Citigroup Global Markets Limited Pillar 3 Disclosures

30 September 2022

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Introduction

Citigroup Global Markets Limited ("CGML" or "the Company") is a wholly owned, indirect subsidiary of Citigroup Inc. ("Citi"). It is Citi's international broker dealer, providing products and services for institutional clients. CGML acts as 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. CGML operates globally, generating the majority of its business from the Europe, Middle East and Africa ("EMEA") region with the remainder coming from Asia and the Americas.

CGML is authorised by the Prudential Regulation Authority ("PRA") and regulated by the PRA and Financial Conduct Authority ("FCA"). CGML is also a Commodity Futures Trading Commission ("CFTC") and United States Securities Exchange Commission ("SEC") registered swap dealer and is considered a Risk-Taking Operating Material Legal Entity in Citi's Global Resolution Plan.

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.

Overview of Pillar 3

Amending the Capital Requirements Directive ("CRD IV"), the Capital Requirements Directive ("CRD V") came into effect on 27 June 2019 and implements the provisions of the Basel Capital Accord in the European Union (EU) and mandates a framework of capital adequacy regulation for banks and investment firms incorporating three distinct pillars:

- Pillar 1 - prescribes the minimum capital requirements for such firms;
- Pillar 2 - addresses the associated supervisory review process; and
- Pillar 3 - specifies further public disclosure requirements in respect of their capital and risk profile.

Following the UK's departure from the EU, the UK has on-shored certain parts of the Capital Requirements Regulation ("CRR II") and CRD V and has published rules to implement elements of CRR II in the UK which came into effect on 1 January 2022. These disclosures are made in accordance with Part 8 of the CRR as amended by CRR II and transposed through UK legislation in line with the disclosure requirements detailed in the PRA Rulebook. In addition, CGML implemented the disclosure templates and instructions as set out in the final rules published by the PRA in policy statements PS 22/21.

These disclosures are prepared for CGML on a consolidated basis. As at 30 September 2022, Citigroup Global Markets Europe AG ("CGME") was the only material subsidiary of CGML. CGME is authorised and regulated on an individual basis by The Federal Financial Supervisory Authority ("BaFin") in Germany, and became registered with the European Central Bank (ECB) in October 2022.

Frequency of disclosure

CGML is a non-listed large institution as defined by Article 4 (146 and 148) of the CRR and prepares disclosures in the manner set out in Article 433a (2) and 433a (3). CGML publishes Pillar 3 disclosures quarterly, with a more comprehensive disclosure on an annual basis. CGML publishes its Pillar 3 disclosures at:
https://www.citigroup.com/citi/investor/reg.htm

Policy and verification

In accordance with Article 431 (3) of the CRR, CGML's Pillar 3 disclosures are governed under Citi's Basel Public Disclosures Policy and associated Pillar 3 Standard, which together outline the principles and standards to be applied for preparing CGML's Pillar 3 disclosures. The firm operates within a framework of internal controls and procedures for assessing the appropriateness of this disclosure.

Senior Management Attestation

I confirm that I have taken reasonable measures to ensure that the information presented in this Pillar 3 disclosure complies with the requirements of Part 8 of on-shored EU Regulation No.2013/575, 2019/876 (and its subsequent amendments) or Section 4 of PRA rulebook on Disclosure and has been prepared in accordance with the internal control processes, systems and policies detailed in Citi's Basel Public Disclosure Policy and supporting EU Pillar 3 Standard.

Francisco Tobias
EMEA CFO

Regulatory Developments

Basel Reforms

The Basel Committee on Banking Supervision ("BCBS") has proposed new regulations, often referred to as Basel 3.1, and covering a number of areas such as a new Standardised Approach to Credit Risk (SA-CR), a new Credit Valuation Adjustment ("CVA") framework, revisions to the approach to Securities Financing Transactions, further elements of Fundamental Review of the Trading Book ("FRTB"), the Output Floor and a new Standardised Approach to Operational Risk.

Her Majesty's Treasury ("HMT") and the Bank of England / PRA published their respective consultation papers on the Implementation of the Basel 3.1 standards at the end of November 2022. The paper from HMT will, among other things, revoke CRR articles that will be replaced by the PRA's proposed rules and make any necessary amendments to ensure the coherence and continuity of the regime. The proposals in the Bank of England / PRA paper will revise the calculation of RWAs, impacting both the measurement of risk in internal models and standardised approaches.

Environmental, Social and Governance (ESG) Risks

A new harmonised definition of the risks has been developed and firms have new reporting requirements to comply with. Some amendments to weightings have been proposed in the EU, and we anticipate further developments in the UK.

Cryptoasset exposures

The BCBS have published their second consultation on the prudential treatment of these exposures. It divides cryptoassets into two broad groups:

- Group 1 consists of those that meet in full a set of classification conditions, these would be subject to at least equivalent risk-based capital requirements based on the risk weights of underlying exposures as set out in the existing Basel Capital Framework. Examples of cryptoassets in this group are tokenised traditional assets and cryptoassets with effective stabilisation mechanisms.
- Group 2 consists of those that fail to meet any of the classification conditions (such as unbacked cryptoassets and stablecoins with ineffective stabilisation mechanisms). Since they pose additional and higher risks compared with Group 1 cryptoassets they would be subject to a newly prescribed conservative capital treatment.

