

SEC investigates Citigroup over fraudulent Mexican loans
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The US Securities and Exchange Commission is investigating Citigroup for accounting fraud after it disclosed bogus loans in its Mexican Banamex unit, a source familiar with the investigation said.

The securities regulator is examining whether Citigroup violated the Foreign Corrupt Practices Act, the source said.

An employee at Banamex has been questioned by Mexican police after being suspected by the bank of involvement in the loan scheme, another source familiar with the police investigation said.

It was unclear whether more than one person was involved, that source said.

Citigroup said on Friday it had found US\$400 million (RM1.3 billion) in bad Banamex loans and was reducing its full year profit by US\$235 million (RM770 million) to US\$13.67 billion (RM44.8 billion), after the bank had reported its 2013 earnings more than one month ago.

The source familiar with the SEC investigation said the probe was in its early stages and it was too soon to determine whether the regulator will make a referral on the case to criminal authorities at the US Department of Justice.

A person familiar with the matter said on Friday the US Federal Bureau of Investigation was monitoring the situation for possible criminal activity.

The bad loans were made to Mexican oil services company Oceanographic, whose assets Mexican law enforcement officials have now seized. The oil services company was a contractor for Mexican state-owned oil company Pemex.

Citigroup chief executive officer Michael Corbat called the incident a "despicable crime" and said the bank believes it was an isolated episode.

Corbat said in a statement on Friday that Banamex is exploring legal options.

Criminal actions "may allow us to recover damages," he added. - Reuters, March 3, 2014.

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