



[www.publiceye.ch](http://www.publiceye.ch)

**Nominated for the Public Eye Award 2006  
in the category:**

**T A X E S**

**Nominated by: Tax Justice Network, London,  
UK**

## **Citigroup Inc.**

Headquarters:	New York, USA (Citigroup consists of Citibank, Diners Club and Banamex, among others)
Branch:	Financial services
Turnover / net profit 2004:	US\$ 113 billion / US\$ 17 billion
CEO:	Charles O. (Chuck) Prince III
Owned by:	Publicly-traded corporation; one of its primary shareholders is Saudi Prince Al Walid Ibn Talal, nephew of the late King Fahd and largest foreign investor in the U.S.
Employees 2004:	300,000
WEF-Participant 2006:	yes

### **Summary**

*Citigroup subsidiary Citibank, the largest non-Swiss private bank, has helped wealthy individuals, corporations, corrupt dictators and criminals to discretely avoid tax authorities and invest their money abroad. In many cases, funds flowed into the numerous offshore companies of Citigroup located in tax havens. For the Tax Justice Network, ethical conduct would require that Citigroup stops abetting tax evasion and money laundering.*

### **Information on the case and characteristics of irresponsible corporate behavior**

#### **Nigeria**

Since 1988, Citibank maintained secret bank accounts for the family of the late Nigerian dictator Sani Abacha. As two of Abacha's sons attempted to deposit US \$150 million at Citibank in London, the bank appeared not to be interested in the origin of the money. Moreover, as authorities began to investigate the dictator's financial transactions, Citibank advised the sons to transfer their money elsewhere.

#### **Russia**

According to a report from the U.S. Government Accountability Office (GAO), Citigroup and the Commercial Bank of San Francisco accepted deposits of over US \$1 billion from companies located in the U.S. state of Delaware, which were actually phantom companies whose only purpose was to channel money from Russia into the American banking system. The companies received the funds from Russian brokers in Eastern Europe on behalf of Russian corporations or individuals. According to the GAO, the aim of the transfers was to evade taxes or to launder proceeds from organized crime.

## Argentina

In 2001, Argentina was unable to repay loans on schedule, which led to the freezing of bank accounts and mass demonstrations against the government. Analysts traced this financial crisis back to massive tax evasion and corruption. A portion of these funds, diverted by the state, was laundered by two banks in the Cayman Islands and the Bahamas. Both banks maintained accounts at Citibank.

## Enron

Citibank established the commercial firm Delta Corporation in the Cayman Islands, which was in fact a phantom company used by the (by then bankrupt) U.S. energy corporation Enron to disguise US \$ millions worth of fund transfers as commercial transactions. In each case, Enron made advance payments to Delta for delivery of goods or services that never followed. As a result, US \$4.8 billion did not appear in Enron's books.

## Consequences

The wheeling and dealing of Citigroup has denied the U.S. government of considerable tax revenues, and contributed significantly to the accumulation of debt in developing countries. These practices allowed dictator Abacha to steal roughly US \$5 billion from Nigeria and simultaneously burden the country with billions in debts. Today, approximately 70 out of 130 million Nigerians live in poverty.

Roughly 21,000 employees lost their jobs as a result of the Enron collapse. The government's pension insurance agency was forced to write off US \$24 million that no longer exist for pension schemes. In Argentina, the scope of tax fraud and capital flight via offshore financial centers and state corruption is estimated at US \$10 billion.

## Current status and demands

Citigroup is represented by innumerable subsidiaries in tax havens such as the Bahamas, the Cayman Islands, Luxembourg and Switzerland. For the Tax Justice Network, a first step towards ethical corporate conduct would be for the corporation to refrain from the practice of establishing subsidiaries in such tax havens in the future.

**Detailed nomination: [www.publiceye.ch/nominierungen](http://www.publiceye.ch/nominierungen)**

**Further information and links:**

- [www.taxjustice.net](http://www.taxjustice.net)