



The Public Eye Awards
Berne Declaration
Quellenstrasse 25
PO Box, CH-8031 Zurich
Switzerland

26th August 2005

By email: publiceye@evb.ch

“The Public Eye Awards 2006” Nomination form A

I. Nominated company or corporate group

Name: Citigroup Inc.

Headquarters:

399 Park Ave., New York, NY 10043, USA

Phone: 01 212-559-1000; Fax: 01 212-793-3946

<http://www.citigroup.com>

Turnover / net profit: revenues in last 12 months: \$113 billion, sales \$108 billion, net income \$17 billion and profits \$17 billion. Assets of \$1.5 trillion.

Branch of trade: Financial Services

Owned by: Investors, listed on NY Stock Exchange. A major stakeholder is Saudi Prince Al Walid Ibn Talal, nephew of the late King Faud and one of the royal family's most influential advisors. He has personal assets of more than \$23 billion and is ranked the world's fourth-richest man. He is the biggest foreign investor in the United States.

Number of employees: 294,000

CEO: Charles O. (Chuck) Prince III

Citigroup is the world's largest financial services company, a conglomerate of banking, insurance and investment firms that offer deposits and loans, asset management, insurance, investment banking, and other retail and corporate financial services.

Citigroup and its myriad subsidiaries in more than 100 countries and territories operate under names that include Citibank, The Citigroup Private Bank, Salomon Smith Barney, Citi Cards, CitiFinancial, CitiMortgage, CitiInsurance, Primerica, Diners Club, Citigroup Asset Management, CitiCapital and Banamex.

Citibank, flagship of the conglomerate, has around 200 million customer accounts in more than 3,000 bank branches and consumer finance offices in the US and Canada, plus an additional 1,500 locations in about 100 other countries.

Citigroup CEO and Director Charles O. (Chuck) Prince III took over in October 2003 from Sanford Weill. The executive committee of Citigroup is chaired by Robert Rubin, former Treasury Secretary in the Bill Clinton administration. Sallie Krawcheck is Chief Financial Officer. Officers include Stanley Fisher, former First Deputy Managing Director of the International Monetary Fund. Directors include Former CIA director and Defense Department deputy secretary John Deutsch, Time-Warner CEO Richard Parsons and former U.S. President Gerald Ford.

When he was president of Citigroup in 2003, Sanford Weill collected at least \$33 million. Current salaries of the top officials:

Charles Prince, CEO, \$18,602,456

Robert Willumstad, president, \$18,559,230

Sanford Weill, chairman of the board, \$16,835,094

Robert Rubin, chairman of the executive committee, \$16,628,106

Robert Druskin, subsidiary CEO, \$9,275,774

Citigroup gave \$246,645 to the George Bush campaign in 2004 and \$169,254 to John Kerry.

Citigroup's auditor is the New York office of KPMG, winner of one of last year's Public Eye Award, nominated by the Tax Justice Network for operating "at the cutting edge of corporate social irresponsibility by encouraging its clients to engage in aggressive tax avoidance."

Nominated in the category - Taxes

2. Reasons for the nomination

Citigroup, the largest financial conglomerate in the world, has an egregious history of working to help clients cheat their countries and citizens of taxes, violating both international money-laundering rules and standards of corporate social responsibility and ethics.

Citibank has arranged shell companies and accounts to move the money of corporate crooks, corrupt government leaders and officials, and criminals – moving billions out of reach of tax authorities. Citigroup has helped corrupt African officials launder billions of dollars sucked out of their countries, depriving state coffers of vast amounts of tax revenue. It has helped Latin American drug traffickers and tax evaders. It has facilitated corporate corruption that cheated investors, workers and tax authorities. Money sucked out of the country through drug trafficking and fraud is also money that is evading taxes – money that would be taxed if engaged in licit activity. Citigroup has done all this to amass billions in illicit and immoral profits.

Much of its illicit money-movement is done through Citibank Private Bank -- the largest non-Swiss private bank, with 97 offices in 32 countries, including the major offshore centers. Citibank's International Personal Banking is addressed to those wanting to place from 1 to 5 million dollars in their accounts. Citigroup Private Bank is devoted exclusively to customers who entrust amounts higher than 5 million and in general, more than 10 million dollars. It has about 25,000 such "special clients." It has repeatedly violated the bank industry standard known as the know-your-customer rule, which requires banks to understand who their clients are and the source of their funds,

Offshore secrecy is central to Citigroup's Private Banking business. Frances Sevilla-Sacasa, in charge of Citigroup Private Bank for Latin America and Europe, was asked in an interview with the Geneva daily, Le Temps: "Your principal European centers of activity are London and Switzerland. Will it remain thus?"

Sevilla-Sacasa replied: "Absolutely. I do not need to stress the importance of London, as an international financial capital! As for Switzerland, it plays an absolutely determining role as regards offshore banking, and that

obviously interests us particularly. We attach a paramount importance to the rules of confidentiality, that Switzerland can maintain with the highest degree, and who really correspond to the broad needs of customers. Geneva, Zurich and Lugano will thus continue to play a central role in our device.”

