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Transcript of Interview with Robert Rubin (condensed format)

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FINANCIAL CRISIS INQUIRY COMMISSION

Interview of ROBERT RUBIN

March 11, 2010

1285 Avenue of the Americas

New York, New York

9:30 a.m.

C O N F I D E N T I A L

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2

1 Interview - ROBERT RUBIN
2 MR. GREENE: On the record.
3 Good morning, Mr. Rubin. My
4 name is Tom Greene. I am the
5 executive director of the Financial
6 Crisis Inquiry Commission. We are
7 conducting an interview this morning
8 in support of our mission, which is a
9 statutory one, to investigate the
10 causes of the financial crisis of
11 2007, 2008, arguably through 2010, but
12 certainly in those key years.
13 You are not under oath today,
14 but since it is a federal
15 investigation there are provisions of
16 the federal code that apply. 18 USC,
17 Section 8001, indicates that
18 truthfulness is the right answer here,
19 which I am sure you would do anyway,
20 but I do need to forewarn you.
21 In the event that any of my
22 questions are not clear, stop me and
23 ask me to make them clearer if at all
24 possible. If you want to take a
25 break, don't be shy, let me know. I

3

1 Interview - ROBERT RUBIN
2 understand you have some back issues,
3 so if you need to stand up, we
4 understand that is something you may
5 need to do and we will certainly take
6 that into account as we proceed.
7 BY MR. GREENE:
8 **Q Let's start initially with a**
9 **little bit of background on you. Obviously**
10 **you have had a stellar career at Goldman**
11 **Sachs. Briefly, what were the top two or**
12 **three achievements from your perspective of**
13 **your time at Goldman?**
14 A Achievements of mine or theirs?
15 **Q Yours.**
16 A Mine? That is an interesting
17 question. I don't think of it that way.
18 I don't know that I had any
19 particular outstanding achievements. I
20 started there in the risk arbitrage area,
21 and for a variety of reasons became a
22 partner at a very early age.
23 And then after several years of
24 doing that, I began to take on a managerial
25 responsibility more broadly for trading

4

1 Interview - ROBERT RUBIN
2 activities, and then as time went on I just
3 became more and more senior.
4 And then at about the mid-
5 1980s -- no, I will go back one step
6 further. In roughly 1980 or '81, Goldman
7 made the only acquisition it made during the
8 entire time I was there. It bought J.
9 Aaron, which was commodity trading and then
10 eventually became currency trading and
11 energy trading. And it turned out to be
12 very troubled, although we hadn't realized
13 it when we bought it, so about six months in
14 they asked me to take responsibility for it.
15 And what I did was to set up a
16 process with a bunch of the younger people
17 who knew about the business, because I
18 certainly didn't know very much about it,
19 and they developed a plan to go forward
20 which turned out to be extremely successful.
21 And so that turned around, not because of me
22 but because of them. And then about the
23 mid-1980s, John White had left in 1984 as
24 co-senior partner, so Steve Friedman and I
25 became the co-COOs.

5

1 Interview - ROBERT RUBIN
 2 At that point Goldman had begun
 3 to get a little bit, a little set in its
 4 ways, and Steve and I felt that if we didn't
 5 change, that we could fall by the wayside,
 6 gradually, but nevertheless fall by the
 7 wayside, and so we initiated a very dynamic
 8 strategic focus, and the consequence I think
 9 was a lot of change at Goldman that was very
 10 constructive.
 11 And then I became co-CEO in
 12 December 1990, I guess, when John Weinberg
 13 decided to retire, and then I left Goldman
 14 to go to the Treasury.
 15 **Q Just to follow up on that, what**
 16 **was the nature of the strategic focus you**
 17 **and your co-CEO developed?**
 18 A We felt at the time that others
 19 had become more innovative than we had in
 20 finding ways to do what clients needed to do
 21 in what was then the earlier stages, but
 22 nevertheless an occurrence, early stages of
 23 a globalizing economy, so we felt that we
 24 needed to be more innovative.
 25 We felt that we needed to expand

6

1 Interview - ROBERT RUBIN
 2 abroad, we felt that we should begin -- I
 3 guess we had already begun to some extent,
 4 but expand our private equity and real
 5 estate areas. And then we felt very
 6 strongly that there was a tremendous
 7 opportunity to build an asset management
 8 business which would provide regular fees
 9 that weren't dependent on the cycles of the
 10 market; to some extent affected by, but not
 11 as dependent on cycles in the market as our
 12 trading activities.
 13 Then we also we also, or the firm
 14 had a whole array of processes for dealing
 15 with reviewing people and advancing people
 16 or not advancing people, one thing or
 17 another. We felt that a lot more could be
 18 done in that area, and so we moved further
 19 into that realm, if you will, of reviewing
 20 people regularly, and extended that not only
 21 to the non-partners but to the partners.
 22 **Q And did any of that --**
 23 A We had a theory of the case, in a
 24 broader sense a theory of the case was to
 25 maintain a culture that we believed was very

7

1 Interview - ROBERT RUBIN
 2 strong, but to change a lot of the ways that
 3 we were running the business without
 4 changing the culture.
 5 **Q Did any of those changes involve**
 6 **moving in or moving more substantially into**
 7 **structured finance?**
 8 A Structured finance.
 9 **Q CDOs?**
 10 A There were no CDOs back then, I
 11 don't think. Structured finance. It
 12 depends what you mean by structured finance,
 13 I guess. I don't remember the term even
 14 being used at that time, but there may be --
 15 **Q It was early --**
 16 A -- there may be things we did
 17 that today would be called structured
 18 finance.
 19 **Q All right. When did you become**
 20 **Secretary of the Treasury, approximately?**
 21 A I went to the White House at the
 22 beginning of the Clinton Administration. I
 23 became Secretary of the Treasury on January
 24 5th, 1995.
 25 **Q And that was of course a period**

8

1 Interview - ROBERT RUBIN
 2 **of perceived deregulation in financial**
 3 **markets. What was your role in --**
 4 A I don't think --
 5 **Q -- those initiatives?**
 6 A I don't think that there was
 7 deregulation -- if there was deregulation, I
 8 don't recollect. You may be right about
 9 that.
 10 First of all, I don't remember
 11 any deregulation at that time, but if there
 12 was deregulation it would have been in the
 13 interpretation of Glass-Steagall by the Fed,
 14 which of course I would not have been
 15 involved in at all. Tell me what you mean,
 16 because I don't think there was any other
 17 deregulation.
 18 **Q I am wondering what role you**
 19 **might have had in the precursors for**
 20 **Gramm-Leach-Bliley or what became the**
 21 **Commodity Futures Modernization Act that was**
 22 **the leader?**
 23 A It was all later.
 24 **Q Did you have a role as Secretary**
 25 **of Treasury with respect to advocacy that**

9

1 **Interview - ROBERT RUBIN**
2 **might have led to those laws?**
3 A Well, by the time we got to the
4 point where Glass-Steagall was rescinded,
5 which was actually after I left -- I was
6 advocating the rescission of Glass-Steagall
7 because there was no more Glass-Steagall for
8 practical purposes.
9 By the time you got to the point
10 where Glass-Steagall was rescinded, there
11 were no restrictions -- you probably know
12 all this, but Glass-Steagall started to get
13 reinterpreted in the late '80s, mid- to late
14 '80s, I don't remember exactly, and by the
15 time you got to the rescission of
16 Glass-Steagall which I think was in 2000 --
17 maybe it was late '99 -- I had left
18 Treasury, but I was an advocate of
19 rescinding it. But there were no
20 restrictions left on what a large bank could
21 do except for insurance underwriting.
22 So this whole question of too big
23 to fail or what a bank should be or
24 shouldn't be, narrow banks versus universal
25 banks and so forth that you have now going

10

1 Interview - ROBERT RUBIN
2 forward is not a question that you go back
3 to Glass-Steagall. Glass-Steagall, at least
4 as it existed when it was rescinded, had
5 nothing left in it of firewalls except for
6 one, which was insurance underwriting which
7 had no relevance to anything.
8 So yes, I was an advocate of
9 rescinding Glass-Steagall, but by the time
10 we rescinded it there were no restrictions
11 left in it at all except for the insurance
12 underwriting which had no relevance to
13 anything that has happened since then.
14 **Q Do you still think it was a good**
15 **idea to repeal Glass-Steagall?**
16 A Well, repealing Glass-Steagall
17 was irrelevant.
18 **Q Right. Well --**
19 A I think the question -- let me,
20 if I could say something.
21 **Q Please.**
22 A I think the real question at this
23 point is, the only thing that rescinding
24 Glass-Steagall itself did was to enable the
25 banks to more efficiently, less

11

1 Interview - ROBERT RUBIN
2 cumbersomely, conduct a full range of
3 activities they were entitled under the
4 interpretations to conduct anyway.
5 In other words, it was cumbersome
6 to exercise their full range of powers, but
7 they had the full range of powers except for
8 insurance underwriting. So all the
9 rescinding did was to eliminate that
10 cumbersomeness.
11 Now, the question of whether it
12 is wise to allow banks to engage in the full
13 range of activities is I think the policy
14 question that is in front of us now, and
15 that is a very heavily debated issue. I
16 will give you my view of it, but it doesn't
17 have to do with Glass-Steagall for the
18 reasons I already said.
19 **Q Please do.**
20 A I think when you get finished
21 with it all, you know, there are very
22 reasonable people, Mervyn King at the Bank
23 of England, for example, as I recollect it
24 is advocating that there be some kind of
25 narrow bank proposal. I am not sure exactly

12

1 Interview - ROBERT RUBIN
2 what it is, but I think his idea was -- I
3 haven't paid a lot of attention to it, but I
4 think his idea is banks should be restricted
5 to taking deposits and making loans. You'd
6 better check this, but I think that is sort
7 of what he means by narrow bank, and then
8 all the trading activity would take place
9 someplace else.
10 That certainly is a view one can
11 take. It is not going to solve the too big
12 to fail problem because you are going to
13 have two problems left. One is that whoever
14 takes the deposits and extends the loans in
15 the global economy that we exist in today,
16 which is enormous and it is global, those
17 institutions, unless otherwise fettered, are
18 going to be of a size where they are too big
19 to fail anyway.
20 And secondly, wherever the
21 trading is going to be done, you know, the
22 Lehman, Bear Stearns, Goldman and Merrill
23 and Morgan Stanley, prior to becoming bank
24 holding companies, were all too big to fail.
25 So I don't think you solve your too big to

13

1 Interview - ROBERT RUBIN
 2 fail problem that way.
 3 My own feeling is that -- you
 4 know, reasonable people can disagree on
 5 this -- that in the global economy that we
 6 have today and the needs of that global
 7 economy for enormous transactions that are
 8 global in scope, so that a financing, for
 9 example, may involve credit being extended
 10 in a number of different currencies and
 11 different localities, companies need to have
 12 cash moved round around the world very
 13 quickly and so forth.
 14 I think the global economy is
 15 better served by these, I don't want to call
 16 them universal banks because that does
 17 actually have another significance in some
 18 context with respect to commercial
 19 activities, which is a different matter, but
 20 by these full service banks, let's call them
 21 full service banks.
 22 On the other hand, that does
 23 raise a too big to fail problem, and which I
 24 think is a serious problem. So what I think
 25 ought to be done about that is what the

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1 Interview - ROBERT RUBIN
 2 Treasury has recommended, in a broad
 3 conceptual sense -- I'm not necessarily
 4 saying I agree with anything specific, but
 5 in the broad conceptual sense what they have
 6 said is there ought to be very substantially
 7 greater leverage limitations.
 8 And I think now that we have seen
 9 the financial system is far more vulnerable,
 10 let's say vulnerable to far greater crisis
 11 or risk than virtually anyone has seen, I
 12 think that is a very sound proposal and it
 13 should have now long since been enacted,
 14 long since being since the crisis began, and
 15 I think that that will give you some fair
 16 measure of protection against the potential
 17 of failure.
 18 I think that you should have very
 19 substantially increased margin and capital
 20 requirements on derivatives, and that was
 21 something I recommended in my book in 2003,
 22 and it is a view I had had going back to
 23 when I was at Goldman Sachs.
 24 And then I think you need an
 25 effective resolution authority, and that is

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1 Interview - ROBERT RUBIN
 2 in the Treasury recommendation. I think
 3 that is easier to say, I suspect, than to
 4 accomplishment. I just have a feeling that
 5 when you get down to the granular how you
 6 are going to do it is much more complicated
 7 than it seems, but it would serve an
 8 enormous purpose because it really would
 9 take away a lot of the moral hazard problem
 10 for creditors and counterparties.
 11 So that is the package that I
 12 would do, but there are people, very
 13 reasonable, thoughtful people who have
 14 different views.
 15 **Q Sure. I have been intrigued**
 16 **actually, because I did read your book among**
 17 **other things about your suggestions about**
 18 **increasing margin and capital requirements**
 19 **and dealing generally with the question of**
 20 **leverage.**
 21 **Do you have a sense of what the**
 22 **leverage ratio should look like, or does**
 23 **that depend on whether it is a derivative or**
 24 **whether it is a bank or something else?**
 25 A You got it. I think it is a

16

1 Interview - ROBERT RUBIN
 2 really complicated question because I don't
 3 have a sense of what it should look like,
 4 and that is something that technical people
 5 are going to have to try to figure out and
 6 model, but I think -- two comments if I may,
 7 because I think you are onto a really
 8 important question.
 9 **Q Please.**
 10 A I think that we have learned
 11 something, and what we have learned is that
 12 our financial system is vulnerable to far
 13 more -- I said this before -- to far more
 14 severe crisis than virtually anybody would
 15 have thought, and I think you need to stress
 16 test that leverage requirement against what
 17 we have now learned about the potential for
 18 the financial system. So one thing you know
 19 is that whatever leverage requirement seemed
 20 appropriate in 2006 is going to be a
 21 substantially higher number today.
 22 But the second thing is something
 23 you got at by saying derivatives. Another
 24 problem you've got, and I don't quite know
 25 how you deal with it, is that it used to be,

17

1 Interview - ROBERT RUBIN
 2 if you go back 20 years or whatever and you
 3 talked about risk, risk was you had debt and
 4 you had equity, so the question was how much
 5 debt should you have relative to your
 6 balance sheet.
 7 Now, in a very real sense, risk --
 8 to put this exactly -- risk leverage has
 9 been disassociated from debt. You could
 10 have very little debt and have enormous
 11 risk, it depends what your assets are
 12 invested in. So I think what you need to
 13 find is some way of measuring risk of a
 14 balance sheet, and then your leverage
 15 requirement should apply to that.
 16 And I thought one of the aspects
 17 that nobody seems to have paid much
 18 attention to of Geithner's original
 19 proposal, I assume it is still in there, was
 20 really very sensible, which was he said that
 21 your leverage requirement, if I remember
 22 this correctly, should be constructed in two
 23 parts. One of them should be a leverage
 24 requirement that takes -- I assume this is
 25 model-driven -- takes into account the risks

18

1 Interview - ROBERT RUBIN
 2 on the balance sheet.
 3 But then there ought to be -- and
 4 this is what we used to do at Goldman Sachs,
 5 by the way, when I was there -- another one
 6 should be just some kind of simple measure
 7 of leverage, because models can't capture
 8 all of reality. And as we saw in this
 9 crisis, you can have all kinds of
 10 developments in markets and in market
 11 instruments that no model ever captured.
 12 So I think it is a very
 13 complicated question, but I think your
 14 question was the right question. I think
 15 you've got to get all those issues.
 16 **Q In terms of those kinds of**
 17 **disclosures, are there writers or analysts**
 18 **that you think have it right in terms of how**
 19 **one would measure and disclose that**
 20 **information?**
 21 A You know, the answer is that I
 22 haven't looked at what people are writing
 23 and saying that carefully. I mean, let me
 24 put it differently.
 25 I read a fair bit of what comes

19

1 Interview - ROBERT RUBIN
 2 around, but I haven't tried to invest myself
 3 in sort of on a granular basis trying to
 4 figure out who seems to be addressing the
 5 kind of issues I have raised, but if
 6 somebody asked me to face that problem, what
 7 I would probably do -- I know what I would
 8 do. I would go to the finance departments
 9 at some universities that I thought had
 10 aggregations, substantial numbers of very
 11 good people in these areas, and I would try
 12 to put together a team with these people and
 13 work my way through it.
 14 I will tell you another thing,
 15 and I said this in an article I wrote for
 16 Newsweek, I think no matter what you do in
 17 this, opponents of it, opponents of
 18 regulation, are always going to be able to
 19 pose hypotheticals that your plan doesn't
 20 deal with adequately. And so I think what
 21 you've got to do is you've got to find
 22 people who can do this, and then I think
 23 you've got to move ahead and not let the
 24 perfect be the enemy of the good, otherwise
 25 you will never get these things done. And

20

1 Interview - ROBERT RUBIN
 2 then you can course adjust; once you have
 3 done that, then you can adjust it for
 4 problems that come up.
 5 **Q Very thoughtful, very helpful.**
 6 **Thank you.**
 7 A Can I add one more thing?
 8 I think a lot of people like to
 9 write op-eds on this stuff in the newspapers
 10 and so forth. And I guess all I would say
 11 is I read a fair number of those, and I
 12 think a lot of them tend to be -- they don't
 13 tend to deal with the complexity of trying
 14 to do -- your question was a good question.
 15 I sort of got into the complexity of it. I
 16 think an awful lot of what is written about
 17 this doesn't tend to get into the complexity
 18 of it.
 19 **Q Thank you.**
 20 **Let me turn briefly to your time**
 21 **at Citigroup. How were you recruited to**
 22 **work at Citi?**
 23 A Well, I will tell you what
 24 happened. I left Treasury in July of '99,
 25 and I had some ideas about what I wanted to

21

1 Interview - ROBERT RUBIN
2 do. And so what I did was I came to New
3 York and I started talking to different
4 people, and a fair number of people talked
5 to me about the possibility of my doing
6 something with them. But for whatever
7 reason, I didn't really know the people at
8 Citi; I might have met Sandy Weill and I had
9 met John Reed but I didn't particularly know
10 them, and I didn't go to them and they
11 didn't come to me.
12 And about, I don't know, maybe a
13 couple of months after all of that -- no, it
14 was probably less than that, I don't know.
15 It doesn't matter; say a month and a half
16 after or a month or whatever it was, my wife
17 gave a party to welcome me back to New York,
18 and I think she did that partly to make sure
19 I didn't change my mind because she didn't
20 like Washington. I think that kind of
21 formalized my return.
22 And Sandy Weill was at that
23 party, and sometime after that Sandy called
24 me. And I didn't really know Sandy very
25 well at all, I would say barely knew him;

22

1 Interview - ROBERT RUBIN
2 I would appear at public events
3 carrying Citi's flag. I never really did
4 deal with U.S. government officials, but I
5 would go abroad. This was the theory at the
6 beginning of it, and this is actually what I
7 did, the way things turned out. I would go
8 abroad and meet with public officials.
9 Citi at that time did business in
10 whatever -- well, they were located in 90 --
11 I don't remember, you can look it up, but I
12 think 90-some-odd countries, but they did
13 business in virtually every country you
14 could do business. And so the thought was
15 that I would go abroad, and with the local
16 country people I would meet with a finance
17 minister or a president of a country,
18 whatever it might be, not because I knew
19 these people because I didn't know them, but
20 with Citi and with my history and all that I
21 could do that and do it, as I say, as a peer.
22 And that was to be the
23 predominant, my predominant activity, but I
24 was also going to be a resource for people
25 who wanted to talk about managerial,

24

1 Interview - ROBERT RUBIN
2 it's sort of odd because I had lived here
3 all that time. And he asked me to come
4 over, and we talked about my coming to --
5 this must have been about September, I
6 guess, of '99, and he talked about coming to
7 Citi, and we had several conversations as I
8 was talking to others.
9 And I had come pretty close to
10 making a decision to do something else, and
11 then I decided it sounded interesting, so I
12 decided to go to Citi. And that was in
13 October of '99.
14 **Q What was the nature of the role
15 you were offered at Citi?**
16 **A** The role that I was offered at
17 Citi -- offered, I guess the role that we
18 worked out for me at Citi, was as follows:
19 I would work with their client base across
20 all parts of the firm, that is to say with
21 investment banking client, with private
22 investment clients, that is to say the
23 private bank. I would do that here, I would
24 do it abroad; given my history I could do it
25 as a peer.

