Citigroup Global Markets Limited

Pillar 3 Disclosures

30 September 2019

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1. Overview

The following tables and notes contained in this document represent the Pillar 3 disclosures for the quarter ended 30 September 2019, for Citigroup Global Markets Limited (CGML), Citi's principal UK operating subsidiary.

The disclosures are made in accordance with Part 8 of the Capital Requirements Regulation (CRR) within the Capital Requirements Directive (CRD IV) package and the European Banking Authority (EBA) revised Pillar 3 disclosures guidelines (EBA/GL/2016/11). The disclosures are published in the Investor Relations section of Citi's website.

In accordance with the EBA guidelines, this report is produced and published quarterly, with increased disclosures in the semi-annual and annual publications. These disclosures were verified and approved internally in line with Citi's internal EU Pillar 3 Standard which outlines the principles and minimum standards to be applied when developing a set of Pillar 3 disclosures for legal entities within the EU.

CGML is Citi's international broker dealer, providing products and services for institutional clients. It is a market maker in equity, fixed income and commodity products across cash, over-the-counter (OTC) derivatives and exchange traded markets, as well as a provider of investment banking capital markets and advisory services.

These disclosures do not constitute any form of financial statement and must not be relied upon in making any investment in or judgement on the group or any entity within the group.

Transitional arrangements for the adoption of IFRS 9

CGML has decided not to apply the transitional arrangements introduced by regulation (EU) 2017/2395 for mitigating the impact of IFRS 9 on own funds and the treatment of certain large exposures. CGML has concluded that the impact of IFRS 9 adoption is immaterial; and therefore the reported own funds, capital and leverage ratios already reflect the full impact of IFRS 9.

This decision reflects the nature of CGML's business and, in particular, the absence of a loan book on its balance sheet.

CGML maintains regulatory capital which is comfortably above the minimum regulatory requirements.

Table 1: Key Metrics for CGML

	Available capital (amounts)	Sep-19 $ million	Jun-19 $ million	Mar-19 $ million	Dec-18 $ million
1	Common Equity Tier 1 (CET1)	14,547	14,501	13,966	13,959
2	Tier 1	16,847	16,801	16,266	16,259
3	Total capital	21,447	21,401	20,866	20,859
	Risk-weighted assets (amounts)				
4	Total risk-weighted assets (RWA)	145,837	146,596	143,406	131,022
	Risk-based capital ratios as a percentage of RWA				
5	Common Equity Tier 1 ratio (%)	9.97%	9.89%	9.74%	10.65%
6	Tier 1 ratio (%)	11.55%	11.46%	11.34%	12.41%
7	Total capital ratio (%)	14.71%	14.60%	14.55%	15.92%
	Additional CET1 buffer requirements as a percentage of RWA				
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	1.88%
9	Countercyclical buffer requirement (%)	0.49%	0.41%	0.43%	0.42%
10	Bank G-SIB additional requirements (%)	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.99%	2.91%	2.93%	2.29%
12	CET1 available after meeting the bank's minimum capital requirements (%) [1]	1.31%	1.29%	1.15%	2.38%
	Basel III Leverage Ratio [2]				
13	Total Basel III leverage ratio measure	438,335	412,256	438,607	418,231
14	Basel III leverage ratio (%) (row 2/row 13)	3.84%	4.08%	3.71%	3.89%
	Liquidity Coverage Ratio [3]				
15	Total HQLA	19,714	21,260	18,862	19,832
16	Total net cash outflow	9,864	11,944	11,438	12,392
17	LCR ratio (%)	199.85%	178.00%	164.91%	160.04%

1. The CET1 available after meeting minimum capital requirements for December 2018 has been amended to reflect the availability of Tier 2 capital to meet certain capital requirements.
2. Leverage ratio exposure is disclosed on a fully phased-in basis in accordance with the EU delegated act.
3. Please note that LCR daily average is calculated for CGML solo entity as consolidated LCR is not monitored on a daily basis (only monthly).

2. Own Funds and Capital Adequacy

As at 30 September 2019, CGML complies with the CRD IV minimum capital requirements to ensure that sufficient capital is maintained to cover all relevant risks and exposures. For this purpose, the firm calculates capital requirements for market risk, counterparty risk and operational risk as well as the other risks as per the CRR based upon a number of internal models and standardised approaches.

To assess the adequacy of capital to support current and expected future activities, the firm produces regular capital forecasts for CGML, taking into account both normal business conditions and a variety of stressed scenarios. On at least an annual basis CGML prepares an Internal Capital Adequacy Assessment Process (ICAAP) document that sets out its risk appetite, capital requirements and associated policies and procedures.

The following table sets out CGML's Pillar 1 minimum capital requirements and Risk Weighted Assets (RWAs).

Table 2: OV1 - Overview of RWAs

This table provides an overview of total RWAs forming the denominator of the risk-based capital requirements calculated in accordance with Article 92 of the CRR.

