious activity, including any such activity in its private banking department.

IV. Protecting Against the Vulnerabilities of Private Banking

If a bank does not adequately maintain due diligence and compliance standards with associated internal controls, audit and management information systems, it may be exposed to money laundering. Specific vulnerabilities associated with private banking operations include the following:

- **Account Opening Procedures.**

Determining the identity and bona fides of high net-worth customers should generally be no more challenging to a bank than determining the identity of any other customer. However, the large dollar amounts involved, the potential for the existence of other beneficial parties and the complications of obtaining current and accurate information regarding these matters may present unique challenges. This is particularly the case when the customer is a foreign national and the source of the funds comes from outside of the country. Moreover, the desire of the customer to maintain a high degree of confidentiality can also serve to increase the difficulty of obtaining this information.

- **Compensation of Relationship Managers.**

The high dollar volume of private banking and resulting earnings for the bank and account officers pose additional challenges and potential vulnerabilities. In some private banking units, the pressure for increased income based on new business and compensation programs based solely on quantitative factors can cause bank officers to ignore or short-cut established controls and procedures designed to protect banks from money laundering. The prestige and specialized

treatment that private banking clients generally receive may also tempt a bank employee to sacrifice adherence to control procedures in favor of accommodating a client. This can also lead to a reluctance to follow up on indications of suspicious activity or to file suspicious activity reports.

- **Access to Account Information.**

U.S. banks may offer private banking services domestically or in their overseas offices. Some accounts are opened domestically, but supporting documentation relating to ownership, and background information, may be maintained in one or more foreign jurisdictions with stringent secrecy laws. Other accounts may be opened and maintained in such jurisdictions from the outset. In either case, such accounts can present significant barriers to access to information needed to fully determine the source of funds flowing into the account or the identity of beneficial owners.

There are, however, a number of things that banks can do to protect themselves against these vulnerabilities. Many of these relate to money laundering in general; some relate more specifically to the vulnerabilities for money laundering in private banking operations. Listed below are a number of fundamental safeguards that should be employed to address and minimize the risk that a bank will be subjected to money laundering.

- **Effective Account Opening Procedures.**

Effective account opening policies and procedures are fundamental risk controls for private banking relationships. Effective procedures include the proper identification of the owners of the account, including beneficial owners, the sources of their wealth and their normal and expected transactions. Bank management should have specific policies for employees who approve, accept and document new private banking accounts. To verify the legal and financial status of a business, the bank's account opening process should require responsible bank personnel to identify the principal owners and should include a review of relevant documentation, such as articles of incorporation, partnership agreements, financial statements, credit reports and referrals.

To the extent possible, banks should also have adequate documentation to allow for appropriate due diligence when opening accounts in jurisdictions with strong secrecy regimes. Banks should also ensure that they will have access to information during the life of an account so that it can be monitored appropriately.

Customers brought in by a third party financial intermediary (e.g., investment advisors) may require particular attention. A bank should confirm that the intermediary maintains and adheres to adequate standards to verify the identity and legitimacy of its customers. Based on the bank's assessment of the adequacy of this verification process, the bank should gauge its degree of confidence in relying on the third party's customer review process. These standards should also be applied to recently hired private banking representatives who bring in new accounts. Banks

should also be cautious in establishing financial services relationships with intermediaries that refuse to provide their policies and procedures for accepting new accounts.

In short, the bank should exercise the degree of due diligence necessary to determine what types of risks are included in opening a particular account and then ensure that adequate procedures are in place to identify and control those risks.

- **Monitoring for High Risk Activity.**

Private banking services are subject to the same anti-money laundering requirements as any other bank relationship. Banks should monitor high-risk customer activity in order to detect and report suspicious activity in a timely manner.

Banks should evaluate accounts on a risk-grade basis, whether by type of business, geographical location, or bank product or service that may be more vulnerable to money laundering. While not all private banking accounts or relationships will fall into a higher risk category under this approach, those that do should be managed accordingly. For example, a high net-worth private banking client in the United States with an import/export business that trades with businesses located in a drug source country would clearly warrant more scrutiny than a lower net-worth demand deposit account with no international activity.

- **Compensation and Oversight.**

Banks should design compensation programs that balance quantitative and qualitative factors and that provide measurement tools to assess employee performance in both areas. They should also ensure that account relationship managers are subject to the same or a higher degree of oversight and control as managers of other areas of operation that may expose the bank to risk. Internal controls, audit and compliance processes should ensure that account managers operate with appropriate oversight and are subjected to periodic audit checks, and banks should include private banking relationships in their suspicious activity identification programs.