23

1 Interview - ROBERT RUBIN
2 strategic issues of one sort and another.
3 And although it was unsaid, I
4 think there was another role, which is that
5 you had co-CEOs, and I hadn't quite realized
6 at the time, but they sometimes had some
7 difficulty reaching conclusions, making
8 decisions. And so really from day one when
9 I got there, I turned out to be a bit of a
10 facilitator, let's say, as between the two
11 of them, to try to help the process move
12 along. And in a broad sense that was the
13 role that I occupied until the company got
14 in trouble, really until I would say until
15 September of '07.
16 The other thing that I said both
17 to Sandy and to John, and I said to
18 everybody I spoke to, was that I had spent
19 26 years at Goldman Sachs.
20 By the way, let me go back to the
21 other for a moment. As it unveiled, it took
22 on quite a few dimensions that we hadn't
23 fully thought of. For example, the private
24 bank pretty quickly figured out that I could
25 host a dinner and they could get their

25

1 Interview - ROBERT RUBIN
 2 clients from all over the world to come, and
 3 we did. And so about once every few months,
 4 I don't know how often, we would have a
 5 private bank dinner, say once a quarter, I
 6 am not sure about that, it seems a little
 7 more often than that, but anyway, we would
 8 do that. They would have investment banking
 9 dinners and I would host those.
 10 They would have conferences and I
 11 would be a keynote speaker or some such
 12 thing, or I remember we went to India once
 13 and there was some kind of a -- actually it
 14 happened in a lot of countries, but I can
 15 remember one specifically in India, there
 16 was another one in Mexico I can remember
 17 where there was some set of events going on,
 18 and by offering me up as a speaker they
 19 could get somebody flying Citi's flag to be
 20 the speaker. There was a lot of that kind
 21 of activity.
 22 **Q Where were you, can you describe**
 23 **the physical setting of your office**
 24 **vis-à-vis the office of Mr. Weill and Mr.**
 25 **Reed?**

26

1 Interview - ROBERT RUBIN
 2 discuss something, or they might not. We
 3 had something called the office of the
 4 chairman that I was part of, but that was
 5 just a title. It didn't have a functional
 6 significance.
 7 And I would say when the two of
 8 them were still there, you know, it depended
 9 what it was. If they wanted to consult with
 10 me, they would, and if they didn't, they
 11 didn't.
 12 But I want to go back one step
 13 because there was one more part of this. I
 14 had been at Goldman Sachs for 26 years in
 15 the way I described, and I had been in the
 16 government six and a half years, and one
 17 thing I said to everybody I spoke to was
 18 that I would, never again did I want to have
 19 operational responsibilities. And so the
 20 role that I had at Citi, and this would have
 21 been analogous no matter where I had gone,
 22 was the role I described to you, you know, a
 23 few moments ago.
 24 But I also said to them that I
 25 would have no operational responsibilities

28

1 **Interview - ROBERT RUBIN**
 2 A Yes. There was one more point
 3 about my role I want to get to, but yes.
 4 Let's see. Weill's office was
 5 here, I think my office was next to --
 6 **Q Actually, if you wouldn't mind --**
 7 A I know what it was.
 8 **Q -- why don't you sketch out this**
 9 **and we will make it an exhibit.**
 10 A As best as I can remember it,
 11 here, this is Weill's office. Then there
 12 was a library, there was my office, and I
 13 think John was -- I think Reed was here.
 14 That is roughly right.
 15 MR. GREENE: If you would mark
 16 that as RR 1.
 17 (Thereupon, Sketch was marked
 18 RR Exhibit 1 for Identification, as of
 19 this date.)
 20 BY MR. GREENE:
 21 **Q Did you take part in discussions**
 22 **of management issues on a regular basis,**
 23 **given that physical location?**
 24 A Only if they wanted me to. They
 25 might come into my office and want to

27

1 Interview - ROBERT RUBIN
 2 in the entire time that I was there. Well,
 3 let's say the entire time until the company
 4 get in trouble. I mean, when you got to
 5 September '07 the world changed some; well,
 6 particularly in November '07 I guess it was
 7 when Chuck stepped down.
 8 But up until then I had one
 9 person who would report to me, which was my
 10 secretary, and then eventually I had a
 11 second secretary for some purposes, so I had
 12 two people report to me. But what was
 13 absolutely clear with them was that I would
 14 have no operating responsibility whatsoever,
 15 and my functions would be all the ones I
 16 described.
 17 **Q While Mr. Weill was CEO, did you**
 18 **participate in meetings that were referred**
 19 **to as business head meetings?**
 20 A Yes. In fact, it was my idea to
 21 have a business heads.
 22 **Q And who were the business heads?**
 23 A Sure.
 24 When I got there, it was a
 25 curious thing. You had this very large

29

1 Interview - ROBERT RUBIN
 2 company and yet the heads of it -- I am
 3 sorry, the heads of the units of it, they
 4 had planning, I think they had monthly
 5 planning meetings and they had various kinds
 6 of formal meetings, but they didn't have the
 7 equivalent of what you might want to call a
 8 management committee, an internal management
 9 committee that you would expect that most
 10 companies have.
 11 So at some point I said to John
 12 and Sandy, because John was still there,
 13 shouldn't you have a weekly meeting where
 14 the heads of the various businesses plus
 15 your chief, your principal administrative
 16 officers, got together.
 17 Now, one obvious problem is that
 18 when you decide to set up a structure like
 19 that, you include some people and you
 20 exclude others. And so an immediate problem
 21 they raised was, well, if we do that we are
 22 going to have an awful lot of unhappy
 23 people. So instead of calling it a
 24 management committee, which is what you
 25 would ordinarily call it, we called it a

30

1 Interview - ROBERT RUBIN
 2 **Q And what kind of issues would be**
 3 **in general terms discussed at the business**
 4 **heads meeting, meetings?**
 5 A Those meetings I think lasted
 6 about an hour or something like that, or you
 7 can check this; I am not really sure about
 8 that, but an hour, hour and a half,
 9 something like that. I wonder if I am right
 10 about that. I think maybe it was two hours
 11 sometimes, but I don't think so.
 12 And it could be anything.
 13 Usually there would be some, there would be
 14 discussion -- a lot of it, particularly when
 15 Sandy was there, a lot of it was to focus on
 16 the budget and where we were and what was
 17 going on. A lot of it was budget-oriented.
 18 People wanted to raise -- we would go around
 19 the table, and people would raise usually
 20 sort of general issues in the area, whatever
 21 they might be, I don't remember any
 22 specifics any more. I would sometimes say
 23 something about the world the way it looked
 24 to me.
 25 It tended to be at a relatively

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1 Interview - ROBERT RUBIN
 2 business heads meeting, a business heads
 3 group, because that by its name limited it
 4 to the people who had the businesses, but
 5 actually what it consisted of was the heads
 6 of the various business units and then the,
 7 let's see, the legal counsel, the CFO. I
 8 have a feeling there may have been another
 9 person or two, but I don't remember.
 10 **Q Approximately how many people**
 11 **would be at a meeting or participate in a**
 12 **meeting?**
 13 A I think that group initially
 14 probably had about ten people, if I had to
 15 make a guess.
 16 **Q Did that number change over time?**
 17 A Yeah, it got larger.
 18 I feel like I am missing a person
 19 or two. The head of risk became a member of
 20 it. We had, at some point there were
 21 co-heads of investment, of the whole I call
 22 it investment banking, but it was the whole
 23 downtown operation, so that was obviously
 24 two people. It probably got up to 14-ish or
 25 so, I would guess.

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1 Interview - ROBERT RUBIN
 2 general level about what was going on in
 3 people's businesses, what was on their minds
 4 or whatever it might be.
 5 **Q So would it be fair to say that**
 6 **these were the most important issues that**
 7 **the business units faced that would be the,**
 8 **those would be the topics?**
 9 A No, I don't think -- you mean in
 10 terms of running their businesses?
 11 **Q Yes.**
 12 A No, I don't think -- most
 13 important issues they faced. No, I don't
 14 think, I think it was more a kind of an
 15 issue.
 16 In other words, if the consumer
 17 business -- no, I don't think so. The
 18 consumer business faced a very important
 19 question of how do we market credit cards
 20 more effectively in the United States. It
 21 is unlikely they would have discussed that
 22 at the business heads meeting. That was an
 23 operational issue.
 24 I am just making that up, I don't
 25 remember it, but it was an operational issue.

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1 Interview - ROBERT RUBIN
 2 **Q How would you characterize the**
 3 **kind of issues that would typically be**
 4 **raised at the business heads meeting?**
 5 A I think they were more sort of
 6 what I would call, aside from the budget,
 7 which very often occupied a lot of those, a
 8 lot of that time, I would call them more
 9 sort of generic business issues, I don't
 10 remember any specifics, or there might be
 11 some generic business issue. It could be we
 12 are having trouble recruiting people, or we
 13 don't think compensation is adequate; even
 14 those things didn't really, I don't think
 15 compensation came in very much.
 16 **Q Do you recall if minutes were**
 17 **kept of these meetings?**
 18 A I don't think they were.
 19 **Q Were there agendas?**
 20 A It is a good question. I don't
 21 think -- you know, there may have been times
 22 during the course of the years that there
 23 were written agendas, but I don't -- there
 24 may well have been, but I don't remember them.
 25 **Q Do you recall who chaired** 34

1 Interview - ROBERT RUBIN
 2 **at Citi?**
 3 A Well, until -- it stayed the same.
 4 I might add, incidentally, that
 5 before I made that arrangement with them,
 6 you know, with Sandy and John, I had talked
 7 to a number of people because I knew the
 8 street pretty well, to try to get a sense of
 9 what people thought. You know, at that
 10 point in time, given what I could bring to
 11 this, it seemed reasonable for the function
 12 I was going to be performing, and I got a
 13 feeling that was kind of the range, if you
 14 will, sort of a relative norm in that period
 15 of time for those functions.
 16 It stayed the same until '07, and
 17 in '07 at the end of the year I went to -- I
 18 don't remember who I went to, but I went to
 19 somebody internally; I could probably
 20 remember if I think for a minute, and that
 21 is when they had already started having
 22 trouble. And I said, you know, given the
 23 stage that I am in my life and my career, I
 24 am not a long-term Citigroup person. I want
 25 to stay and help us get through this, but I 36

1 Interview - ROBERT RUBIN
 2 **typically?**
 3 A Yeah, it would be the CEO.
 4 **Q The CEO in that case would have**
 5 **been Mr. Weill?**
 6 A In that early stage, yes. And
 7 then if some emergency came up, if some
 8 critical issue came up, that might get
 9 discussed.
 10 **Q Briefly I just wanted to tag up**
 11 **on your compensation. What, when you joined**
 12 **Citi, approximately what was your**
 13 **compensation package?**
 14 A The package was \$15 million, and
 15 I think it was one million of salary and 14
 16 million of bonus.
 17 Well, let's see. One million --
 18 let's see. Let's do that again. One
 19 million salary, and it was 14 million of, I
 20 guess it must be guaranteed bonus, and it
 21 was, if I remember correctly, a two-year
 22 contract. You'd better check that, but I
 23 think I am right about that.
 24 **Q And was that approximately your**
 25 **compensation throughout the time you worked** 35

1 Interview - ROBERT RUBIN
 2 am not a five-, ten-year prospect. I was 69
 3 years old or something like that at that
 4 point; no, I must have been -- yeah, 68 or
 5 69. And my recommendation is that you waive
 6 my bonus and use the money for other purposes.
 7 And they took that to the
 8 compensation committee, and that is what
 9 they did. So --
 10 **Q So would the effect of that have**
 11 **been to reduce your --**
 12 A My bonus became zero.
 13 **Q And your pay package would have**
 14 **been roughly a million?**
 15 A Yeah, I still got my salary.
 16 And then in '08, even though --
 17 well, it was '07, and in some sense you can
 18 say that, given after Chuck left, which was
 19 November 4th, we had a five-week period
 20 there or thereabouts during which I was
 21 chairman of the board and a member of the
 22 search committee. It was an all-consuming
 23 period of time for me. It really, truly
 24 was, but the merits -- you can make maybe a
 25 different argument, I don't know, but in any 37

1 Interview - ROBERT RUBIN
 2 event that was what I felt and that is what
 3 I did.
 4 And then in '08 as the trouble
 5 continued, I went toward the end of the year
 6 and said the same thing, and so I waived my
 7 bonus in '08 just as I had in '07.
 8 **Q When did you leave Citibank?**
 9 A January, in January '09, early
 10 January '09, I think.
 11 **Q And what figured in your**
 12 **decision-making?**
 13 A I was going to leave earlier. I
 14 was 70 years old at that point, or 70 and a
 15 half or something like that, and as I got
 16 toward 70 I thought to myself, you know, I
 17 probably have a lot of years ahead of me and
 18 I would kind of like to use them
 19 differently, but on the other hand I didn't
 20 want to leave when they were in those kind
 21 of difficulties and I wanted to stay and
 22 help Vikram, I believed very deeply and
 23 still believe very deeply.
 24 So I postponed leaving, and then
 25 we got to January '09. He seemed to have

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1 Interview - ROBERT RUBIN
 2 committee which was a non, didn't really do
 3 anything. I couldn't be on a committee
 4 because I was an internal director.
 5 Well, I shouldn't say I couldn't
 6 have been. I don't know if I could have
 7 been or couldn't have been, but I wasn't.
 8 **Q Were you on the executive**
 9 **committee from the very beginning?**
 10 A Well, I think the committee was
 11 created when I went there. You'd better
 12 check this; it may have existed before that,
 13 but I think it was created when I went there.
 14 And the only function of the
 15 executive committee, it sounds like a big
 16 thing, but the only function of the
 17 executive committee was to have a forum, if
 18 you will, that could convene in between
 19 board meetings if there was something the
 20 board needed to focus on. And I was
 21 chairman of it, and it met I think two,
 22 three times a year until Citi got in
 23 trouble.
 24 And if it met, what would happen
 25 is I was chairman, so we would meet in the

40

1 Interview - ROBERT RUBIN
 2 gotten his feet on the ground, put his team
 3 in place, and at that point I guess I was 70
 4 and a half or something like that, and it
 5 seemed to be the right time I could step down.
 6 **Q Stepping back --**
 7 A And he asked me, he asked me to
 8 wait another six months or something like
 9 that, I think that is what he said,
 10 something to that effect, I don't remember.
 11 But I really, I thought he had
 12 gotten his feet on the ground and I think he
 13 does have his feet on the ground, and so it
 14 just seemed like the right time to leave.
 15 **Q Stepping back briefly, when did**
 16 **you become a member of the board of**
 17 **directors, do you recall?**
 18 A The day I joined the company. I
 19 mean technically they had to elect me to the
 20 board, but I was on the board from the
 21 beginning.
 22 **Q And were you on any particular**
 23 **board committees from the very beginning?**
 24 A I was never on a committee
 25 because -- except for the executive

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1 Interview - ROBERT RUBIN
 2 library or someplace, and I would convene
 3 the meeting and then turn it over to the CEO
 4 and he would run it. It had no other function.
 5 **Q And functionally, who were**
 6 **typically the other members of the executive**
 7 **committee? Specifically were they the**
 8 **chairs of the other board committees?**
 9 A You know, I do not know the
 10 answer to that.
 11 The executive committee for
 12 practical purposes was a non, it was just a
 13 way of getting some directors together. It
 14 was a formal apparatus for getting some
 15 directors together if something had to be
 16 done between the board meetings, and I
 17 think -- you could check this, but I think
 18 there was even an invitation to other board
 19 members to attend if they wanted to.
 20 MR. GREENE: Let me mark an
 21 exhibit next in order.
 22 (Thereupon, excerpt of minutes
 23 of board meeting dated 4/17/07 was
 24 marked RR Exhibit 2 for
 25 Identification, as of this date.)

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1 Interview - ROBERT RUBIN
 2 BY MR. GREENE:
 3 **Q I am showing you something now**
 4 **marked RR 2. Let me represent to you and**
 5 **your counsel that this is a portion of an**
 6 **exhibit from Exhibit E from the minutes of a**
 7 **board meeting dated 4/17/07.**
 8 MR. BIRENBOIM: Can you read
 9 the Bates number into the record?
 10 MR. GREENE: Of course. Here's
 11 another copy. It is easier.
 12 BY MR. GREENE:
 13 **Q Calling your attention to the**
 14 **second block under executive committee, does**
 15 **that prompt any recollections in terms of**
 16 **who functionally might have been on the**
 17 **committee typically?**
 18 A It looks like what the committee
 19 looked like, but if you had a totally
 20 different set of names I would have said the
 21 same thing.
 22 **Q But would it have been typical,**
 23 **or was it typical of your experience while**
 24 **you were chair of the executive committee**
 25 **that the audit chair would also be on that**

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1 Interview - ROBERT RUBIN
 2 **committee?**
 3 A I truly don't know.
 4 **Q I presume that --**
 5 A Lead director would have been.
 6 **Q Lead director would have been,**
 7 **and the P and C chair, what would that have**
 8 **been?**
 9 A I truly don't know. As I said a
 10 moment ago, just to go back, the executive
 11 committee probably -- you can check this,
 12 but I doubt if it met more than two or three
 13 times a year, until it got into trouble in
 14 '07. In other words, during the regular
 15 course it simply wasn't part of the life of
 16 the company.
 17 **Q And would the CEO, whoever that**
 18 **was --**
 19 A Yes, the CEO would have been,
 20 always been.
 21 And in fact what would happen is,
 22 what we would do is we would go into,
 23 usually it was the library. And I was the
 24 chairman, so I would convene the meeting and
 25 then I would turn it over to the CEO and the

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1 Interview - ROBERT RUBIN
 2 CEO would run the meeting for whatever
 3 purpose it had been called.
 4 **Q And would it be the case, though,**
 5 **that the executive committee had all of the**
 6 **power of the board in these periods between**
 7 **board meetings?**
 8 A I don't know the answer to that.
 9 When you say all the power of the board,
 10 could the executive committee have sold the
 11 company? I don't know the answer to that.
 12 **Q But would it be the case that --**
 13 A Let me give you the practical
 14 answer. The practical answer, we would not
 15 have done anything significant in the
 16 executive committee that didn't go to the
 17 full board. Maybe that is the best way to
 18 answer that question.
 19 **Q But do you recall as the chair of**
 20 **the executive committee that you approved**
 21 **purchases of companies, for example?**
 22 A I don't think -- I do not recall
 23 approving the purchase of a company. We
 24 might have approved something that related
 25 to the purchase of a company, but I can't

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1 Interview - ROBERT RUBIN
 2 imagine as a practical matter that the
 3 executive committee ever would have approved
 4 the purchase of a company without it going
 5 to the full board.
 6 But if you, let's say you were
 7 involved in the process of purchasing a
 8 company and you needed to make a decision on
 9 some dimension of that and you couldn't, you
 10 didn't want to wait until the next board
 11 meeting or couldn't wait until the next
 12 board meeting, they might have approved
 13 something like that. But I don't recollect
 14 anything of the kind that you just mentioned
 15 happening, and I just cannot imagine that an
 16 executive committee would have exercised
 17 that authority.
 18 **Q But unfortunately, and I**
 19 **apologize to your counsel, I didn't bring it**
 20 **with me, there are executive committee**
 21 **minutes that indicate, for example, that the**
 22 **committee approved something in the order of**
 23 **seven and a half billion dollars of stock to**
 24 **be issued to the Abu Dhabi Development**
 25 **Authority?**