Much of the offshore activity is focused on laundering profits, moving a company’s earnings to tax havens so they cannot be taxed where the money is earned. Citigroup/Citibank has provided money- and profit-laundering services in the developing and developed world, for individuals and companies in such diverse places as Argentina, Mexico, Nigeria, Gabon, Pakistan, Russia, Japan, the U.S. and Italy.

General information on the case and characteristics of irresponsible corporate behaviour

Citigroup’s involvement in, and facilitation of, tax evasion started decades ago.

TAX SCAM IN THE 1970S/ BAHAMAS

In the 1970s, when bank transfers were made by phone and fax, Citibank got caught in an offshore tax-evasion scam that routed currency trades through the Bahamas. The evidence was the chits clerks had to keep on which they jotted down each transaction.

New York City was going broke and drastically cutting social services; city officials charged that Citibank had used offshore havens to avoid over \$30 million in taxes. In this case, Citibank created a series of fictitious transactions that made it look as if its subsidiaries in America and Europe were losing money. Then, the profits were recorded in subsidiaries located in offshore havens.

But Citigroup always made use of political influence. A Ronald Reagan appointee to the Securities and Exchange Commission eventually dropped charges against the bank, explaining that he did "not subscribe to the theory that a company that violates tax and exchange-control regulations is a bad corporation."

VIETNAM/ DUBAI

New York District Attorney (Manhattan’s prosecutor) Robert Morgenthau says, "Years ago, when I was tracing black-market money coming out of Vietnam through Hong Kong to Manufacturers Hanover in New York and then the Union Bank in Switzerland, I subpoenaed the records of an account code-named Shotgun. The next thing I knew, the account had been changed to an account in Dubai. I wrote a letter to Dubai asking for the records. They wrote back, they're sorry, the laws of Dubai prohibited that. I looked up to see who owned the bank [in Dubai]; it was Citicorp."

+++++++

More recently Citibank has helped rich individuals, drug criminals, heads of state, fraudsters and corporate crooks move and hide the wealth of their countries’ stripped assets and evaded taxes.

ARGENTINA

In 2001, Argentina defaulted on its national bonds. Critics of the government said its inability to support the economy, help those thrown out of work and pay its debts resulted from massive evasion of taxes. Tax cheating along with government and corporate corruption and flight of capital via the offshore secrecy system amounted, some Argentine analysts said, to \$10 billion over a decade. The country hovered on economic collapse, with bank accounts frozen and mass demonstrations by citizens denouncing their government.

The year of the default, the U.S. Senate Permanent Investigations subcommittee published a report stating that some of the millions of dollars looted from Argentina were laundered by two banks in the Cayman Islands and the Bahamas -- banks which for ten years had had correspondent bank accounts in Citibank. One of these Citibank clients was the Federal Bank, a Bahamas shell bank that was secretly owned by Raul Moneta. Moneta was also a partner with Citibank in an Argentine holding company called Citicorp Equity Investments. Moneta was connected to President Carlos Menem, who ran Argentina through the 90s.

U.S. agents had seized \$1.8 million in 1998 from Citibank accounts in New York that were held by M. A. Bank Ltd, which had no corporate offices anywhere in the world. Despite indications that the money had come from drug dealers in Mexico, Citibank continued to do business with the Caymans bank for almost two years, moving another \$300 million through the accounts before they were finally closed.

M. A. Bank, which was licensed in 1991, was a classic shell: It never had so much as an office in the Caymans, and its supposed administrative headquarters in Uruguay was nothing more than the address of an accounting firm that processed its correspondence, the Senate report said. At least part of the millions of dollars wired into its accounts in New York were then paid out in cash in Argentina to a local real estate agent later identified by American officials as a representative of Mexican drug traffickers.

Officials of Citibank and its parent company, Citigroup Inc., said they had not realized that anything might be amiss with the Caymans bank, which was tied to a financial group in Argentina led by the former treasury secretary there. But U.S. Senator Carl Levin, who oversaw the Senate inquiry, said of Citibank. "Even after the seizure warrant, they continued to accept deposits from M. A. Bank without due diligence."

To bankers at Citigroup, however, M. A. Bank drew legitimacy from being part of the Mercado Abierto Group, a financial group based in Buenos Aires that had been a Citibank client since 1989. The group is owned by three well-known economic officials of the military governments that ruled that country until the early 1980's.

MEXICO

For years, Citibank, which had very good government connections, was the only private bank allowed in Mexico. Its rules for private clients required deposits of five million dollars, with liquidity of a million for investment.

Carlos Hank Rhon had since the early 80's been a client of the International Private Bank section of Citibank New York, which fed his money into a network of offshore companies and accounts.

The Hank family holdings include banks, investment firms, transportation companies and real estate. A 1999 classified report by the U.S. National Drug Intelligence Center (NDIC) details how the Hanks used their business empire to smuggle drugs, protect traffickers and launder millions of dollars for Mexican and Colombian cartels. It noted that Carlos Hank had purchased or exercised control over several U.S. banks, investment firms, transportation companies and real estate properties and said he posed "a significant criminal threat to the United States."

