

# Information on the Proposed Merger of Citibank International Limited and Citibank Europe plc



This leaflet has been created to provide you with more information regarding the Merger of Citibank International Limited ("CIL") into Citibank Europe plc ("CEP"). It also:

1. Summarises certain changes to our regulatory framework as a result of the Merger;
2. Highlights the changes between your existing and new Terms and Conditions; and
3. Provides answers to any questions you may have.

Please take the time to read this leaflet.

## Introduction

As a global bank, it is important for us to be constantly working towards becoming simpler, safer and stronger within the countries we operate and there are a number of reasons why Citi is progressing with this Merger.

From a strategic perspective for Citi, moving to a single pan-European bank will mean we can provide a single point of entry to Citi's EU passported bank for the banking products and services offered, whilst simplifying our legal structure. Assuming that the Merger goes ahead, CEP is expected to have branches in 21 different countries and your accounts will be held with the UK Branch of CEP.

## Deposit Guarantee Scheme

There are some differences between the UK deposit guarantee scheme (the "FSCS") and the Irish deposit guarantee scheme administered by the Central Bank of Ireland that will apply following the Merger.

Currently the deposit protection limit in the UK is £85,000, but you may be aware it has been announced that the FSCS deposit protection limit will change from £85,000 to £75,000 for most depositors from 1 January 2016.

However, from 1 January 2016 your deposits with CIL will be migrated to CEP and it will be the Irish deposit guarantee scheme and Irish protection limit (which is expected to be €100,000) that will apply.

If you have total eligible deposits of more than €100,000 (or equivalent in local currency) with Citibank International Limited, you are unlikely to be fully protected after 1 January 2016 so you may need to take action if you wish to be fully covered.

You may withdraw or transfer any eligible deposits (including any accrued interest and other benefits) in excess of €100,000 (or equivalent in local currency) to another bank or institution without incurring any penalty, provided that you make that withdrawal or transfer within 3 months of the date the Merger takes place (1 January 2016).

If you would like to exercise your right to make a withdrawal or transfer without penalty, you will need to contact your Relationship Manager or CitiPhone so that we can make the necessary arrangements for you.

Further information regarding the protection provided by FSCS and how this may change as a result of the Merger is set out below.

### General limit of protection

Currently under the FSCS, your eligible deposits held at the same UK bank, building society or credit union are added up in order to determine the coverage level. If, for instance, you hold eligible deposits in a savings account with £70,000 and a current account with £20,000, you will only be repaid £85,000 (or £75,000 for most depositors if the deposit is held with a UK bank, building society or credit union after 31 December 2015).

From 3 July 2015 until 31 December 2015:

The FSCS protects most depositors, including individuals and small companies, up to £85,000.

From 1 January 2016:

We expect the Irish scheme will protect most eligible depositors up to a total of €100,000. Any deposits you hold above the limit are unlikely to be covered.

You will need to count deposits migrated from CIL together with deposits already held in another country branch of CEP, to calculate whether the combined amount would be in excess of the €100,000 limit.

### **Temporary high balances**

Under the UK rules, in some cases, an eligible deposit which is categorised as a “temporary high balance” (for example, as a result of a house sale, inheritance, or insurance payment) may be protected to a higher limit for six months after the amount has been credited to your account or from the moment when such eligible deposits become legally transferable. This applies from 3 July 2015. See the FSCS website for full details.

Similarly, European rules require Ireland to temporarily protect deposits which arise in certain limited circumstances (such as a house sale) above the usual €100,000 limit. Depending on exactly how Ireland implements these European rules, “temporary high balances” will be protected for between 3 and 12 months after the amount has been credited to your account, or from the moment when such eligible deposits become legally transferable. It is not yet clear exactly how Ireland will implement these rules but your protection under the Irish scheme should be broadly equivalent.

### **Further information**

The categories of eligible and not eligible deposits under UK rules are set out on the FSCS's website at <http://www.fscs.org.uk/what-we-cover/eligibility-rules/>

The categories of protected and not protected deposits under the Irish scheme are set out on the Central Bank of Ireland's website at <http://www.centralbank.ie/paycurr/paysys/dgs/pages/about.aspx>

### **Reimbursement**

The FSCS aims to repay your eligible deposits (up to the compensation limit) within 7 days, and is required to do so within 20 working days (with some exceptions).

