

**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 antimoney 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 your 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 re-thought 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 re-thinking 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.

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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.

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 2 ½ % 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 ClientWiseR.

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(r), which is the technology that has helped us to implement and administer our Global Know Your Client Policy, and Assist(r), 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.

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 Compliance Laundering 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 Record keeping 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 the timely filing of suspicious procedures so that appropriate action 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

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(r)) 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 ASSISTS(r)), 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- 1 990'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, NA Mark Musi Chief Compliance & Control Officer
399 Park Avenue
15th Floor/Zone 4
New York, NY 10043 Tel 212/559-5125
Fax 212/793-4144
mark.musi@citicorp.com

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 their 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 for, 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 transactions, 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

THE CITIBANK PRIVATE BANK
 Private Banking Group
 Global 'Know Your Client' Policy
 September 9, 1997

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THE CITIBANK PRIVATE BANK
 Private Banking Group
 Global 'Know Your Client' Policy
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THE CITIBANK PRIVATE BANK 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 bank 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 PBGs '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 a 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

Target Market. A client must meet the target market definition of the PBG. For exceptions, see Standards 25-27.

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.

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.

2.3 -2-2.1. 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' local 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 an% 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 G.C.B. 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 (ON) 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 %;ill 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 in a 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 Same 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. 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 Managers¹ 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 sing,': 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 the 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.

3.4-1 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.

3 5.21 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-PNG) areas of Citicorp, to the extent known, must be described.

40 [RESERVED]

Profile Requirements

4 1. Profile requirements areas follows:

41.1 Clients require a full profile.

41.2 Related Account holders, whether individuals, corporations, or vehicles, require a full profile.

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 dependent 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

411 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 tainting 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.

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 5 1.1 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 Unlit 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

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. This 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. A 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 provider 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.

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 Owner's '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.

6.4. 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.

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 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:

I. 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 a 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)

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 entity)

Appendix D Sources of Wealth Sample Questions

1. Past and/or Present Wealth generated from business ownership

Description and nature of the business and its operations' ownership

Percent ownership?

Percent and names of the other owners?

Estimated sales volume?

Estimated net income?

How long in business?

How was the business established?

Market penetration?

Primary trade areas?

Number of employees?

Significant patents/inventions?

Number of locations?

License agreements?

Is the company publicly traded?

Significant revenues from government contracts or licenses?

2. Past and/or Present Wealth derived from being a top executive

Compensation?

What does the company do: manufacturer? service?

Position held: President? CFO?

Length of time with company?

Area of expertise: finance? production?

Publicly or privately owned?

Client's past experience: CFO with another company?

Share/option ownership?

3. Past and/or Present Wealth was through inheritance

How was the original wealth created?

In what business was the wealth generated?

Inherited from whom?

Type of asset inherited: land? securities? company? trusts?

When were the assets inherited?

How much was inherited?

Any history since inheritance, such as current occupation?

Percent ownership?

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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

1. 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 \$ 1 MM. He has wired \$500,000 to New York to increase his investment portfolio.

Appendix F

Confirmation of Due Diligence^{2nd} 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 bold 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)

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 Citibanker Name, VP Citibank branch name who regards him highly. Citibanker 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 am 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 USS remittances with expected transactions to number no more than five per month.

Although both Client A and Client B am married and 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:

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 1997 especially to produce the then new Brand X line. I first met him then 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 benefitted 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 reminiscences 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-banks 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.

Appendix I

Approval Requirements PBG 'Know Your Client' (KYC) Policy

Type

Private

Super-

GMM

Booking

Market

Product

Compl.

Group

CCO/

Banker

visor

Center/

Region

Head

&

Head

CSO

of

Investment

Head

Control

Client

Center

Head

Regular Target Clients

x

x

x

x

including Joint & Related Account

Holders

Non-Target Clients

x

x

x

x

Public Figures

x

x

x

x

x

x

Special Name Accounts

x

x

x

x

Employee Accounts

x

x

x

x

Money Manager Accounts

k

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 0 Copyright 1997. Citibank N.A. All rights reserved. internal Use only September 19, 1997

THE CITIBANK PRIVATE BANK

Appendix J

KYC Client Profiling Requirements

Subject

Full Profile

Partial Profile

Basic In

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

Special Name Accounts

Employee Accounts

x

x

x

Non-Target Clients

X

Monty Managers

X

PICs

X

Trusts

X

Beneficial Owners of PICs/Trusts

X

Beneficial Owners or 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.

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/accountholders.

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.

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, wire payments 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.

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 entry 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 \$3M, and CNR potential for the PBG of at least US \$5M within 12 months and US \$ 10M within 24 months. Vehicle - See Fiduciary vehicle.

'Know Your Client' Policy

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