The unpublished report, marked "law enforcement sensitive" was based on review of 70,000 pages of information from the DEA, the FBI, Customs and also from the IRS, the U.S. tax authority. In the "piñata" (give-away) organized by President Salinas when he took office, the Hank family shipping line, Transportación Maritima Mexicana (TMM), cited in the NDIC report as a major carrier of cocaine, bought the railroad that ran through Northern Mexico. The report advised that the Hanks' shipping and banking activity provided drug traffickers with the means to launder money and move drugs across the border. It detailed how the family "associates closely with leaders of the largest organized crime groups in Mexico through business partnerships,

cooperative criminal activities and personal relationships. These crime group leaders include Amado Carillo-Fuentes, the late head of the Juarez Cartel, and the Arellano-Felix brothers, the notorious leaders of the Tijuana Cartel."

The report was squelched by U.S. Secretary of State Madeline Albright.

At any rate, Hank didn't want any scrutiny of his wealth, and Citibank helped him hide it through companies and accounts in the Caribbean and Switzerland.

In January 1992, Carlos called his private banker and asked her to handle the money of his friend, Raúl Salinas, brother of the Mexican president. The banker was Amelia Grovas Elliott, a Cuban-American who had been with Citibank for 25 years and since 1983 had headed the ten-person team that handled accounts for millionaire Mexicans. She managed the top seven or eight accounts herself.

Salinas asked Elliott to structure his accounts in the same manner as Hank's. He wanted to put his wealth outside the country in a way that couldn't be traced. Or taxed. And he didn't want it known that he was moving large sums abroad; that could be politically harmful to his brother. Elliott told him that Citibank could set up an offshore private investment company (PIC) that would conceal his ties to investments. The shares of the PIC would be owned by a trust, adding another layer of secrecy. It was standard in private banking.

Raúl Salinas, who was trained as a civil engineer and had never reported earnings of more than \$192,000 a year, was moving as much as half a million a week through his accounts. Where was he getting the millions needed for a Citibank private account? Amy Elliot didn't ask. Why did he need to keep the money secret? His banker didn't want to know. And why did Citibank agree to something that had all the earmarks of illegal money-laundering and tax-evasion?

Elliott set up an intricate web of accounts, including an untraceable offshore investment company, where Salinas could park his funds outside of Mexico and then instantly transfer them to anywhere in the world. He deposited money in a Citibank account in Mexico which transferred it to a correspondent account in New York and from there to Switzerland and London. Using the Citibank system, Salinas would launder \$120 million in drug money and payoffs for government favors. After his brother left office, Mexico arrested him and charged him with murder. When his secret money trail was exposed, Amy Elliott told colleagues: "This goes in the very, very top of the corporation, this was known...on the very top. We are little pawns in this whole thing"

In 1996, the United States Attorney General began investigating the alleged involvement of Citicorp/Citibank in the money laundering activities of Raul Salinas. The investigation went nowhere. The Swiss also opened an investigation into Salinas' accounts. The Swiss Attorney General found financial ledgers belonging to the Colombian cartel that detailed payments of \$40 million dollars to Raul Salinas from the cartel. These ledgers were reported to have been evidence in another U.S. Justice Department case, but they were overlooked in the Salinas-Citibank investigation. According to New York District Attorney Morgenthau, the U.S. federal authorities failed to cooperate with the investigation. Morgenthau said, "The head of the DEA was told by Justice not to cooperate with the Manhattan DA's office."

At a 1997 shareholder's meeting, Citicorp's CEO and Chairman, John S. Reed, acknowledged that there was a very real potential for Citicorp to face criminal prosecution for its role in the money laundering activities of Raul Salinas. But Citibank had important friends in Washington. In 1996, -- when the U.S. investigation of Citicorp/Citibank began -- the Secretary of the Treasury was Robert Rubin, who would serve until 1999, then leave to become chairman of the executive committee of Citigroup.

When Carlos Hank sought to expand his U.S. banking business, the U.S. Federal Reserve, which regulates banks, began to investigate. And that led back to Citibank. According to the Federal Reserve (the U.S. central bank), in

1982, when Carlos Hank Rhon's father, Carlos Hank González, was Mexico's Secretary of Agriculture, he became a Citibank client and had the bank set up secret offshore accounts to move his money out of Mexico. Hank Rhon, the son, had Citibank arrange his own network of secret accounts and shell corporations in the Cayman Islands and Switzerland. When he wanted to expand his holdings in a Texas bank, Citibank worked out a way, using shell companies, to hide the fact that Hank's father was an investor.

Hank had bought an interest in Laredo National Bank in Texas in 1990. Six years later, when he wanted to merge Laredo with Brownsville's Mercantile Bank, the Fed found that Citibank had helped him use offshore shell companies in the British Virgin Islands to gain control of his bank by hiding secret partners and engaging in self-dealing, in violation of US law. One of the offshore companies was managed by shell companies that were subsidiaries of Cititrust, owned by Citibank.