- **Audit for Compliance with the BSA.**

Banks must have an independent testing or audit function for BSA compliance, including suspicious activity reporting. Audit programs should focus on high-risk accounts and should include comprehensive transaction testing.

- **Training for BSA Compliance.**

Banks are required to train all appropriate personnel with respect to their responsibilities to comply with the requirements of the BSA. Bank training programs should provide relevant examples of money laundering in the private banking area and should discuss bank policies and procedures, liability issues and regulatory requirements. In addition, the training program should provide for regular updates to ensure employees are kept current in bank policies and regulatory changes.

V. OCC Supervision - Controls Against Money Laundering.

The OCC conducts regular examinations of national banks, and branches and agencies of foreign banks in the United States, covering all material aspects of each institution's operations, including foreign offices. These examinations include reviews for compliance with the BSA and reviews of anti-money laundering efforts in various divisions of the banks, including lending, deposit taking, investments, fiduciary, international, wire transfer and private banking. The OCC's BSA Handbook contains procedures designed to assess BSA compliance, as well as identify money laundering, in accordance with the mandate in section 404 of the Money Laundering Suppression Act of 1994, which required the federal banking agencies to develop enhanced examination procedures to better identify money laundering. The OCC developed these procedures in cooperation with the other federal banking agencies.

The OCC's BSA examination procedures aid our examiners in determining whether national banks have established and maintained adequate compliance programs and management information systems to detect the possibility of money laundering in all aspects of their operations, including private banking. Specifically, the OCC conducts examinations to evaluate whether national banks have adequate systems in place to: (1) detect and report suspicious activity; (2) comply with BSA requirements; (3) establish account opening and monitoring standards; (4) understand the source of funds for customers opening accounts; (5) verify the legal status of customers; and, (6) identify beneficial owners of accounts.

To use our resources most effectively, the OCC conducts top-down BSA/anti-money laundering examinations in large national banks (defined as having \$1 billion or more in assets). We begin with a review of policies, procedures and internal controls, which may be followed by more in-depth procedures in areas of higher risk. This review helps determine whether the bank should implement additional policies, procedures, systems or controls to comply with the BSA, and to prevent, detect and report money laundering. If the OCC identifies significant weaknesses in the bank's systems, we will use our supervisory authority to ensure that the bank takes appropriate corrective measures. Similarly, if the OCC uncovers significant risks, the OCC will take steps to ensure that the bank is properly managing those risks. At the next scheduled exam, or sooner, OCC examiners will evaluate the adequacy of the bank's corrective action.

The OCC recently developed, and will soon test, expanded-scope BSA/anti-money laundering examination procedures for private banking. These procedures specifically address employee compensation programs, account opening standards, risk management reports, and suspicious activity monitoring of private banking activities. The procedures also focus attention on high-risk accounts, such as import/export businesses, private investment companies, accounts of foreign government officials from high risk countries, and high fee income accounts, concentration accounts, and nominee name accounts.

VI. OCC BSA Supervision of Citibank, N.A.

The OCC's BSA examinations of Citibank in the 1990's began with a routine examination in 1992. During this examination, the OCC advised the bank to establish and formalize a process to

identify high risk accounts, such as money service and cash-intensive businesses.

The OCC's 1994 BSA examination identified the need to improve the bank's compliance program in the private bank. Specifically, examiners found weaknesses in the bank's training program and the processes it employed to supervise its private banking account officers and ensure that the bank's "Know Your Client" standards were being followed. The OCC recommended that the bank establish procedures to monitor the activities of relationship managers to ensure the bank's standards were not compromised through the unique client/banker relationship.

In a series of examinations conducted in 1996, OCC examiners noted progress by the bank in correcting deficiencies that had been identified previously. The bank's training program had been upgraded and the bank was in the process of implementing global policies regarding customer identification and source of wealth information. In developing its global policy, a number of revisions were made causing implementation to be re-started several times.

In 1996, in recognition of a need to improve the bank's "Know Your Client" program and in response to an OCC recommendation, the bank developed an account monitoring program and a management information system (MIS) report. In February 1997, using this new report, the Federal Reserve identified an account with unusual activity and referred it for further investigation to the OCC. This is the specific account identified in the Subcommittee's invitation letter. The OCC conducted a detailed review of the bank's handling of the account, including a

review of the activity in the account and the bank's documentation. Also, the OCC requested additional information from the bank on the customer's source of wealth. After considering this additional information supplied by the bank, the OCC concluded that a suspicious activity report was not warranted.

