



The Role of Wolfsberg Group Against Corruption

14 December 2007



Wolfsberg Group

- Wolfsberg - Background
- Wolfsberg Group Objectives
- Wolfsberg Group Members
- Roles & Activities of Wolfsberg Group
- Wolfsberg Work on Fight Against Corruption
- Citi's Approach to Fighting Corruption
- Future Direction to Fighting Corruption
- Q&A

Wolfsberg Group - Background

- Formed in 2000
- Membership Comprises of 12 major banks
 - ABN AMRO, Banco Santander, Bank of Tokyo, Barclays, Citi, Credit Suisse, HSBC, Deutsche, SG, Goldman Sachs, JP Morgan Chase, UBS
- Name Adoption - First place Meeting Location
 - Château Wolfsberg, North-Eastern Switzerland
- Works Closely with Other Int'l Organizations
 - FATF, Transparency International, the Basel Institute on Governance, UN Organizations, OECD, etc

Wolfsberg Group – Role & Activities

- 2000
 - Wolfsberg Anti-Money Laundering Principles on Private Banking are issued
- 2002
 - Wolfsberg Statement on the Financing of Terrorism is issued
 - Wolfsberg Anti-Money Laundering Principles on Correspondent Banking
 - Wolfsberg Group Revised Anti-Money Laundering Principles for Private Banking
 - Wolfsberg Statement on The Suppression of Financing of Terrorism
- 2003
 - Wolfsberg Statement on Monitoring, Screening & Searching
- 2006
 - Wolfsberg Statement /Guidance on Risk Based Approach to Managing AML
 - Wolfsberg Statement /Guidance on AML for Mutual Funds & Other Pooled Investment Vehicles
- 2007
 - Wolfsberg Statement Against Corruption

Corruption



- Global Problem
- Perceptions Differ (North /South, East/West)
- No Longer the Exclusive to Developing Countries
- Rob Countries of Resources to Finance Infrastructures
 - Tax Evasion
 - Funds Crime
 - Undermines Democracy
 - Destabilises Nations
- More Sophisticated than Earlier

Background to Anti Corruption Initiative - Key Dates

- Bribery /Corruption Isolated Cases & Privy, Now Open & Broad
- Anti-Corruption Initiative First Step – Int'l Chamber of Commerce, 1975
- OECD Guidelines for Multinationals, 1976
- US Foreign Corrupt Practices Act (FCPA), 1977
- Formation of Transparency Int'l, 1993
- OECD Convention on Combating Bribery, 1997
- US Sarbanes-Oxley Act, 2002
- UN Convention Against Corruption, 2003

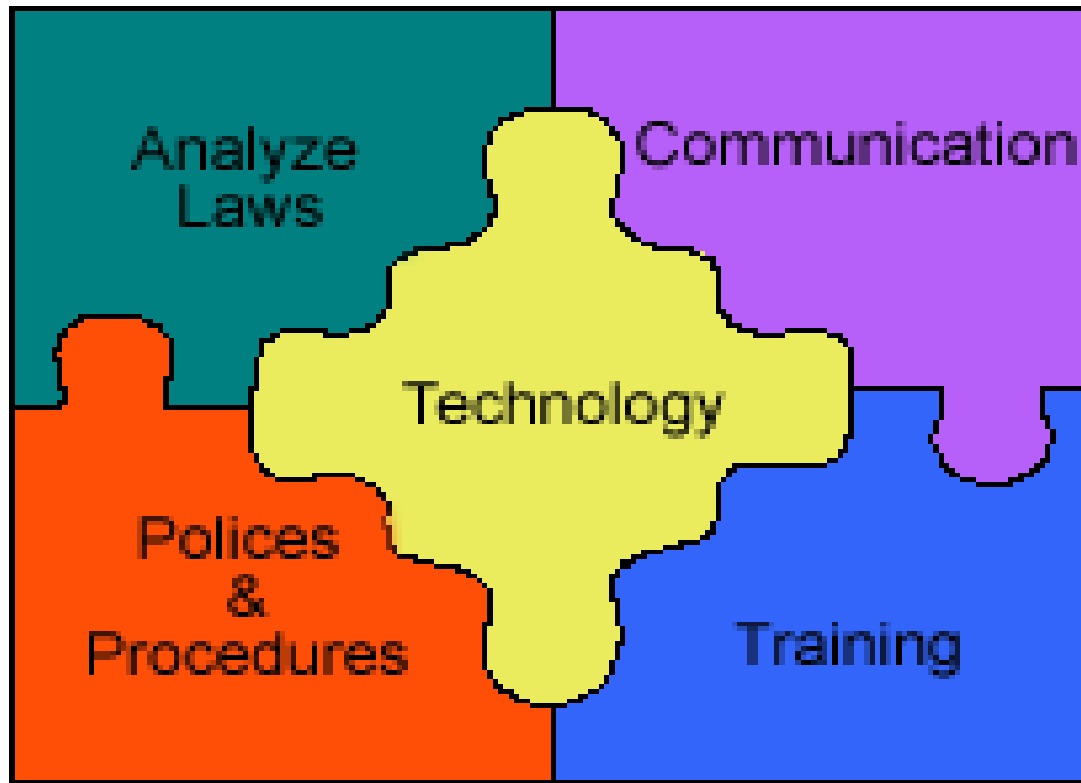


Wolfsberg Group – Anti Corruption Standard

- Commit to Abide by Laws Designed to Fight Corruption
- Oppose All Forms of Corruption
- Multi-Level Approach
 - Comprehensive & Multi-Stakeholder Approach
 - Supranational, National Government & Law Enforcement Agencies
 - Civil Society
 - Business Community
- Coordinate its Efforts to Combat Corruption
- Prevent Members Being Misused for Corruption Proceeds
- Adopt Risk Based Approach
- SAR Reporting