		RWAs Sep-19 $ million	RWAs Jun-19 $ million	Minimum capital requirements Sep-19 $ million
1	Credit risk (excluding CCR)	3,160	3,186	253
2	Of which the standardised approach	3,160	3,186	253
6	CCR	79,650	79,736	6,372
7	Of which mark to market	62,206	61,132	4,976
10	Of which internal model method (IMM)	9,156	8,898	733
11	Of which risk exposure amount for contributions to the default fund of a CCP	383	347	31
12	Of which CVA	7,905	9,360	632
13	Settlement risk	73	102	6
14	Securitisation exposures in the banking book (after the cap)	89	102	7
18	Of which standardised approach	89	102	7
19	Market risk	40,040	40,085	3,203
20	Of which the standardised approach	26,323	28,436	2,106
21	Of which IMA	13,717	11,649	1,097
22	Large exposures	3,577	4,115	286
23	Operational risk	19,248	19,270	1,540
25	Of which standardised approach	498	520	40
26	Of which advanced measurement approach	18,750	18,750	1,500
29	**Total**	145,837	146,596	11,667

RWAs remained largely stable across the period, both in total and between categories.

3. Counterparty Credit Risk

For UK regulatory reporting purposes, CGML uses the standardised approach in determining counterparty credit risk capital requirements, based on External Credit Assessment Institution (ECAI) ratings for calculating RWAs. The measures of Exposure at Default (EAD) used to determine these requirements are described below.

For Over-The-Counter (OTC) derivatives, CGML uses two approaches: Internal Model Method (IMM) and Current Exposure Method (CEM). For IMM, the firm uses a constant covariance Monte Carlo simulation of potential future exposure to determine an effective expected positive exposure (EEPE) measure as an input to Citi's EAD calculation. The model is calibrated with historical volatilities subject to a set of independent internal validation and statistical back-testing standards. Additionally, the model utilises a standard supervisory alpha multiplication factor of 1.4. For those positions which fall outside of the scope of the firm's IMM model permission, CGML uses the CEM approach. This method assigns to each transaction a regulatory stipulated exposure based on the mark-to-market value and a measure of potential future exposure using a percentage of notional driven by residual maturity and the type of contract.

For Securities Financing Transactions (SFTs), CGML applies a supervisory volatility adjustment under the financial collateral comprehensive method for calculating its EAD. The calculation equals exposure less collateral after applying regulatory haircuts for security volatility adjustments and any applicable currency mis-matches. The EAD is then used to calculate RWAs using the standardised approach.

Table 3: CCR7 - RWA flow statements of CCR exposures under the IMM

This table presents a flow statement explaining changes in the CCR RWAs determined under the IMM for CCR (derivatives) in accordance with Part Three, Title II, Chapter 6 of the CRR.

		Sep-19		Jun-19	
		RWA amounts $ million	Capital requirements $ million	RWA amounts $ million	Capital requirements $ million
1	**RWAs as at the end of the previous reporting period**	**8,898**	**712**	**9,452**	**756**
2	Asset size	273	22	(540)	(43)
3	Credit quality of counterparties	(15)	(1)	(14)	(1)
4	Model updates (IMM only)	-	-	-	-
5	Methodology and policy (IMM only)	-	-	-	-
6	Acquisitions and disposals	-	-	-	-
7	Foreign exchange movements	-	-	-	-
8	Other	-	-	-	-
9	**RWAs as at the end of the current reporting period**	**9,156**	**733**	**8,898**	**712**

During Q3 2019, CCR RWAs increased by $258 million predominantly due to an increase in exposures valued under the IMM, with a slight reduction due to changes in the credit quality of a small number of counterparties.

4. Market Risk

CGML uses a Value at Risk (VaR) model to calculate market risk capital requirements for part of its trading portfolio under an Internal Model Approach (IMA) permission granted by the PRA. The permission covers general market risk and issuer specific risk for a number of Rates, Credit, Equities and Commodities businesses. In addition to VaR based capital requirements, CGML is required to set aside capital in respect of Stressed VaR (SVaR) and the Incremental Risk Charge (IRC). For the remainder of its trading portfolio, foreign currency and commodity positions, CGML uses the standardised method for calculating market risk.

Non-proprietary details of the scope of CGML's IMA permission are available in the Financial Services Register on the FCA website.

Table 4: MR2-B - RWA flow statements of market risk exposures under the IMA

The table presents a flow statement explaining variations in the market RWAs.

		VaR [1] $ million	SVaR [1] $ million	IRC [1] $ million	Compre-hensive risk measure $ million	Other $ million	Total RWAs $ million	Total capital requirements $ million
1	**RWAs at 30 June 2019**	**3,103**	**5,315**	**3,231**	**-**	**-**	**11,649**	**932**
1a	*Regulatory adjustment*	(974)	(624)	-	-	-	(1,598)	(128)
1b	*RWAs at the previous quarter-end (end of the day)*	2,129	4,691	3,231	-	-	10,051	804
2	Movement in risk levels	97	538	173	-	-	808	65
3	Model updates/changes	(23)	323	-	-	-	300	24
4	Methodology and policy	-	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-	-
6	Foreign exchange movements [2]	-	-	-	-	-	-	-
7	Other	-	-	-	-	-	-	-
8a	*RWAs at the end of the reporting period (end of the day)*	2,203	5,552	3,404	-	-	11,159	893
8b	*Regulatory adjustment*	1,233	1,325	-	-	-	2,558	204
8	**RWAs at 30 September 2019**	**3,436**	**6,877**	**3,404**	**-**	**-**	**13,717**	**1,097**

1. Includes Risks Not In VaR (RNIV).
2. As VaR calculations are performed in US dollars, any foreign exchange movements are captured under Movement in risk levels.

During Q3 2019, Market risk RWAs under the IMA approach increased by $2,068 million. This was predominantly due to movement in risk levels resulting from changes in the portfolio composition.