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United States Senate

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HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

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September 26, 2014

VIA U.S. MAIL & EMAIL (candi.wolff@citi.com)

Mr. Michael Corbat
Chief Executive Officer
Citigroup
399 Park Avenue
New York, NY 10043

Dear Mr. Corbat:

I write to seek information regarding Citigroup's banking operations in communities near the U.S.-Mexico border. Over the past year, large financial institutions, including Citigroup, have scaled back their services along the border by closing local branches and instituting a number of cross-border banking restrictions. These actions have not only made it more difficult for certain Arizonan entrepreneurs, who own or manage cash-intensive businesses, to obtain the necessary capital to run those businesses, but have also presented new obstacles for companies that do business in both the United States and Mexico.

Branch closures in U.S. border towns have forced local business owners to end long-standing relationships with financial institutions in their communities. According to recent media reports, four branches representing several major banks have closed over the past year in Nogales, Arizona alone. Those closures have resulted in higher transaction costs and substantial difficulties for local businesses.

Recent regulatory actions may explain the sudden closing of financial institutions near the border. Earlier this month, the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) teamed up with its Mexican counterpart to institute new reporting initiatives on cross-border movements of cash. The goal of this regulatory effort has been to target drug trafficking organizations and hinder money laundering. In March 2014, Banamex USA, a Citigroup affiliate, announced that it received subpoenas from the Justice Department and the Federal Deposit Insurance Corporation (FDIC) relating to anti-money laundering compliance.

Although those financial regulators seek to address an important issue, their actions have created hardships for small business owners. Banamex USA, for example, provides important banking services to individuals and binational small businesses that operate in both the U.S. and Mexico. Until recently, many border residents used Banamex USA to make cross-border transfers for family members or business operations in Mexico. In response to the subpoenas issued by financial regulators, Citigroup reportedly removed eleven Banamex USA officials and decreased its activities along the border, reducing vital access to financial services.

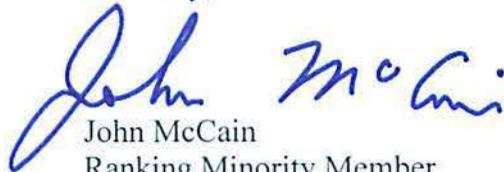
I understand the difficult task that institutions like Citigroup face in keeping illicit funds out of our financial system. However, as regulatory pressures increase and compliance costs continue to rise, it is crucial for the economic vitality of border communities that local businesses continue to have access to necessary banking services.

In order to address this issue, please provide responses to the following questions:

1. How many branches has Citigroup, or its affiliates, closed in states bordering Mexico since 2012? Please note the locations of closed branches and the reason for closing each.
2. What are the primary reasons why your company decided to close its branches in Arizona border communities?
3. To what extent are branch closures in border communities due to regulatory or statutory requirements or compliance costs? Please detail the applicable regulations or statutes driving such costs.
4. Does Citigroup have different banking procedures in place for cross-border transactions with Canada from cross-border transactions with Mexico? If so, how do they differ?

Thank you for your attention to this important matter. If you have any questions or concerns, please have your staff contact Jack Thorlin, Counsel to the Minority, Permanent Subcommittee on Investigations, at 202/224-2224.

Sincerely,

A handwritten signature in blue ink that reads "John McCain". The signature is fluid and cursive, with the first name "John" written in a larger, more prominent script than the last name "McCain".

John McCain
Ranking Minority Member
Permanent Subcommittee on Investigations