Citi's Framework for Fighting Corruption

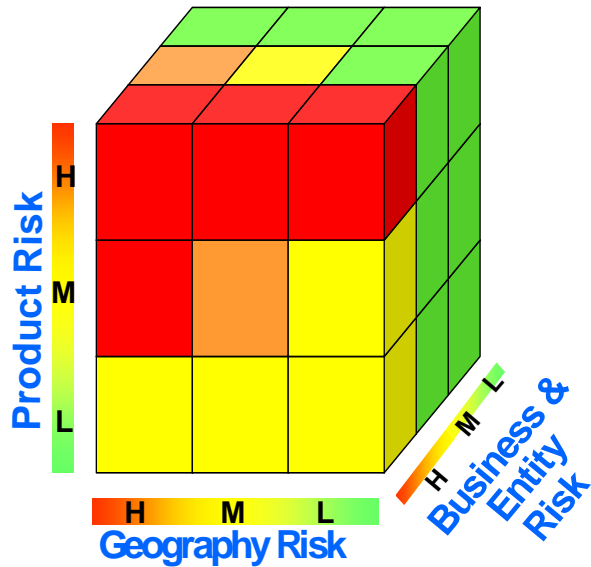


- Policies & Procedures
- Defined Target Markets
- Resources
- Training

Citi's Framework for Fighting Corruption

- Policies & Procedures
 - ❑ Corporate Level Policies (AML, SPFs, Embassies, FCPA, etc)
 - ❑ Business Sector Level Policies & Procedures (Consumer, Corporate, private Bank)
 - ❑ Country /Business Unit Level Policies & procedures
 - ❑ Code of Conduct
- Defined Target Markets
 - ❑ Customer Type
 - ❑ Products & Services
 - ❑ Locations
- Resources
 - ❑ Compliance Resources
 - ❑ Tools, Systems & Technology Infrastructure
- Training
 - ❑ Web Based
 - ❑ Classroom
 - ❑ Emails, Bulletins and Other Types of Electronic Communication

Risk Based Approach



- **Geography and country risk**
- **Business and entity risk**
- **Products and transaction risk**

Totality of Risk Factors determine Composite Risk

AML Training Program

➤ Training

- Training Program
- Web Based
- Classroom
- Emails, Bulletins and Other Types of Electronic Communication



Elements of AML Program

- **Develop Citigroup-wide policy consistent with money laundering risks**
- **Implement Know Your Customer programs**
- **Gather intelligence and identify suspicious activity**
- **Monitor transactions**
- **Raise awareness through training**
- **Engage law enforcement regulators and others in the financial services industry**
- **Terminate problem relationships and activity**
- **External activities**

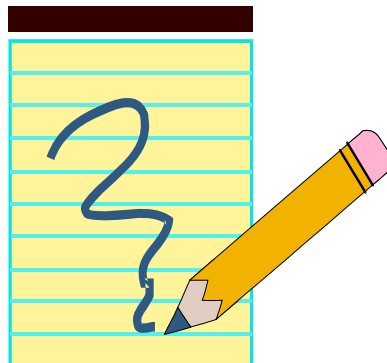
Employees – Don't

- Behave in a way that gives the **appearance** of an attempt to use inappropriate influence with an official.
- Authorize, promise, offer or give **anything of value**, directly or through a third party, to an official to influence or reward any action or inaction or secure an improper business advantage.
- Give, offer or promise **anything of value** to an official, even a modest gift, or entertainment consistent with local custom, unless expressly permitted under a written policy of your business or with the prior approval of your business Seniors.
- Hire or offer to hire a consultant or agent or to form a joint venture or other **business relationship** without following the relevant policy for your business
- Solicit or negotiate **joint ventures or other similar transactions** with foreign government partners, even if local law requires government participation, without consultation with Compliance Officer /Legal Counsel.
- Make **political contributions** except in accordance with the policy for your business, or in the absence of such a policy, with prior written approval from the business' Compliance Officer.
- Make **facilitating payments** without specific prior approval of the business' Compliance Officer and only if this is not against local law. Local legal opinion should be obtained before making such payments.

Other Control Procedures



*Are You In
Compliance?*



- Maintain complete and accurate accounting records to reflect all business transactions
- Ensure all transactions are recorded and traceable. No unrecorded accounts or funds
- Follow all accounting, reporting and control procedures established
- Ensure there is adequate supporting documentation and that payments are for the purpose described
- Allow auditors and other authorised persons access to all records. Provide them with accurate and complete information

Red Flags

- Request for payment through foreign banks or third countries in third country currency or cash
- Request for a fee increase as a condition of continuing transaction
- Any known or suspected family relationship between agent and an official
- Refusal to agree full payment transaction in writing
- An unusually large commission relative to services performed
- Demand for large bonus or unusually high expense claims
- Any known or suspected misrepresentations in connection with a transaction



Red Flags

- Assurances that the agent /consultant will “take care of things” or eliminate impediments to the transaction
- Unwillingness to explain how a license or approval was obtained
- Recommendation by an official
- Apparent lack of office, staff and track record relating to the transaction
- Requests to falsify invoices or any other document
- Requests that an agent’s /consultant’s or government staff identity and relationship be kept secret
- Any negative information discovered as part of an independent investigation into the activities and reputation of the agent e.g. evidence of financial interest of an official in companies involved in the transaction
- Public reports indicating a high incidence of bribery, pay-offs and other forms of corruption in the region



Future Direction

- International Cooperation
 - Law Enforcements
 - Political
 - Multi-Lateral Agencies
- National Laws /Regulations Enhancements
- Business Community Increased Awareness & Protection
 - Banks
 - Multi-National Companies