Other changes include new elements such as an infrastructure risk add-on to cover the new and evolving risks of distributed ledger technologies ("DLT"), adjustments to increase risk sensitivity and an overall gross limit on Group 2 cryptoassets.

Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

From January 2019, systemically important banks were required to hold additional long-term debt which could be made available to absorb losses from a failing institution, known as Total Loss Absorbing Capacity ("TLAC").

In the EU these requirements were introduced under CRR II as the Minimum Requirement for Own Funds and Eligible Liabilities ("MREL"), with effect from June 2019. MREL requirements under CRR II were adopted to UK law by The Capital Requirements (Amendment) (EU Exit) Regulations 2019. MREL is a requirement for firms to maintain a minimum amount of loss-absorbing resources over and above the own funds requirements. This helps to ensure that when firms fail, the resolution authority ("the Bank of England") can use a firm's own financial resources to absorb losses and recapitalise the business so it can continue to provide critical functions without the need to rely upon public funds and without threatening financial market stability. MREL resources can take the form of regulatory capital ("own funds") and certain types of debt liabilities ("eligible liabilities") that will be written down and/or converted to equity if a firm is likely to fail.

CGML, as a material subsidiary of a non-UK/non-EU Global Systemically Important Institution ("G-SII") under Article 92b of CRR II, makes these disclosures in accordance with point (b) of Article 430 (1), Article 437a and point (h) of Article 447. These tables have been prepared using the uniform format set out in the Basel Committee for Banking Supervision ("BCBS") Standard on Pillar 3 disclosure requirements published in 2017. As at 30 September 2022, CGML is subject to a minimum CRR II internal MREL requirement of the higher of 18% of RWA or 6.75% of leverage exposures, both subject to a 90% scalar.

Table 1: TLAC Composition (TLAC1)

The table below provides details of the composition of CGML's internal TLAC eligible instruments.

		30 September 2022	30 June 2022
		$ million	$ million
Regulatory capital elements of TLAC and adjustments			
1	**Common Equity Tier 1 (CET1) capital**	22,551	22,516
2	Additional Tier 1 (AT1) capital before TLAC adjustments	4,300	4,300
3	AT1 capital ineligible as TLAC as issued out of subsidiaries to third parties	-	-
4	Other adjustments	-	-
5	**AT1 instruments eligible under the TLAC framework**	4,300	4,300
6	Tier 2 (T2) capital before TLAC adjustments	2,600	2,600
7	Amortised portion of Tier 2 instruments where remaining maturity > 1 year	-	-
8	Tier2 capital ineligible as TLAC as issued out of subsidiaries to third parties	-	-
9	Other adjustments	-	-
10	**Tier2 instruments eligible under the TLAC framework**	2,600	2,600
11	**TLAC arising from regulatory capital**	29,451	29,416
Non-regulatory capital elements of TLAC			
12	Internal TLAC instruments issued directly by the entity and subordinated to excluded liabilities	8,500	7,000
13	Internal TLAC instruments issued directly by the entity which are not subordinated to excluded liabilities but meet all other TLAC Term Sheet requirements	-	-
17	**TLAC arising from non-regulatory capital instruments before adjustments**	8,500	7,000
Non-regulatory capital elements of TLAC: adjustments			
18	TLAC before deductions	37,951	36,416
19	Deductions of exposures between Multiple Point of Entry ("MPE") resolution groups that correspond to items eligible for TLAC (not applicable to single point of entry G-SIBs)	-	-
20	Deduction of investments in own other TLAC liabilities	-	-
21	Other adjustments to TLAC	-	-
22	**TLAC after deductions**	37,951	36,416
Risk-weighted assets (RWA) and leverage exposure measure for TLAC purposes			
23	Total RWA adjusted as permitted under the TLAC regime	157,071	164,372
24	Leverage exposure measure	430,446	422,522
TLAC ratios and buffers			
25	TLAC (as a percentage of RWA adjusted as permitted under the TLAC regime)	24,16%	22.15%
26	TLAC (as a percentage of leverage exposure)	8,82%	8.62%
27	CET1 (as a percentage of RWA) available after meeting the entity's minimum capital and TLAC requirements	7,96%	5.95%
28	Bank-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss-absorbency requirement, expressed as a percentage of RWA)	2,61%	2.58%
29	Of which: capital conservation buffer requirement	2,50%	2.50%
30	Of which: bank-specific countercyclical buffer requirement	0,11%	0.08%
31	Of which: higher loss-absorbency requirement	-	-

Total TLAC eligible instruments increased by $1.5 billion following an eligible liabilities issuance in Q3 2022.

Total RWA decreased by $7.3 billion across counterparty credit risk, market risk and large exposures reflecting market volatility.

Total leverage exposures increased $7.9 billion driven by an increase in Securities Financing Transactions reflecting planned seasonal activity.

Abbreviations

Please refer to the below abbreviations used frequently throughout the document.

BCBS	Basel Committee on Banking Supervision
CET1	Common Equity Tier 1
CGME	Citigroup Global Markets Europe AG
CGML	Citigroup Global Markets Limited
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
EU	European Union
MREL	Minimum Requirement for Eligible Liabilities
PRA	Prudential Regulation Authority
TLAC	Total Loss Absorbing Capacity