The Fed doesn't approve of applications bank licenses that mask a bank's true owners, and in 1998, it sued to ban Hank Rhon from U.S. banking. The Fed provided evidence that in 1993, Hank González met with his Citibank private banker, the same Amy Elliott, and said he wanted to buy a \$20-million interest in his son's Laredo Bank in Texas. He wanted payment made by Citibank accounts owned by his offshore companies to be handled in a way that hid his involvement. Elliott was helpful in carrying out the illegal ruse; she suggested that Citibank loan \$20 million to two shell companies, then transfer the money to Hank Rhon's personal account at Citibank New York and to an investment account in Citibank London in the name of another offshore company. It was done; Hank González got a 15-percent share of the bank, but the deal was never recorded, and the Fed was never informed.

The Fed won its suit in 2001; Carlos Hank Rhon agreed to pay a \$40 million fine, one of the largest on record, and get out of the U.S. banking business.

In 1998, Treasury Secretary Rubin led an "all-out" offensive (Operation Casablanca) against Mexican money laundering. One of the banks targeted was Banamex which was exposed as a willing participant in the drug trade. U.S. Customs Agent Bill Gately, who later retired in disgust, accused Rubin on the U.S. TV show, "60 Minutes" of deliberately shutting down the investigation before it got to the highest levels. In 2001, with Rubin at Citigroup, the conglomerate bought Banamex and put its owner Roberto Hernandez – a stockbroker who had obtained Mexico's biggest bank in the Salinas "piñata" -- on the Citigroup board.

Citibank also provided a welcome to Mexican drug lord. Amado Carillo Fuentes, the now deceased notorious head of the Mexican Juarez cartel, got help from Citibank's chief private banker in Mexico to launder hundreds of millions of narco-dollars through Citibank private accounts in Chile. The banker, Fernando Maturano, wrote a personal letter of support for the drug lord to his counterpart in Citibank's Santiago branch. Carillo Fuentes was in the process of relocating the headquarters of the Juarez cartel to Santiago and chose Citibank's private banking to help him move the money.

Mexico's tax base is only about 12 per cent of gross domestic product a third of the average for Organisation for Economic Co-operation and Development countries, and among the lowest in Latin America. Francisco Gil Díaz, who became finance minister in the current administration of Vicente Fox, said, "There is a phrase used in tax circles: big companies, big evaders."

NIGERIA

Citibank ran secret accounts for the family of dictator Sani Abacha beginning in 1988. The man running Citibank private banking in London received two Abacha sons who walked in with \$150 million to open accounts. He asked them only what kind of high- interest account they wanted. In spite of rules requiring "due diligence," the staff seemed disinterested in the source of the money. At one point, the bank okayed a \$47-million payment it

was told came from profits from an airline flying between Nigeria and the U.S. But flights had been stopped a few years earlier when American authorities declared the Lagos airport unsafe.

Even after Citibank discovered who its customers were, it didn't seem to care. A client profile said: "Father of Ibrahim and Mohammed, General Sani Abacha, is the current military ruler of Nigeria, where there is a lot of corruption." When authorities started looking into the Abacha money affair, the banker called the men and, as was revealed in court, told them: "You have problem if the money stays in London . I can move it now." The banker was promoted to head of Citibank private banking in Switzerland.

The Nigerian government says Abacha siphoned \$2.3 billion from the Treasury, awarded contracts worth \$1 billion to front companies and took \$1 billion in bribes from foreign contractors. The looted money was stashed in dozens of accounts in the name of Abacha, his family and cronies and 26 shell companies.

GABON

El Hadj Omar Bongo, dictator-president since 1967 of Gabon, the third largest oil-producing state in Africa, became a Citibank client in 1970. He and his family had accounts at Citibank offices in Bahrain, Gabon, the Isle of Jersey, London, Luxembourg, New York, Paris and Switzerland. Citibank New York set up his offshore structure in 1985 through Tendin Investments, Ltd., a Cititrust Bahamas shell corporation, which owned his private bank accounts. Totals in the accounts sometimes reached \$72 million.

Loans from the bank were made to Bongo's accounts in Citibank Gabon. They were covered by drafts from his Paris accounts, which were then covered by money from Tendin offshore accounts. This allowed him to get money into Gabon without anyone finding out about his offshore companies. Citibank's profit for its laundering services was more than \$1 million a year. The bank worried about the risk if the public found about its dealings, but a bank official wrote in a memo that "the U.S. press would give political disturbances very limited coverage."

PAKISTAN

Benazir Bhutto and her husband, Asif Ali Zardari, stole over \$1 billion from the country according to the government of Pakistan. They moved and hid their money with Citibank's help. From 1994 to 1997, the bank opened and operated three private bank accounts in Switzerland and a consumer account in Dubai for three corporations Zardari controlled. A Swiss lawyer for the Bhutto family in 1994 opened accounts at the Citibank branch in Dubai in the name of M.S. Capricorn Trading, a British Virgin Island shell company which he would use to transfer money to Switzerland. Citibank later said it didn't know the real owner of the account since that was not required under Dubai law.