In early 1998, OCC provided to the bank an overall assessment of its 1997 performance. This assessment included specific comments relating to the need to improve the bank's control environment in the private bank. While progress in many areas was noted, we informed the bank that there was still a need for increased attention to the control environment. The OCC also pointed out that the OCC had identified a number of audit and control failures in the private bank that required attention.

During several domestic and overseas examinations in 1998, the OCC noted that the long process of documenting the bank's existing private banking customers was nearing completion. The bank had created a new quality control unit to ensure compliance with the bank's policies, and management was effectively responding to issues identified by the unit and the OCC. During these examinations, we found improved internal controls and adequate documentation regarding client source of wealth. However, the OCC also recommended that management implement its "Global Know Your Client" policy within established timeframes, improve information regarding clients' expected transaction volumes, and formalize and implement a monitoring program for all private banking clients, in addition to the high-risk client monitoring program.

In early 1999, the OCC communicated to the bank that the control environment in the private bank, which had led to adverse publicity, had improved. The OCC acknowledged the attention this had received from senior management and the board. In addition, during several overseas examinations of Citibank offices in 1999, examiners continued to note progress in the bank's global compliance and anti-money laundering program.

VII. OCC Experience in Obtaining Information From Foreign Jurisdictions

In most instances, the OCC has not encountered problems in obtaining from the banks that we supervise routine supervisory information domiciled in foreign jurisdictions. This type of information typically includes information which allows OCC examiners to gain an overall perspective on the safety and soundness of a bank's operations in the foreign jurisdiction, particularly the risk environment and controls that are in place. The OCC often obtains information directly from national banks through requests, onsite inspections of their offices in a host foreign jurisdiction, or through a request to a foreign supervisory authority.

For example, in April 1998, the OCC sent three examination teams to South America to conduct eight examinations. We conducted these examinations to review and analyze measures taken by national banks operating in foreign countries to minimize money-laundering risks. During these examinations, the OCC reviewed each bank's corporate and local anti-money laundering policies and procedures and audit functions and met with host country bankers associations and central bank officials. While these examinations were limited in scope, the examiners were able to identify strengths and weaknesses in the local anti-money laundering policies and practices of the

subject banks. We are using the results of these examinations to design supervisory approaches for future examinations of overseas offices.

Obtaining account-specific information from some foreign jurisdictions has been significantly more difficult. While legitimate reasons for protecting accounts from review by outside authorities exist, the lack of access to this information is a critical problem in cases where accounts are possibly being used to commit financial crimes, including money laundering. Most foreign jurisdictions with more stringent bank secrecy laws do not consider account-specific records to be routine supervisory information. As a result, those jurisdictions typically prohibit foreign supervisory authorities from accessing customer records. The ability of the OCC to conduct on-site examinations of foreign branches varies depending on the laws of the jurisdiction. In some locations, financial secrecy and privacy laws prevent on-site OCC examinations. These jurisdictions may also impose criminal sanctions for breaches of financial privacy. In other countries, the scope of the examination is limited because examiners cannot review customer specific records or reports. As a result, the OCC cannot always conduct comprehensive bank examinations or obtain account-specific information that is so important to money laundering investigations.

The OCC addresses problems raised by secrecy laws in foreign jurisdictions in a number of ways. For example, the OCC expects national banks to implement internal controls, monitoring systems and processes to reduce money-laundering risks on a company-wide basis, including in its foreign offices. When on-site reviews are not possible because of bank secrecy and financial

privacy laws, the OCC reviews the corporate policy and audit functions of the bank. When we have concerns, we require the bank to address those concerns. This may also include requiring external audits or enhanced reporting requirements.

These difficulties are also being addressed through the many initiatives on the international front that are focused on the concerns surrounding the misuse of offshore accounts for financial crime purposes. International groups such as the Financial Action Task Force (FATF) and the Caribbean Financial Action Task Force (CFATF) have developed guidance and recommendations to help prevent and detect money laundering. Additionally, groups such as the Basel Committee on Banking Supervision and the Financial Stability Forum are taking a broader approach to dealing with secrecy jurisdictions, including the problems these jurisdictions pose with respect to obtaining the information needed for effective cross-border supervision. The G-7, also recognizing the scope and the seriousness of the problem, has developed principles for information sharing between multi-jurisdictional supervisory and law enforcement authorities. The OCC has been directly involved in all of these initiatives.

