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Transcript of FCIC staff interview with Robert Rubin, Citigroup

Brad Bondi

Karen Dubas

Thomas Greene

Matthew Cooper

Robert Rubin

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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

1 A P P E A R A N C E S:

2

3 FINANCIAL CRISIS INQUIRY COMMISSION
4 1717 Pennsylvania Avenue NW, Suite 800
5 Washington, DC 20006

6

7 BY: THOMAS GREENE, Executive Director
8 BRADLEY J. BONDI, Assistant Director
9 and Deputy General Counsel
10 MATTHEW COOPER, Senior Advisor
11 KAREN DUBAS, paralegal

12

13

14 PAUL, WEISS, RIFKIND, WHARTON & GARRISON,
15 LLP

16

17 On behalf of the Witness
18 1285 Avenue of the Americas
19 New York, New York 10019

20

21

22 BY: BRUCE BIRENBOIM, ESQ.
23 BRAD S. KARP, ESQ.
24 SUSANNA BUERGEL, ESQ.
25 JANE O'BRIEN, ESQ.

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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

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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

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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.

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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

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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

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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

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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

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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

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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

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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

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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

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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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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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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

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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,

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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

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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

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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

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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

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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;

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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.

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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,

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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

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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?

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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

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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

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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

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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

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.

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

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.

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

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

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

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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

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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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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

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

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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.)

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

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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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

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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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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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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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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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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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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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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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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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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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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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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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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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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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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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

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

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

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

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,

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.

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

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

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

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

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

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,

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

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

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.

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

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.

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

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

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

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

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,

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

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.

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.

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

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?

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

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.

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?

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

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

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.

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"?

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

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

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

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

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.

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

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?

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.

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

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.

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

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 --

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

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 somewhere 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 somewhere 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

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.

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

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

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

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

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

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

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

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

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.

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

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

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

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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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

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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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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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

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

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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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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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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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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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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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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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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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 Treasurys 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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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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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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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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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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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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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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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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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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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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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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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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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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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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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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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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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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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.

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

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

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

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.

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

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,

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

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

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?

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

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

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.

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

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.

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

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

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

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

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

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

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

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

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.

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

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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3	EXAMINATION BY MR. GREENE	3
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5	Sketch was marked RR Exhibit 1	27
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21	Letter and attachment dated Dec.	98
22	7, 2007, from Citigroup to Office	
23	of the Comptroller of the	
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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

* * *