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1 **Interview - ROBERT RUBIN**
 2 A That was after -- let's
 3 distinguish between -- everything I have
 4 said about the executive committee so far
 5 applies to the period up to when the company
 6 got in trouble. I apologize. I was, in
 7 fact, I was going to say that and we sort of
 8 got going. We continued the conversation
 9 and I didn't get a chance to say that.
 10 Everything I have said relating
 11 to the executive committee goes up to the
 12 point at which the company got in trouble.
 13 Once the company got in trouble, the
 14 executive committee met more frequently.
 15 The CEO presided. It was a very good way
 16 for the board to keep on top of what was
 17 happening and also for the board to move
 18 quickly.
 19 And my recollection, you can
 20 check this but I am virtually certain this
 21 is right, is when we had an executive
 22 committee meeting, notice would be sent to
 23 all the board members and they could join it
 24 telephonically. So if they wanted to keep
 25 posted on what was happening, they would be

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1 **Interview - ROBERT RUBIN**
 2 **settlement involving Worldcom; does that**
 3 **prompt any recollection?**
 4 A It doesn't, but it could be that
 5 they were the formal mechanism for approval.
 6 But I will repeat the same thing
 7 again, you will have to check what actually
 8 happened, but I don't believe, I don't think
 9 the executive committee would have done
 10 that -- in other words, they would have been
 11 the formal mechanism. That was sort of the
 12 point I was trying to make before.
 13 If something is happening and you
 14 need to have a formal approval, the
 15 executive committee might have been used as
 16 the mechanism of a formal approval. I
 17 can't, it seems to be almost, seems
 18 extremely unlikely, I think almost
 19 inconceivable actually, that the executive
 20 committee would have approved that without
 21 it having been discussed with the board.
 22 **Q And would those discussions have**
 23 **been formal or informal typically?**
 24 A On something of that magnitude?
 25 **Q Yes.**

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1 Interview - ROBERT RUBIN
 2 part of the process.
 3 And at that point the executive
 4 committee, during the period when things
 5 were moving very quickly, could be used for
 6 doing something, though even there, I don't --
 7 you will have to check this because I truly
 8 don't know, but I can't imagine that we did
 9 that without some kind of discussion at the
 10 full board meeting.
 11 In other words, there may have
 12 been a preceding full board meeting,
 13 telephonic full board meeting discussion of
 14 what you just said, and it may have been
 15 approved at an executive committee. I don't
 16 believe we would have done the Abu Dhabi
 17 transaction without discussion of the full
 18 board.
 19 **Q Let me ask you --**
 20 A In fact, I would be virtually
 21 certain of that.
 22 **Q I do have the impression, again**
 23 **based on a review of some of the minutes,**
 24 **that in '05, for example, the executive**
 25 **committee appears to have proved a major**

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1 **Interview - ROBERT RUBIN**
 2 A They might have had -- I don't
 3 remember it so I can only speculate, but
 4 they might have had a telephonic board
 5 meeting. I don't know the answer to that.
 6 **Q Let me ask another question to**
 7 **see if this prompts a recollection. If you**
 8 **don't have one --**
 9 A You can check all this. This is
 10 all checkable.
 11 **Q Sure. One set of minutes from**
 12 **December '05, the company is buying, via a**
 13 **decision apparently of the executive**
 14 **committee, a 40 percent share of the**
 15 **Guandong Development Bank in China?**
 16 A Sure.
 17 **Q Do you have any recollection of**
 18 **that purchase?**
 19 A Yeah, I remember the purchase.
 20 But there is a good example, and again I
 21 don't remember the specifics, but the
 22 executive committee, the approval was a
 23 formal mechanism for doing what needed to be
 24 done.
 25 It was not a decision-making

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1 Interview - ROBERT RUBIN
 2 body, maybe that is the best way to say it.
 3 The executive committee would not have
 4 functioned as a decision-making body on any
 5 of the things that you just discussed
 6 without a discussion with the board, I am
 7 virtually certain. And Guandong, for
 8 example, I would guess -- I don't remember
 9 this, but I would guess that if you check
 10 you will find it was probably discussed at
 11 multiple board meetings before it happened.
 12 But now that you said it, it
 13 gives me a better way to try to describe
 14 this. The executive committee might have
 15 been used, as it clearly was used because
 16 you looked at the minutes, as the formal
 17 mechanism for approving something when an
 18 approval was needed, but actions of that
 19 magnitude would not have been taken, I am
 20 virtually certain, without a full discussion
 21 with the full board in some form or other.
 22 You asked whether it is formal or
 23 informal. I can't answer that question
 24 because I don't know the answer to that, but
 25 it would have been a full discussion with

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1 Interview - ROBERT RUBIN
 2 let me look at this for one second. We met
 3 with them --
 4 **Q Please do.**
 5 A Yeah, I mean in a general way.
 6 We had hired them as a consultant on the
 7 fixed income area, and at some point we had
 8 a meeting with them, the fixed income
 9 people, some of the senior management of
 10 Citigroup, and they produced a document to
 11 frame that meeting. This may be that
 12 document; I don't remember the specific
 13 document, but I do remember they produced a
 14 document.
 15 **Q And to the extent you recollect,**
 16 **what was the upshot of that meeting? Did**
 17 **business strategy change, or what was the**
 18 **result of that, this consultant's report and**
 19 **that subsequent meeting?**
 20 A Right. There had been -- I am
 21 not sure of the sequence exactly, but there
 22 had been -- it had been a process -- let's
 23 go back a year before that actually.
 24 A year or two before that, Chuck
 25 Prince had initiated a review of the equity

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1 Interview - ROBERT RUBIN
 2 the board, I am virtually certain.
 3 The executive committee was not a
 4 decision-making body is I guess the point.
 5 **Q Okay. Thank you.**
 6 **Let me mark another document.**
 7 **(Thereupon, document from**
 8 **Mercer Oliver Wyman dated June 2005**
 9 **was marked RR Exhibit 3 for**
 10 **Identification, as of this date.)**
 11 BY MR. GREENE:
 12 **Q This is a document from --**
 13 A Could I go back to the answer for
 14 just one second?
 15 Another point was that not only
 16 was it not a decision-making body, but I
 17 would convene it and then the CEO would
 18 preside over it, so he would basically
 19 conduct the meeting.
 20 Okay. Go ahead.
 21 **Q This is a document circa June of**
 22 **2005 by a firm named Mercer Oliver Wyman.**
 23 **Do you have any recollection of this**
 24 **analysis by Mercer Oliver Wyman?**
 25 A I certainly remember that we met --

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1 Interview - ROBERT RUBIN
 2 area, and I think we used a consultant there
 3 too, I am not sure, but in any event a
 4 review of the equity area. The consequence
 5 was they changed the senior management of
 6 the equity area and felt Citi was not as
 7 effective in that area as it could have
 8 been.
 9 About year or two later Chuck
 10 suggested doing the same thing in fixed
 11 income, which I thought was a very good
 12 idea, and we, Citi hired Mercer Oliver Wyman
 13 and they then, there was some sort, it was
 14 quite a lengthy process, I don't recollect
 15 these pieces any more, but then we had this
 16 meeting.
 17 And the gist of what they said
 18 was that if you looked across many product
 19 areas that Citi was less involved, did less
 20 positioning, had smaller positions, if you
 21 will, than comparable firms if you measured
 22 against balance sheet and earnings, and that
 23 there was therefore an opportunity for Citi
 24 to move to the point where they had a level
 25 of activity comparable to the others in the

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1 Interview - ROBERT RUBIN
 2 industry, but that if they were going to do
 3 it, they had to also invest in a number of
 4 capabilities. And that is the gist of it as
 5 I remember.
 6 **Q Let me follow up just a bit on**
 7 **that. What were the areas that were**
 8 **presented as potential areas of opportunity?**
 9 A The only one I remember
 10 discussing, somewhere in here, let me take
 11 a look -- I think they listed them in here
 12 someplace -- but the only one that was
 13 really discussed was commodities, the
 14 business I actually had some familiarity
 15 with from earlier years, as I said before.
 16 Well, I guess they don't have it
 17 in here, but my recollection, which I don't
 18 see it here, though, is that they had listed
 19 a whole bunch of areas and, as I said, I
 20 think the only one we really, I recollect at
 21 least that we had any real discussion about
 22 was commodities, an area in which Citi did
 23 very little and Morgan Stanley, J.P. Morgan,
 24 and obviously Goldman Sachs amongst others
 25 had very big operations.

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1 Interview - ROBERT RUBIN
 2 bunch of stuff. This may have been the list
 3 or it may have been some other document with
 4 another list. I don't remember.
 5 **Q You might also look at slide ten.**
 6 **It is something that says opportunities**
 7 **exist. And then --**
 8 A This was the gist of what they
 9 said, "Opportunities exist across products
 10 in all geographies" -- that was the gist of
 11 what they were, of what this report was about.
 12 But also someplace here I thought,
 13 at least in the discussion, they said that
 14 to do this you also had to, which seemed to
 15 be right, you had to have in place the
 16 appropriate capabilities, but maybe that is
 17 not in here.
 18 **Q I think I can find you that. But**
 19 **let me just keep you on page ten --**
 20 MR. DOWNEY: Let me ask a
 21 question, Mr. Greene. I know you have
 22 been talking to a lot of witnesses.
 23 I see this as a first working
 24 discussion, I assume there are many
 25 working discussions. I don't mean to

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1 Interview - ROBERT RUBIN
 2 I thought there was a list in
 3 here someplace.
 4 **Q Well, I may be able to help you**
 5 **in part. If you look at slide 12 or page 12?**
 6 A Yeah, there it is, that looks
 7 like it.
 8 **Q And at least one of them appears**
 9 **to be in that sort of second block of**
 10 **material, quote, "U.S. mortgage and real**
 11 **estate sub-businesses, ARMs and principal**
 12 **finance." Do you recollect that that was**
 13 **one of the areas, sort of, those are areas**
 14 **they recommended?**
 15 A I don't recollect this particular
 16 chart, but, as I say, I remember that they
 17 listed a whole bunch of areas, and I
 18 remember the one that we discussed -- we may
 19 have discussed others that I don't
 20 recollect, but the only one I remember
 21 really having a discussion about was
 22 commodities.
 23 But this has, let's see. This
 24 has hedge fund product, commodities,
 25 distressed corporate derivatives, a whole

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1 Interview - ROBERT RUBIN
 2 impede your questioning, but is this
 3 the document that was shown to people
 4 in Mr. Rubin's group, or do you know
 5 that independently?
 6 MR. GREENE: I don't know,
 7 frankly.
 8 MS. BUERGEL: In fact, I can
 9 tell you that there is a deck related
 10 to this exercise that went to the
 11 board, and this is not the one that
 12 went to the board. You have a copy of
 13 the one that went to the board.
 14 MR. GREENE: I do, okay.
 15 MR. KARP: It is more detailed.
 16 BY MR. GREENE:
 17 **Q Looking at slide ten on the far**
 18 **right side, there is a column entitled**
 19 **Revenue Gaps, quote, New City build, close**
 20 **quote. And in the first increment of that,**
 21 **CMBS is mentioned. What is CMBS?**
 22 A I would guess that is commercial
 23 mortgage-backed securities; not I would
 24 guess, that is what the acronym stands for.
 25 **Q And then in the next one,**

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1 Interview - ROBERT RUBIN
 2 structured credit.
 3 A Uh-huh.
 4 Q What is that?
 5 A Structured credit ordinarily
 6 would be any kind of an asset-backed
 7 security, credit cards, mortgages, auto
 8 receivables, whatever else.
 9 Q Let me turn you to I think the
 10 point you were raising earlier, which is
 11 this question of what Citi needed to do in
 12 order to take advantage of these
 13 opportunities. Slides 15 and 16 appear to
 14 contain some of that information.
 15 A It is interesting. The first
 16 bullet point, this may not be what you want
 17 to get at, "Technology has nearly doubled as
 18 a portion of support costs spent in the last
 19 decade."
 20 I remember very distinctly, and
 21 you asked what happened at business heads
 22 kind of meetings, they were increasing the
 23 investment in technology at a very rapid
 24 rate, and I think this happens in every
 25 company, so the businesses would get

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1 Interview - ROBERT RUBIN
 2 effective independent risk management -- I
 3 guess four things: Independent risk
 4 management, and then a general obvious
 5 comment, you had to make sensible risk-
 6 reward decisions when you were running a
 7 business.
 8 So I don't remember this
 9 particular comment, but I do remember saying
 10 there are requisites for doing this and
 11 those were the requisites.
 12 Q And were those requisites acted
 13 upon by the individuals that attended the
 14 meeting you described?
 15 A My very strong impression is they
 16 were acted upon, yeah. I mean what I
 17 remember, and I guess this document semi-
 18 reflects that in a way, while it can't
 19 reflect what happened going forward but it
 20 reflects what had been happening, is that we
 21 had very a substantial technology buildup in
 22 the company, including I believe in risk
 23 management. You can check all that in your
 24 documents, but that is my recollection.
 25 On the people side, I do remember

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1 Interview - ROBERT RUBIN
 2 assessed for it and the businesses would
 3 always say that they were being overwhelmed
 4 by the expenditures of the center on
 5 technology. We used to have lot of these
 6 discussions.
 7 Q In drawing your particular
 8 attention to the second bullet, there is a
 9 dash, third dash down reads, if I am reading
 10 correctly, "In risk management the key
 11 constraint is the speed and flexibility of
 12 credit and securitization risk processes."
 13 Do you recollect that that was an
 14 issue as you were working your way through
 15 these possible new opportunities for Citi?
 16 A I don't remember this. What I --
 17 I don't remember this phrase, if that is
 18 what you are asking me, or even the concept.
 19 But what I do remember is saying
 20 that if we were going to do this, which I
 21 thought we should do, increase our
 22 positioning, that there were at least three
 23 things you had to do. We had to have
 24 adequate technology and we had to have
 25 adequate people, and then you had to have an

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1 Interview - ROBERT RUBIN
 2 that they got into more active recruiting --
 3 I shouldn't say more active recruiting
 4 because I don't actually know that, but I do
 5 remember that they recruited a foreign
 6 exchange options trading team from Merrill
 7 Lynch, and I remember they recruited a
 8 structured products trading team from
 9 Deutsche Bank. I don't remember other
 10 specific recollections, but those two
 11 recollections I do have.
 12 And they had an independent risk
 13 management capability run by David Bushnell,
 14 so that he had that piece, and the question
 15 then was -- and I do remember also that -- I
 16 shouldn't say I remember. I have a strong
 17 impression, not a specific recollection,
 18 that he continued hiring people and building
 19 up his analytic capability as well.
 20 Q And do you recall any structural
 21 changes in the risk management unit,
 22 specifically to make it more independent of
 23 the business units?
 24 A I think it was -- my impression
 25 is it was independent. It reported I

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1 Interview - ROBERT RUBIN
 2 believe to the CEO and the audit committee
 3 of the board, so I am not sure what you --
 4 **Q Were any of the risk managers**
 5 **reporting to business heads, as far as you**
 6 **know?**
 7 A Not to the best of my knowledge.
 8 **Q Would that have, if that were**
 9 **happening, would that violate your view of**
 10 **proper risk management?**
 11 A Yeah. Independent risk
 12 management should report to the CEO, and
 13 then this one I am quite sure -- you can
 14 check this, but I am quite sure reported to
 15 the audit committee as well.
 16 The independent risk management
 17 shouldn't report to the business people, if
 18 that is your question.
 19 **Q That is the question.**
 20 A Uh-huh.
 21 **Q And to your knowledge that did**
 22 **not occur at Citi?**
 23 A To the best of my knowledge it
 24 did not occur.
 25 Let me put it differently. If it

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1 Interview - ROBERT RUBIN
 2 did occur, I wasn't aware of it.
 3 **Q It has been reported in the**
 4 **papers, whether it is accurate or not I**
 5 **don't know, but that insofar as there was**
 6 **more effective oversight of risk, you were**
 7 **in favor at this point of Citi taking more**
 8 **risk?**
 9 A Well, let me say, if I may,
 10 because I ran all of Goldman Sachs' trading
 11 operations -- I didn't run, that is not
 12 true -- I ran the trading operation
 13 initially, then I became responsible for
 14 them, I didn't run them, but this is
 15 actually a world I knew, at least at one
 16 time I knew a touch about. Now, by the time
 17 we got to this point I was way out of date
 18 in terms of instruments and so forth, but at
 19 least conceptually.
 20 You never want to take more risk.
 21 That is not your objective. Your objective
 22 to do more positioning. Now, when you do
 23 more positioning, what comes with it? Risk.
 24 And I was in favor of increasing positioning
 25 assuming, assuming, and this is critical,

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1 Interview - ROBERT RUBIN
 2 that we had the right people, we had the
 3 right technology, we had effective
 4 independent risk oversight, and that we were
 5 functioning effectively, the people were
 6 making intelligent risk-reward judgments.
 7 And on that basis, looking at the
 8 Oliver Wyman report, it seemed to me that
 9 Citi could, instead of being behind its
 10 comparable firms, could increase its
 11 positioning, could and should increase its
 12 positioning.
 13 **Q And do you recollect as part of**
 14 **that decisional process that you advocated**
 15 **for increased CDO activity by Citi?**
 16 A I am virtually certain -- nothing
 17 in life is certain, so I am not going to say
 18 I am certain, but taking that philosophical
 19 point aside, I am virtually certain that
 20 CDOs never came up in this conversation.
 21 **Q And why would that be true?**
 22 A Why would it be true? I can't
 23 tell you why it would be true, except CDOs
 24 would have been -- well, maybe I can tell
 25 you, as a matter of fact.

