

STATEMENT OF G. EDWARD MONTERO

Good afternoon Senator Collins, Senator Levin and Members of the Permanent Subcommittee on Investigations.

My name is Ed Montero and I have spent my entire 34-year banking career at Citibank. I must say that I have always been extremely proud to be a part of an organization with such strong leadership, integrity and values. I would not and could not have devoted such an important part of my life to Citibank if I had not believed this was so. I began my career as a banker in the Corporate Bank and for the last 17 years have headed the Western Hemisphere Division of the Private Bank. This Division focused primarily on clients from Latin America and Canada, but at different times had varying responsibilities concerning other regions of the world. Most recently, I became Senior Executive for Client Relationships in July of this year.

Since 1996, one of my top priorities has been to make anti-money laundering policies and procedures in the Western Hemisphere Division as strong as we could possibly make them. I have also worked very hard to assist Mr. Aziz, who until last month was the head of the Private Bank, in implementing a state-of-the-art anti-money laundering program for the entire Private Banking Group.

But, before I comment on this new program and how it came into being, I think it is very important for me to emphasize my belief that it has always been Citibank's policy to avoid customers who might seek to use the bank for illicit or illegal purposes. We want to do business with good people, and we want to avoid bad people.

Let me focus on the international side of private banking, which I believe is your greatest area of interest today, and attempt to explain some of the reasons why we have considered it appropriate to provide confidential services to our clients. Many of the clients in Latin America are individuals who fled wars in Europe and feel a heightened need to avoid unnecessary dissemination of information concerning their wealth. In addition, many countries in Latin America have been plagued in recent years by acts of violence against wealthy and prominent citizens. I have met a great number of our clients in their homes, and many have a story to tell about a loved one, a friend, a neighbor, or a business associate who has been the victim of a kidnaping or extortion plot. I had a wonderful client who was kidnaped and killed just last year. Another client who had recently visited me was kept in a box with a broken leg for over 6 weeks, and may never walk unaided again. I could give you more examples, but the common thread is that a number of our clients have been driven by fear to a heightened desire for privacy, and these feelings have been carried over into their banking relationships, which they wish to be characterized by as much discretion and confidentiality as the law permits. These are good, law abiding customers with very serious legitimate privacy concerns. Against that background, I want to emphasize that I am proud of what we've done in the Western Hemisphere Division of the Private Banking Group. From the very beginning we have been quite vigorous in rejecting prospects that were questionable in any way and in closing accounts when we learned that they

were problematic, no matter how profitable. In the Western Hemisphere Division over the last 17 years we've had over 50,000 accounts, only very few of which have presented any problems.

To achieve this, we have relied upon the judgment and discretion of our individual bankers. What we have learned over the past decade is that this is not good enough. In order for our anti-money laundering program to be as effective as it needs to be to protect the bank, we need thorough documentation, strict account monitoring capabilities and careful independent reviews.

This lesson was a hard one for me. The crystallizing event occurred in 1996 when, for the first time, my unit failed an internal Citibank audit. I was shocked and devastated by the audit result at the time, but I realize now that it was ultimately positive. I took the audit result very seriously and regarded it as a call to arms. It led me and the management team in the Western Hemisphere Division to focus on our anti-money laundering program with a new intensity. As a result, I led a very vigorous corrective action plan to address the deficiencies identified by the audit, and we have now regained our historically favorable ratings.

We created a full time task force comprised of 8 to 10 senior staff members to review and revise our procedures. We went over each and every existing customer profile, a total of 19,000 profiles in the Western Hemisphere Division, investigated and corroborated missing information and assessed the desirability of each customer relationship. All of these revised profiles were reviewed by an independent Citibank quality assurance team.

Moreover, the Private Bank as a whole has made enormous progress in recent years as regulatory standards and our own audit standards have increased. I know Mr. Reed has delivered to your committee a statement by Mr. Aziz that details our institution's progress in this area. As you will see, we now have, among other things, a more rigorous pre-screening process for prospective clients, more rigorous documentation and verification requirements for Know Your Customer information as well as an independent review of all such information, an automated funds tracking system to monitor all existing accounts and a requirement that multiple bankers interact with all accounts. We also give special scrutiny to accounts of public figures and their families. We have also clarified the supervisory structure under our new system of "global market management" so that there are now clearer lines of authority and supervision within the Private Bank.

In conclusion, I am proud of the work my colleagues in the Western Hemisphere Division and indeed the entire Private Bank have done over the last several years to address these important issues. I thank you for the opportunity to address your Committee.