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Signature Event

Jane Fraser

Speaker

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Moderator

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DAVID M. RUBENSTEIN: We're very privileged today to have Jane Fraser, the CEO of Citi, with us. And we're going to have a conversation about what's going on in the financial world, among other things. And but just to introduce her very briefly, we'll talk about her bio during the discussion, she is from Scotland, Edinburgh. Did her undergraduate degree and got her master's at Cambridge. Later went to Harvard Business School.

She started her career, I guess you could say, at Goldman Sachs, and then later went to Spain for a few years. Then went to Harvard Business School. And then joined McKinsey, where she became a partner. And then after doing that for a while she joined Citi. And she had successive positions there as the CEO of its private bank, the CEO of its Latin American business, the CEO of its consumer and commercial mortgage business. And she also had the position of being the CEO of its global consumer bank. And later, two years ago this month, because the CEO – the first woman to be the head of a major commercial bank in the United States.

So, anything new in the banking world?

JANE FRASER: [Laughs.] It's been a quiet week. Quiet week, David.

MR. RUBENSTEIN: Quiet? OK. So, let's talk about what has been going on. Let's start with the easy ones. Silicon Valley Bank, what went wrong there?

MS. FRASER: Well, before we dive into that, I've worked in financial markets all around the world. And I have to say, we're very lucky in America. This is the best financial system in the world. It is the envy of the world.

MR. RUBENSTEIN: OK. But despite it being the best, we have some problems from time to time.

MS. FRASER: But they're isolated problems. When you look at it, the financial system is broad, it's deep here, it's competitive. We've got some large banks that are well-capitalized, and a source of strength at the moment. We have medium-sized banks, regional banks. And by and large, they are equally well-capitalized, serving their communities, playing an important part in the banking system. This is quite isolated.

MR. RUBENSTEIN: OK. But people are still interested in hearing about it. So, your bank is well capitalized. [Laughter.]

MS. FRASER: Yes.

MR. RUBENSTEIN: Your bank, I should have said, is a bank with about 230,000 employees and about an \$85 billion market capitalization. So, your bank is in good shape. And your bank is the fourth-biggest bank in the United States, is that right? JPMorgan, Bank of America, Wells Fargo, and then Citi. There is a bank on the West Coast called Silicon Valley Bank, or there was a bank there. Not as well capitalized. I mean, did the regulators not understand what was going on? Or did people in the banking world, people like you, were you surprised by what happened?

MS. FRASER: So, you had a combination of two pieces. You had the macro and some idiosyncratic factors around Silicon Valley Bank. But then you also had the impact accelerated by social media of what went down. So, we've had the – we knew that when we got wind of lower for longer rates, it was going to be pretty painful. And the rates curve, and the increase in rates, has been the most we've seen, the fastest and the steepest. So, there's a bit of pain that comes from that.

Secondly, you did have idiosyncratic factors, I think is the polite British way of describing them, in Silicon Valley Bank. So as all this played out, you saw some pretty serious holes in their balance sheet management, and they had a very concentrated client base. And that client base ended up burning cash much faster than anticipated. And they ended up wanting to raise capital. And it went down pretty quick.

MR. RUBENSTEIN: So, you think the Federal Reserve recognized that some banks would be really hurt by higher interest rates in a way that Silicon Valley was hurt? Or you think the Fed was more focused on fighting inflation and didn't worry about the impact on the banks?

MS. FRASER: I think the Fed's job number one is fighting inflation. And we want the Fed to be very dependable in fighting inflation. And that should be their most important priority. There are ramifications of it, but there are certain banks – which, I say, are an isolated few – that have really been impacted very negatively, that didn't necessarily manage their balance sheets that well in retrospect.

MR. RUBENSTEIN: All right. In the Great Recession in '07/'08 or so, the U.S. government passed TARP¹ legislation. And under the TARP legislation, large amounts of capital were injected into banks, including Citi. Some banks said they didn't need it, but everybody took it who was offered it, or forced to take it. And effectively, that meant that the shareholders, the creditors, and the depositors were all protected. This time around, Silicon Valley bank only the depositors were protected, over a decision made by the Biden administration and others over the weekend. Do you think that was the right decision, to protect only the depositors and say goodbye to the shareholders and goodbye to the creditors?

MS. FRASER: I think it's very important to protect the depositors. Right now, the banking system everywhere around the world depends on confidence. And that confidence has to be in the safety and security of deposits. So, in terms of the most important job here, they did the most important job, which is making sure the depositors were whole.

