



BANK OF ENGLAND

News release

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PRA fines Citigroup's UK operations £44 million for failings in their regulatory reporting governance and controls

The PRA has imposed a combined financial penalty on Citigroup Global Markets Limited (CGML), Citibank N.A. London branch (CBNA London) and Citibank Europe Plc UK branch (CEP UK) (Citi) of £43.9 million for failings in relation to their internal controls and governance arrangements underpinning compliance with PRA regulatory reporting requirements. Between 19 June 2014 and 31 December 2018, or parts thereof, the firms' UK regulatory reporting framework was not designed, implemented or operating effectively. This led to them failing to submit complete and accurate regulatory returns to the PRA.

While Citi remained in surplus to its liquidity and capital requirements at all times, the failings persisted over a significant length of time and were serious and widespread in nature. They led to significant errors in the firms' returns, including six substantive matters which had a material or potentially material impact on the returns. This meant the returns submitted were unreliable and did not provide the PRA with an accurate picture of CGML's capital or liquidity position.

Sam Woods, Deputy Governor for Prudential Regulation and Chief Executive Officer of the PRA said:

"Accurate regulatory returns from firms are vital for the PRA in fulfilling our role. Citi failed to deliver accurate returns and failed to meet the standards of governance and oversight of regulatory reporting which we expect of a systemically important bank."

The PRA's investigation focused on CGML's capital and leverage returns, CGML's liquidity returns and CEP UK and CBNA London's branch returns. The PRA's investigation identified that, although during the period under investigation Citi had begun to undertake a significant remediation programme to address data quality issues, the internal controls and governance arrangements

which underpinned Citi's UK regulatory reporting were not in a number of respects designed, implemented or operating effectively. They were therefore inadequate to ensure accurate regulatory reporting for an organisation of Citi's size, complexity and systemic importance. This led to the significant number of errors and misstatements identified in Citi's returns.

In particular,

- Citi failed to ensure that systems and controls supporting its UK regulatory reporting framework were designed, implemented and operating effectively;
- Citi failed to allocate adequate human resources to ensure that CGML's liquidity returns were complete and accurate;
- Citi's documentation of multiple aspects of its UK regulatory reporting control framework was inadequate given its size, complexity and systemic importance;
- CGML's approach to technical interpretations of reporting requirements was insufficiently robust given the complexity of those decisions and the impact they could have on the accuracy of the returns; and
- Citi's oversight and governance in relation to regulatory reporting fell significantly below the standards expected of a systemically important institution.

As a result, Citi breached relevant requirements under the PRA Rulebook. Specifically, CGML and CBNA London breached Fundamental Rule 6 of the PRA Rulebook. CBNA London and CEP UK also breached the Branch Return Rule (which was in effect from 1 July 2015) and all three firms breached Rule 6.1 of the Notifications Part of the PRA Rulebook.

The pervasiveness of the errors and misstatements identified in the firm's returns raised fundamental concerns about the effectiveness of Citi's UK regulatory reporting control framework, did not provide the PRA with an accurate picture of CGML's capital or liquidity position, and negatively impacted the PRA's ability to supervise Citi.

Citi agreed to resolve this matter and therefore qualified for a 30% reduction in the fine imposed by the PRA. Without this discount, the fine imposed by the PRA would have been £62,700,000.

ENDS

Notes to editors

- [PRA Final Notice to Citigroup Global Markets Limited, Citibank N.A. London branch and Citibank Europe Plc UK branch dated 26 November 2019](#)
- On 31 October 2019, the PRA sent a [letter to the Chief Executive Officers of PRA-regulated banks and building societies](#) regarding the reliability of regulatory returns. This letter emphasized that the PRA will consider the full range of supervisory responses where it has concerns about the integrity of a firm's regulatory reporting.
- The firms have been jointly fined £43,890,000 in accordance with the [PRA's Penalty Policy](#). The detailed basis for the financial penalty imposed is set out in Annex C of the Final Notice.
- The PRA's expectations in relation to regulatory reporting are set out in our statement of our approach to banking supervision and in the PRA's Rulebook. See '[The Prudential Regulation Authority's approach to banking supervision](#)', October 2018, paragraph 112; and PRA Rulebook, General Organisational Requirements, section 5.1(3) and PRA Notifications Rule 6.1.
- Fundamental Rule 6 requires that a firm organise and control its affairs responsibly and effectively. The Branch Return Rule requires incoming and third country firms to provide the PRA with specified information. Notifications Rule 6.1 requires firms to take reasonable steps to ensure the information they submit to the PRA is complete and accurate.
- [Find out more information about the PRA](#)
- Citigroup is a US-domiciled international bank, headquartered in New York. It is designated as a global systemically important bank. Citigroup is the third largest US bank with total assets of approximately \$2 trillion and operations in around 100 countries. Citigroup operates in the UK through a broker dealer subsidiary (CGML), a non-EEA branch from the

USA (CBNA London), and a smaller EEA branch from Ireland (CEP UK). Together, these three firms comprised Citigroup's PRA-regulated UK operations during the relevant period.

- This enforcement action represents the PRA's first case against a Category 1 PRA-regulated firm (i.e. a systemically important institution) for failures in its regulatory reporting systems, controls and governance arrangements.