A year later, the lawyer opened three accounts at Citibank Switzerland in the name of Capricorn and two other BVI shells, with Zardari as secret beneficial owner. Deposits for \$40 million were made to the Capricorn account in Dubai. \$10 million came from Abdul Razzak Yaqub, a Pakistani gold bullion trader, who got good value in return -- an exclusive license to import gold, which he used to bring more than \$500 million of the precious metal into Pakistan.

RUSSIA

"Russia is a large opportunity for the group," said Vice Chairman Deryck Maughan, who runs Citigroup's international operations, at a news conference in 2003. "The financial services market here is in its infancy. We want to offer latest banking technologies and products." He said that Citibank will run clients' portfolios. He added that Russians willing to deposit more than \$25,000 can open an offshore bank account with Citibank to invest in foreign securities.

The offshore system has been used to loot billions of dollars in assets from Russia since the late 80s (when the ruling Communists realized that Mikhail Gorbachev's reforms threatened their power) and the early 90s, when the post-Communist government under Boris Yeltsin gave a free hand to the "oligarchs" who stole a major part of the country productive wealth. The thieves needed to move the looted money to places where questions would not be asked.

A report by the U.S. Government Accountability Office describes how Citigroup and Commercial Bank of San Francisco accepted more than \$1 billion from U.S. corporations based in Delaware that appeared to be shell companies created to move money from Russia into the U.S. banking system. The corporations in Delaware received the money from Russian brokers in Eastern Europe who were acting on behalf of Russian companies or individuals, the GAO said. The banks then facilitated the corporations' transfer of most of the money from the United States back into foreign accounts.

In accepting the money, both banks violated the know-your-customer rule, according to the GAO. "These banking activities raise questions about whether the U.S. banks were used to launder money," the GAO report said. The transfers would have been aimed at evading taxes or laundering the profits of organized crime.

JAPAN

In mid-2004, the Financial Services Agency of Japan found a number of irregularities at Citigroup's private banking unit, the most lucrative business serving exclusively to high-net-worth customers in the country. In particular, the authorities found that the bank failed to prevent money laundering and offered loans to clients engaged in nefarious activities ranging from tax evasion to stock market manipulation.

The extent of Citigroup's involvement in such scandalous activities was so pervasive that the Japanese authorities decided to close down the company's private banking unit. The Financial Services Agency issued an administrative order requiring Citigroup to exit all private banking operations in Japan by September 30, 2005. In addition, Citigroup was barred from participating in government bond auctions.

In October 2004, Citigroup announced that it has decided to wind down Cititrust and Banking Corporation, a licensed trust bank in Japan, after acknowledging that there were "internal control, compliance and governance issues" in that subsidiary.

+++++

Citigroup/Citibank has helped corporate executives devise "structured finance" operations to disguise the origins and use of money and also to evade taxes. It helped engineer frauds by both Enron and Parmalat.

ENRON

Enron paid no U.S. federal taxes in four of five years from 1996 to 2000, during which the company collected \$381 million in tax refunds. It used its network of offshore subsidiaries and stock-option deductions to reduce its tax liability to zero. It laundered its profits through tax haven subsidiaries. In addition, its collapse from a giant fraud abetted by Citibank has cheated employees and investors of billions of dollars and deprived the U.S. of the taxes that they would have paid and *Enron should have paid*.

Citibank set up Delta Corp, a Grand Cayman shell company which it controlled, to serve as a sham trading partner in order to allow Enron to disguise multi-million dollar loans as trades. Investors seeing loans would think the company was in trouble and the stock price would fall. Investors seeing trade payments would think the company was doing well and would bid up the stock.

Enron used "prepays" -- arrangements in which a company is paid in advance to deliver a service or a product at a later date. To be legitimate prepays, there had to be independent parties and price risk. But they were phony prepays. No product was intended to be delivered or the payments were hedged, cancelled by parallel offsetting trades. And the purchasers were shell companies set up by the banks. In an email, a bank official wrote: "Enron loves these deals as they are able to hide funded debt from their equity analysts."

A Citigroup official admitted at a U.S. Senate hearing that Citibank's lawyers, Milbank Tweed, had worked with the Cayman Islands agent Maples and Calder to set up Delta Corp, in 1993 to do commodity swap transactions for Enron. Delta was owned by a "charitable trust," Grand Cayman Commodities Corporation. The pretend purchases by Delta Corp., the Citibank shell company, enabled Enron to keep \$4.8 billion from 14 transactions with Citibank off its balance sheet for six years beginning in 1992.

Senator Carl Levin, who chaired the Senate Investigations Subcommittee hearing into the role of financial institutions in Enron's collapse, said, "I don't believe that Enron could have done what it did hiding debt and disguising it as cash flow from operations without the assistance and participation of the banks." He said that, "Chase [which set up a Jersey shell company for a similar scam] and Citigroup knew what Enron was doing, assisted Enron in those deceptions and profited from their actions."

