

JOINT STATEMENT

of

CITICORP AND TRAVELERS GROUP

to the

HOUSE JUDICIARY COMMITTEE

Wednesday, June 3, 1998

Witness: John J. Roche, General Counsel (Citicorp)

Good morning, Mr. Chairman, I am John Roche, General Counsel of Citicorp. I am pleased to be here this afternoon to talk about the new company we propose to create -- Citigroup -- and to answer any questions you may have -- regarding anti-trust issues or otherwise -- about the merger.

There are three basic objectives in the creation of Citigroup: increasing customer value and convenience; enhancing our financial strength and stability; and meeting the rapidly growing competitive challenge. I will briefly discuss each in turn.

Customer Value and Convenience

Mr. Chairman, our merger involves a combination of separate businesses: banking, insurance and securities. The ultimate test for our new company will be simple: Will we provide a high level of value and convenience to our customers? We believe we will because of the quality and breadth of our products and services and because of the new company's greatly expanded and innovative distribution channels. Financial products "manufactured" in various parts of our company will be distributed through a broad range of facilities and methods, from the Internet and other technology-based methods to branch office locations in one hundred countries around the world to fully individualized in-home service.

Citigroup also will have the resources to rapidly design new products and services in response to changing customer needs and to invest the funds necessary to keep up with the technology revolution sweeping across our industry.

The scope of our efforts will be key: starting immediately we hope to provide more kinds of financial products and services, in more kinds of ways, to more customers than any other company in the world. Of course, the test of whether or not we succeed will be in the hands of those customers, who will decide whether the products and services we provide, at the prices charged, ultimately satisfy their needs and preferences.

Strength and Stability

The size, resources and diversity of operations of the new company will provide the financial strength and stability necessary to survive and grow in today's rapidly changing world. Whether it is a country crisis, a real estate crisis, or any other crisis, it is clear that the financial services company of tomorrow must have the ability to withstand financial shocks. As companies become larger and more diverse, they are better able to withstand those shocks. Providing major financial services in 100 countries around the world will provide Citigroup a stable and predictable platform of revenues and profits. That stability is essential if we are to continue to serve our one hundred million customers.

Competitive Challenge

There is perhaps no other industry in the world as competitive as the financial services industry. Whether it is intra-industry competition among various commercial banks or among various insurance companies or among securities firms; or whether it is inter-industry competition between banks, mutual funds and securities companies; whether it is between domestic companies or the increasingly active foreign companies; or whether it is between traditional branch office networks or the latest Internet web site, the competition for the customer and his or her business is fierce.

In the new family of companies known as Citigroup, we will combine individual business units in a way that will enhance their competitive position. These individual units are strong companies, but not dominant or even the leading company in their respective industries -- Citibank is not the largest bank in the United States; Salomon Smith Barney is not the largest securities firm in the United States; Travelers Insurance is not the largest insurance company in the United States.

The effect of foreign competition on the financial services industry is particularly striking. While we in the U.S. grapple with modernizing the legislation governing our financial services system, massive consolidation of financial services firms is rapidly taking place overseas. Having long since put those arguments behind and unhampered by outdated and inefficient financial services laws, these new mega-competitors will have a competitive advantage over U.S.-based companies in the next century (now less than two years away) if we are not prepared to compete on a global basis. We must not squander a leading market position through inattention and neglect. It is in the national interest of the United States to provide the environment for its financial services firms to be well prepared for this challenge.

Other Issues

In addition to customer value and convenience, strength and stability, and meeting competition, there are a few other matters I would like to mention briefly. The first is the Citigroup's status under present law. The creation of Citigroup is expressly permitted by current law and regulations; no change in the law is necessary. We will be in full compliance with the law on the day we close our merger and will remain so. We do not seek-- and do not require -- any special legislative or regulatory accommodation to create Citigroup.

At the same time, we strongly support financial modernization and urge the passage of legislation this year. The recent passage of H.R. 10 in the House of Representatives was truly an historic step toward that goal. It is now the turn of the Senate to act, and we are encouraged by the recent statements of Chairman D'Amato and Ranking Member Senator Sarbanes that the Banking Committee will turn to that task.

With regard to H.R. 10, you asked our opinion on the amendment to the Hart-Scott-Rodino Act that was included in Section 143 of H.R. 10. That amendment would require a financial holding company to make a Hart-Scott-Rodino filing to the Federal Trade Commission and the Justice Department whenever it acquires another company engaged in activities that are "financial in nature," such as an insurance company, a securities firm, or an investment company. Currently, when the Federal Reserve Board reviews acquisitions of non-banking firms by bank holding companies it evaluates the impact of the acquisition on competition, including the potential for undue concentration of resources, decreased or unfair competition, and conflicts of interest. This amendment, therefore, would shift the focus of the anti-trust review from the Federal Reserve Board to the Federal Trade Commission and the Justice Department for activities that are "financial in nature." We have no objection to such a change.

The second issue is regulatory oversight. We have long accepted functional regulation; indeed, virtually every aspect of each of our various businesses is, and has been, heavily regulated. Since the new Citigroup will not be engaged in any "commercial" activities, our regulators will all be very familiar to you -- the Federal Reserve Board, FDIC, OCC, OTS and various state banking authorities to the SEC to the fifty state Departments of Insurance. Working with a variety of regulators in the most effective way is one of the challenges -- one of the opportunities -- created by our new company.

The third issue I would like to mention is our commitment to our communities. Citigroup is focused on delivering customer value and convenience. We are just as focused on demonstrating our commitment to the communities in which we are active. As our Fed application clearly shows, we believe both companies have been good corporate citizens and have done an excellent job in meeting our Community Reinvestment Act obligations. We intend to build on this record and do even more in the future. The combination of our two companies will give us the opportunity to increase the access to credit, deposit, investment and insurance offerings for customers of all income groups, and we intend to do so.

In closing, Mr. Chairman, let me reemphasize the importance of maintaining a leading U.S. position in financial services in the new, global economy. Emerging markets, privatization, and dramatic growth in savings and investments worldwide present a competitive challenge to U.S. financial services companies. We believe the Citicorp Travelers Group merger will create a leading U.S. global competitor.

Thank you for this opportunity. We would be happy to answer any of your questions.