MR. RUBENSTEIN: So, in the old days when there were bank runs you used to see people lined up outside the street and get their money out. Now, you're just on your iPhone or whatever phone you have, you can take your money out. So, money moves so quickly. Was that a factor as well in having the money get out of a bank so quickly? You don't have to wait in line, you can just do it over the iPhone?

¹ Troubled Asset Relief Program

MS. FRASER: It's a complete gamechanger from what we've seen before, David. You're absolutely right. There were a couple of tweets, and then this thing – this thing went down much faster than has happened in history. And frankly, I think the regulators did a good job in responding very quickly, because normally you have longer to respond to this. So, they acted with quite a lot of speed, given how quickly this happened.

MR. RUBENSTEIN: So, some people say you have a moral hazard when you – when you protect people. So, by protecting all the depositors in Silicon Valley Bank, the implication was that if somebody else has a problem we'll protect them, and so forth. And so, the \$250,000 limit is meaningless, more or less. Or do you think the Federal Reserve and the Treasury saying we're not going to protect every depositor or we're going to protect certain depositors?

MS. FRASER: I don't think they need to go out right now, because the banking system is pretty sound. And we're talking about a few banks. We heard it from Chairman Powell today, this is not something that is spread across the entire banking system. This isn't like it was last time. This is not a credit crisis. This is a situation where it's a few banks that have some problems, and it's better to make sure that we nip that in the bud.

MR. RUBENSTEIN: OK. So, what about the problem that over the weekend, when this was being debated within the administration, people didn't know if they were going to protect depositors, shareholders, creditors. They decided to protect depositors. But they obviously were trying to get some bank to buy Silicon Valley Bank. Why do you think nobody emerged willing to buy it?

MS. FRASER: Normally it takes you a few days to get your arms around these. Historically, if there was a bank that had problems, you had at least a week where people were looking at it. Because of what you said before, in terms of the digital side, this happened very quickly. So, we'll wait and see if something – if we do see a buyer in the next few days emerge. We hope so.

MR. RUBENSTEIN: OK. Not to pick on the West Coast, but there's another West Coast bank, First Republic Bank, which is around the country but based in San Francisco. And they've had some problems. They've had a gigantic decline in their market value, and so forth. Do you expect that somebody will bail them out or buy them?

MS. FRASER: Well, I'm not going to comment in depth on First Republic because they are actively working through the challenges that they're facing right now. What you saw last week was a number of the large banks, 11 of us, got together to put a large capital deposit injection into them to help buy the time to make sure that they could come up with the right solution for the restructuring that's needed.

MR. RUBENSTEIN: So, the large banks and others put in roughly \$30 billion of deposits. I think you put in roughly \$5 billion or something like that. So how did that happen? Did Jamie Dimon² call you up and say, hey do you have \$5 billion you don't really need, and you can put it into First Republic? Do you have to go to your board to say I need to get \$5 billion somewhere?

² Chairman and CEO of JPMorgan Chase

I mean, how do you make that decision? And was it – did you say to Jamie, I'll call you back, I'll think about it? Or how does that work?

MS. FRASER: So, one of the great things about this was actually that the banks did all come back together. So, you think about it, we're all pretty – we usually try and kill each other in different deals that we're trying to do. You don't want to help someone else win a pitch over yourselves. So, there's a lot of competition between us. But in this instance, this is one where, you know, we're in a strong position. We want to stop what could have been a problem. And we all know when there is a confidence crisis, the logic that takes over isn't necessarily rational. And so, we wanted to go and help protect the system. It's in the interest to do so.

So, despite this being quite a divisive environment that we're all operating in, this is an instance of the banks coming together and saying: OK, what can we do here to support a system that we have confidence in? And you don't put \$5 billion into the system through the generosity of your own heart. You do it because you have confidence in the system itself.

MR. RUBENSTEIN: OK. You expect to get that money back eventually?

MS. FRASER: Yes.

MR. RUBENSTEIN: OK. So, Jamie Dimon is a great banker. I think he's been the head of JPMorgan for 17 years, something like that.

MS. FRASER: Who?

MR. RUBENSTEIN: Jamie Dimon. [Laughter.] Well regarded. But why do you think it is the case that he's calling around and doing this and not the secretary of Treasury, the chairman of the Federal Reserve, the head of the FDIC? Why is it a nongovernment person is doing this? I would have thought a government person would do this?

MS. FRASER: David, why do you think that Janet wasn't calling around? Do you believe everything you read in the newspapers?

