

**CAPITAL MARKETS APPROVAL COMMITTEES**  
**Form of Minutes/Follow-Up**

**CMAC Reference (#):** CDS on MBS/ABS / CUS0088

**Meeting Date:** 11-Jan-2006

**Product / Transaction:** CDS on MBS/ABS

**CMAC Location:** Americas

**Business Unit:** Global Securitized Markets (NY)

**Business Manager:** Randall Costa

**Business Sponsor:** Jeffrey A Perlowitz - BUM

**Legal Entity:** CBNA - Citibank NA - New York Branch

**Legal Vehicle Policy Approval Required: (Y/N)** N

**Covered Transaction under the Structured Finance Policy: (Y/N)** N

**Tax Standards for Tax Sensitive Products or Strategies Applicable: (Y/N)** N

**Approval under OTC Derivatives Sales Practices Policy Required: (Y/N)** N

**Firm Investment Policy Applicable: (Y/N)** N

**Meeting Attendees**

**NY Committee Members**

Steve	Bujno	Global CMAC Chair
Ramesh	Gupta	Market Risk
Scott	Flood	Legal
Susan	Grbic	Tax
Joe	Martinelli	Treasury
Frank	Marsigliano	Financial/Product Control
Hugh	Conroy	US Regulatory Counsel

**NY Committee Members Absent (Represented by)**

Trishna	Patel	NY CMAC Coordinator	Heather-Anne Hubbell
Chris	Dark	Compliance	Thomas Devine
			Avery Kranz
Steve	Young	Accounting Policy	Bret Dooley
Bill	Aprigliano	Accounting Policy	
Mike	O'Donnell	Credit Risk	Peter Anguilla
			John Pawlowski
			Mary Ambrecht
Chris	Childs	Operations	
Joseph	Forlenza	Audit	
Carl	Klein	IRM	
Tim	Browne	Market Risk Reporting	
Todd	Miller	Market Risk Reporting	
John	Gilliland	Structured Products Risk Management	
Bob	Martin	Commitments Committee	
Farhang	Mehregani	Equity Risk Management	

**NY Guests**

Myongsu	Kong	Legal
Anna	Choe	Legal
Tony	Tuths	Tax
Audrey	Klein	Tax
Thomas	Layton	Financial/Product Control
Gary	Mandelblatt	Market Risk
Paul	Smiley	Market Risk

**Presenters**

Mark	Tsesarsky	Fixed Income
James	Demare	Mortgages
Gabriella	Demenyi	Fixed Income – In Business Control
Randall	Costa	Global Securitized Markets
Craig	Fuoco	Global Securitized Markets
Michael	Golding	Global Securitized Markets
Stuart	Goldberg	Asset Backed Finance

**Part 1 - Sponsor's Transaction Memo**



CDS ABS-MBS  
Summary Jan 9 06.doc

**Part 2 - Minutes of CMAC discussion.**

**1. Summary of proposal**

The GFI Global Securitized Markets Mortgage Trading Desk seeks authorization to hedge with, and make markets in, Credit Default Swaps with Mortgage and Asset Backed Securities as their reference securities, whether on a single-name reference basis, or with reference to ABS indices ( ABS comprises both Mortgage and Non-Mortgage Asset Backed Securities). The Mortgage Trading Desk has represented Citigroup as a member of the dealer group that has developed the ABX index, and plans to continue to act as consortium member and participant in the ABX index market and the affiliated markets in similar indices that are planned to develop under the framework of the ABX initiative. No capital investment is required for such participation, only payment of license fees and adherence to market rules.

**2. Summary of significant issues/concerns raised by committee members**

- 1) This is an existing product but will be transacted by a new business and the product is also being expanded. As a result, the OCC needs to be notified prior to the first transaction being executed. (see follow up no. 1)
- 2) The business indicated that this product will be supported by derivatives middle office and operations and that test trades have been run through the entire process successfully.