Citibank official Richard Caplan explained that the operation wasn't unusual. He said: "We do this all the time. This is standard operating procedure in the structured finance industry." So, of course, is tax evasion.

PARMALAT

The Italian authorities restructuring the bankrupt Parmalat debt are seeking \$10 billion in damages from Citigroup in a lawsuit filed in New Jersey. Parmalat went bankrupt in December 2003. Citigroup helped Parmalat structure complex transactions that misled shareholders and cost them billions of dollars. It used the same Cayman Islands agent, Maples and Calder, to set up the Parmalat shell.

Citigroup's managers designed a series of financial arrangements for North American and European subsidiaries, allowing the company to disguise its mounting debt and to artificially inflate its earnings. Parmalat's former executives were able to "mask their systemic looting of the company" while Citigroup continued "reaping tens of millions of dollars in fees." The government-appointed Parmalat trustee says that Citigroup also helped Parmalat executives launder millions of dollars through its accounts.

According to the new managers, "something on the order of \$8 billion have been lost, stolen or wasted" by its former executives with the active assistance of Citigroup. They say that Citigroup was aware that the company was double-booking more than \$340 million in receivables that the bank helped to securitize. Citigroup also designed three special-purpose entities, investment vehicles similar to those used at Enron, to facilitate such transactions and to disguise loans made to Parmalat as equity investments. In 1999, for example, Citigroup created a Delaware-based entity called Buconero, the Italian word for black hole, as part of a complex arrangement that allowed Parmalat to borrow about \$140 million without recording it as debt on its balance sheet.

+++++++

Consequences

The impact of Citigroup/Citibank's actions has been felt both in the developing and developed world.

Argentina, with 36 million people and moving into the industrialized world, suffered a catastrophic crash in 1999 that further ground down the poor and threw millions of middle class people into poverty. Its per capita income dropped from \$8,909 to \$2,500. In 1970, 8 percent of Argentines were poor; today, 55 percent are poor.

In 2001, Argentina defaulted on its national bonds. The loss of some \$10 billion over a decade, the result of tax cheating and government and corporate corruption, meant that the government could not support the economy, help those thrown out of work and pay its debts. Nearing economic collapse, the government ordered bank accounts frozen, provoking mass demonstrations by citizens denouncing their government.

Mexico: Drug and corruption money and the proceeds of profit-laundering finance corrupt politicians, helping to keep the PRI (Institutional Revolutionary Party) in power for 70 years until 2000 through payoffs, bribery and theft of elections.

The looted national treasury is unable to pay for needed services and benefits to the very poor.

Mexico is one of the four worst countries in Latin America for income distribution. The bottom 40% of the population share only 11% of the wealth and live below the poverty line. Many children must work on the streets to contribute to the family income. Mexico City has 1,900,000 underprivileged and street children, 240,000 of them are abandoned children. The minimum wage is 40 pesos per day, about \$4 US Dollars. There is little welfare and no unemployment benefit. Funds that could care for street children and provide welfare and jobs have been moved through Citigroup and other banks and hidden offshore.

Gabon: Bongo's years of massive theft, enabled by Citigroup, have left most of the population in severe poverty. Gabon is sub-Saharan Africa's fourth largest producer and exporter of crude oil. Gabon's \$4,414 per capita gross domestic product (GDP) is four times that of most sub-Saharan African nations, but that figure is grossly misleading. Exports of crude oil account for approximately 60% of the government's budget and more than 40% of GDP. The oil wealth enriches the favored few, and nearly half of the population lives below the poverty line.

Nigeria, world's fourth largest oil producer, has a \$13-billion foreign debt, even after the Paris Club of creditor countries has agreed to write off \$18 billion of debt. The debt was accumulated by the Abachas and other corrupt military dictators who stashed billions in foreign bank accounts, such as those of Citibank. Some \$5 billion was stolen by the Abachas alone. Meanwhile, 70 million people live in poverty, 15 million youth are unemployed, and 15 million school children have little prospect of decent jobs.

Russia: The looting of Russian assets and their movement offshore by Citigroup and other international banks has stripped the country of its industrial base and impoverished its people, reducing the standard of health, education and living standards far below what they enjoyed in the last Soviet years of the 1980s. In the Soviet Union, the minimum wage amounted to one-and-a-half times the minimum required consumption. Today, the minimum wage covers only 27 percent of an adult's needs, while the minimum pension pays only 46 percent of the living costs of a pensioner.

At least 22 percent of Russians live below the poverty line, defined as a monthly income of less than \$38, according to government figures. About 70 per cent of families with children in Russia are below the poverty threshold, said Deputy Prime Minister Galina Karelova. Most poor workers have jobs in the public sector, whose resources have been reduced by egregious asset stripping and tax evasion. Since the beginning of the 1990s, mortality has risen one-and-a-half times. The incidence of tuberculosis in Russia is 10 times higher than in Europe.

