



FOR IMMEDIATE RELEASE
Citigroup Inc. (NYSE symbol: C)
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CITI LAUNCHES UNIQUE SOLUTION TO STRENGTHEN THE SPSA SOLUTION

HONG KONG – As the leading provider of Stock Connect trading, clearing and settlement solution, Citi is pleased to announce the launch of Citi SPSA+ solution to enable true RVP/DVP settlements between investors and their brokers using the SPSA solution and minimize risk of fail trades.

Hong Kong Exchanges and Clearing (HKEx) recently launched the enhanced pre-trade checking model, also known as Special Segregated Accounts (SPSA) for the Shanghai-Hong Kong Stock Connect program. This new option allows investors to instruct their local Hong Kong custodian to set up a segregated securities account in the Hong Kong Central Clearing and Settlement System (CCASS) for holding their A-shares position, be assigned a unique Investor ID, and appoint up to 20 Exchange Participants (brokers). Such arrangement enables the HKEx China Stock Connect System (CSC) to perform pre-trade checking on the investor's sellable position in the SPSA maintained with their custodians, thereby eliminating the need to pre-deliver the shares from the custodian to the brokers before executing the sell trades. Pre-trade checking is required since overselling of A-shares is prohibited under Stock Connect rules.

Although SPSA eliminates the need to pre-deliver of shares, it also added an extra step in the post trade process which could increase the risk of a fail trade or compulsory buy-in for the broker due to the very tight settlement cycle. After the broker sells the shares in the SPSA, the investor will need to instruct their custodian to deliver the shares to the broker to settle the on-exchange obligation before 7pm on T+0. In the event the broker is late to receive the shares resulting in a net short position, then the broker will be subject to the compulsory buy in. This may expose investors to a potential claim from their brokers to cover the buy-in cost.

In conjunction with the launch of SPSA, Hong Kong Securities Clearing Company Limited (HKSCC) also enabled its clearing and custodian participants to transfer shares using RVP/DVP method. Under such arrangement, for a sell trade, shares will be transferred on T+0; however, the cash will only be confirmed during the morning of T+1 for value T. Such arrangement does not fully eliminate counterparty risk with the broker.

In light of this, Citi has developed a unique solution designed to augment the SPSA model to help address these limitations and reduce the risk of fail trades or a compulsory buy-in. Citi SPSA+ allows investors to appoint up to 20 brokers, avoid pre-delivery of shares and more. Citi SPSA+ solution offers true RVP/DVP settlement, allowing both securities and cash to be settled simultaneously on T+0 which eliminates overnight counterparty risks with brokers as long as the investors transact through any one of the Citi Third Party Clear (TPC) brokers. It also eliminates the extra step in the post trade process and therefore helps investors reduce the risk of the fail trades and potential buy-in claims from their brokers.



Lee Waite, Global Head of Direct Custody and Clearing, Citi, said, “We are uniquely positioned to provide such a solution due to our leadership position in third party clearing and our continued commitment to providing leading clearing and settlement solutions for broker-dealers and securities market infrastructures.”

Cindy Chen, Hong Kong Head of Securities Services, Citi, said, “Citi SPSA+ solution will enable institutional investors such as UCITs and 40 Act funds to comply with their regulatory requirements such best execution, true RVP/DVP settlement and proper segregation of assets throughout the entire custody-chain.”

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About Citi

Citi, the leading global bank, has approximately 200 million customer accounts and does business in more than 160 countries and jurisdictions. Through Citicorp and Citi Holdings, Citi provides consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, transaction services and wealth management.

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