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1 Interview - ROBERT RUBIN
 2 I don't think they were a focus,
 3 at least as far as I know, the focus of
 4 anybody's attention at the level that this
 5 was being discussed. Remember, CDOs were a
 6 subproduct, if you will, in structured
 7 products, right? So it would have been
 8 credit card receivables, auto finance
 9 receivables, a whole bunch of other areas.
 10 And we didn't discuss these
 11 product groups at that level of granularity,
 12 with the one possible exception of
 13 commodities, where I think we actually did
 14 have a fairly extensive discussion.
 15 **Q How about what is called RMBS?**
 16 A Residential mortgage-backed
 17 securities.
 18 **Q Correct.**
 19 A If it came up, I don't remember.
 20 But this was not a discussion of
 21 if we are going to do this, you know, at a
 22 sort of a granular level, what is our
 23 business strategy going to be. This was the
 24 broader question of should we increase
 25 positioning, what do we have to do if we are

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1 Interview - ROBERT RUBIN
 2 going to increase positioning, and that was
 3 the level at which this discussion was
 4 conducted.
 5 I might add, and I think this is
 6 a very important point, if you increase
 7 positioning and you presumably are then as a
 8 consequence also taking more risk, and you
 9 do the things that I said, okay, risk
 10 doesn't mean going long something. And in
 11 fact in most of these operations, Citi and
 12 elsewhere -- well, I don't want to overstate
 13 this.
 14 Generally speaking, when you
 15 think of increased, when you think of these
 16 kinds of mega trading operations, a very
 17 large part of their risk doesn't consist of
 18 being long something or short something, but
 19 it consists of basis trading, that is to say
 20 relationship trading, relationship
 21 positions. So if you go long General Motors
 22 you go short Ford; I am taking a simple
 23 example obviously, or you go long one
 24 instrument and short something else because
 25 you think there is a disparity, you think

66

1 Interview - ROBERT RUBIN
 2 the market turbulence was predominantly in
 3 the LBO area, and the focus was on these
 4 very big LBOs that had been done in the
 5 financing and the market distress that
 6 developed. And as a consequence of that
 7 Chuck, on September 12th --
 8 **Q Chuck would be whom?**
 9 A Chuck Prince, called a, at a
 10 meeting -- I think they had a meeting before
 11 that and I was in Korea, I think that is
 12 what happened. He had a meeting with the
 13 trading heads to look at all this and start
 14 to get at it, what was happening in the
 15 markets and what was happening to the
 16 P and L and so forth, and I was in Korea at
 17 the time. You will have to get the exact
 18 dates, I don't know what dates we are
 19 talking about, and I got back and we had a --
 20 then the second meeting, and I was at that
 21 meeting, was on September 12th. That was
 22 really the first time that I focused on CDOs
 23 as an area of importance.
 24 **Q Let's turn to that meeting.**
 25 **(Thereupon, document was marked**

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1 Interview - ROBERT RUBIN
 2 there is some kind of inefficiency you can
 3 take advantage of.
 4 **Q Do you have a recollection of**
 5 **when you first perceived either CDOs or RMBS**
 6 **as being a significant part of what Citi was**
 7 **doing in fixed income?**
 8 A I don't think, I could be wrong
 9 about this, I don't think that there was
 10 ever a significant focus on CDOs until the
 11 trouble began.
 12 **Q And the trouble from that**
 13 **perspective is approximately when, roughly?**
 14 A Roughly speaking, until -- I
 15 don't think CDOs were ever a subject of
 16 particular focus. Remember, you have about
 17 a two and a half trillion dollar balance
 18 sheet or something like that with a vast
 19 number of activities going on. I don't
 20 think CDOs ever become a subject of focus
 21 until that, I think it was September 12, '07
 22 meeting -- let's go back one step further.
 23 **Q Please.**
 24 A Somewheres in July and August,
 25 these markets all became more roilsome, and

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1 **Interview - ROBERT RUBIN**
 2 **RR Exhibit 4 for Identification, as of**
 3 **this date.)**
 4 THE WITNESS: Yes,
 5 September 12th, there you go.
 6 BY MR. GREENE:
 7 **Q And was there -- do you recognize**
 8 **this, I believe the slide deck, I guess this**
 9 **is what it is?**
 10 A I recognize it from having gotten
 11 ready to meet with you all, but I didn't,
 12 when I first saw it I didn't recognize it.
 13 **Q But I take it that this or some**
 14 **version of this was discussed at the**
 15 **September 12th meeting?**
 16 A I can tell you what I remember
 17 about the September 12th meeting; since I
 18 didn't remember the document when I saw it,
 19 I can't tell you whether it was discussed or
 20 not.
 21 **Q Please.**
 22 A But what happened is we met on
 23 September 12th in the library, I think, and
 24 I don't remember exactly who was there, but
 25 it was myself and Chuck Prince and -- I am

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1 Interview - ROBERT RUBIN
 2 not sure about this, but a CFO must have
 3 been there, and I don't remember
 4 specifically but he must have been there,
 5 Lou Kaden I am quite sure was there.
 6 **Q Would that have been Mr.**
 7 **Crittendon?**
 8 A At that point Gary Crittendon,
 9 right.
 10 **Q How about Mr. Maheras?**
 11 A Then I was going through --
 12 **Q Sorry.**
 13 A Then you had whoever was there
 14 from fixed income, and at the very least it
 15 would have been Maheras and I assume Peter
 16 Barker; I don't actually remember that, but
 17 I assume he was. If there was anybody else
 18 there, I don't remember. I have a feeling
 19 there were some other people. David
 20 Bushnell would have been there obviously, as
 21 head of risk. Maybe that was it. There may
 22 have been some others. I don't know.
 23 And the question was to look at,
 24 I guess by August they had begun to have
 25 some effect of all of this on their P and L,

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1 Interview - ROBERT RUBIN
 2 and I think Chuck was trying to figure out
 3 what was going on and who was responsible
 4 for it and what had happened and what we
 5 ought to do.
 6 So we got there and they started
 7 looking at different, whatever it was they
 8 were looking at, and I truly don't remember,
 9 but then they showed us the CDO positions,
 10 and they were -- the way I look at life at
 11 least, you can debate what I am about to say
 12 in some respects, but the way I looked at
 13 life, they were long 43 billion dollars'
 14 worth of these triple A super seniors.
 15 So I said, well, why do we have
 16 those? And they said that these had been --
 17 there is a complication I will tell you
 18 about in a second -- these had remained with
 19 them as the arbitrage was being done within
 20 the CDOs. In other words, they had sold the
 21 junior tranches and they viewed these, since
 22 they were triple A's for practical purposes
 23 as having no risk, and they had retained
 24 them.
 25 So I said, well, triple A, all

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1 Interview - ROBERT RUBIN
 2 the time I have been in the securities
 3 business was viewed for practical purposes
 4 as money good, so I can understand that.
 5 But nevertheless, if you were basically
 6 aggregating these things and then in effect
 7 doing an arbitrage, albeit within the CDO,
 8 not within Citi, right, doing, okay, doing
 9 the arbitrage in the CDO, it seemed to me
 10 that you haven't disposed of the risk
 11 because you hadn't sold off the triple A's.
 12 And they said, well, these are
 13 triple A's, for practical purposes there is
 14 no risk, and as I say, that to me was an
 15 understandable comment in the context of
 16 those times. Obviously, looking back with
 17 hindsight, those were terribly misguided
 18 triple A's, but that is hindsight from
 19 today.
 20 So that was where I first became
 21 aware of it, and my view was that if you are
 22 in this business to earn those fees --
 23 because that is what you got, the fee,
 24 right, okay -- in the business to do those
 25 fees, then you need to sell off all the

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1 Interview - ROBERT RUBIN
 2 pieces.
 3 Now, maybe I am getting a little
 4 more granular than you want to get, but that
 5 was the discussion we had, okay? I have
 6 learned something since that would add to
 7 it, but that was the discussion we had.
 8 **Q What did you learn since the time**
 9 **of the meeting?**
 10 A What I knew at the time was that
 11 there were two parts to this triple A
 12 position. One was -- I actually remember
 13 all this from then. What I am about to say
 14 I remember from then, and there is something
 15 I've learned since, okay?
 16 **Q Please.**
 17 A There was 18 billion that was
 18 simply there, that in effect Citi owned that
 19 they hadn't sold off, they hadn't completed
 20 the transaction within the CDO, okay? Then
 21 there was another 25 billion which was in
 22 these liquidity puts, and their view -- what
 23 I am now telling you now did not up come up
 24 at the meeting. It is what I have learned
 25 since.

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1 Interview - ROBERT RUBIN
 2 **Q So the question of liquidity puts**
 3 **was not discussed at that time?**
 4 A No, it was. They said we've got
 5 43 billion, there's 43 billion of these
 6 triple A's, and 18 billion of them was that
 7 which hadn't been sold off and 25 billion in
 8 liquidity, that absolutely came up. To me
 9 they were all one thing, as far as I was
 10 concerned.
 11 Maybe that is the better way to
 12 go at this. As far as I was concerned they
 13 were all one thing, because if there was a
 14 put back to Citi under any circumstance,
 15 however remote that circumstance might be,
 16 you hadn't fully disposed of the risk. And
 17 my view was that if you have an arbitrage
 18 business and you are getting a fee for
 19 setting these things up, then the business
 20 model was you should dispose of the risk.
 21 But it is understandable that
 22 somebody could think of it differently
 23 because, as I say, you were dealing with
 24 triple A, and their answer was these things
 25 are triple A and for practical purposes they

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1 Interview - ROBERT RUBIN
 2 have no risk, they have de minimis risk.
 3 And that was the discussion we had.
 4 **Q But as a personal matter, this**
 5 **was the first occasion where you really**
 6 **confronted the issues of the CDOs and their**
 7 **risks?**
 8 A Yup.
 9 **Q To your recollection, did this**
 10 **come up at any board meetings upon which you**
 11 **participated?**
 12 A No. I mean the board meetings,
 13 the CFO would report on the earnings results
 14 of the business, and I don't think -- we
 15 could check this, but I don't think that
 16 CDOs were ever a substantial earnings
 17 problem until you got to this point.
 18 **Q And to the extent you have an**
 19 **impression, do you think this was the first**
 20 **time that Mr. Prince understood the scope of**
 21 **the CDO exposure?**
 22 A I am giving you an impression,
 23 and you will have to ask -- the authority on
 24 what he knew was him, not me.
 25 **Q Obviously him, of course.**

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1 **Interview - ROBERT RUBIN**
 2 A Yes, I think this probably is
 3 because prior to this what you had was you
 4 had a structured products business.
 5 We had a very good CFO, as you
 6 know. He had been the CFO at American
 7 Express and we recruited him away from
 8 there, and he would report to the board the
 9 results of what was, give or take, a two and
 10 a half trillion dollar balance sheet, maybe
 11 a little bit less than that, in that
 12 neighborhood, and this was one small piece
 13 of that balance sheet.
 14 And so this was wrapped into all
 15 those results and there was nothing dramatic
 16 happening that would have -- the real drama,
 17 actually, I am not sure now whether I am
 18 talking about October or August -- I
 19 apologize, July or August, but I think it is
 20 more August, but the real drama in this was
 21 until this meeting, the real drama in this
 22 was in the LBO area. And that was all over
 23 the street, by the way, not just with us,
 24 JPM, Goldman, and so forth.
 25 **Q And for the record, LBO stands**

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1 **Interview - ROBERT RUBIN**
 2 **for?**
 3 A Leveraged buyout. There had been
 4 these mega leveraged transactions that had
 5 taken place in the most recent two or
 6 three years, whatever it was, and some of
 7 those had started to develop problems, and
 8 that started to reflect itself in the August
 9 results. There may have been some evidence
 10 of them in the July results, I don't
 11 remember, but I think it started to reflect
 12 itself in the August results, so that was
 13 where the focus was.
 14 My guess would be this was the
 15 first time -- this or maybe the, as I said
 16 to you, there was a meeting -- this was the
 17 12th, okay? There was a preceding meeting
 18 when I was in Korea, so it may have come up
 19 at that meeting. That was just a few days
 20 before, though. It was the same time
 21 period, just a few days prior to the 12th.
 22 **Q Let me just, I do want to come**
 23 **back to this September meeting.**
 24 **So, if I represented to you that**
 25 **at some time between the end, the last**

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1 Interview - ROBERT RUBIN
 2 quarter of, between '05 and '06, housing
 3 prices begin to fall on a national basis,
 4 did you know that at the time?
 5 A I am sure I knew it.
 6 Q Did you at that time have any
 7 sense that that could have implications for
 8 the CDO or RMBS business?
 9 A I don't think I ever really
 10 focused on the CDO or RMBS business; no
 11 particular reason why I should. If it was
 12 going to be a problem -- I am not even sure
 13 at that point I gave any thought to the
 14 CDOs. If there was going to be problem in
 15 CDOs or in mortgages or whatever -- there is
 16 actually a larger comment I could make on
 17 that, but let me finish this for a second --
 18 that would have been brought to us by
 19 Maheras or by Bushnell or somebody.
 20 I had a general view of them. As
 21 long as you have asked this question, let me
 22 answer it if I may.
 23 You go into about 2005 or
 24 thereabouts, and I began to develop a
 25 feeling, which could easily have turned out

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1 Interview - ROBERT RUBIN
 2 to be wrong, of course, but I developed a
 3 feeling that markets in general had begun to
 4 go to excess, and I include the credit
 5 markets, and I think quite a few other
 6 people had a similar kind of feeling. And I
 7 used to include this in my speeches because
 8 I did a fair bit of public speaking.
 9 And what I thought was going to
 10 happen -- number one, I could be wrong;
 11 number two, when those things happen they
 12 can go on for years, it's sort of
 13 unpredictable when the psychology of markets
 14 is going to change. But I thought that at
 15 some point if that was right that you would
 16 have a downturn, maybe even a sharp
 17 downturn, and when that happened you'd have
 18 a few bad, difficult quarters, and that is
 19 what this industry has always been like.
 20 But instead, you had something
 21 very different happen and you had, not just
 22 excesses but you had an enormous number of
 23 other factors that -- I wrote a Newsweek
 24 article on this, actually -- operating at
 25 the same time. It was an extraordinary set

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1 Interview - ROBERT RUBIN
 2 of circumstances, and the result of all that
 3 was the worst financial crisis since the 1930s.
 4 Q Let me ask you a few more
 5 questions about what you knew and when you
 6 knew it.
 7 A Yup.
 8 Q You had, Citi had an RMBS unit
 9 which we understand circa late 2005 or early
 10 2006 created a surveillance unit because
 11 they observed mortgage quality falling.
 12 Were you aware of that? Were you
 13 aware that, notwithstanding the concerns of
 14 the RMBS unit, the CDO unit was continuing
 15 to accelerate its activities?
 16 A No.
 17 Well, let me put it differently;
 18 you can never be sure of anything. I
 19 certainly don't remember it, and I -- I
 20 think that if somebody had come to us with
 21 something like you just described, I
 22 probably would remember, but I don't
 23 remember such a thing.
 24 Q And then early in '07 there are a
 25 whole, actually late '06 into early '07,

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1 Interview - ROBERT RUBIN
 2 several subprime lenders run into serious
 3 problems, Merit Financial, Countrywide,
 4 Ameriquest. Did you or the board, were you
 5 concerned about that as it might affect your
 6 own CDO or RMBS businesses?
 7 A I don't remember specifically any
 8 discussions of that, but given that the
 9 board tended to focus on what was -- there
 10 were discussions at every board meeting
 11 about risk and what was going on in the
 12 environment.
 13 And very often we would get --
 14 not very often, I think at every board
 15 meeting actually we got a document, and as I
 16 recollect it at least, either always or
 17 generally, at the beginning of that document
 18 sort of a description of market conditions
 19 and then it would go on, so I would guess
 20 that that must have been in there.
 21 But I don't, I think the thing
 22 that's -- well, having said that, I don't
 23 think anybody focused on the CDOs. This was
 24 one business in a vast enterprise, and until
 25 the trouble developed, it wasn't one that

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1 Interview - ROBERT RUBIN
 2 had any particular profile.
 3 In the RMBS, every firm on the
 4 street had enormous mortgage trading
 5 operations, and unless somebody came to the
 6 board and said we've got a problem, or there
 7 is something substantially wrong someplace,
 8 the board had people who, you know, Tom
 9 Maheras was in charge of trading. Tom was
 10 an extremely well regarded trading figure on
 11 the street.
 12 In fact, he was chairman, I am
 13 pretty sure of this, I know he was,
 14 actually, of the Treasury Advisory
 15 Committee, whatever that was called. And
 16 this is what traders do, they handle these
 17 kinds of problems.
 18 MR. GREENE: Why don't we take
 19 a five-minute break.
 20 (Brief break.)
 21 BY MR. GREENE:
 22 **Q Mr. Rubin, let's turn to**
 23 **actually this document, because I need your**
 24 **thoughtful hand to interpret it.**
 25 A Okay.

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1 Interview - ROBERT RUBIN
 2 **Q And then looking about four lines**
 3 **down, there is line marked "margin."**
 4 A I am sorry, where do you see that?
 5 I see it, yeah.
 6 **Q Is that the equivalent of gross**
 7 **profit? How should I interpret something**
 8 **called "margin" in this context?**
 9 A Let me see if I can -- I don't
 10 think that is what that is.
 11 We can figure, we can calculate,
 12 we can figure this out. That should be the
 13 difference between expense -- well, I guess
 14 it is gross profit, the difference between
 15 expenses and revenue, I guess, but we can
 16 determine that by looking at the numbers,
 17 can't we?
 18 So, that is 200. Yeah, that is.
 19 It is gross profit, gross profit before the
 20 cost of credit, right? Yeah. You got it
 21 right.
 22 **Q And then if you go down three**
 23 **lines further down where it says "net**
 24 **income, paren, global tax," is that what a**
 25 **lay person like myself would understand as**

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1 Interview - ROBERT RUBIN
 2 **Q Turning to what appears to be the**
 3 **first page, there's essentially a**
 4 **spreadsheet.**
 5 **So, reading the top line from**
 6 **left to right, it looks like there is the**
 7 **2,723,153 figure, and it looks like 2006 is**
 8 **larger. Since these figures are in**
 9 **millions, should I take that as 2.7 billion**
 10 **or 2.7 --**
 11 A It must be billions. I assume.
 12 **Q It wouldn't be trillions, would it?**
 13 A No, it wouldn't be trillions.
 14 That's only the federal deficit.
 15 **Q And then this seems to suggest**
 16 **with the parentheses in 2007, would that be**
 17 **a loss of a billion dollars?**
 18 A Right.
 19 **Q And then a loss in August of**
 20 **presumably 361 billion, does that look right?**
 21 A Yes.
 22 **Q And then August year to date,**
 23 **that would appear to be net gain of**
 24 **1.2 billion?**
 25 A Correct.

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1 Interview - ROBERT RUBIN
 2 **profit?**
 3 A Let's just look and see.
 4 This is your margin, and you have
 5 your total cost of credit which is a cost
 6 obviously, so you put the two together and
 7 you come out to that number there. That
 8 looks like the net income, but I don't -- I
 9 am doing the same thing you are doing, I am
 10 adding the numbers. It looks like that is
 11 the net income. What I don't know about is
 12 what the global tax means.
 13 **Q Okay.**
 14 A Look, EBIT, earnings before
 15 interest and taxes, right? That is what
 16 that is, and then you have the net income.
 17 Oh, I guess maybe -- well, no
 18 sense in my speculating.
 19 **Q And then looking at the column**
 20 **for 2006, that would seem to suggest that**
 21 **the net income, if it is profit as well, was**
 22 **\$1.1 billion, is that correct?**
 23 A The net profit was what? I am
 24 sorry.
 25 **Q Net income in 2006?**

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1 Interview - ROBERT RUBIN
 2 A Maybe that is the after tax. I
 3 bet that is what that is, because if you
 4 look at it, it is 1.8 -- I am just
 5 speculating because I honestly don't know,
 6 but EBIT is earnings before interest and
 7 taxes, and so -- although they already have
 8 the cost of credit up there.
 9 But in any event, the tax rate,
 10 U.S. tax rate, give or take a third, that
 11 would sort of look like earnings after tax.
 12 Q Now --
 13 A And similarly -- it is
 14 interesting. Similarly, if you look at the
 15 2007 for July, just to take an example, you
 16 have that 1.2 billion, and since that is tax
 17 deductible, I guess carry forward or carry
 18 back, that must be the after tax number I
 19 would guess.
 20 Q And how would that compare to net
 21 income or profit from other lines of
 22 business at Citi? Small, large?
 23 A That would be, in those days --
 24 first of all, I don't know the answer to
 25 your question, but in those days the earning

86

1 Interview - ROBERT RUBIN
 2 power was somewhere around 20 billion, so
 3 that would be -- it would be, I don't know
 4 whether you would call it large -- it is
 5 what it is. I guess I would say it's
 6 relatively limited.
 7 Q So roughly five, ten percent of
 8 the total, would that be fair?
 9 A Well, no. Well, except this is
 10 one month and you are comparing it to the
 11 year. If they earn 20 billion a year and
 12 they had a loss of 745, then you are right,
 13 it is about four percent or three percent or
 14 something. But that is three or four
 15 percent of the yearly number.
 16 Q I was thinking about actually
 17 looking at 2006, if that is --
 18 A I am sorry, 2006.
 19 Q That appears to be a full year
 20 number.
 21 A Oh, 2006. Oh, I apologize. That
 22 is a full year number. I don't know what
 23 they earned that year, but it is probably in
 24 the low 20s. I was looking at a different
 25 year.

87

1 Interview - ROBERT RUBIN
 2 Q Not to worry.
 3 Let's turn to the next page,
 4 which is captioned Global Credit Trading.
 5 A Uh-huh.
 6 Q And then under the caption "What
 7 happened in July and August," there is a,
 8 something, I guess it is a little arrowhead,
 9 "Poor risk management and balance sheet
 10 management," and then a sub that says "Note
 11 that no limits were breached."
 12 A Uh-huh.
 13 Q Was this, do you recall a
 14 discussion of poor risk management at the
 15 library meeting?
 16 A No. I mean I don't, clearly --
 17 you asked me the question do I recall. The
 18 answer is no.
 19 Q Fair answer. With respect to
 20 strategy, it appears that a number of steps
 21 are being taken, including overhauling
 22 trading management.
 23 What was the nature of the
 24 overhaul?
 25 A Where are you looking?