Similarly, under the Irish compensation scheme, eligible depositors must be compensated (up to the compensation limit) within 20 working days.

### **Contact**

If you have any questions regarding the change in the UK compensation limit, please contact the FSCS at 10th Floor Beaufort House, 15 St Botolph Street, London, EC3A 7QU, Tel: 0800 678 1100, Email: [ICT@fscs.org.uk](mailto:ICT@fscs.org.uk), Website: <http://www.fscs.org.uk>.

If you have any questions regarding the Irish scheme, please contact the Central Bank of Ireland at PO Box 11517, Spencer Dock, North Wall Quay, Dublin 1.

## Other Compensation Schemes

As with the deposit guarantee scheme, there are some differences between the Irish and the UK compensation schemes with regards to losses relating to the provision of investment and non-investment insurance intermediation services.

The main difference is that the Irish scheme provides for the return of 90% of the value of an investor's net loss up to a maximum of €20,000 whereas, for protected investment business, the UK scheme provides for a return of 100% of the loss up to a maximum of £50,000.

In addition, for protected non-investment insurance business, the UK scheme provides 100% of the loss with no upper limit where claims arise:

- (a) in respect of a liability subject to compulsory insurance; or
- (b) in respect of a liability subject to professional indemnity insurance; or
- (c) from the death or incapacity of the policyholder due to injury, sickness, or infirmity.

Where claims arise under other types of policy, the UK scheme provides for the return of 90% of the loss with no upper limit.

Due to the difference between the Irish and UK schemes, we have decided to apply to the FSCS to top up the limit of protection for investment and non-investment insurance mediation business to maintain the same level of cover as you currently have under CIL. We will provide you with further details on our application in due course and, if successful, how this would operate.

## Client Asset Protection

If you hold investments through us, you would have received a separate communication from us notifying you of certain changes to the UK Client Asset Regime ("CASS") which came into effect earlier this year. These changes, as they currently relate to CIL, will continue to be in full force and effect until the effective date of the Merger.

Following the Merger, CEP (and its UK branch) will provide you with the services that you currently receive from CIL. However, in general, the Irish legislation giving effect to certain European rules ("Irish requirements") will be the legal and regulatory standard for client asset protection that will apply across CEP (and its branches), as it already is today.

Notwithstanding the currently more prescriptive nature of the CASS rules in the UK, the Irish requirements require very similar levels of rigor: Irish requirements require CEP to clearly demonstrate that it has robust governance structures, segregates client assets and has adequate controls and procedures. These elements will be the subject of external audit in accordance with Irish requirements but also to the specific scrutiny of the Central Bank of Ireland.

Given this background, we intend to put in place a common operating model to address client asset protection and the experience of the CASS environment in the UK has helped to demonstrate how to achieve this. For consistency, CEP (and its UK branch) will adopt the common operating model alongside Citi's UK regulated vehicles Citibank N.A., London Branch and Citigroup Global Markets Limited. The latter two legal vehicles will continue to be subject to CASS.

There are some differences between CASS and Irish requirements but we plan to address many of these issues in a uniform manner via the common operating model. So, for example, reports will be produced which are similar to the reports that are produced by CIL today for the FCA, albeit that going forward these reports will be produced for CEP's internal governance purposes and senior management review rather than for regulatory scrutiny. There are some residual aspects of the CASS regime which will not be continued as part of the common operating model. For example, whilst CEP will develop processes for identifying shortfalls in client assets, CEP would not be required to set aside cash as client money in the exceptional event that a shortfall in client assets was

identified. However, these aspects do not affect the fundamental protection of your client assets, which is currently provided for by CASS and which will continue to be provided for by the Irish requirements. In other words, following the Merger your assets will continue to be protected in the event of CEP's insolvency.

If you additionally receive services from other Citi entities, such as Citibank N.A., London Branch (and the current client asset protection regimes applicable to those services), these will not be changing as a result of the Merger.