Most recently, at the request of the Basel Committee, the OCC developed a paper to help supervisors identify potentially problematic jurisdictions. The focus of the paper was on the supervisory and regulatory environment in the various countries and the ability of the jurisdictions to share information with cross-border supervisory counterparts. The paper also highlights a number of steps that home country authorities can take to remedy problems with a host authority, or with U.S. operations in that host jurisdiction.

VIII. Other OCC Initiatives Against Money Laundering

The OCC has undertaken a number of anti-money laundering initiatives. In 1997, the OCC formed an internal task force on money laundering called the National Anti-Money Laundering Group (NAMLG). Since that time, NAMLG has embarked on several important projects. One such project involves targeting banks for expanded scope money laundering examinations, including private banking departments. The targeted examinations are staffed by experienced examiners and other OCC experts who specialize in BSA compliance, money laundering and fraud examinations. The banks are selected for examination by using a filtering process that includes, among other considerations: (1) locations in high intensity drug trafficking areas; (2) excessive currency flows; (3) significant private bank activities; (4) unusual suspicious activity reporting patterns; (5) unusual large currency transaction reporting patterns; and (6) fund transfers or account relationships with drug source countries or countries with stringent bank secrecy laws.

In addition, the OCC is working with the Financial Crimes Enforcement Network (FinCEN) to further enhance our ability to identify banks at risk for money laundering. For example, the OCC's fraud and BSA/anti-money laundering specialists now have on-line access to the primary databases at FinCEN. These databases house currency transaction reports, suspicious activity reports and other BSA information, as well as Federal Reserve cash flow data (currency flows between the Federal Reserve and depository institutions). This on-line access allows the OCC to analyze data to identify banks with unusual currency or suspicious report activity. The OCC is

also working with FinCEN to utilize the agency's "artificial intelligence" capabilities to facilitate our targeting program.

The OCC also conducts targeted examinations based on law enforcement leads. For example, if a U.S. Attorney's Office advises the OCC that a national bank may be involved in a money-laundering scheme, the OCC will send a team of examiners to assess the situation. If, through the examination process, OCC identifies weaknesses in the bank's BSA compliance program or other problems within the OCC's supervisory or enforcement authority, the agency will direct the bank to take appropriate corrective action. In addition, if the examiners discover information that may be relevant to a possible criminal violation, the OCC will direct the filing of a Suspicious Activity Report and provide relevant documents, information and expertise to the receiving law enforcement agency.

This targeting effort resulted in fifteen targeted exams from late 1997 to 1999. Six of these examinations involved private banking. Plans are underway to conduct at least nine more in 2000. In addition to targeting examinations throughout the United States, a special training and targeting examination project was conducted in our Southeastern District during 1999. This project provided examiners with intensive BSA/anti-money laundering training immediately followed by nine expanded scope examinations. The examinations resulted in a number of corrective actions to prevent money laundering. The OCC's Northeastern District plans to conduct a similar initiative in the first quarter of 2000.

OCC District Offices have also formed task forces to interact with the NAMLG and to attack the problem of money laundering. The overall purpose of the district-based initiatives is to implement a more proactive approach on the local level and to foster new ideas and programs for supervising compliance with the BSA and the money laundering statutes by:

- identifying and examining high-risk banks;
- working with local law enforcement and regulatory agencies;
- providing examiner training;
- developing and sharing "best practices" examination procedures; and
- developing and implementing new anti-money laundering initiatives.

In addition, the OCC has assigned a BSA/money laundering specialist to the Treasury Department's Colombian Black Market Peso Exchange (CBMPE) Working Group. The group meets on a bi-weekly basis to develop and implement operational strategies against money laundering based in the CBMPE. CBMPE is a high priority item of the National Money Laundering Strategy for 1999. So far, the OCC has:

- trained examiners on money laundering schemes common to CBMPE;
- distributed a FinCEN advisory on CBMPE to national banks; and
- developed and field tested examination procedures to detect CBMPE schemes in national banks.

With the support of NAMLG, the OCC also has enhanced its training to detect money laundering, including in private banking accounts. The training instructs examiners to focus on

unusual funds transfer activity to or from known offshore money laundering havens. This training was provided in all of the OCC Districts during 1999.

NAMLG is also chairing a working group with other regulatory and law enforcement agencies to develop an interagency training curriculum to heighten awareness of money laundering schemes and to provide case studies of actual examinations that led to the filing of suspicious activity reports and criminal investigations. The interagency group plans to pilot the training program in July 2000.