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1 Interview - ROBERT RUBIN
 2 Q First arrow under "strategy."
 3 A Well, I don't remember any more,
 4 but I can tell you what happened in a rough
 5 sense. I don't remember the names of people
 6 any more, but --
 7 Q Please.
 8 A Although this, this was prepared
 9 for -- this obviously had already taken
 10 place. I mean, all I can tell you is what
 11 it says, which is that a number of people
 12 had been, had left, I presume involuntarily,
 13 but I don't remember the specific discussion.
 14 From that point forward, Chuck
 15 was focused on -- I think I mentioned this
 16 before, actually -- Chuck was focused on
 17 what had happened and who was responsible
 18 for it and what should we do now. And at
 19 some point, as you know, Tom Maheras stepped
 20 down and Peter Barker stepped down, but that
 21 of course was subsequent to this.
 22 Q The fourth arrow down, it reads,
 23 "Continue to invest in technology to enhance
 24 risk management and reporting capabilities."
 25 Do you recall if there was a

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1 Interview - ROBERT RUBIN
 2 discussion that somehow the board or
 3 management had under-resourced risk
 4 management technology?
 5 A No. I actually read this a
 6 little differently.
 7 I don't remember -- I don't have
 8 a specific recollection, but technology was
 9 often discussed at the board, and there was
 10 a lot of focus on doing what needed to be
 11 done to have in place the -- not just for
 12 this business, I am talking about generally
 13 through the company. And I would have read
 14 this as saying that we had been investing, I
 15 should say Citi had been investing and he
 16 was going to continue to invest, and that is
 17 the way I read this.
 18 Q Okay. And turn to the next page,
 19 which is captioned Global Structured Credit.
 20 A Incidentally also, continue to
 21 investment -- I don't remember seeing this
 22 document, but it says "Continue to invest in
 23 credit analyst capabilities." And that was
 24 the point I think I had made before, that
 25 after they had approved going ahead and

90

1 Interview - ROBERT RUBIN
 2 I mean, typically a business unit
 3 would take all its different parts or major
 4 parts and tell you where they were in the
 5 industry, so it may well have been that in
 6 presentations they said we are number one in
 7 foreign exchange, which I think they were
 8 most of that time, and if this was the fact,
 9 then that probably would have shown up
 10 someplace.
 11 Q Are those the so-called league
 12 tables?
 13 A That is the idea of a league
 14 table; whether they were actually formally
 15 league tables for this business or not, I
 16 don't know.
 17 Q And turning to the last arrow in
 18 that grouping, which reads, "Providing super
 19 senior triple A funding on both cash slash
 20 synthetic, historically part of Citi
 21 business model."
 22 A Where are you?
 23 Q I am sorry; this would be the
 24 last arrow?
 25 A "Purchase protection"?

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1 Interview - ROBERT RUBIN
 2 increasing positions, I had this general
 3 recollection that he had increased both, the
 4 company rather, increased both investment
 5 and technology and also building the credit
 6 analyst capabilities. And what this
 7 language suggests is that that in fact had
 8 happened, I think.
 9 Q All right. And turning to the
 10 next page, Global Structured Credit, looking
 11 at the first arrow, "CDO market experienced
 12 extremely high growth rate." Any
 13 recollections of that?
 14 A Any recollections of?
 15 Q Of the CDO portion of Citi
 16 doubling in size basically over one year?
 17 A No. The first recollection I
 18 have of a discussion of CDOs was at the
 19 September 12th meeting.
 20 Q So, turning to the second bullet,
 21 the fact that Citi was consistently ranked
 22 number one or two in overall CDO business,
 23 was that something you were aware of?
 24 A I may have been, but I don't
 25 remember.

91

1 Interview - ROBERT RUBIN
 2 Q No, "providing super senior."
 3 The last arrow in the first portion?
 4 A Here, I am sorry. Okay. Okay,
 5 right.
 6 I could interpret -- I don't
 7 remember this, but I could interpret it for
 8 you if you would like. I could tell you
 9 what I would guess it meant, but I don't
 10 remember.
 11 Q Okay, why don't you give me your
 12 best reading of what that is?
 13 A My guess is what it meant was
 14 that historically they had provided funding --
 15 look, providing super senior triple A
 16 funding, so that is providing funding, and
 17 that that was historically part of the
 18 business model, and that probably referred
 19 to the liquidity puts, I would guess, but I
 20 truly have no recollection. That would be
 21 my guess.
 22 Q Let's not have you speculate too
 23 much.
 24 A Okay.
 25 Q Turning to the next major

93

1 Interview - ROBERT RUBIN
 2 division here, "Citi responses to market
 3 meltdown," take a look at the first three
 4 and tell me if you had knowledge of these
 5 prior to the September 12th meeting.
 6 A If I did, I certainly don't
 7 remember it, and I don't think I would have.
 8 This was the operation of the business, at a
 9 level that we wouldn't have seen at the
 10 board.
 11 Q And as far as you can recollect,
 12 the board was not aware of these changes?
 13 A I certainly don't recollect it,
 14 and I wouldn't have thought so. I mean, in
 15 the company's trading business there would
 16 be vast numbers of things going on all the
 17 time.
 18 Q And under "Lessons learned," the
 19 penultimate one, "Implemented significant
 20 changes in risk management in January."
 21 A Uh-huh.
 22 Q Do you know why they implemented
 23 these changes?
 24 A No.
 25 Q Turning to the next page, which 94

1 Interview - ROBERT RUBIN
 2 trading, which is an entirely
 3 different business.
 4 MR. GREENE: Okay.
 5 BY MR. GREENE:
 6 Q But let's go back to that first
 7 slide. So, if the company is facing
 8 problems because of CDOs and RMBS, what
 9 would have been the point of this first
 10 slide if it had not covered those
 11 businesses?
 12 A What would be the point of the
 13 first slide?
 14 MR. DOWNEY: If you know. He
 15 doesn't want you to guess or speculate.
 16 THE WITNESS: Let me respond.
 17 This says global credit market
 18 financials, so if you would ask me,
 19 but I now found out I was wrong, I
 20 would have assumed that this covered
 21 credit market activities. But we just
 22 learned that that was not the case.
 23 BY MR. GREENE:
 24 Q But then, turning to this, the
 25 third page of this, under Global Structured 96

1 Interview - ROBERT RUBIN
 2 is captioned "Leveraged finance," if you
 3 would take a look at that.
 4 A Leveraged finance. Okay.
 5 Q As far as you can tell, do you
 6 think, does that cover the CDO business and
 7 the RMBS business, these characterizations
 8 of changes in the market?
 9 A The way it reads?
 10 Q Yes.
 11 A No, it doesn't read as if it had
 12 anything to do with that. I mean, it refers
 13 to financial sponsors. No, I don't think it
 14 had -- it doesn't read like it had anything
 15 to do with that.
 16 Q So a financial sponsor might not --
 17 A No. A financial sponsor is a
 18 term in that context would refer to these
 19 very large LBO firms. Here, you can see one
 20 down here, TPG, Texas Pacific Group.
 21 Q Got it.
 22 MS. BUERGEL: Actually, Tom, to
 23 be fair, the first slide you looked at
 24 didn't refer to the CDO or RMBS
 25 business side. That is global credit 95

1 Interview - ROBERT RUBIN
 2 Credit --
 3 A Second page? This page?
 4 Q Right. That does discuss CDO
 5 market volumes, correct?
 6 A Let me look at it one second.
 7 Correct.
 8 Q And it does also discuss ABS
 9 warehouses, isn't that correct?
 10 A Correct.
 11 Q Okay, thank you.
 12 Now I want to go back briefly to
 13 some of these questions about when you were
 14 advised --
 15 A What do you want to do with this?
 16 MR. GREENE: Let's mark next in
 17 order.
 18 (Thereupon, exchange between
 19 Robert Rubin and Carl Levinson was
 20 marked RR Exhibit 5 for
 21 Identification, as of this date.)
 22 BY MR. GREENE:
 23 Q This appears to be an exchange
 24 between you and a Mr. Carl Levinson?
 25 A Correct. 97

1 Interview - ROBERT RUBIN
2 **Q Concerning an article on the ABX**
3 **index.**
4 **Do you recall having a**
5 **conversation with Mr. Levinson about the**
6 **potential implications of a decline in the**
7 **ABX index?**
8 A I do not.
9 **Q Now, the article also -- this is**
10 **circa February 2007 -- the article itself**
11 **refers to earlier drops in the ABX index.**
12 **Do you recall any knowledge of such drops?**
13 A I don't remember now, but I might
14 well have had them.
15 The answer is I don't remember
16 now, but I could well have had them at the
17 time.
18 **Q And to the best of your**
19 **recollection, do you recall being told or**
20 **understanding that a drop in the ABX index**
21 **might have implications for Citi's CDO or**
22 **RMBS businesses?**
23 A I don't remember that, no. But
24 again it may have come up.
25 (Thereupon, letter and

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1 Interview - ROBERT RUBIN
2 A This?
3 **Q Yes.**
4 A I wouldn't have any way of
5 judging.
6 **Q Let's turn briefly to the**
7 **spreadsheet portion of it on -- there are**
8 **page numbers down at the bottom.**
9 A What page are you on?
10 **Q Page one.**
11 A All right.
12 **Q And under the date July 13, 2007,**
13 **the heading is "Mortgage-backed securities**
14 **portfolio in CLG, 820 million unrealized**
15 **loss."**
16 **Now, this is to the CFO audit**
17 **committee, so I am not sure you would have**
18 **been aware of this, but my question to you**
19 **is: Were you aware of this loss roughly**
20 **during this time period?**
21 A Let me read this for one second.
22 **Q Of course.**
23 A That is the audit committee of
24 the board, is it?
25 **Q I believe that is correct.**

100

1 Interview - ROBERT RUBIN
2 attachment dated Dec. 7, 2007, from
3 Citigroup to Office of the Comptroller
4 of the Currency, was marked RR
5 Exhibit 6 for Identification, as of
6 this date.)
7 BY MR. GREENE:
8 **Q I have presented you with sort of**
9 **a combination of documents. One is a**
10 **transmittal letter from an Omer Oztan and**
11 **Mary Reisert, I believe, with the office of**
12 **the general counsel at Citi, dated**
13 **December 7, 2007, to Mr. Lyons, who is with**
14 **the Office of the Comptroller of the**
15 **Currency, and it purports in a letter to**
16 **provide a summary of various minutes and**
17 **board committee meeting minutes concerning**
18 **risk.**
19 **If you have had the opportunity**
20 **to briefly look at this, does this look**
21 **correct from your perspective?**
22 A Does which look correct? The
23 cover letter?
24 **Q Does it appear to be what it**
25 **purports to be?**

99

1 Interview - ROBERT RUBIN
2 A Because I wasn't there, I wasn't
3 a member of that. I don't remember being
4 aware of the loss, but I may have been.
5 The answer is I certainly don't
6 remember any of this.
7 **Q Turn to page seven, and under the**
8 **date --**
9 A I got it.
10 **Q Take a look at the block under**
11 **September 7, 2007.**
12 A Uh-huh. This is September 7th,
13 "Disappointing month in August." That is
14 the one you are talking about.
15 **Q Yes.**
16 A Yup.
17 **Q And I note that on the portion of**
18 **this chart listed "Participants recipients,"**
19 **you are listed as a recipient?**
20 A Correct.
21 **Q Do you recall this document and**
22 **discussion?**
23 A I do not.
24 **Q Do you recall if you --**
25 A What I do recall was that August

101

1 Interview - ROBERT RUBIN
 2 was a difficult month in the markets and
 3 that had an effect on the P and L of the
 4 firm, that I remember, but I don't remember
 5 the specifics that you have here.
 6 **Q Do you recall prior to**
 7 **September 7th having knowledge of problems**
 8 **in the CDO or RMBS portion of Citi?**
 9 A No. The answer to your question
 10 is no. If there were losses associated with
 11 those businesses, they would have been part
 12 of the P and L report from the CFO. So I
 13 would have seen whatever it was he brought
 14 to the board. But I don't recall anything.
 15 MR. KARP: Tom, is there a
 16 reference to CDOs, because I can't see it.
 17 MR. GREENE: Oh, I am sorry.
 18 THE WITNESS: No, there no
 19 reference here to CDOs.
 20 MR. KARP: I thought that was
 21 your question.
 22 BY MR. GREENE:
 23 **Q It is CMB.**
 24 A This is CMB, which I assume means
 25 commercial mortgage backs.

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1 Interview - ROBERT RUBIN
 2 mortgage backed and structured
 3 products and commodities and
 4 everything they did, and CAI as you
 5 know was the principal investment area.
 6 BY MR. GREENE:
 7 **Q But it would have been included**
 8 **CDOs and RMBS?**
 9 A Oh, yeah, it would have included
 10 a vast number of activities.
 11 **Q As well as other things?**
 12 A Well, more than just as well as
 13 other things. It would have been a vast
 14 number of things of which CDOs would have
 15 been one piece, right. It included the
 16 whole business which was a very large
 17 business.
 18 For that matter, it would have
 19 included the operating activities too, cash
 20 management, investment banking fees, the
 21 whole array, and most particularly for these
 22 purposes it would have included the results
 23 of leveraged buyout activities and credit
 24 extension and so forth.
 25 **Q Turning to page ten --**

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1 Interview - ROBERT RUBIN
 2 MR. KARP: That is entirely
 3 different.
 4 MS. BUERGEL: Actually, CMB
 5 here is a reference to the investment
 6 bank.
 7 MR. GREENE: It is a business
 8 unit.
 9 THE WITNESS: That is what this is?
 10 MR. BIRENBOIM: Yes, the entire
 11 bank.
 12 THE WITNESS: That is funny,
 13 because I wondered why it doesn't say
 14 CMBS. So this is just, this is the
 15 whole business.
 16 MR. KARP: That is why the
 17 question is confusing.
 18 THE WITNESS: With that I can
 19 explain what this is. That is why it
 20 doesn't have an S in it. Okay.
 21 This was the whole business, I
 22 think it was the downtown business.
 23 So they are talking about the whole
 24 business, which was all the trading
 25 activities, foreign exchange and

103

1 **Interview - ROBERT RUBIN**
 2 A Uh-huh.
 3 **Q -- this is a description of a**
 4 **tutorial on, circa September 17, 2007. I**
 5 **don't see your name as listed. Did you go**
 6 **to a tutorial circa early September '07 on**
 7 **the risk environment?**
 8 A It is interesting. I don't
 9 remember either going or not going.
 10 You know what it might have been?
 11 The answer is I don't know the answer.
 12 Remember, this is post September 12th, right?
 13 **Q Correct.**
 14 A Right. So at that point, as soon
 15 as this happened and we met in the library I
 16 was deeply, I really got deeply engaged in
 17 this to try to help Chuck think his way
 18 through it. So I don't remember whether I
 19 went to this meeting or not, but this
 20 meeting was for the board which was to -- I
 21 presume, I truly don't remember this
 22 meeting, but my guess was this meeting was
 23 to begin the process or bring the board up
 24 to speed on what I already knew.
 25 But I may or may not have been at

105

1 Interview - ROBERT RUBIN
 2 the meeting, I don't know.
 3 MR. KARP: Bob, they have the
 4 minutes of this meeting.
 5 THE WITNESS: Okay.
 6 BY MR. GREENE:
 7 **Q At some point Mr. Prince as I**
 8 **understand it created something called the**
 9 **defcom committee. When was that institution**
 10 **created?**
 11 A I have a very vague recollection
 12 that what he did was somewheres around --
 13 the market disruption, turmoil in the
 14 markets as I recollect it at least began in
 15 July, I think, with I think lot of the focus
 16 being on the LBO area, leveraged finance and
 17 the debt associated with therewith.
 18 And somewheres in there he
 19 started having these calls -- I actually had
 20 forgotten what they were called, but
 21 somebody reminded me -- he had calls, I
 22 don't remember if they were daily or very
 23 frequently, on market conditions. And they
 24 were broad calls about, as I -- I don't
 25 remember the specifics of them, but they

106

1 Interview - ROBERT RUBIN
 2 were broad calls about what was going on in
 3 the markets.
 4 **Q And who would typically**
 5 **participate in a def -- is it defcom or**
 6 **defcon?**
 7 A I truly don't know. I didn't
 8 remember that name altogether until somebody
 9 reminded me.
 10 I don't remember who was on it.
 11 My recollection?
 12 **Q Please.**
 13 A As best as I can recollect, it
 14 was a group of appropriate people from the
 15 trading areas and then some number of the
 16 senior executives, but who was on it I don't
 17 remember.
 18 **Q Any recollection of roughly how**
 19 **many people would have been involved in**
 20 **either of the meetings or calls?**
 21 A No. I probably didn't even know
 22 at the time, because they would have had a
 23 conference set up down there and I don't
 24 know how many people they would have had in
 25 the conference.

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1 Interview - ROBERT RUBIN
 2 Well, I should say the answer is
 3 I don't know.
 4 **Q Now, do you recall any**
 5 **discussions circa October about Citi's SIVs?**
 6 A Oh, boy.
 7 MR. BIRENBOIM: What year?
 8 MR. GREENE: SIVs.
 9 MR. BIRENBOIM: Of what year?
 10 MR. GREENE: Of '07.
 11 THE WITNESS: I remember
 12 generally discussions about SIVs, but
 13 I couldn't place them in time.
 14 BY MR. GREENE:
 15 **Q Okay. Do you have any**
 16 **recollection of Citi buying eight billion**
 17 **dollars in commercial paper in support of an**
 18 **SIV?**
 19 A I do not.
 20 **Q I am curious. There was a**
 21 **statement to the markets, two actually, one**
 22 **in mid-October, October 15th, about subprime**
 23 **exposure, which was stated to the markets**
 24 **that you had roughly a \$13 billion subprime**
 25 **exposure, and then on November 4th that was**

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1 **Interview - ROBERT RUBIN**
 2 **restated to be 55 billion.**
 3 **Do you have any recollections of**
 4 **that discussion on the board in terms of**
 5 **restating the company's exposure to**
 6 **subprime?**
 7 A No. I remember November 4th,
 8 obviously, because that was a very important
 9 day. But I don't, I don't even know if that
 10 was discussed.
 11 The answer to the question is no,
 12 but I do remember November 4th.
 13 **Q Because you became --**
 14 **A Chairman of the board, and Chuck**
 15 **stepped down.**
 16 **Q Let me turn your attention to**
 17 **page 19 and see if this prompts any**
 18 **recollection you might have.**
 19 **If you would look at the**
 20 **executive summary about halfway down the**
 21 **page, it is under "Risk management review**
 22 **and update to the corporate audit and risk**
 23 **management committee."**
 24 A Here it is, yeah.
 25 **Q If you would read that, I would**

109

1 **Interview - ROBERT RUBIN**
2 **appreciate it.**
3 A Let me ask you a question. This
4 was dated when?
5 MR. DOWNEY: According to this
6 it is October 15th.
7 THE WITNESS: Is this a regular
8 board meeting?
9 BY MR. GREENE:
10 **Q No, it is a committee meeting as**
11 **I understand it.**
12 A This is an audit committee
13 meeting?
14 **Q Yes.**
15 A So this was what? This was a
16 report to the audit committee?
17 **Q Yes.**
18 A By whom? I am just trying to
19 understand what I am reading.
20 **Q Sure. You know, I don't know who**
21 **actually provided the report.**
22 A Okay. But this was a report to
23 the audit committee. Okay. It doesn't
24 matter.
25 MR. KARP: Do you have any

110

1 Interview - ROBERT RUBIN
2 indication that Mr. Rubin was present?
3 MR. GREENE: I am not sure. I
4 am asking --
5 THE WITNESS: At this?
6 MR. KARP: I know you were not
7 present, and they should as well.
8 THE WITNESS: No, I wouldn't be
9 present.
10 MR. KARP: You are not present.
11 THE WITNESS: No, I can tell
12 you that because I never went to audit
13 committee meetings.
14 MR. DOWNEY: I don't have the
15 question in mind, so would you reask it?
16 THE WITNESS: This is October 15th,
17 okay. I have read it.
18 BY MR. GREENE:
19 **Q Now, it appears to a lay person**
20 **looking at that last dash --**
21 A Yup.
22 **Q -- that reads, "The total**
23 **subprime exposure in markets and banking was**
24 **13 billion, with an additional 16 billion in**
25 **direct super senior and 27 billion in**

