

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

Written Agreement by and between)
)
CITIGROUP INC.)
New York, New York)
)
and)
)
FEDERAL RESERVE BANK OF NEW YORK)
New York, New York)
)

WHEREAS, it is the common goal of Citigroup Inc., New York, New York, a registered bank holding company (“Citigroup”), and the Federal Reserve Bank of New York (the “Reserve Bank”) that Citigroup and its subsidiaries operate in compliance with applicable safety and soundness standards and federal and state laws, rules and regulations;

WHEREAS, it is the further goal of Citigroup and the Reserve Bank that Citigroup and its subsidiaries effectively manage their financial, operational, legal, reputational, and compliance risks;

WHEREAS, in recognition of these common goals, Citigroup has agreed to enter into this Written Agreement (the “Agreement”) with the Reserve Bank;

WHEREAS, the Reserve Bank and the Office of the Comptroller of the Currency conducted a review of certain transactions (the “Review”) among Citigroup, its subsidiaries, the Enron Corporation, Houston, Texas, and the company’s affiliates and related interests (collectively, “Enron”), which transactions took place during the four years prior to Enron’s bankruptcy in December 2001 and included, *inter alia*, certain complex structured finance

transactions involving special purpose entities and pre-paid commodity forward transactions (collectively, the "Structured Transactions");

WHEREAS, the Review covered risk management and internal control practices relevant to the Structured Transactions;

WHEREAS, the Review raised concerns that the manner in which Citigroup and its subsidiaries participated in the Structured Transactions exposed them to significant risks and that Citigroup and its subsidiaries did not adequately assess the goals, purposes, and results of the Structured Transactions and their potential risks;

WHEREAS, Citigroup and its subsidiaries have developed and are implementing new policies and procedures to enhance and strengthen their risk management practices to address areas of weakness identified by Citigroup and its subsidiaries and by the Reserve Bank during the Review;

WHEREAS, this Agreement is being executed to ensure that Citigroup and its subsidiaries continue to make progress in their efforts to enhance and strengthen such risk management practices; and

WHEREAS, on July 15, 2003, the board of directors of Citigroup, at a duly constituted meeting, adopted a resolution authorizing and directing any officer of Citigroup to enter into this Agreement and consenting to compliance by Citigroup and its institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the "FDI Act"), (12 U.S.C. 1813(u) and 1818(b)(3)), with each and every provision of this Agreement.

NOW, THEREFORE, Citigroup and the Reserve Bank hereby agree as follows:

Credit Risk Management

1. Within 60 days of this Agreement, Citigroup shall submit to the Reserve Bank acceptable revisions to its written credit risk management program applicable to Citigroup and its subsidiaries. The revised program shall particularly address complex structured finance transactions, and be designed, at a minimum, to:

(a) Evaluate the effectiveness of the current credit risk management program, particularly for complex structured finance transactions, and confirm that business and control functions are in compliance with this program and any enhancements or revisions thereto;

(b) ensure that the fundamental elements of the credit risk management program, including due diligence, documentation, and exposure capture and reporting, are in place and implemented for all counterparties and transactions;

(c) ensure that credit decision-makers possess the necessary information concerning the counterparty's credit risk profile to effectively fulfill their responsibilities, and ensure that such information is appropriately detailed and transparent for review by other control functions; and

(d) analyze whether risk identification mechanisms, such as credit reporting systems, aggregation methods, credit limits, and credit-related trigger events incorporated into customer transactions, are adequate and result in effective measurement and control of customer exposure across Citigroup's consolidated organization.

Legal and Reputational Risk Management

2. Within 60 days of this Agreement, Citigroup shall submit to the Reserve Bank an acceptable written legal and reputational risk management program applicable to Citigroup and its subsidiaries. The program shall be designed to identify transactions in which the counterparty

relationship or the nature of the transaction with the counterparty poses or may pose heightened legal or reputational risks to Citigroup or its subsidiaries, especially complex structured finance transactions, and to ensure that Citigroup and its subsidiaries effectively address and manage such risks. The program shall include policies and procedures designed, at a minimum, to:

(a) Require that thorough assessments of legal and reputational risks be incorporated into Citigroup's and its subsidiaries' transactional approval process as well as into ongoing customer relationship and transaction monitoring activities;

(b) require participation by control functions in all relevant areas, including legal, credit, and accounting, in transaction approval and monitoring, and to ensure that effective processes are in place for the escalation of matters relating to legal and reputational risks to the appropriate level of senior management;

(c) require effective client and internal communication procedures designed to ensure that all persons responsible for transaction approval and monitoring receive, in a timely manner, (1) complete and accurate information about the transaction, and (2) complete and accurate disclosure of the counterparty's purpose in entering into the particular transaction;

(d) require that members of the staff of Citigroup and any subsidiary participating in transaction approval and monitoring obtain, to the best extent possible, complete and accurate information about the counterparty's proposed accounting treatment of the transaction and the effect of the transaction on the counterparty's financial disclosures;

(e) assess whether financial, accounting, rating agency disclosure, or other issues associated with a transaction are likely to raise legal or reputational risks for Citigroup and its subsidiaries;

(f) require a higher level review of the overall customer relationship between the counterparty and Citigroup and its subsidiaries independent of the business line in all instances that present heightened risk, in particular where the counterparty's primary purpose, goal or objective in entering into a transaction is to achieve an accounting or tax effect; and

(g) address tolerance for legal and reputational risks and provide for regular review of risk tolerance by appropriate senior management.

Approval and Progress Reports

3. The programs required by paragraphs 1 and 2 of this Agreement shall be submitted to the Reserve Bank for review and approval. Acceptable programs shall be submitted to the Reserve Bank within the time periods set forth in this Agreement. Citigroup shall adopt the approved programs within 10 days of approval by the Reserve Bank and then shall fully implement and comply with them. During the term of this Agreement, the approved programs shall not be amended or rescinded without the prior written approval of the Reserve Bank.

4. Within 10 days after the end of each calendar quarter after the date of this Agreement, Citigroup shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement, and the results thereof. The Reserve Bank may, in writing, discontinue the requirement for progress reports.

Notices

5. All communications regarding this Agreement shall be sent to:

(a) Mr. Brian Peters
Senior Vice President
Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045

(b) Carl V. Howard, Esq.
General Counsel – Bank Regulatory
Citigroup Inc.
425 Park Avenue
New York, New York 10022

Miscellaneous

6. The provisions of this Agreement shall be binding on Citigroup and its institution-affiliated parties in their capacities as such, and its successors and assigns.

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

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

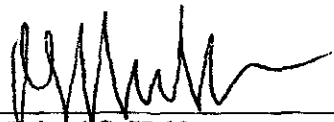
9. The provisions of this Agreement shall not bar, estop or otherwise prevent the Board of Governors of the Federal Reserve System (the “Board of Governors”), the Reserve Bank, or any federal or state agency or department from taking any further action affecting Citigroup, any of its current or former institution-affiliated parties, Citigroup’s successors or assigns, or any of Citigroup’s subsidiaries.

10. This Agreement is a "written agreement" for the purposes of, and is enforceable by the Board of Governors as an order issued under, section 8 of the FDI Act.

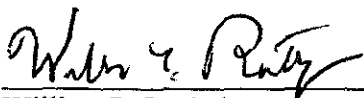
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of this 28th day of July, 2003.

CITIGROUP INC.

FEDERAL RESERVE BANK OF NEW YORK

By: 

Michael S. Helfer
General Counsel

By: 

William L. Rutledge
Executive Vice President