Other activities of NAMLG include:

- analyzing money laundering trends and emerging issues;
- sharing money laundering intelligence with OCC District offices;
- promoting cooperation and information sharing with national and local anti-money laundering groups, law enforcement agencies, other bank regulators and the banking industry; and
- working with law enforcement to develop better means of promoting feedback to financial institutions on the effectiveness of SAR reporting and law enforcement's follow-up.

Overall, through its examination programs, cooperative efforts with others, both domestically and internationally, and NAMLG initiatives, the OCC continues to demonstrate its commitment to combating money laundering.

IX. Additional Initiatives

As you know, the Administration recently released its Congressionally-mandated National Money Laundering Strategy for 1999. The Strategy includes a number of specific objectives aimed at enhancing the ability of law enforcement and the regulatory agencies to combat money laundering. These include: (1) convening a high-level working group of federal regulators and law enforcement officials to examine what guidance would be appropriate to enhance bank scrutiny of certain transactions or patterns of transactions in potentially high-risk accounts; (2) the federal bank supervisory agencies conducting a review, in cooperation with the Treasury Department, of existing bank examination procedures relating to prevention and detection of money laundering at financial institutions; and, (3) proposing legislation to bolster domestic and international enforcement powers to combat money laundering.

The OCC is committed to working closely with all participants in these and other legislative and regulatory efforts over the coming months and years to help meet the goals and objectives of the Strategy.

X. Conclusion

The OCC is committed to preventing national banks from being used to launder the proceeds of the drug trade and other illegal activities. We recognize the potential vulnerability of private banking to money laundering, and our supervisory efforts are aimed at ensuring that banks employ control procedures to reduce that vulnerability. We stand ready to work with Congress, the other financial institution regulatory agencies, the law enforcement agencies, and the banking industry to continue to develop and implement a coordinated and comprehensive response to the threat posed to the nation's financial system by money laundering.

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For release on delivery
1:00 p.m. EST
November 10, 1999

Statement of
Richard A. Small
Assistant Director
Division of Banking Supervision and Regulation
Board of Governors of the Federal Reserve System
before the
Permanent Subcommittee on Investigations
Committee on Governmental Affairs
United States Senate
November 10, 1999

Chairman Collins, Senator Levin, Members of the Subcommittee, I am pleased to appear before the Permanent Subcommittee on Investigations to discuss the Federal Reserve's role in the government's efforts to detect and deter money laundering and other financial crimes, particularly as these issues relate to the private banking operations of financial institutions.

You have asked the Federal Reserve to address several matters, including the Federal Reserve's review of private banking activities; the extent to which private banking is vulnerable to money laundering and what private banking activities raise concerns in this regard; the Federal Reserve's experience in obtaining information from U.S. banks that conduct private banking activities outside the United States; and any recommendations or comments the Federal Reserve may have with regard to the strengthening of anti-money laundering controls for private banking or on pending legislation. You have also asked us to comment on the operations of a specific banking organization. I will address each of these matters, however, I am not at liberty to discuss the activities of any one organization because of the confidentiality of examination findings that must be maintained.

In order to better understand the money laundering issues related to private banking, it would be very useful to first provide you with some background information on what we consider to be private banking and the way in which private banks operate. But first, let me start by stating that, as a bank supervisor, of primary interest to the Federal Reserve is the need to assure that banking organizations operate in a safe and sound manner and have proper internal control and audit infrastructures to support effective compliance with necessary laws and regulations. A key component of internal controls and procedures is effective anti-money laundering procedures. Moreover, as part of our examination process, we review the anti-money

laundering policies and procedures adopted by financial institutions to ensure their continued adequacy.

The Federal Reserve places a high priority on participating in the government's efforts designed to attack the laundering of proceeds of illegal activities through our nation's financial institutions. Over the past several years, the Federal Reserve has been actively engaged in these efforts by, among other things, redesigning the Bank Secrecy Act examination process, developing anti-money laundering guidance, regularly examining the institutions we supervise for compliance with the Bank Secrecy Act and relevant regulations, conducting money laundering investigations, providing expertise to the U.S. law enforcement community for investigation and training initiatives, and providing training to various foreign central banks and government agencies.

Overview of Private Banking

Private banking offers the personal and discrete delivery of a wide variety of financial services and products to the affluent market, primarily high net worth individuals, and their corporate interests who generally, on average, have minimum investable assets of \$1 million. Customers most often seek out the services of a private bank for issues related to privacy, such as security concerns related to public prominence or family considerations or, in some instances, tax considerations. The private banking relationship is usually managed by a "relationship manager" who is responsible for providing a high degree of personalized service to the customer and for developing and maintaining a strong, long-term banking relationship with that customer.