111

1 **Interview - ROBERT RUBIN**
2 **liquidity and par puts. Subprime exposure**
3 **was down slightly from last quarter."**
4 A Right.
5 **Q The company having just disclosed**
6 **13 billion and then in two weeks will**
7 **disclose 55 billion, did they just not add**
8 **it up properly, or do you have any**
9 **recollection of --**
10 A I have zero recollection of this.
11 I wasn't at the audit committee.
12 I think I could understand what
13 this says. Now, whether my counsel wants me
14 to try to interpret this or not, I think I
15 do understand it.
16 MR. DOWNEY: I think it
17 wouldn't be, I think it is probably an
18 important area to you and I think you
19 probably shouldn't speculate about it
20 would be my sense.
21 MR. KARP: I don't know what
22 rules govern this proceeding. We
23 haven't been objecting. Most of the
24 questions are objectionable because
25 they contain predicates that are

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1 Interview - ROBERT RUBIN
2 entirely wrong, contrary to the
3 record. We are trying to be fully
4 cooperative, but we'd prefer that on
5 behalf of Citigroup that you don't
6 speculate.
7 MR. GREENE: And I wouldn't
8 want you to speculate either.
9 THE WITNESS: I am not
10 speculating. I think I know what that
11 means, but if people don't want me to
12 answer, I won't answer.
13 BY MR. GREENE:
14 **Q If you know, I think you should.**
15 A I don't know, I definitely don't
16 know. Let me say I have zero recollection
17 of this and I have no knowledge of it, and I
18 am just looking at it as you would look at it.
19 **Q When the company restated on**
20 **November 4th that it had 55 billion in**
21 **subprime exposure --**
22 A Can I make one observation,
23 though?
24 **Q Please.**
25 A That if the -- they are going to

113

1 Interview - ROBERT RUBIN
 2 fire me, but if you add 16 and 27, you get
 3 to 43, right?
 4 **Q Right.**
 5 A And that is the 43 billion, that
 6 number happens to be the same as the 43
 7 billion of triple A that we discussed at
 8 September 12th. And somebody could very
 9 understandably not think of that as subprime
 10 exposure but as rather triple A securities.
 11 I am not saying that is what that
 12 means or doesn't mean.
 13 **Q Right, but do you have any**
 14 **recollection --**
 15 A I have no recollection of this at
 16 all.
 17 **Q You have no recollection of how**
 18 **the restatement was, why they had to**
 19 **restate, for example?**
 20 A No. All I remember is
 21 November 4th.
 22 MR. KARP: You keep referring
 23 to a restatement, which obviously has
 24 a very specific meaning in the
 25 financial services and accounting

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1 Interview - ROBERT RUBIN
 2 represent to you that this is a letter from
 3 the Federal Reserve Bank of New York to
 4 Citi's board of directors circa April 15,
 5 2008. Do you have any recollection of
 6 receiving this letter in your role as a
 7 board member?
 8 A I don't remember, but obviously
 9 did receive it since -- let me say, do I
 10 have a recollection, no. But I presume I
 11 did since this went to the board members.
 12 **Q Why don't you take a look at --**
 13 **there is a transmittal letter and then there**
 14 **is a summary of supervisory activity, and**
 15 **it has page numbers attached. The numbers**
 16 **are at the top of the page.**
 17 A Okay.
 18 MR. DOWNEY: I beg your pardon.
 19 Where are you again?
 20 MR. GREENE: I am actually on
 21 page two.
 22 THE WITNESS: You are on this
 23 page here?
 24 BY MR. GREENE:
 25 **Q Yes.**

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1 Interview - ROBERT RUBIN
 2 world. You don't mean a restatement,
 3 you mean the issuance of the AK
 4 clarifying the exposure.
 5 MR. GREENE: Yes.
 6 MR. KARP: I just want to make
 7 sure the record is clear at least on
 8 one issue.
 9 MR. GREENE: Thank you.
 10 (Thereupon, letter from Federal
 11 Reserve Bank of New York to Citi's
 12 board of directors dated April 15,
 13 2008, was marked RR Exhibit 7 for
 14 Identification, as of this date.)
 15 BY MR. GREENE:
 16 **Q Do you want to quickly go through it?**
 17 A Through the whole letter?
 18 **Q Well, I am actually going to ask**
 19 **you some questions from specific pieces of**
 20 **the text, if that is easier, or if you want**
 21 **to go through it quickly yourself.**
 22 A Let's just see what it is.
 23 This is a rather dense letter.
 24 It might be better if you just --
 25 **Q Okay, sounds good. I can**

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1 Interview - ROBERT RUBIN
 2 A Okay.
 3 **Q And then down at the bottom, the**
 4 **last partial sentence, I will read it to**
 5 **you. I would like to get a reaction.**
 6 It reads -- this refers to risk
 7 management: "These weaknesses were
 8 characterized by a failure of risk
 9 management systems, personnel, senior
 10 management and the board of directors to
 11 identify potential risks and properly weigh
 12 them against the firm's risk appetite."
 13 Firstly, did I read that
 14 correctly?
 15 A You did.
 16 **Q And secondly, what is your**
 17 **reaction to that? Is that a fair criticism**
 18 **of the Citi board?**
 19 A I would not have that view with
 20 respect to what the board did, no.
 21 They are writing this after -- I
 22 guess an interesting question was they must
 23 have had a similar view in the end of '06,
 24 right? So what they are doing is they are
 25 looking at the difference between the end of

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1 Interview - ROBERT RUBIN
 2 '06 and '07 and they are saying you had very
 3 large losses and then they are saying it is
 4 attributable to those things, I guess.
 5 No, I think the board, if you are
 6 asking me what I think, I think the board
 7 had put in place, or had had in place
 8 actually, an independent risk management
 9 function. It reported to the audit
 10 committee, it reported to the CEO, it was
 11 run by somebody who was very highly
 12 respected. It presented to every board
 13 meeting, it identified areas that it felt
 14 the company needed to focus on, and we
 15 tended to have pretty robust discussions.
 16 In addition, they reported to the
 17 audit committee.
 18 **Q Take a look at the bottom of page**
 19 **six.**
 20 A Uh-huh.
 21 **Q I will read it to you: "Senior**
 22 **management allowed business lines largely**
 23 **unchallenged access to the balance sheet to**
 24 **pursue revenue growth. Citigroup attained**
 25 **significant market share across numerous**

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1 Interview - ROBERT RUBIN
 2 **products, including leveraged finance and**
 3 **structured credit trading, utilizing the**
 4 **balance sheet for its, quote, originate to**
 5 **distribute, close quote, strategy. Senior**
 6 **management did not appropriately consider**
 7 **the potential balance sheet implications of**
 8 **this strategy in the case of market**
 9 **disruptions."**
 10 **Firstly, did I read that**
 11 **correctly?**
 12 A You read it correctly.
 13 **Q And what is your reaction to that**
 14 **statement by the Federal Reserve?**
 15 A Let's take a look at it again.
 16 **Q Of course.**
 17 A There were credit limits, so that
 18 was a constraint within which each business
 19 unit operated. I don't actually know quite
 20 what they mean by this.
 21 In other words, if what they are
 22 saying is that senior management -- I don't
 23 know who they are referring to as senior
 24 management, by the way.
 25 **Q I can only presume that it would**

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1 Interview - ROBERT RUBIN
 2 **be CEO and C level suite folks, but I can't**
 3 **tell you dispositively.**
 4 A I will give you my reaction.
 5 In terms of the facts at the
 6 time, they had an independent risk
 7 management function, they had limits. To me
 8 this looks like a judgment that was made
 9 after the fact in the context of
 10 extraordinarily large losses that developed
 11 and we discussed a moment ago related to the
 12 super seniors that we discussed in the
 13 September 12th meeting.
 14 But that is the only reaction I
 15 have to it.
 16 **Q Let me turn --**
 17 A I actually think it is easy to
 18 look back in hindsight and say something
 19 happened or didn't happen. The question is
 20 what should people reasonably have done in
 21 light of the facts at the time, and you
 22 couldn't possibly evaluate this statement
 23 without knowing an enormous amount more than
 24 this letter says.
 25 I am not either agreeing or

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1 Interview - ROBERT RUBIN
 2 disagreeing, I am saying there is no basis
 3 for me to evaluate that comment.
 4 **Q Let me turn you to page eight.**
 5 **The last two sentences of the, what looks**
 6 **like the first full paragraph begins,**
 7 **"However, there was little communication."**
 8 **I can certainly read that to you.**
 9 A Just tell me where you are and I
 10 can find it.
 11 **Q Right here.**
 12 A Where are you? Page eight.
 13 There we are, right.
 14 Little communication among whom?
 15 **Q Let me read it into the record**
 16 **and we can discuss it: "However, there was**
 17 **little communication on the extensive level**
 18 **of subprime exposure posed by super senior**
 19 **CDOs, nor on the sizable and growing**
 20 **inventory of non-bridge leveraged loans, nor**
 21 **the potential reputational risk emanating**
 22 **from SIVs which the firm either sponsored or**
 23 **supported. Senior management as well as the**
 24 **independent risk management function charged**
 25 **with monitoring responsibilities did not**

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1 Interview - ROBERT RUBIN
 2 properly identify and analyze these risks in
 3 a timely fashion."
 4 Firstly, did I read that
 5 correctly?
 6 A You read it correctly.
 7 Q And your reaction based on your
 8 experience on the board?
 9 A You are asking me to evaluate this?
 10 Q Yes, please.
 11 A Okay.
 12 Again, I think it is very hard to
 13 know in terms of the facts at the time.
 14 They were dealing with triple A securities
 15 and whatever risks they thought were
 16 associated with those triple A securities.
 17 What they did at every board
 18 meeting was that the chief financial officer
 19 and its people would report to the board on
 20 the results of the last period, whatever it
 21 was, the month or the quarter, so forth, and
 22 that would reflect the results of all the
 23 different parts of the business, all the
 24 parts of the balance sheet, the activities
 25 and so forth, and that report would include

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1 Interview - ROBERT RUBIN
 2 obviously in it the effects of the CDOs, but
 3 this was a very small part of a very, very
 4 large picture.
 5 Whether that -- so the question
 6 here was, was that adequate in light of the
 7 size of those inventories? And I would, I
 8 have no idea what was on their minds, but
 9 given that these were triple A securities my
 10 guess would be that, just like with all
 11 other triple A securities, they would have
 12 viewed those as, roughly speaking, money
 13 good and probably wouldn't have thought that
 14 they needed to be identified as a special
 15 category.
 16 Obviously, after September, after
 17 the problems developed and after -- well, I
 18 guess a different period of time here. I
 19 don't remember the date of this -- this is
 20 after the whole thing. So obviously, once
 21 you saw, in hindsight, looking back and
 22 seeing that the triple A securities were in
 23 fact woefully misguided in terms of their
 24 ratings, that they had much larger risk than
 25 anybody at the time thought, in looking back

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1 Interview - ROBERT RUBIN
 2 you have a whole different picture.
 3 I would think there is virtually
 4 no question but that had the risk management
 5 and the CFO function and others known then
 6 what nobody, including the regulators, I
 7 might add, knew at the time, that these
 8 securities had much greater risk than
 9 anybody thought, that they would have
 10 brought this to the attention of the board.
 11 Q So, the fact that it wasn't
 12 brought to your attention, the falls in the
 13 ABX index and falling house prices and
 14 things of that nature, you don't think they
 15 should have brought that to your attention
 16 earlier than they did?
 17 A Oh, I didn't say -- everything
 18 you have just said may very well have been
 19 discussed at the board, I mean falling ABX
 20 index, falling housing prices. The question
 21 is what did that mean for these securities.
 22 In fact, I would guess -- I am
 23 speculating here, I don't know, but I would
 24 guess that if you look at the monthly
 25 presentations that were made to the board by

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1 Interview - ROBERT RUBIN
 2 the risk management, independent risk
 3 management people where they describe market
 4 conditions, they probably had in them
 5 references to housing prices, ABX indexes,
 6 and if you didn't see them there they were
 7 in the newspapers.
 8 MR. KARP: Bob, they were
 9 discussed, in materials they were
 10 discussed.
 11 THE WITNESS: I would have
 12 thought so, because those reports to
 13 the board -- you must have them all --
 14 those reports to the board would start
 15 with a description, a page or two or
 16 three, I don't remember any more, of
 17 market conditions.
 18 MR. KARP: They do.
 19 THE WITNESS: The question that
 20 you are raising is what relevance, if
 21 any, did that have to these triple A
 22 securities. That is a totally
 23 different question.
 24 BY MR. GREENE:
 25 Q So your suggestion is that those

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1 Interview - ROBERT RUBIN
 2 **facts should not have been reasonably**
 3 **understood by people in the marketplace to**
 4 **have threatened the triple A securities and**
 5 **the other securities that Citi had either on**
 6 **its balance sheet or was trading?**
 7 A You are asking me now to opine
 8 what people should reasonably have thought
 9 then.
 10 I just make the observation that
 11 they reported the losses that they felt were
 12 associated with those securities, at least
 13 at the end of quarters. The auditors looked
 14 at that. The regulators were all over these
 15 businesses, so they were aware of what both,
 16 I presume they were aware of what both
 17 positions were and what results were being
 18 reported, and virtually nobody did associate
 19 the facts that you are suggesting with the
 20 triple A's.
 21 **Q Let me turn you to the third full**
 22 **paragraph on this page.**
 23 A I will tell you something
 24 interesting. You will have to find out the
 25 timing of this.

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1 Interview - ROBERT RUBIN
 2 Somewheres in here, Morgan
 3 Stanley went out -- I don't remember when
 4 this was, you will have to check this --
 5 Morgan Stanley went out and bought triple A
 6 CDOs, I remember this now, bought triple A
 7 CDOs as a way of hedging against some other
 8 risk.
 9 In other words, they assumed some
 10 kind of an interest rate risk because they
 11 viewed -- this was all in the press, you can
 12 find it -- because they viewed the triple A
 13 as money good.
 14 **Q Okay. Let me turn your attention**
 15 **to the third full paragraph on that same**
 16 **page, which reads, "While we acknowledge the**
 17 **management" --**
 18 A I am not making a brief for what
 19 went on, I am not making a brief for the
 20 rating agencies or anything else. All I am
 21 saying is that in the whole world that
 22 existed prior to these sets of events,
 23 triple A was always thought of as money
 24 good, and it was understandable people would
 25 look at these things and think of them as

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1 Interview - ROBERT RUBIN
 2 money good.
 3 **Q But wasn't it the case that the**
 4 **rating agencies were actually devaluing many**
 5 **of these securities?**
 6 A To the best of my knowledge they
 7 hadn't lowered these ratings.
 8 **Q Let's turn to --**
 9 A I was troubled by a different
 10 issue, which you may remember I mentioned
 11 before. I am just going back, I don't mean
 12 to --
 13 **Q Please, go ahead.**
 14 A At the September 12th meeting
 15 what troubled me was that we hadn't disposed
 16 of the risk.
 17 In other words, this is a
 18 business, right? And the business is in
 19 effect an arbitrage business in the context
 20 of the CDOs, and you get a fee for doing it,
 21 right? And what troubled me, and it was a
 22 reaction I had at that September 12th
 23 meeting, it didn't go to the risk or nonrisk
 24 of triple A securities, it went to the
 25 notion, to my view at least, that if you are

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1 Interview - ROBERT RUBIN
 2 in a business, in an arbitrage business and
 3 you are charging a fee for it, then you
 4 should complete the trade by disposing of
 5 the risk, and they hadn't disposed of the
 6 risk.
 7 Now, they said, and I think it
 8 was understandable, though it wasn't my
 9 view, that since these were triple A, triple
 10 A's were for practical purposes money good.
 11 **Q That would of course prove to be**
 12 **not money good subsequently?**
 13 A Oh, let me tell you, sure.
 14 Look, if you knew, if people had
 15 known at that time what they later on came
 16 to know, then of course they would have
 17 looked at these very differently and I am
 18 sure made a very different set of decisions.
 19 But in the world of trading, the
 20 world I have lived in my whole adult life,
 21 there is always a very important distinction
 22 between what you could have reasonably known
 23 in light of the facts at the time and what
 24 you know with the benefit of hindsight.
 25 **Q Certainly. But of course that is**

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1 **Interview - ROBERT RUBIN**
 2 **why warnings about the quality of securities**
 3 **are so important?**
 4 A Yeah, but, you know -- that is
 5 true, and warnings are important and you
 6 should try to do the best you can with
 7 making judgments about warnings, but you
 8 also have to judge what could you reasonably
 9 have extrapolated from whatever you think to
 10 be the warnings with respect to whatever
 11 securities you are looking at.
 12 **Q That brings us to --**
 13 A And I will say this. I think, to
 14 the best of my knowledge at least, virtually
 15 nobody was extrapolating to the triple A
 16 tranches, but I am not making a brief for
 17 that because, as I said, I thought when you
 18 do an arbitrage you should dispose of your
 19 securities.
 20 **Q Let me read you this third**
 21 **paragraph, which goes: "While we**
 22 **acknowledge that management" --**
 23 A Could I say one more thing? I
 24 apologize, but I lived this, I have lived in
 25 trading markets my whole life.

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1 Interview - ROBERT RUBIN
 2 After the fact there is always a
 3 tendency to look back at things and say
 4 there were the warnings, how could you not
 5 have seen that. That is easy to do in
 6 hindsight. But I will tell you, at the
 7 time, in light of the facts at the time, it
 8 is a very different perspective.
 9 And I have just lived through
 10 this so many times. When I ran the trading
 11 operation at Goldman Sachs, something would
 12 go wrong and people would look back and say
 13 there was that warning and there was this
 14 warning and there was the next warning, and
 15 how could you not have seen it.
 16 Well, that is easy to do in
 17 hindsight, but the much harder judgment to
 18 make is what should people reasonably have
 19 done in light of the facts at the time.
 20 There is always a tendency to
 21 overstate or -- over-extrapolate, overstate
 22 what you should have extrapolated from or
 23 inferred from various events that have
 24 yielded warnings.
 25 **Q So would it be a fair**

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1 **Interview - ROBERT RUBIN**
 2 **characterization of what you just told me**
 3 **that, while a business person and a firm**
 4 **should heed warnings --**
 5 A Absolutely.
 6 **Q -- in this case the warnings were**
 7 **insufficient to trigger additional questions**
 8 **to management or to take steps to limit**
 9 **exposure?**
 10 A Well, you went back to the prior
 11 September 12th period?
 12 **Q Yes.**
 13 A I guess what I am saying is two
 14 things. One is I don't remember the
 15 discussion of these warnings and what, you
 16 refer to the warnings and what people took
 17 from them, but obviously people didn't take
 18 from them the view that these triple A's
 19 should be reevaluated in some way.
 20 And secondly, I didn't know, at
 21 least the best I can recollect, that we had
 22 this triple A exposure until the
 23 September 12th meeting.
 24 **Q And in that regard, do you think**
 25 **you were typical of the members of the**

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1 **Interview - ROBERT RUBIN**
 2 **board, not knowing about the triple A**
 3 **exposure?**
 4 A Unless at some prior time
 5 somebody had mentioned to the board, and I
 6 do not recollect -- it may have happened,
 7 but I am reasonably sure it didn't because I
 8 think if it had I would have remembered it,
 9 but I do not remember anybody notifying the
 10 board there was a \$43 billion triple A
 11 position.
 12 But as I said a moment ago, it is
 13 sort of understandable. These were triple
 14 A's, there are all kind of, if you had
 15 Treasuries in some large magnitude you
 16 probably wouldn't have mentioned it to the
 17 board either.
 18 But the first time I had the
 19 knowledge of it that I can recollect is at
 20 that September 12th meeting, and I don't
 21 think there was any reason why anybody else
 22 on the board should have known it prior to
 23 that. But whether they did or not you would
 24 have to find out from them, obviously.
 25 **Q Let me read you one final piece**

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1 Interview - ROBERT RUBIN
 2 from this Federal Reserve report, which
 3 reads, "While we acknowledge that management
 4 took steps in prior years" --
 5 A Where are you now?
 6 Q Third full paragraph, page eight:
 7 "While we acknowledge that
 8 management took steps in prior years to
 9 minimize the firm's exposure to the more
 10 risky forms of direct mortgage lending such
 11 as option ARMs and non-amortizing loans, it
 12 did not recognize and control the
 13 concentration of subprime exposure that was
 14 building in its structured credit activities.
 15 "Moreover, the board of directors
 16 does not appear to have posed the proper
 17 questions to senior management in the early
 18 stages of the subprime mortgage crisis which
 19 otherwise might have caused senior
 20 management to report more meaningfully and
 21 completely on the potential impact that
 22 deteriorating credit market conditions could
 23 have on the firm's risk exposures and future
 24 earnings."
 25 Any reactions to that commentary?