- 3) Financial Control to confirm that the process of reporting with respect to single name transactions is satisfactory. (see follow up no. 3)
- 4) The business noted that the volumes are uncertain but that there is potential for significant growth and they do not want to overburden the booking systems. Limit set at 500 index trades and 100 single name trades per month. Should the business wish to increase these limits it must return to CMAC for further review. (see condition no. 1)
- 5) Although this has a market risk level 1 model limit, it should also be a high priority for approval of a level 2 model validation. If within 6 months of commencement of trading, level 2 model validation is not yet complete, then the business must review recovery and hazard rates and confirm that these are in line with the level 1 validation assumptions. (see condition no. 2)
- 6) Financial Control has provided a number of on-going criteria which must be complied with by the business on an on-going basis and which are subject to change in the event that any issues arise. (see condition no. 3)
- 7) DVO1 spread bank trigger of \$2MM/bp.(see condition no. 4)
- 8) Business must come back to CMAC if existing positions are to be moved to CGMI. (Hugh Conroy) (see condition no. 5)
- 9) It was agreed that while the business and control functions had already agreed on triggers and limits, there should be an escalation if they hit or exceed those limits to Mark Tsesarsky and Geoff Coley in the business and to Hugh Conroy in US Banking Regulatory and Don Bendernagel in Legal.
- 10) Collectively the various control functions have considered the infrastructure required for the anticipated volumes and are willing and able to support those volumes. Operations has approval for incremental resources, and will escalate if they experience any problems with volumes, although none are expected.
- 11) Compliance indicated that the POS needed to be updated within 30 days of approval, and that the RCSA would also need to be adjusted to take into account this product.
- 12) Market Risk indicated that the product will get VAR based treatment from RAP asset perspective because MRMS calculates the risk, however it does not do the pricing. There must be a reconciliation process to ensure that the price is the same in MRMS and the spreadsheet until such time as the spreadsheet issue can be remediated.
- 13) Financial control indicated that there will be ongoing monitoring regarding limits and the automated price delivery into systems to ensure the process works smoothly.
- 14) The business was asked to split out the single name and index risks in CDS so MRMS can be properly monitored.

3. Any franchise or reputation issues raised and discussed

The CMAC Chair asked the Committee if they saw any franchise risk issues with this transaction/business and none were raised.

4. Disclosure requirements for transactions under the Structured Finance Policy

None

**Part 3 - CMAC's decision regarding whether and under what conditions the proposed transaction may go forward (From Meeting Decision)**

- Proposal approved without qualifying conditions.
- Proposal approved, subject to satisfying resolution of follow up items.
- Proposal approved, subject to ongoing limitations, restrictions/or conditions.
- ✓ Proposal approved subject to satisfactory resolution of follow up items and ongoing limitations, restrictions or conditions.
- Proposal requires further work and must be resubmitted.
- Proposal not approved.

**Part 4 - Follow up items to be completed/satisfied prior to execution**

<u>Item</u>	<u>Responsible Persons - Business Unit</u>	<u>Responsible Persons - CMAC</u>	<u>Confirmation of Completion* (Date Received)</u>
1 This is an existing product but will be transacted by a new business and the product is also being expanded. As a result, the OCC needs to be notified prior to the first transaction being executed.	Jeffrey A Perlowitz - BUM	Gary Mandelblatt (Market Risk)	18-Jan-2006
2 Credit needs to confirm that they have resolved any outstanding issues with respect to the insertion of a break clause in the documents.	Jeffrey A Perlowitz - BUM	John Pawlowski (Credit Risk)	13-Jan-2006
3 Financial Control to confirm that the process of reporting with respect to single name transactions is satisfactory.	Jeffrey A Perlowitz - BUM	Frank Marsigliano (Financial/Product Control)	18-Jan-2006

\* Must be supported by documentary evidence (memo, email, etc.) provided by Sponsor to Coordinator

Note: The Business Sponsor is responsible for ensuring that any follow-up items are resolved. Prior to the initial transactions in the new product or execution of the complex transaction, the business sponsor must confirm completion of all the follow up points to the CMAC Coordinator supported by documentary evidence (memo, e-mail etc.), and obtain an "execution go ahead" email from the CMAC Coordinator.

**Part 5 - Limitations or restrictions or other ongoing conditions:**

<u>Nature of Limitation</u>	<u>Responsible Persons - Business Unit</u>	<u>Responsible Persons - CMAC</u>
1 Limit set at 500 index trades and 100 single name trades per month. Should the business wish to increase these limits it must return to CMAC for further review.	Jeffrey A Perlowitz - BUM	Mary R. Ambrecht (Operations)
2 Within 6 months of commencement of trading, business must review recovery rates and confirm that these are in line with the anticipated recover rates determined by the model validators. Although this has a market risk level 1 model limit, it should also be a high priority for approval of a level 2 model validation.	Jeffrey A Perlowitz - BUM	Paul Smiley (Market Risk)
3 Financial Control has provided a number of on-going limits and criteria which must be complied with the business and	Jeffrey A Perlowitz -	Frank Marsigliano (Financial/Product

<u>Nature of Limitation</u>	<u>Responsible Persons - Business Unit</u>	<u>Responsible Persons - CMAC</u>
are subject to change in the event that any issues arise on an on going basis.	BUM	Control)
4 DVO1 spread bank trigger of \$2MM/bp	Jeffrey A Perlowitz - BUM	Paul Smiley (Market Risk)
5 Business must come back to CMAC if this product is to be moved to CGMI.	Jeffrey A Perlowitz - BUM	Hugh Conroy (US Regulatory Counsel)

\* Must be supported by documentary evidence (memo, email, etc.) provided by Sponsor to Coordinator

Part 6 - Execution date/product initiation date:  
18-Jan-2006