Private banking accounts can typically be opened in the name of an individual, a commercial business, a law firm, an investment advisor, a trust, a personal investment company, or an offshore mutual fund. A private banking operation usually offers its customers an all-inclusive money management relationship that could include investment portfolio management, financial planning advice, custodial services, funds transfer, lending services, overdraft privileges, hold mail, letter-of-credit financing and bill paying services. These services, some of which I will describe in some further detail in my testimony, may be performed through a specific department of a commercial bank, an Edge corporation, a nonbank subsidiary, or a branch or agency of a foreign banking organization or in multiple areas of the institution, or such services may be the sole business of an institution.

Private banking services almost always involve a high level of confidentiality regarding customer account information. Consequently, it is not unusual for private bankers to assist their customers in achieving their financial planning, estate planning, and confidentiality goals through offshore vehicles such as personal investment corporations, trusts, or more exotic arrangements, such as mutual funds. Through a financial organization's global network of affiliated entities, private banks often form the offshore vehicles for their customers. These shell companies, which are incorporated in such offshore jurisdictions as the Bahamas, the British Virgin Islands, the Cayman Islands, the Netherlands Antilles, and countries in the South Pacific, such as the Cook Islands, Fiji, Nauru and Vanuatu, are formed to hold the customer's assets, as well as offer confidentiality because the company, rather than the beneficial owner of the assets, becomes the accountholder at the private bank.

A customer's private banking relationship frequently begins with a deposit account, and then expands into other products. Many banks require private banking customers to establish a deposit account before opening or maintaining any other accounts. To distinguish private banking accounts from retail accounts, institutions usually require significantly higher minimum account balances and assess higher fees. The customer's transactions, such as wire transfers, check writing, and cash deposits and withdrawals, are conducted through these deposit accounts.

Investment management for private banking customers usually consists of either discretionary accounts in which portfolio managers make the investment decisions based on recommendations from the bank's investment research resources or nondiscretionary accounts in which customers make their own investment decisions. Private banking customers may request extensions of credit. Loans backed by cash collateral or managed assets held by the private banking function are quite common, especially in international private banking. Private banking customers may pledge a wide range of their assets, including cash, mortgages, marketable securities, land, or buildings, to secure their loans.

The Private Banking Industry

As the affluent market grows, both in the United States and globally, competition to serve it has become more intense. Consequently, new entrants in the private banking marketplace include nonbank financial institutions, as well as banks, and the range of private banking products and services continues to grow. A 1997 study estimated the private banking industry at \$17 trillion globally and predicted that the private banking industry would grow at two to three times the pace of the overall consumer banking market for the foreseeable future.

There are approximately 4,000 financial organizations competing worldwide in the private banking market with no one organization currently managing more than 2.5 percent of the estimated available business. Private banking has a proven track record of being profitable for banking organizations.

Typically, private banking services are organized as a separate functional entity within the larger corporate structure of a banking organization. As the private banking industry has developed over the last several years, the expectations of the customers have evolved. Historically, clients sought discretion, confidentiality and asset preservation. This emphasis has shifted as capital restraints have been dismantled and, in some countries, autocratic regimes have been replaced with free market economies.

Today, while confidentiality is still important, investment performance has taken precedence. Private banking customers' portfolios typically now include a greater proportion of equities and sophisticated investment products.

Review of Private Banking Activities

The Federal Reserve has long recognized that private banking facilities, while providing necessary services for a specified group of customers, can, without careful scrutiny, be susceptible to money laundering. In our continuing efforts to provide relevant information and guidance in the area of effective anti-money laundering policies and procedures for private banking, in 1997, the Federal Reserve published guidance on sound risk management practices for private banking activities. Besides distributing the guidance to all banking organizations supervised by the Federal Reserve, the guidance was made publically available through the Federal Reserve's website. More recently, the Federal Reserve developed enhanced examination

guidelines specifically designed to assist examiners in understanding and reviewing private banking activities.

Since 1996, the Federal Reserve has undertaken two significant reviews of private banking. In the fall of 1996, the Federal Reserve Bank of New York began a year-long cycle of on-site examinations of the risk management practices of approximately forty banking organizations engaged in private banking activities. Last year, a Private Banking Coordinated Supervisory Exercise by several Reserve Banks and Board staff was undertaken to better understand and assess the current state of risk management practices at private banks throughout the Federal Reserve System.