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1 Interview - ROBERT RUBIN
 2 A Yes, I do.
 3 I don't remember what discussions
 4 we had about the mortgage markets in those
 5 days, you know, at that time. But I think
 6 this looks to me like -- "does not appear to
 7 have posed the proper questions to senior
 8 management in the early stages of the
 9 subprime mortgage crisis."
 10 Well, let me ask you a question:
 11 They were the regulators, what questions
 12 were they posing? My only point is this:
 13 It is very easy in hindsight to look back
 14 and say you should have done this, you
 15 should have done that.
 16 I truly don't remember whatever
 17 the discussions were, but I don't think --
 18 unless somebody has a lot more to this, I
 19 don't see what they thought should have
 20 occurred. But having said that, if they,
 21 having looked at all this, felt that there
 22 are questions that should have been raised,
 23 since they were the regulators they could
 24 have readily raised them.
 25 I think it is very easy, very

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1 Interview - ROBERT RUBIN
 2 easy after the fact to look back and say you
 3 should have said this, you should have said
 4 that, but I think that it is a lot different
 5 to actually do it in the context of the
 6 facts at the time. As I said, I am
 7 repeating myself, but they could take this
 8 very same statement and say the regulators
 9 do not appear to have posed the proper
 10 questions to senior management, et cetera.
 11 Q Now, let me step forward to later
 12 in 2008.
 13 A Where are you now?
 14 Q Later in 2008. At some point,
 15 you as I understand it placed a call to Mr.
 16 Paulson suggesting that the shorts --
 17 A Could I go back to this one
 18 second? It interests me because I lived my
 19 life in trading.
 20 I mean, you can always take -- I
 21 am just thinking back to when I was at
 22 Goldman -- you can always take the facts at
 23 the time and you can say what should we have
 24 seen, what shouldn't we have seen. It is a
 25 very complicated question, and I don't have

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1 Interview - ROBERT RUBIN
 2 any idea whether there is any merit to this
 3 at all, other than the fact that they didn't
 4 do it either, which suggests to me that this
 5 is a bit of hindsight.
 6 But if you really wanted to make
 7 a judgment as to whether that was a
 8 reasonable comment or not, you would have to
 9 find out what all of the facts were, all of
 10 the statements were, and you would have to
 11 get some group of people who had enough
 12 expertise and enough experience to it to try
 13 to tell you now, today -- try to rule out of
 14 your heads, take out of your head what
 15 actually happened, put yourself back in that
 16 period of time and try to make a judgment,
 17 okay, what would have been reasonable to
 18 infer, to extrapolate from, to extrapolate
 19 from everything that was said and take out
 20 of your head what you know has happened
 21 since, which is a very, very difficult thing
 22 to do.
 23 And I guess the only evidence --
 24 evidence is the wrong word -- but the only
 25 comment I would have is to suggest that this

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1 Interview - ROBERT RUBIN
 2 doesn't quite track because they didn't do
 3 it either.
 4 But, go ahead. I didn't mean to
 5 digress.
 6 **Q I appreciate the comment.**
 7 **Okay. Your point is on the**
 8 **record.**
 9 **At some point you did as I**
 10 **understand it have a conversation with Mr.**
 11 **Paulson in his role as Secretary of the**
 12 **Treasury?**
 13 A Tell me what date?
 14 **Q I don't have a precise date, but**
 15 **a conversation to the effect that the shorts**
 16 **were --**
 17 A I remember, okay.
 18 **Q -- the shorts were essentially**
 19 **attacking the company. November 2008 I am**
 20 **advised. Do you have a recollection of**
 21 **that? Was there such a conversation with**
 22 **Secretary Paulson?**
 23 A I do remember. I don't think I
 24 said, I actually don't think I said quite
 25 what you said.

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1 Interview - ROBERT RUBIN
 2 **Q Okay. But did you have any**
 3 **information that you relied on to make that**
 4 **statement, that you thought the shorts were**
 5 **attacking Citi?**
 6 A No. It was just sort of the
 7 market. I didn't know anything specific. I
 8 didn't say -- you keep saying attacking
 9 Citi, and I keep moving away from that
 10 because I don't think --
 11 **Q I am sorry.**
 12 A I don't think that mine was a
 13 Citi-specific call, I think mine was a
 14 general call. I think Citi was the most
 15 vulnerable company. Citi had a whole series
 16 of things happen that I think made it more
 17 vulnerable than the others, and so it was in
 18 a sense the most threatened by this.
 19 But this was the period, as you
 20 may remember, just roughly the period when
 21 Morgan Stanley and Goldman Sachs were also
 22 under tremendous pressure, and there was a
 23 risk that all of this selling was
 24 undermining confidence in the system and
 25 confidence in all these companies.

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1 Interview - ROBERT RUBIN
 2 **Q Okay.**
 3 A I think what I did was to call
 4 Mr. Paulson and say that -- the uptick rule
 5 had been suspended or eliminated -- the
 6 uptick rule for short sales was not in
 7 effect. I don't remember how that was done,
 8 okay, was not in effect.
 9 And I remember calling Mr.
 10 Paulson and saying -- and I think this was
 11 late in the week, you can check that, but I
 12 think it was late in the week -- and saying
 13 to him, you know, you ought to look at the
 14 markets. It wasn't just a question of Citi.
 15 All of these stocks were under just enormous
 16 pressure. And I don't know what is going
 17 on, but from what you hear is that there is
 18 a tremendous amount of short selling going
 19 on and short sellers are piling on. And I
 20 said you ought to be aware of it.
 21 **Q Did you have -- what was the**
 22 **nature of --**
 23 A I mean I thought, I personally
 24 thought they should reinstate the uptick
 25 rule.

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1 Interview - ROBERT RUBIN
 2 And what I am about to say may be
 3 wrong in the timing, but somewhere in here
 4 Morgan Stanley and Goldman Sachs became bank
 5 holding companies in order to deal with that
 6 loss of confidence. I may have gotten my
 7 sequence slightly wrong, but that is roughly
 8 right.
 9 But I had no specific knowledge
 10 of that, if that is your question, but there
 11 was a lot of talk on the street at the time.
 12 **Q As part of the process to protect**
 13 **Citi, if you will, Citi received direct**
 14 **infusions of capital from the federal**
 15 **government, and then in addition roughly 300**
 16 **billion dollars in assets were ring fenced.**
 17 **Can you describe to me the kind**
 18 **of assets that were ring fenced?**
 19 A Oh, boy. Let me ask you a
 20 question, if I may. Was the ring fence,
 21 that was in the second transaction, that was
 22 the second TARP, I think, right?
 23 **Q I believe that is correct, yes.**
 24 A I don't remember which kind --
 25 the answer is no, I can't, I just don't

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1 Interview - ROBERT RUBIN
 2 remember which ones were ring fenced, but
 3 you are correct in your statement. I think
 4 it was actually slightly, roughly speaking,
 5 300 billion of these --
 6 **Q I believe 305.**
 7 A I was going to say 306, but I am
 8 sure your number is right -- were ring
 9 fenced, and in effect my general
 10 recollection of this, but you can get
 11 better, obviously better, more precise
 12 information, is that Citi was responsible
 13 for the first loss and then the government
 14 was responsible for the loss after that is
 15 my recollection of that. But I don't
 16 remember what assets were put in there, no.
 17 MR. KARP: I don't know if this
 18 helps, but Mr. Bondi interviewed Ned
 19 Kelly and Brian Leach around these
 20 topics, and it was a pretty developed
 21 record around this issues. Mr. Kelly
 22 led the negotiations for Citi
 23 regarding the ring fencing of assets.
 24 If that is not sufficient, we can get
 25 you additional information.

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1 Interview - ROBERT RUBIN
 2 it is not accurate, it is only because my
 3 recollection is not accurate.
 4 Those SIVs were funded I believe
 5 by commercial paper. And you will correct
 6 me if I am wrong?
 7 MR. KARP: We have had a
 8 witness. Bill Arnold covered this in
 9 detail, and we provided interrogatory
 10 responses that covered this in detail.
 11 THE WITNESS: Let me give you
 12 my recollection, and if it is
 13 different than theirs, theirs is right
 14 and mine is wrong.
 15 My recollection is that the
 16 SIVs were funded with commercial
 17 paper. At some point, as you know,
 18 the commercial paper market froze, and
 19 there was a lot of pressure from the
 20 holders to have Citi take these back
 21 on and make them good on their paper.
 22 And I also remember being told
 23 that the assets in these SIVs were
 24 good assets, and they were in fact
 25 taken back on the books. That is my

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1 Interview - ROBERT RUBIN
 2 MR. GREENE: Great, thank you.
 3 BY MR. GREENE:
 4 **Q During generally the same time**
 5 **frame, Citi took back onto its books seven**
 6 **SIVs. Do you have any recollection of that?**
 7 MS. BUERGEL: They didn't take
 8 back. They had never been on, just to
 9 be clear.
 10 MR. GREENE: Okay.
 11 THE WITNESS: You said they had
 12 never been on the books? Yeah, I
 13 remember there was a time when they
 14 took assets back onto -- well, back --
 15 well, I object to the idea of back
 16 onto, but they took the assets of the
 17 SIVs onto the books. I don't remember
 18 when it was.
 19 BY MR. GREENE:
 20 **Q Do you have any recollection of**
 21 **why the company did that?**
 22 A Yeah, in a general sense.
 23 **Q Please.**
 24 A I believe at that point -- I am
 25 going to give you my best recollection; if

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1 Interview - ROBERT RUBIN
 2 recollection.
 3 BY MR. GREENE:
 4 **Q To the extent you have knowledge**
 5 **of this, when the commercial paper market**
 6 **froze, many firms apparently had backup**
 7 **lines of credit to banks.**
 8 **Do you recall if Citi was put**
 9 **under some pressure to provide backup**
 10 **financing to major corporations because of**
 11 **the freeze in the commercial paper market?**
 12 A You mean to provide new backup
 13 financing?
 14 **Q Right.**
 15 A I am asking you to distinguish
 16 between -- I actually don't remember either
 17 one, I am just curious what you are asking,
 18 whether there was pressure to, for draw-
 19 downs on existing lines or to provide new
 20 lines?
 21 **Q Actually I would like to get it**
 22 **both ways. But my principal interest is in**
 23 **lines that already existed.**
 24 A I have a general recollection
 25 that companies that had lines wanted to draw

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1 Interview - ROBERT RUBIN
 2 down on them. That is a general
 3 recollection. I have no specific
 4 recollection at all, but I have that general
 5 recollection.
 6 **Q And do you have any recollection**
 7 **that that may have affected liquidity or**
 8 **created problems for Citi?**
 9 A The only recollection I have with
 10 respect to liquidity at that point was that
 11 it was being managed with immense intensity
 12 by the treasurer's office, but I don't
 13 recollect the liquidity condition at any
 14 point.
 15 **Q Now, I want to turn briefly to**
 16 **some acquisition strategies of the firm.**
 17 **The company apparently purchased**
 18 **Argent and its subprime business. Do you**
 19 **recollect that?**
 20 A Argent? I do not remember.
 21 **Q And the company sought to**
 22 **purchase Wachovia --**
 23 A That I remember.
 24 **Q -- from the Fed.**
 25 A Yes.

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1 Interview - ROBERT RUBIN
 2 **Q Given your liquidity situation at**
 3 **the time, what was your thinking in terms of**
 4 **how that kind of an acquisition might be**
 5 **possible?**
 6 A Well, let me answer it to the
 7 extent I can, but there are others who could
 8 give you a much better answer.
 9 One advantage of acquiring
 10 Wachovia would be that they had very large
 11 deposits, so that actually -- I am giving
 12 you my recollection, it is pretty general.
 13 **Q Please.**
 14 A But had we acquired -- had Citi
 15 acquired Wachovia, you would have picked up
 16 a very large domestic deposit base.
 17 And as you know, the Federal
 18 Reserve, either the Federal Reserve board or
 19 the Federal Reserve Bank of New York or both
 20 had reviewed that and approved Citi going
 21 ahead with it.
 22 **Q My colleague reminds me that you**
 23 **may know Argent is actually Ameriquest?**
 24 A Ameriquest, yeah, I remember that
 25 name.

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1 Interview - ROBERT RUBIN
 2 **Q Do you recall that acquisition?**
 3 A No, other than they either
 4 acquired it or tried to acquire it.
 5 How big was that?
 6 **Q I am sorry?**
 7 A I was asking what size it was.
 8 MR. BONDI: I don't recall, as
 9 we sit here today.
 10 (Brief break.)
 11 BY MR. GREENE:
 12 **Q Let's turn to a couple of**
 13 **different topics.**
 14 **You indicated that one of your**
 15 **roles was to deal with foreign leaders and**
 16 **foreign banking institution, correct?**
 17 A Depending what you mean by deal
 18 with. I certainly met with them. I didn't
 19 cover them, I didn't have a coverage
 20 responsibility, but I would meet with them,
 21 right.
 22 **Q Can you describe your role in**
 23 **securing funding, if there was a role, from**
 24 **the Abu Dhabi Development Authority?**
 25 A Yes. Let me try to place this in

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1 Interview - ROBERT RUBIN
 2 terms of dates.
 3 November 4th was when Chuck
 4 Prince stepped down and I became chairman of
 5 the board, and that is when we -- oh, boy.
 6 That is when we announced -- I don't
 7 remember the exact announcement, but you
 8 have that, losses somewhere in the
 9 neighborhood of eight to eleven billion or
 10 something like that associated with the
 11 CDOs, and clearly we had to focus on the
 12 capital position of the company.
 13 And a group of people at Citi, I
 14 don't recollect -- well, I remember
 15 roughly -- got engaged in going out to a
 16 number of possible investors, and they got
 17 engaged with Abu Dhabi. Abu Dhabi sent a
 18 team over, they did a due diligence. I
 19 wasn't part of that, but they did a due
 20 diligence. They negotiated the terms, and
 21 then it all got to the point where it was
 22 done but it had to be officially formalized
 23 and they needed somebody to go to Abu Dhabi
 24 who could do that.
 25 I was chairman of the board and

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1 Interview - ROBERT RUBIN
 2 so I went to, I went to Abu Dhabi with
 3 Michael Klein, who had been involved in some
 4 measure, I don't know how much, in working
 5 this thing out. And that is when we met
 6 with the appropriate people in Abu Dhabi and
 7 formally closed the transaction.
 8 **Q Do you recall the approximate**
 9 **size of the transaction?**
 10 A Yeah. It was seven point, I
 11 think it was \$7.8 billion.
 12 **Q And do you have any knowledge of**
 13 **whether or not the representatives of Abu**
 14 **Dhabi contacted the U.S. government about**
 15 **the continued solvency of Citigroup?**
 16 A I don't know the answer to that.
 17 **Q You have no knowledge of whether**
 18 **or not there was some representation made**
 19 **that the U.S. government would continue to**
 20 **support Citigroup if they invested that much**
 21 **money in the company?**
 22 A I do not know.
 23 **Q There is a press report that**
 24 **Saudi interests were very disturbed about**
 25 **Mr. Prince and his continued tenure as CEO.**

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1 Interview - ROBERT RUBIN
 2 **Did you deal -- one, is that a**
 3 **general --**
 4 A When you say Saudi interests, you
 5 are talking about Prince Waleed?
 6 **Q Yes.**
 7 A Okay.
 8 **Q Did you have to deal with the**
 9 **prince?**
 10 A I think during the period that I
 11 was -- wait a minute. You are talking about
 12 when I was chairman, so Chuck Prince wasn't
 13 there any more. So tell me what period of
 14 time you are talking about.
 15 **Q I understand this was just before**
 16 **Mr. Prince resigned.**
 17 A I don't think I -- I don't think
 18 that I had any conversations with the prince
 19 until after Chuck resigned.
 20 **Q And what were the nature of those**
 21 **conversations?**
 22 A After he resigned, I think what
 23 happened is that I called him once; you
 24 know, he was a large shareholder, so I
 25 called him once to touch base with him, to

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1 Interview - ROBERT RUBIN
 2 make sure he knew he had somebody he could
 3 talk to, which was me. And I don't remember
 4 any specifics of that conversation.
 5 **Q Likewise, do you have any**
 6 **understanding that the prince reached out to**
 7 **U.S. authorities about the continued**
 8 **solvency of Citigroup?**
 9 A If he did, I wasn't aware of it.
 10 **Q Let me step back just briefly**
 11 **because I would like to get a bigger picture**
 12 **here, taking advantage of your knowledge.**
 13 A Sure.
 14 **Q Any lessons learned from what**
 15 **Citigroup just survived?**
 16 A Yeah, I think there are some
 17 lessons. I have thought some about this,
 18 obviously.
 19 **Q Yeah.**
 20 A I think there is sort of a macro
 21 lesson, and I will get to that in one second.
 22 **Q Sure.**
 23 A Then there is something else
 24 which I must say I thought some about, and I
 25 am not sure what I think about it, but I saw

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1 Interview - ROBERT RUBIN
 2 Warren Buffett made a comment about it the
 3 other day and I will get to that secondly,
 4 okay?
 5 **Q Please.**
 6 A I think the overall lesson of all
 7 this -- let me spend a moment or two on this
 8 because I really have thought about it.
 9 I think the overall lesson on
 10 this is if you go back to where this crisis
 11 came from, after all, it was an extra-
 12 ordinary event. These were the worst
 13 financial conditions since the 1930s. When
 14 you have something of that extraordinary
 15 nature, it seems likely that it was produced
 16 by something that was also or commensurately
 17 extraordinary.
 18 And in my view at least, and this
 19 is what I wrote about in my Newsweek
 20 article, I think it is much more complex
 21 than almost anybody wants to talk about it
 22 as being people like to focus on one factor
 23 or another factor or whatever it may be.
 24 But I actually think what
 25 happened was that you had a whole host of

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1 Interview - ROBERT RUBIN
2 very powerful factors working at the same
3 time, and as those factors worked -- and I
4 went through all of it in my article, or at
5 least most of it -- I think you develop all
6 kinds of negative feedback loops, multiple
7 vicious cycles, and these things all fed on
8 themselves. And as time went on you had
9 increasing unemployment and it globalized,
10 because remember, a lot of institutions got
11 in trouble abroad as well, and you wound up
12 with what I said was a moment ago the worst
13 financial crisis in 30 years, and I think
14 virtually nobody saw it.
15 I mean I was worried about
16 excesses. I used to speak about them a lot
17 we were in 2005, 2006. But I said this
18 earlier, so I am repeating myself. I
19 thought as a result you would have at some
20 point a downturn or maybe a sharp downturn,
21 who knows. But instead, that is not what we
22 had. We had this really mega event, and
23 virtually nobody saw it, and that certainly
24 included me. It included the regulators, it
25 included commentators, analysts and so forth.

