

**For immediate release  
July 31, 2009**

Citibank Japan Ltd.

### **Citibank Japan Submits Business Improvement Plan to FSA**

Tokyo, July 31, 2009— Citibank Japan Ltd. (“Citibank Japan”) today submitted to Japan’s Financial Services Agency (“FSA”) a business improvement plan (the “Business Improvement Plan”) in response to the FSA’s administrative action dated June 26, 2009 (“the Administrative Action”).

Citibank Japan takes this Administrative Action very seriously and would like to express its sincere apology to customers and other parties concerned. Citibank Japan is committed to implementing all necessary measures to prevent any future occurrences of the problems identified, and will continue to suspend all advertising, sales publicity and solicitation by its Retail Banking Division until August 14 in accordance with the Administrative Action.

A summary of the Business Improvement Plan can be found in the appendix.

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## **Appendix: Summary of the Business Improvement Plan**

The Business Improvement Plan includes corrective actions covering the following areas:

### **1. Clarification of the business attitude of the Board of Directors and Management Committee towards the establishment and enhancement of governance and internal control systems.**

Citibank Japan management is deeply sorry for the issues that led to the June 26, 2009 Administrative Action and is committed to implementing all necessary measures to prevent any future occurrences of the problems identified.

Citibank Japan changed the composition of its Board in June 2009 so that a majority of the Directors are not directly engaged in the execution of its business. Citibank Japan has also amended the charters of both the Board and the Management Committee to clarify their respective roles and responsibilities and to enhance the Board's oversight of business management.

Citibank Japan has recently established new committees, under formal delegated authority of the Management Committee, to establish an enhanced framework whereby issues that could potentially cause significant impact to its businesses are identified, reported to the Management Committee and Board of Directors in a timely manner, and subsequently resolved. This new framework also facilitates clearer two-way communication between management and employees for the more effective prevention and resolution of potential issues.

### **2. Development of a system for accurate execution of the obligation to make notification of suspicious transactions including money laundering.**

Citibank Japan has begun to revise its Anti-Money Laundering ("AML") policies and procedures, and to expand substantially the Anti-Social Forces ("ASF") database used for screening accounts. Citibank Japan will continue to develop new system tools to facilitate fully automated screening at account opening and enhanced monitoring of suspicious transactions.

In order to develop and enhance the framework to appropriately fulfill the obligation to make notification of suspicious transactions including money laundering, Citibank Japan has created a centralized monitoring and relationship management unit to improve its system for the control and monitoring of transactions in accounts of customers who have been identified as ASF, and to close these relationships over time.

### **3. Ensuring a thorough understanding of, and compliance with, Japanese laws and regulations and other rules by officers and employees, and fostering and improving awareness of compliance with laws and regulations.**

Citibank Japan will establish a new unit dedicated to training by integrating the existing training units within the bank to implement effective training for all employees on an ongoing basis.

Citibank Japan will conduct training for Directors, Executive Officers, and senior managers about major Japanese laws and regulations as well as FSA supervisory guidelines that Citibank Japan must comply with. Citibank Japan has already completed compliance training for other employees. In order to improve compliance awareness, Citibank Japan will review the existing training programs that focus on Japanese regulations and risks relevant to compliance and will enhance the contents as necessary.

#### **4. Restructure the system necessary for ensuring the effectiveness of internal audit**

Citibank Japan will assess the audit frequency, scope, depth and methodology because the effectiveness of internal audit was insufficient. Citibank Japan will also allocate resources that are appropriately skilled to secure the effectiveness of Citibank Japan's internal audits going forward. In addition, the internal audit function has initiated a new horizontal review focusing on AML/ASF and so on.

#### **5. Clarification of the people responsible for the events that includes management**

Citibank Japan recognizes that the root cause for the insufficient implementation of the Business Improvement Plan submitted in response to the FSA's administrative action in 2004 lies in Citibank Japan's insufficient internal control framework previously implemented by management, and management's lack of sufficient understanding of compliance requirements for the latest local laws and regulations.

Having clarified responsibilities, Citibank Japan's Disciplinary Committee took action against people responsible for the matters that led to the Administrative Action. In addition, Citibank Japan acknowledges the voluntary return of salary from 16 current and former management members of Citibank Japan and so on, in the range of 10% for 1 month up to 40% for 3 months of monthly salary, based on seniority and responsibility.

#### **6. Validation of the effectiveness of each corrective action of the Business Improvement Plan**

Citibank Japan will validate the comprehensiveness of each corrective action included in the Business Improvement Plan through a phased validation process. This validation process will include review and validation by the control department, internal audit, the Chief Administrative Officer and the CEO. Citibank Japan's CEO will assume ultimate responsibility for the process.

Furthermore, Citibank Japan will incorporate necessary items in its internal risk control programs to check periodically the effectiveness of the corrective actions. This will enable management to provide instructions for resolving important issues when they arise, securing for Citibank Japan a more effective PDCA (Plan-Do-Check-Act) cycle as a result of this Administrative Action.

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