## Conduct of Business Rules

CIL is currently subject to a number of conduct of business rules when providing services to you. These conduct of business rules impose certain obligations on CIL and provide you with certain rights and protection. Currently UK rules apply to the provision of our services and, if you are located in the UK, this will not change. If you are located outside the UK, following the Merger, Irish conduct of business rules will apply to the provision of certain services by the UK branch of CEP rather than UK rules which currently apply to CIL.

However, whilst there may be some differences between UK and Irish conduct of business rules, both sets of rules are based on common standards set by European law and, in practice, we do not anticipate any material change to our obligations or the rights and protections afforded to you by those rules.

## Complaints

Our internal complaints procedures will not change as a result of the Merger. If you are a resident of the UK you will continue to contact the Financial Ombudsman Service in the UK if, after you have given us the opportunity to put things right, we are unable to resolve a complaint to your satisfaction.

If you are resident outside of the UK, you may apply to the UK Financial Ombudsman Service (as above) who may accept your complaint or refer you to the Financial Services Ombudsman in Ireland. Alternatively, you may apply to the Irish Financial Services Ombudsman directly instead. Contact details for both are in your new terms and conditions.

## Data Protection

The Merger will not, in itself, affect the data protection rules applicable to any personal information that we process in providing services to you - CEP will simply take on the data protection responsibilities of CIL.

## Withholding Tax

It is not generally expected that, as a result of the Merger, additional withholding tax should be levied on either CEP's payments to clients or clients' payments to CEP (or that withholding tax imposed by jurisdictions other than the UK will apply on such payments) in connection with the majority of products offered by CEP. However, such withholdings obligations arising cannot be excluded.

It should be noted that the withholding tax position of clients with respect to interest payments made on loans following the Merger (which will involve the migration of loans from CIL to CEP UK Branch) may change, as such the position will depend on, among other things, the country of residence of the borrower, whether that country has entered into a double tax treaty with the Republic of Ireland and the availability of any domestic law exemptions.

If you are concerned about your withholding tax position in respect of payments following the Merger, you should contact your tax advisor as Citi does not provide tax advice.

## Your New Terms & Conditions

Your new terms will become effective on completion of the Merger. We expect this to be on or around 1 January 2016 but will write to you with confirmation nearer the time.

The changes we have made to our "General Terms and Conditions for Citi current accounts and savings accounts" reflect the fact that following the successful completion of the Merger your contract will be with CEP UK Branch. There are also amendments that reflect the changes described in this leaflet:

- How we are regulated (see condition 34);
- Complaints procedure (see condition 35); and
- Deposit protection (see condition 36).

We have also taken the opportunity to update condition 22.9 to reflect the fact that following the Merger the relevant limit in connection with lost or stolen cards becomes €75 instead of £50. We have also updated condition 26.4 to clarify that we may block or close your Account if you do not provide us with information that we may reasonably require in order to comply with any Applicable Law.

There are no changes to your "Account Specific Terms and Conditions" or "Rates and Charges" documents as a result of the Merger.

If you use our wealth management service, you will find amendments to the following clauses in our "Terms of Business for Investment and Insurance Services":

- How we are regulated (see clause 1 and schedule 1 clause 2);
- Compensation (see clause 1.9);
- Complaints (see clause 1.10); and
- Client Asset protection (see clauses 2.21, 2.22 and schedule 3 client money; amendments include removal of provisions requiring us to set aside cash as client money in the exception event that a shortfall in assets is identified).

We have also taken the opportunity to amend the definition of "Plan Manager" in the terms, to account for the proposed transfer of the management of your Investment ISA from CIL to CEP UK Branch. We have amended the definition of Applicable Law to include the Irish European Communities (Markets in Financial Instruments) Regulations 2007 ("MIFID Regulations"). Finally, we have included a new clause 4.2 with regulatory information relating to our Insurance Advisory Service and amended clause 4.4.1.1 to inform you that Citi does not provide advice based on a comparison of insurance products and providers available in the market. In any event we tell you the scope of our service before we provide you with advice.

Please note that your current terms will continue until the successful completion of the Merger.