The examinations by the Federal Reserve Bank of New York focused principally on assessing each organization's ability to recognize and manage the potential risks, such as credit, market, legal, reputational or operational, that may be associated with an inadequate knowledge and understanding of its customers' personal and business backgrounds, sources of wealth, and uses of private banking accounts.

These reviews were prompted by the Federal Reserve's desire to enhance its understanding of the risks associated with private banking. We recognized, for example, that some private banking operations may not have been conducting adequate due diligence with regard to their international customers. While all organizations had anti-money laundering policies and procedures, the implementation and effectiveness of those policies and procedures ranged from exceptional to those that were clearly in need of improvement.

As a result of the examinations of the private banking activities of these organizations, which began in 1996, certain essential elements associated with sound private banking activities were identified. These elements include the need for:

- ▶ **Senior management oversight** of private banking activities and the creation of an appropriate corporate culture that embraces a sound risk management and control environment to ensure that organization personnel apply consistent practices, communicate effectively, and assume responsibility and accountability for controls.
- ▶ **Due diligence policies and procedures** that require banking organizations to obtain identification and basic information from their customers, understand sources of funds and lines of business, and identify suspicious activity.
- ▶ **Management information systems** that provide timely information necessary to analyze and effectively manage the private banking business and to monitor for and report suspicious activity.
- ▶ **Adequate segregation of duties** to deter and prevent insider misconduct and such things as unauthorized account activity and unapproved waivers of documentation requirements.

During the course of the examinations, a number of banking organizations were reluctant to release information on the beneficial ownership of personal investment corporations established in recognized secrecy jurisdictions that maintained accounts at the banks. The banks raised concerns regarding the prohibition on disclosure imposed by the laws of the countries in which the personal investment corporations were formed, as well as concerns that such disclosures would lead to customer backlash. However, as the result of continued persistence by Federal Reserve examiners, all banks provided the requested information. Very few customers

closed their accounts even after being asked to waive any confidentiality protections that they may have had under foreign law, so that the beneficial ownership information could be made available to examiners.

In last year's Coordinated Supervisory Exercise, a sample consisting of the private banking activities of seven banking organizations was reviewed by a System-wide team of examiners during regularly scheduled safety and soundness examinations. As a result of the examinations, we concluded that the strongest risk management practices existed at private banks with high-end domestic customers. We found that among private banks with primarily international customers, stronger risk management practices were in place at those organizations that had a prior history of problems in this area, but, as a result of regulatory pressure, had successfully corrected the problems. The weakest risk management practices were identified at organizations whose private banking activities were only marginally profitable and who were attempting to build a customer base by targeting customers in Latin America and the Caribbean.

This exercise also identified emerging trends in the private banking industry, some of which were that:

- ▶ Established private banking operations maintain strong risk management controls and strong earnings, in contrast to relatively new entrants that have no specific criteria for seeking customers and tend to have inadequate customer screening procedures.
- ▶ New software and hardware products are being introduced into the marketplace that allow for banking organizations to direct products to their customers, with the byproduct that these systems will allow for more effective identification of potentially suspicious or criminal activity.

► **Vulnerabilities to Money Laundering**

The Federal Reserve has addressed and continues to address perceived vulnerabilities to money laundering in private banking by issuing private banking sound practices guidance and developing targeted examination procedures for private banking, as well as our regular on-site examinations of private banking operations. There are some practices within private banking operations that we believe pose unique vulnerabilities to money laundering and, therefore, require a commitment by the banking organizations to increased awareness and due diligence.

Personal investment corporations that are incorporated primarily in offshore secrecy or tax haven jurisdictions and are easily formed and generally free of tax or government regulation are routinely used to maintain the confidentiality of the beneficial owner of accounts at private banks. Moreover, and of primary interest to the beneficial owners, are the apparent protections afforded the accountholders by the secrecy laws of the incorporating jurisdictions. Private banking organizations have at times interpreted the secrecy laws of the foreign jurisdictions in which the personal investment corporations are located as a complete prohibition to disclosing beneficial ownership information. The Federal Reserve, however, has continually insisted that for those accounts that are maintained within the United States, banking organizations must be able to evidence that they have sufficient information regarding the beneficial owners of the accounts to appropriately apply sound risk management and due diligence procedures.

A variant of personal investment corporation accounts that could increase the risk of the accounts being used for money laundering purposes are personal investment corporations

that are owned through bearer shares. Bearer shares are negotiable instruments with no record of ownership so that title of the underlying entity is held essentially by anyone who possesses the bearer shares. Historically, bearer shares were used as a vehicle for estate planning in that at death the shares would be passed on to the deceased beneficiaries without the need for probate of the estate. However, in the context of potential illicit activity being conducted through an entity whose ownership is identified by bearer shares, it is virtually impossible for a banking organization to apply sound risk management procedures, including identifying the beneficial owner of the account, unless the banking organization physically holds the bearer shares in custody for the beneficial owner, which of course we encourage.