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1 Interview - ROBERT RUBIN
2 raised the question of how you measure that
3 when you are talking about risk. It is a
4 very complicated question. When risk gets
5 disassociated from debt, it is not just a
6 question of debt-equity, it is a question of
7 how do you measure the risk and then what
8 kind of leverage requirements do you have
9 relative to that risk.
10 I think, as I said in my book and
11 as I thought back when I was at Goldman
12 Sachs in the late '80s, early '90s, that
13 derivatives created a significant systemic
14 risk under stress conditions, not normal
15 conditions, and what you need is much higher
16 margin and capital requirements.
17 I agree with what Treasury has
18 proposed and the standardized ones should be
19 put on exchanges, but I actually think the
20 key to this is higher margin to capital
21 requirements, though I think the
22 transparency that comes from exchange
23 trading is also very useful.
24 I think you need some kind of a
25 resolution authority that is effective,

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1 Interview - ROBERT RUBIN
2 And I think the lesson you learn
3 from this is that the system is vulnerable
4 to far more severe downside than virtually
5 anybody thought prior to this having
6 occurred, and it seems to me that the
7 obvious lesson you take from that for a
8 company, Citi, for example, is that whatever
9 decisions you are making -- no, let me put
10 it, decisions you are making all through the
11 place should be tested by a different level
12 of stress than you would have applied prior
13 to this experience.
14 And systemically it seems to me
15 that the answer is rather the same thing,
16 which is that we need to change the
17 financial regulatory structure so they can
18 protect us against a far more severe set of
19 circumstances than, as I said a moment ago,
20 almost anybody had thought our system is
21 subject to any more.
22 And so what I think is that, and
23 I think I have said all this, is that the
24 leverage requirements should be increased
25 very substantially, though you correctly

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1 Interview - ROBERT RUBIN
2 though I think that is a lot easier to say
3 than to do. I think it is going to be
4 interesting to see how that gets worked out
5 practically, but if you can do that, if you
6 can do what I just said, you protect
7 yourself more. And then if you have a
8 resolution authority for when companies get
9 in trouble, you really can get at the moral
10 hazard problem here.
11 And then you need consumer
12 protection, and I think you need it not only
13 for the reasons that are talked about so
14 much, which is to protect consumers, but if
15 you protect consumers you are also
16 protecting the system because it means
17 people aren't going to get overextended.
18 This whole subprime issue, for example, had
19 you had really effective consumer protection
20 might not have happened because people might
21 have been better protected.
22 And then you have to do something
23 about off balance sheet, and I know what
24 Treasury has proposed and I don't know if
25 that is the right -- I know what they have

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1 Interview - ROBERT RUBIN
 2 proposed, so I am not, not that I don't
 3 know, I know what it is, I just don't know
 4 if that is the best way to do it or some
 5 other way may be better. You put all those
 6 together, and I think that is what I would do.
 7 I would do one other thing. I
 8 know this is very controversial, but I think
 9 mark to market accounting played a real role
 10 in what happened, and I lived my whole life
 11 with mark to market accounting at Goldman
 12 Sachs. I believed in it, I thought it was
 13 the right thing to do. But the trouble is,
 14 when you get into conditions of extreme
 15 market stress and you have illiquid markets,
 16 there is no market. So the only thing, the
 17 only price that those kind of assets can be
 18 sold at are distressed prices, and so you
 19 sell an asset at a distressed price, then
 20 you have to mark down your balance sheet.
 21 When you mark it down you have to sell more,
 22 and I think it created a real vicious cycle.
 23 Now, that is a very controversial
 24 view. I know others have a very different
 25 view. So that is what I think should be

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1 Interview - ROBERT RUBIN
 2 done.
 3 Now, something I have thought
 4 about, and I don't know whether I think this
 5 or not, but I saw Warren Buffett said it the
 6 other day, maybe another thing that we have
 7 learned is that, or maybe rather another
 8 lesson you might take from this, is that
 9 with markets subject to so much greater risk
 10 than virtually anybody had thought, maybe
 11 you should really require that your CEO be
 12 somebody with a great deal of experience in
 13 risk management.
 14 I am not sure I think that
 15 because I certainly could envision a
 16 situation where you have somebody who didn't
 17 have that background but he put in place the
 18 right people, and even with this far greater
 19 risk. This is something Buffett said the
 20 other day. I am not sure that I think that
 21 is right, but it is an interesting thought.
 22 **Q Do you have a perspective on**
 23 **where the risks were located during the**
 24 **crisis, a more specific sense?**
 25 A You mean in the system?

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1 Interview - ROBERT RUBIN
 2 **Q Yes. Just to give you a sense,**
 3 **we have talked to some people who have**
 4 **suggested repo markets and commercial paper**
 5 **were particularly vulnerable, but --**
 6 A Why?
 7 **Q The argument typically goes that**
 8 **they are outside of the regulatory scheme,**
 9 **so massive leverage and a massive**
 10 **deleveraging has been observed.**
 11 **But I am just curious if you see**
 12 **particular points of vulnerability in the**
 13 **system?**
 14 A It wouldn't have occurred to me
 15 to think of those. Two come to mind, but
 16 let me think if I have any others.
 17 Well, two obvious ones because I
 18 have already mentioned them, is the
 19 financial system. I mean the financial
 20 institutions were clearly not -- didn't have
 21 adequate leverage requirements for the
 22 situation that developed, so that is one
 23 area of vulnerability, and presumably that
 24 is going to be fixed if we get financial
 25 reform, and I presume we will get financial

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1 Interview - ROBERT RUBIN
 2 reform, when we get financial reform.
 3 And the other is that consumers
 4 overextended themselves, not only in
 5 subprime mortgages but in credit cards and a
 6 lot of other areas, and I don't know quite
 7 how you deal with that.
 8 I will give you another, by the
 9 way, but I think there should be a real
 10 robust consumer protection capability
 11 someplace, and it is not just to protect
 12 consumers. That is obviously important, but
 13 to protect the system from consumers over-
 14 extending themselves, and I have my own
 15 thoughts as to what that might consist of.
 16 But in any event -- and I don't
 17 think it is just transparency. I mean,
 18 clearly you have to have understandable
 19 documents, but I think it goes beyond that.
 20 I think there probably are some instruments
 21 that are inherently so susceptible to misuse
 22 that they probably shouldn't be allowed.
 23 Though I can't give you a specific example,
 24 it strikes me it would have to be.
 25 And then I have always thought to

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1 Interview - ROBERT RUBIN
 2 myself, but this just may not be practical,
 3 that if there was some way to provide people
 4 access to counseling before they get
 5 themselves into major difficulty, that would
 6 be a very useful thing to do. But that is
 7 such an expensive thing to do that maybe it
 8 is just not practical.
 9 **Q Let me ask you another question,**
 10 **which is: There is a school of thought**
 11 **that --**
 12 A Can I give you one more example
 13 of something?
 14 **Q Sure.**
 15 A You go ahead. Never mind.
 16 **Q I was going to ask you, there is**
 17 **a school of thought that something called**
 18 **the Community Reinvestment Act --**
 19 A Something called the Community
 20 Reinvestment --
 21 **Q CRA?**
 22 A I have heard of it.
 23 **Q Incented firms to basically make**
 24 **bad loans. Do you have a perspective on that?**
 25 A Yeah, I do.

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1 Interview - ROBERT RUBIN
 2 I think the Community, and I
 3 understand the Community Reinvestment Act is
 4 a controversial measure, I am really aware
 5 of that, but I think the Community
 6 Reinvestment Act led to very large amounts
 7 of capital being available in inner cities
 8 and distressed rural areas that wouldn't
 9 otherwise have been, and I think an enormous
 10 amount of good has been done as a result of
 11 that.
 12 Let me just disclose something.
 13 I am chairman of the board of something
 14 called LISC. It is the largest community
 15 development organization in the country, and
 16 we deal with inner cities. In 2007 we
 17 distributed over a billion dollars in those
 18 cities, so I am very -- and CRA is very
 19 important to what they do, so I kind of know
 20 a fair bit about this, and I also knew from
 21 Treasury. So I think it has been a very
 22 constructive force.
 23 On the other hand, whether that
 24 has led, because of that availability there
 25 was subprime lending that shouldn't have

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1 Interview - ROBERT RUBIN
 2 taken place, I don't know the answer to
 3 that. But it seems to me the answer to that
 4 is not to change CRA but to put in place
 5 consumer protection so that what you are
 6 addressing is the, if you will, the consumer
 7 borrowing that shouldn't have taken place
 8 rather than affecting the program that I
 9 think had a lot of very constructive effect.
 10 **Q In a similar vein, do you think**
 11 **that the activities of Fannie Mae and**
 12 **Freddie Mac were a principal cause of the**
 13 **crisis?**
 14 A I don't think they were a
 15 principal -- no, if you are asking me were
 16 they involved in the crisis, clearly they
 17 were involved in the crisis.
 18 Do I think they were a principal
 19 cause of the crisis? I wouldn't think so
 20 based on what I know. I don't know what the
 21 argument would be that they were -- to give
 22 you the best answer, somebody would have to
 23 tell me why they thought it was a principal
 24 cause and then I could say what my reaction
 25 to it was for better or worse.

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1 Interview - ROBERT RUBIN
 2 I do think there was an inherent
 3 problem with Fannie and Freddie, and that
 4 was that you had the implicit guarantee of
 5 the federal government, and at the same time
 6 they were profit-making organizations, their
 7 stocks traded, and they correctly, correctly
 8 I say as managers of a company, a public
 9 company, they correctly wanted to build
 10 their earnings, but they were doing it with
 11 capital that had the implicit guarantee of
 12 the federal government.
 13 So I think there was an inherent
 14 problem in that structure, but I wouldn't,
 15 unless somebody said something different to
 16 me that I don't know, I would say they were
 17 a part of the crisis but not a principal
 18 cause of the crisis.
 19 **Q Fair answer.**
 20 **You mentioned the question of off**
 21 **balance sheet vehicles. What is your**
 22 **thinking on that?**
 23 A Well, I don't quite know the
 24 answer. I mean I have less of a view of
 25 that than the other things we have talked

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1 Interview - ROBERT RUBIN
 2 about.
 3 What the Treasury proposed, if I
 4 remember correctly, was that where companies
 5 do off balance sheet financing with credit
 6 card receivables or auto receivables or
 7 mortgages or whatever it may be, that if
 8 they take all the assets and put it in a
 9 vehicle, they don't really have an incentive
 10 to worry about the quality of the assets. I
 11 think they actually do have an incentive
 12 because there are a lot of reputational
 13 issues, but in a more direct sense they
 14 don't retain the risk of the assets.
 15 And so, if I remember Treasury's
 16 proposal correctly, was that they should,
 17 when you set up an off balance sheet
 18 vehicle, you should keep part of those
 19 assets, you should be required to keep part
 20 of those assets yourself so you have
 21 incentive to worry about the credit-
 22 worthiness. That strikes me as making
 23 sense.
 24 My guess is that probably -- that
 25 strikes me as making sense. Whether there

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1 Interview - ROBERT RUBIN
 2 should be further constraints on off balance
 3 sheet financing or not, I don't know.
 4 **Q Do you have similar views on what**
 5 **is referred to as the originate to**
 6 **distribute model?**
 7 A The originate to distribute
 8 model, tell me what you mean by that.
 9 **Q The idea meaning that someone**
 10 **would offer a mortgage, for example, to**
 11 **somebody that wasn't well underwritten on**
 12 **the assumption that they could sell it to**
 13 **the market, so, not keeping any interest in**
 14 **the mortgage would incent them to not**
 15 **underwrite properly?**
 16 A It is not subject I've thought
 17 about, but I guess I have two responses to it.
 18 One is, if you had a really
 19 effective consumer protection function, if I
 20 understand your question correctly, then
 21 presumably that loan wouldn't take place.
 22 But secondly, as you suggested in
 23 the way you framed the question, you could
 24 at least partly cure that problem by
 25 requiring people to keep part of every

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1 Interview - ROBERT RUBIN
 2 mortgage that they were involved in
 3 originating.
 4 **Q Just a handful more.**
 5 **How would you rate the regulators**
 6 **during the crisis?**
 7 A How would I rate the regulators?
 8 Oh, lord.
 9 Look, I don't know how I would
 10 rate the regulators. I think the regulators
 11 got in the same position as virtually
 12 everybody else, and that is that, with very
 13 few exceptions across the financial system,
 14 including the regulators, including -- I
 15 said this before -- financial institutions,
 16 investors, analysts, commentators, people
 17 didn't simply didn't see this combination of
 18 forces at work and didn't see the serious
 19 possibility of something of the magnitude
 20 that happened.
 21 So I don't know, I think in that
 22 sense everybody has responsibility for what
 23 happened and we ought to be fixing it and
 24 doing our financial reform and so forth.
 25 But I don't know, that is just my

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1 Interview - ROBERT RUBIN
 2 observation about everybody.
 3 **Q Do you think financial products**
 4 **have become just too complicated for markets**
 5 **to deal with?**
 6 A It is a very good question. You
 7 know, it is a really good question because
 8 the problem with these complicated -- I
 9 think I know my answer, but the problem with
 10 these complicate products is that they have
 11 embedded in them -- I mean I actually lived
 12 through this in the '80s, so I kind of have
 13 some experience with it, though at a much
 14 simpler time, obviously -- they have
 15 embedded in them all kinds of risks that you
 16 don't -- I am sorry, let me -- they may have
 17 embedded in them, they may have embedded in
 18 them all kinds of risks that you don't see
 19 until you get extreme market stress. So
 20 that even very sophisticated people will
 21 engage in transactions and then find when
 22 there is extreme market stress that things
 23 happen that they had not anticipated.
 24 So the question is how you deal
 25 with that, and I guess my view would be -- I

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1 Interview - ROBERT RUBIN
 2 think it is an inherent problem that you
 3 have identified. I guess my view would be
 4 to have capital and margin requirements that
 5 were sufficient so that even when that sort
 6 of event happened, you had a lot of cushion.
 7 And secondly I might add, if you
 8 had those much larger capital margin
 9 requirements -- and this is why in my book I
 10 recommended them and why in late -- I want
 11 to tell you something else, but in a minute.
 12 It is going to deter usage. You are going
 13 to have a lot less usage, and it seems to me
 14 that would be desirable.
 15 In about 1989 or 1990 or
 16 somewheres in there, I had gotten very
 17 concerned about all this, and so had my co-
 18 senior partner at Goldman Sachs. I went to
 19 see Dick Fisher, who ran Morgan Stanley. I
 20 said to Dick that I thought this was a real
 21 problem and we ought to try to do something
 22 to increase capital margin requirements.
 23 It very quickly became apparent
 24 that politically that was impossible to do.
 25 The industry just wouldn't, in those days

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1 Interview - ROBERT RUBIN
 2 then once you have identified what you think
 3 the problem is, what do you do about it?
 4 **Q This may be in hindsight, but any**
 5 **broad perspectives on either Mr. Bushnell or**
 6 **Mr. Prince during the crisis and their**
 7 **performance?**
 8 A Yeah. I think Chuck Prince did
 9 what he should have done, which is once he
 10 knew, once he became concerned -- let me get
 11 my head back in time because we are back
 12 into something else.
 13 I guess it was in August or maybe
 14 it was July -- no, I guess it was July --
 15 that the market, there was real market
 16 turmoil developing, and it was really
 17 predominantly focused on the LBOs, I think
 18 that is where it was. He started having
 19 these special calls that you referred to
 20 before, I forgot what they were called, but
 21 these special calls.
 22 And then once those problems, as
 23 those problems heightened, he then -- I
 24 think we are in the end, must be the end of
 25 August or early September, where he had that

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1 Interview - ROBERT RUBIN
 2 the Chicago exchanges particularly, but it
 3 would never have happened. And so I have a
 4 long history with this issue.
 5 **Q What is your view of credit**
 6 **rating agencies and their performance during**
 7 **the crisis?**
 8 A During this crisis?
 9 **Q Yes.**
 10 A Well, I don't know much about
 11 credit rating agencies. Obviously, in
 12 retrospect, the ratings of the triple A,
 13 what was rated as triple A were horribly
 14 misguided. I shouldn't say obviously; they
 15 certainly seem in retrospect to have been
 16 horribly misguided, and I think that was at
 17 the very center of what happened.
 18 You take the discussion we had a
 19 bit ago about Citi. There was a lot of
 20 reliance on those triple A ratings. So the
 21 question then I guess is what do you do, if
 22 anything? What do you think the problem was
 23 in the credit rating agencies, and I don't
 24 know enough about it to know. I mean I have
 25 read stuff and I know what people say. And

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1 Interview - ROBERT RUBIN
 2 first meeting with the fixed income people
 3 when I was in Korea. That must have been
 4 the early part of September, and then we had
 5 the meeting of September 12th which I have
 6 described, and I think once these problems
 7 surfaced he really got on top of it.
 8 And then of course he just, then
 9 he tried to make judgments or he did make,
 10 worked to get his judgments about what he
 11 thought happened, why it happened, and then
 12 he acted, because that is when Tom stepped
 13 down and so forth.
 14 **Q And Mr. Bushnell?**
 15 A I know less about what David did.
 16 We had that September 12th -- David Bushnell
 17 as head of independent risk management
 18 participated in all these processes as we go
 19 along. I don't have a specific kind of
 20 comments about David.
 21 **Q There is a view that there was**
 22 **for various reasons significant liquidity in**
 23 **the market which would, was a driver of the**
 24 **crisis. Do you have a perspective on that?**
 25 A I have a view on that, yeah, I do.

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1 Interview - ROBERT RUBIN
2 **Q If you could provide it, please?**
3 A I will even provide it.
4 Yeah, if you go back to 2005,
5 2006, and there were people around, and I
6 said I was one of them, but there were quite
7 a few people who started talking about the
8 markets were in excess and so forth, the
9 common explanation was that there was an
10 enormous amount of liquidity, and liquidity
11 was driving this excess.
12 So I make two observations, if I
13 may. I had a slightly different view. My
14 view is that liquidity -- it still is, by
15 the way, my view was and is -- that
16 liquidity is not predominantly a monetary
17 phenomenon, that it is a psychological
18 phenomenon, and that once the psychology of
19 markets changed -- I used to say this in my
20 speeches, actually. Back then I used to say
21 people are saying there is a lot of
22 liquidity that is driving markets and that
23 should make us feel comfortable.
24 What I say is different. What I
25 say is that liquidity is a psychological

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1 Interview - ROBERT RUBIN
2 phenomenon and that at some point the
3 psychology, if it changed -- now, maybe it
4 won't change, maybe these aren't excesses,
5 but if it does change, then what you are
6 going to see is prices go down and people
7 are going to say liquidity has dried up.
8 And actually, I remember exactly
9 how I used to say this. It wasn't that
10 liquidity changed, it was that the
11 psychology had changed, and that is exactly
12 what happened, in my opinion.
13 Secondly, the notion that that
14 caused the crisis implies this was sort of a
15 unifactorial, if you will, in terms of
16 causation of the crisis, and I just don't
17 think that is right. I think this was a
18 crisis -- I said this before -- of a very
19 large number of factors all operating at the
20 same time, and it was that extraordinary
21 situation and the interplay then between all
22 those that led to the crisis.
23 MR. GREENE: All right. Let's
24 make those our last words. Thank you
25 very much.

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1 Interview - ROBERT RUBIN
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3 EXAMINATION BY MR. GREENE 3
4 E X H I B I T S
5 Sketch was marked RR Exhibit 1 27
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7 Excerpt of minutes of board 41
8 meeting dated 4/17/07 was marked
9 RR Exhibit 2
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11 Document from Mercer Oliver Wyman 51
12 dated June 2005 was marked RR
13 Exhibit 3
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15 Document was marked RR Exhibit 4 68
16
17 Exchange between Robert Rubin and 97
18 Carl Levinson was marked RR
19 Exhibit 5
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21 Letter and attachment dated Dec. 98
22 7, 2007, from Citigroup to Office
23 of the Comptroller of the
24 Currency, was marked RR Exhibit 6
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1 Interview - ROBERT RUBIN
2 Letter from Federal Reserve Bank
3 of New York to Citi's board of
4 directors dated April 15, 2008, 115
5 was marked RR Exhibit 7
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Interview - ROBERT RUBIN
CERTIFICATION

I, JESSICA R. BERMAN, a Notary Public
for and within the State of New York, do
hereby certify:

That the witness whose testimony as
herein set forth, was duly sworn by me; and
that the within transcript is a true record
of the testimony given by said witness.

I further certify that I am not related
to any of the parties to this action by
blood or marriage, and that I am in no way
interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set
my hand this 18th day of March, 2010.

JESSICA R. BERMAN

* * *

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