Meanwhile, Russia has the third highest number of the world's billionaires – 36 -- whose total assets of \$110 billion is 24 percent of the country's economic output.

Pakistan: While Citigroup was helping the Benazir Bhutto family get richer, the country continued to suffer from dire poverty and failure to provide basic education and health services. In a population of 132 million, 48 million people survive on \$2 or less a day. Nine out of 100 children die before they reach their first birthday. More than a third of children under five are underweight. Only 51% of girls attend school. Only 44% of the population is illiterate: 55% of men, 32% of women.

The Enron fraud, abetted by Citigroup's shell company "structured finance," resulted in the loss of jobs as well as health and retirement benefits for some 21,000 workers. Along with individual investors, pension funds lost millions: The Texas Teachers Retirement system lost \$35.7 million in Enron stock, and the state's Employees Retirement System lost \$24 million. The nation's tax coffers miss the revenues that would have come from a company that operated honestly and paid its taxes.

Parmalat: The \$12.7 billion-fraud that Citigroup helped enable was the largest corporate fraud in Europe, representing nearly one percentage point of the Italian gross national product. The reorganization of the company by a government-appointed trustee called for a cut in 15,000 of the 32,000 jobs and a cut in operations from 30 to 10 countries. Parmalat's collapse cheated employees and investors of billions of dollars and deprived Italy and other countries of the taxes that they would have paid and Parmalat should have paid.

These cases have been documented by investigations by the U.S. Senate subcommittee on investigations in the cases of Argentina, Salinas, Bongo, Abacha, Bhutto, Russia, Enron, and Parmalat.

Current status and demands made to the company

OPPOSITION TO REFORM

American banks had opposed strong anti-money-laundering legislation for years. When he was Treasury Secretary, Robert Rubin opposed any restrictions on the worldwide movement of the dollars. Joseph Stiglitz, the 2001 Nobel laureate in economics who was head of U.S. President Clinton's Council of Economic Advisers before going to the World Bank, says that the offshore issue "didn't come up much" in the United States until the Asia meltdown in 1997. Then, the G-7 worried about the offshore system's threat to financial markets. But he said that Rubin opposed any controls on the international flow of money.

However, the attacks on the World Trade Center and Pentagon prompted the belated acknowledgment that al Qaeda had used the offshore system to finance its terrorist network. Some limited reform legislation was proposed to ban banks from doing business with "brass plate" banks with no physical presence unless they were connected to legitimate, regulated banks. It would also make it easier for authorities to seize money from foreign banks' correspondent accounts in U.S. banks.

In spite of a bi-partisan call in Congress for the legislation, the big banks, led by Citigroup, fought the bill. Citibank was the only major bank in the U.S. that admitted to having shell banks as clients and it didn't want to give them up. Citibank was the most active bank opposing due diligence and trying to gut the ban on shell banks.

The current status

Citigroup still runs its international operations based on the offshore system. Here are some of its subsidiaries in notorious tax havens; they are not only banks but investment companies.

Aruba: Inarco International Bank N.V
Austria: Lothringer Str.7 Wien 1010
Bahamas: Albacore Investments, Ltd

Bahamas: Antares Associates Ltd
Bahamas: Astaire Associates Ltd
Bahamas: Beaconsfield Holdings Ltd
Bahamas: Citibank NA, Nassau
Bahamas: Citibank-Colombia (Nassau) Ltd
Bahamas: Citicorp Banking Corp, Nassau
Bahamas: Citicorp Capital Asia Ltd
Bahamas: Citicorp Pension Management Ltd
Bahamas: Citinvestment Chile Ltd
Bahamas: Cititrust (Bahamas) Ltd, Nassau
Bahamas: Cititrust Ltd
Bahamas: Donat Investments S.A
Bahamas: First National Nominees, Ltd
Bahamas: Hitchcock Investments S.A
Bahamas: Latin American Investment Bank Bahamas Ltd
Bahamas: Madeleine Investments S.A
Bahamas: Providence Associates, Ltd
Bahrain: Citi Islamic Investment Bank
Bermuda: Citicorp Finance International Ltd
Bermuda: Citicorp FSC I Ltd
Bermuda: Citicorp International Insurance Company, Ltd
Bermuda: Citicorp Leasing, Inc, CM FSC Ltd
Bermuda: Matrix Ltd
Bermuda: Victoria Hall, 11 Victoria St. Hamilton HM 11
Brunei Darussalam: Citicorp (B) Sdn. Bhd
United Arab Emirates: ABU DHABI
Cayman Islands: Citibank Capital Ltd
Cayman Islands: Cititrust (Cayman) Ltd
Cayman Islands: Provencred
Cayman Islands: Sweet River Fund
Cayman Islands: TCS International Investments, Ltd
British Virgin Islands: Citicorp China Investment Management Ltd
British Virgin Islands: CitiProperties Ltd
British Virgin Islands: CitiRealty China Ltd
British Virgin Islands: Garden Road Ltd
British Virgin Islands: Veritas Holdings Ltd
Ireland: Citibank Trustees, Custom House Quay, Dublin 1
Ireland: Citicorp Finance Ireland Ltd
Jersey: CCIL Pension Scheme Trustees Ltd
Jersey: Citibank Premium Finance, Ltd
Jersey: Citibank
Jersey: Citiportfolio Ltd
Jersey: Cititrust (Jersey) Ltd
Luxembourg: Citi Islamic Portfolios S.A
Luxembourg: Citicorp Investment Management SA
Luxembourg: Citicurrencies S.A
Panama: Citivalores, S.A
Philippines: Citicorp Capital Philippines, Inc
Philippines: Citicorp Securities International (RP) Inc
Philippines: Citicorp Ventures Philippines, Inc
Singapore: Asia Pacific Technology Services Pte. Ltd