The use of omnibus or concentration accounts by private banking customers that seek confidentiality for their transactions poses an increased vulnerability to banking organizations that the transactions could be the movement of illicit proceeds. Omnibus or concentration accounts are a variation of suspense accounts and are legitimately used by banks, among other things, to hold funds temporarily until they can be credited to the proper account. However, such accounts can be used to purposefully break or confuse an audit trail, by separating the source of the funds from the intended destination of the funds. This practice effectively prevents the association of the customers's name and account numbers with specific account activity, and easily masks unusual transactions and flows that would otherwise be identified for further review.

There has been much said about the use of correspondent accounts in facilitating money laundering transactions. Admittedly, correspondent accounts may raise money laundering concerns because the interbank flow of funds may mask the illicit activities of

customers of a bank that is using the correspondent services. However, it is our belief that correspondent banking relationships, if subject to appropriate controls, play an integral role in the financial marketplace, by allowing banks to hold deposits and perform banking services, such as check clearing, for other banks. This allows certain banks, especially smaller institutions, to gain access to financial markets on a more cost-effective basis than otherwise may be available.

Foreign Jurisdictions

A primary obstacle to our supervision of offshore private banking activities by U.S. banking organizations, not only with regard to beneficial ownership information, but with regard to the safety and soundness of the operations, is our inability to conduct on-site examinations in many offshore jurisdictions. While it appears that nearly all institutions that we supervise have adequate anti-money laundering policies and procedures, our examination process is most effective when we have the ability to review and test an organization's policies and procedures. Secrecy laws in some jurisdictions limit or restrict our ability to conduct these on-site reviews or to obtain pertinent information. In such instances, practically our only alternative is to rely on a bank's internal auditors.

A number of offshore jurisdictions are currently preparing for on-site examinations by home country supervisors. This effort is being led in large part by members of the Basle Committee on Banking Supervision and the Offshore Group of Banking Supervisors. A report issued by these groups in 1996 stated that: "While recognizing that there are legitimate reasons for protecting customer privacy . . . secrecy laws should not impede the ability of supervisors to ensure safety and soundness of the international banking system."

Legislative and Regulatory Initiatives

The Federal Reserve has continually supported efforts to better and more effectively attack money laundering activities because of our supervisory interests in establishing policies and procedures thwarting money laundering, as well as our interests in supporting and participating in law enforcement's efforts to detect and deter money laundering. The use of the banking system to launder the proceeds of criminal activity can certainly damage the reputation of the banks involved, as well as have a detrimental impact on the banking sector as a whole.

The proposed "Foreign Money Laundering Deterrence and Anticorruption Act" addresses a number of areas in which current requirements would be strengthened. We note that a number of the provisions of the proposed legislation address similar issues to those set forth in the recently released National Money Laundering Strategy. The Strategy requires a review of a number of critical areas in which the Federal Reserve will be an active participant, and we believe that the results of the reviews will provide information that should be useful to the legislative process.

The Federal Reserve has been contemplating, in cooperation with the banking industry, developing guidance to assist banking organizations in implementing money laundering risk assessments of their customer base. These risk assessments would be used to determine the appropriate due diligence required to identify and, when necessary, report suspicious activity. For example, because of the increased concern that private banking accounts could be used for money laundering, we would expect that guidance in this area would suggest that it may be necessary to engage in a more in-depth analysis of a customer's intended use of the account coupled with a heightened ongoing review of account activity to determine if, in fact, the

customer has acted in accordance with the expectations developed at the inception of the relationship. We believe that such policies and procedures will be an effective tool against potential money laundering activity.

The banking system has a significant interest in protecting itself from being used by criminal elements. Individual banking organizations have committed substantial resources and achieved noticeable success in creating operational environments that are designed to protect their institutions from unknowingly doing business with unsavory customers and money launderers. Clearly, these efforts need to continue and the momentum maintained. I want to emphasize that the Federal Reserve actively supports these efforts. Consequently, we will continue our cooperative efforts with other bank supervisors and the law enforcement community to develop and implement effective anti-money laundering programs addressing the ever changing strategies of criminals who attempt to launder their illicit funds through private banking operations, as well as through other components of banking organizations here and abroad.