

## Statement of Albert Misan

Senator Collins, Senator Levin, Members of the Subcommittee, Members of the Subcommittee Staff, Good Morning.

My name is Albert Misan, and I have been a banker for almost all of my professional life. I was born in 1949 in Alexandria, Egypt. Being of Jewish descent, our family was under tremendous pressures, and after the Suez War of 1956, my family felt compelled to leave Egypt. Half of my family emigrated to Australia, while the other half, including my immediate family, went to Rio de Janeiro, Brazil. My father had a successful career in the shipping business in Egypt, but he was forced to give it up and to surrender all of our assets when we left Egypt. When we arrived in Brazil we therefore had no money, and none of us spoke the language. Fortunately my father was able to get a job working at a private British elementary school, which my siblings and I were able to attend for free. I later got a scholarship to an American High School in Brazil, and later I was able to get a partial scholarship to attend a university in the United States. In order to pay for college, during the summers, I got my union card with the AFL--CIO and worked as a union laborer.

I graduated from college in 1972 and returned to Rio, where I got a job in the human resources department at Citibank. I successfully completed a training program, and in 1974, I was promoted to work in the Consumer Bank, working on the accounts of high net worth individuals. In 1977, I transferred to the Corporate Bank, where I was first an account manager, and later became a supervisor in Citibank's Sao Paulo office.

In 1983, I got my first opportunity to work in New York when I was asked to join the Citibank team that was working on the restructuring of the Brazilian debt. I worked on this project through 1985, when I was named the head of the Corporate Bank for Ecuador. In 1987, I was transferred to the Corporate Bank in Mexico.

In early 1988, I was asked to join the Private Bank, and my first assignment was to establish what was referred to as an "onshore" presence of the Private Bank in Mexico. At the outset, I was virtually alone, but by the end of the first year we had hired a professional staff that included 4 private bankers. In 1990, there were 7 bankers reporting to me in Mexico City, and at about this time I was also given responsibility for private banking offices in San Diego, Los Angeles and Houston. In 1992, I was named the Mexico country head, and in that capacity was placed in charge of all the Private Bank's Mexico business within the Western Hemisphere Division, including the business managed out of New York.

I was not a private banker in the sense that I was not responsible for managing any particular client relationships. Although I did meet with customers on occasion, my principal responsibilities were administrative. My immediate supervisor during the early 1990's was Reynaldo Figuerido, who was headquartered in New York. Mr. Figuerido, in turn, reported directly to G. Edward Montero, who was until recently was the Private Bank's Division

Executive in charge of the Western Hemisphere. My colleague Amy Elliott was the head of the Mexico team in New York and a senior private banker.

I continued to be the country head for the Private Bank in Mexico until 1996 when I moved to New York to manage the Private Bank's investment advisory business for the Western Hemisphere. My responsibilities have expanded over time, and now include the Private Bank's onshore local currency investment business throughout Latin America.

As I indicated at the outset of my statement, I have been a banker for virtually all of my professional life. Bankers are by and large conscientious by nature and conservative by training and inclination. When I started in banking, one of the fundamentals of the business was knowing one's customers. At that point, the reasons for doing so were principally credit driven: If you loaned money to an individual or a company you wanted to be able to have a high degree of confidence that the loan would be repaid. Everything you could learn about a client added to your ability to evaluate credit risk. If you know your customer, the risk of doing business with that customer declines materially.

Over time, additional reasons why it was important to know one's customer became more evident: for example, to adequately address "suitability" issues, which relate to ensuring that a customer's risk profile matches the investments selected for the customer's portfolio. Another reason which emerged was the growing awareness that a bank had to be vigilant against the possibility that its customers might be engaged in money laundering. The focus in this regard was at first principally on cash transactions, but the component of KYC that focused on anti-money laundering procedures was clearly taking root.

At the same time, in the early 1990's management began emphasizing the importance not only of a banker knowing his or her customer, but that there be adequate documentation of that knowledge. From a management perspective -and I was a manager - this KYC effort introduced a new issue: How do you get Relationship Managers, who are first and foremost interested in marketing efforts, to spend valuable time filling out forms. Furthermore, for some the documentation appeared superfluous since the information that was being recorded was already known to the private banker in question and therefore readily available when necessary. We had always expected our private bankers to be in effect walking sources of KYC information, but we were now taking that a step further and requiring that the information be memorialized. Unfortunately, it took a longer time to bring our KYC documentation to the levels we wanted than we expected. The documentation of KYC was a difficult task as many of our clients had been with the bank for a long time, some for 40 or 50 years. At times it was difficult for a new private banker to go back to these long-standing clients to ask them a series of detailed financial questions. We did so, but it took longer than we anticipated to get all of our questions answered. Since the outset, our Private Bankers were conscious of money laundering. Their awareness and sensitivity to these issues has grown over time as we strove to constantly raise the bar, and today, it has become a routine part of their thought processes when dealing with clients.

In closing, I would like to emphasize that in 1999 Citibank Private Banking has evolved from what it was in the early to mid-1990's and the Private Bank's current policies have tightened the procedures and systems to insure a significant improvement in the overall operation of the Private Bank.

At this point, I have completed my prepared remarks and would be pleased to take questions from the Subcommittee.

Thank you.

Albert Misan