Switzerland: Brennan Ltd
Switzerland: Buchanan Ltd
Uruguay: Citicorp Capital Markets Uruguay S.A

Citigroup CEO Charles P. Prince, told the Wall Street Journal that he intends to make "values" a key focus. He said, "The world's largest financial-services firm needs to 'internalize' a strong code of ethics around the globe. 'You can't think of this in terms of control,' he explained. 'You can't expect to have policemen lined up along the side of the road saying 'You can't drive here.'"

Ending Citigroup's assistance to profit-launderers, other tax evaders, and criminals of all stripes would be a good place to start. Its first step in that regard should be a refusal to locate subsidiaries in offshore tax havens that practice bank and corporate secrecy.

Sources / references

The following sources document this case:

Books & magazines

Hutchison, Robert A., *Off the Books*, New York : W. Morrow, 1986. (About Citibank's 1970s Bahamas scam)

Reynolds, Julia, "The NAFTA Gang," *El Andar Magazine*, 1999. <http://www.elandar.com/hanks.html> (About Carlos Hank Rhon)

Zlogogwiazda, Marcelo and Balaguer, Luis, *Citibank vs. Argentina, Historia de un país en bancarrota* (Story of a country in bankruptcy) Buenos Aires: Editorial Sudamericana, 2003.

Web Links:

Citicorp SEC filings

2005 SEC 10-K filing of basic financial information:

<http://www.sec.gov/Archives/edgar/data/831001/000104746905004988/a2152655z10-k.htm>

2005 SEC filing listing Citigroup subsidiaries:

http://www.sec.gov/Archives/edgar/data/831001/000104746905004988/a2152655zex-21_01.htm

Reports by the U.S. Senate Permanent Subcommittee on Investigations

On Enron:

Oversight of Investment Banks' Response to the Lessons of Enron - December 11, 2002 (Link is to GPO Website - See Hrg. 107-871)

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=107_senate_hearings&docid=f:83485.wais

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=107_senate_hearings&docid=f:86375.wais

The Role of the Financial Institutions In Enron's Collapse - July 23 and 30, 2002 (Link is to GPO Website - See Hrg. 107-618)

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=107_senate_hearings&docid=f:86375.wais

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=107_senate_hearings&docid=f:83050.wais

Report on Fishtail, Bacchus, Sundance, and Slapshot: Four Enron Transactions Funded and Facilitated By U.S. Financial Institutions (Subcommittee Report) (January 2, 2003) (Link is to GPO Website - See S. Prt. 107-82) <http://www.gpo.gov/congress/senate/senate12lp107.html>

On money-laundering:

Correspondent Banking: A Gateway for Money Laundering (March 1, 2, and 6, 2001) (Link is to GPO Website - See S. Hrg. 107-84) <http://www.gpo.gov/congress/senate/senate12sh107.html>

Correspondent Banking: A Gateway for Money Laundering (February 5, 2001) (Link is to GPO Website - See S. Hrg. 107-84, Report appears on p. 273 of Volume I of Hearing record entitled "Role of U.S. Correspondent Banking in International Money Laundering" held on March 1, 2, and 6, 2001) <http://www.gpo.gov/congress/senate/senate12sh107.html>

Private Banking and Money Laundering: A Case Study of Opportunities and Vulnerabilities (Link is to GPO Website - See S. Hrg. 106-428, Report appears on p. 872 of hearing record entitled "Private Banking and Money Laundering: A Case Study of Opportunities and Vulnerabilities" held on November 9 and 10, 1999) <http://www.gpo.gov/congress/senate/senate12sh106.html>

Information for the organisers:

Nomination submitted by

Name of organisation: Tax Justice Network

Name of contact person: John Christensen

Address: c/o New Economics Foundation, 3 Jonathan Street, London SE11 5NH,

Email: christensen.tjn@neweconomics.org

Phone: 00 44 (0)1 494 793 922.

3 A presentation of the case in Davos at the end of January 2006 is possible - YES

Name of the person: Lucy Komisar

Address: 100 West 12 Street, New York, NY 10011, USA

Email: lkomisar@msn.com

Phone: 01 212 929-1610