## General Questions and Answers

### How would the Merger work?

The Merger would take effect under the European Cross-Border Merger Directive (2005/56/EC), as implemented in the UK and Ireland. The Merger would be a court-approved process with applications being made to the English and Irish courts, as well as CIL and CEP shareholder approval being sought. At the final stage of the court process, the Irish court would consider and, if thought fit, approve the Merger. The Merger would have the effect of transferring all of CIL's assets and liabilities to CEP, following which CIL would be dissolved by operation of law.

### What does this mean for my relationship with CIL?

There will be no material impact on the services we provide to you. In general, existing contractual arrangements you have with CIL will migrate automatically to CEP. As your existing contractual relationship is with CIL's head office in London, Citibank Europe plc's UK branch would continue this relationship.

### **When would the Merger likely take place?**

The Merger effective date is anticipated to be on 1 January 2016.

### **Is the Merger final?**

No, currently the Merger of CIL and CEP is subject to certain approvals including the approval of the Irish courts.

### **Why would the combined entity be domiciled in Ireland and not in the UK?**

Citi conducted a careful review of this question and considered a number of factors, including capital requirements, ability to passport services and business mix. The conclusion of the process identified CEP as the optimal choice as the surviving entity.

### **Who will be the relevant regulator following the Merger?**

Citibank Europe plc is authorised by the Central Bank of Ireland under reference C26553 and by the Prudential Regulation Authority. It is subject to supervision by the Central Bank of Ireland, and subject to limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority are available from us on request.

### **What are the registered addresses of CEP?**

Citibank Europe plc, UK Branch is registered as a branch (registration number FC032763) in the register of companies for England and Wales. The registered address in the UK is Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. Citibank Europe plc is registered in Ireland with number 132781, with its registered office at 1 North Wall Quay, Dublin 1.

### **When will you update me on the final decision?**

We plan to write to you again before the end of the year, once we learn whether the Merger has final approval.

### **What do I do if I am unhappy about the Merger?**

If, after considering all of the information we have provided, you are unhappy about maintaining your account with CEP after the merger, please contact us and we can help you make the arrangements necessary to close your account.

## **Products & Services Questions and Answers**

### **Will this change how Citi interacts with me?**

No, we do not anticipate any material change to the services we provide to clients.

### **Will my account number stay the same?**

Yes, your account number and IBAN will stay the same, as will our sort code and BIC/SWIFT code.

### **Will I still be able to use my debit card?**

Yes, your debit card will carry on working. No new debit cards will be issued directly as a result of the Merger but new replacement cards will be issued in the ordinary course.

### **Will the cheques I have continue to be accepted?**

Yes, as with debit cards, new or replacement cheque books will be issued in the ordinary course but not directly as a result of the Merger.

### **What would happen to my UK ISA?**

Subject to HMRC approval, we are planning to transfer the management of your ISA from CIL to CEP. We will provide you with further details on this transfer in due course.

**Will the way I contact Citi change?**

No, you will continue to contact us in the way you normally do.

**Will I receive a new set of Terms and Conditions?**

Yes, Terms and Conditions in the name of the new UK branch of CEP have been provided and a summary of the changes from your existing terms has been highlighted within this document.

If the Merger is delayed or rejected, your existing Terms and Conditions will continue to be effective unless we write to you advising otherwise.

**Will there be a change to the current product and services I receive as a result of the Merger?**

No, there will be no material changes to the products and services offered as a result of the Merger.

**Will Citibank Europe plc provide the same credit lines to clients as they do currently?**

Yes, credit lines extended by CIL will transfer to CEP on the effective date of the Merger.

**What would happen in respect of any security I have granted you as part of a secured loan?**

Where you have granted security or collateral to CIL, this will transfer to CEP upon the Merger and we do not anticipate you needing to take any steps to reflect the change in beneficiary. We may, however, need to take some administrative steps to update security registers with the change in details but this should not affect our priority or otherwise affect the date from which the security is valid.

**Who can I speak to if I would like advice on this matter?**

This leaflet is not intended to provide legal or tax advice (and you should not rely on it as such); it is intended only to provide you with information about the Merger and to highlight certain considerations the Merger may have for our clients and our ongoing business relationship. We therefore recommend that you seek advice from your professional advisors if you have any questions or concerns regarding the information we have provided in this communication.