MR. RUBENSTEIN: Well, because when people in Washington do something good, they usually have the press know about it. So, but maybe she was calling around. I'm sure she was. But Jamie seems to be getting all the credit, if credit is the right word. Or is that not fair, to give him the credit?

MS. FRASER: Oh, Jamie played a role. I think we all played a role. And so did – it was a very active discussion over that weekend, and over the week, with a number of members. There's a lot of engagement. I think people should take confidence in this. There's really good engagement. There's brainstorming. And there's a good intent here of how do we come together and try and give some support into something that we believe in. It's a good thing.

MR. RUBENSTEIN: Would Citi consider buying First Republic? Or you're not interested?

MS. FRASER: No.

MR. RUBENSTEIN: No. [Laughter.] You're not buying. OK. [Laughter.] Another bank, called Credit Suisse. Credit Suisse seemed to dissolve very, very quickly. Were you surprised at how quickly that bank kind of went away, after about 100 years of being around?

MS. FRASER: So, the nice thing is we're talking about three or four banks out of the thousands that are here in the States and the rest of it. So, let's put that in perspective.

So, Credit Suisse, I don't think anyone was falling off their chair that Credit Suisse ultimately ended up where it did. It was really a question of time. It's been a troubled institution for a long time. Those of you who don't know it, it's a very global bank. It's got a very strong operation in Switzerland, good wealth management in Asia, an investment bank here in the States and around the world. But it's had a lot of issues. It's had a lot of management instability. It's had a number of different crises and things that have hit it. So, no one was hugely surprised that this happened. It was really a question of time in everyone's mind.

MR. RUBENSTEIN: One issue that seems very unusual there is that when Credit Suisse was taken over by UBS, they in effect protected, to some extent, the shareholders. They didn't wipe out the shareholders of Credit Suisse. They got \$2 billion, or something like that – 2 billion euros, perhaps, or Swiss francs, in compensation. Smaller than the value had been before. But the bond holders who issued, who held a certain kind of bond, they were wiped out. Normally, bond holders get protected before the shareholders. Why did that happen?

MS. FRASER: It's an anomaly in Switzerland. And we were very happy to see the Europeans come out very quickly and say – and the U.K. as well – saying that's not how their – that's not how the system works under – so it was – it was truly just a Swiss piece. And I think all of us were quite relieved when that clarification came out, because it obviously took people by surprise.

MR. RUBENSTEIN: OK. So –

MS. FRASER: But let's also look at this. This was a very orderly process. And this is a major global bank with operations everywhere. And here again, this was done extremely well over a few days. Because we were quite worried about what would happen on Monday morning. Was there going to be complete chaos? And there wasn't.

MR. RUBENSTEIN: Well, Credit Suisse had some great private bankers, and they have some great clients. Are the Citi bankers calling up the Credit Suisse former employees and saying, you should come here now, or something like that?

MS. FRASER: No, I think they're calling us. [Laughter.]

MR. RUBENSTEIN: They are? OK. OK. All right. So, as we talk today, the Federal Reserve has announced that it's going to increase the federal discount rate by another 25 basis points,

which was probably not a surprise for the market. Do you think that was the right decision, though?

MS. FRASER: Look, I think it was a tough decision. Was Jay³ going to pause? Was he going to increase it by the 25 points, or more? I think what he said was frankly jolly sensible, if you'll pardon the British expression. I do that occasionally. He said, we don't know how much credit tightening is going to come from what's gone on in the last couple of weeks. We don't quite know what's going to happen there. So, but we do know that inflation is a real problem, it's persistent. It's starting to come off, but he has to tackle this.

And in Jay the markets trust, and many of us do, because, you know, he has been so clear about slaying the inflation dragon. But he's going to wait and see what the data shows as to what the impact of the next – the last couple of weeks have been. That feels like a very sensible response. You know, let's tackle this and make sure everyone's quite clear that they're going to tackle inflation hard. But let's also see what the data is and adjust accordingly.

MR. RUBENSTEIN: Now, he has said consistently: I want to get inflation back to 2 percent, where it roughly was for 25 years. But some people say 2 percent's kind of low. It will produce unemployment up to 6 percent, and maybe guarantee a recession. Do you think 2 percent is too low? What about 3 percent as an inflation goal?

MS. FRASER: As we look longer – as we look out longer term in the world, there's a number of different things that are probably more inflationary in nature we got to tackle with. We've got to look at moving to a greener economy. That's more inflationary. If we're going to be looking at building in much more resiliency into supply chains, you know, that adds some costs to the systems. So, you know, 2 percent is going to be quite hard when we think in the longer run about some of these trends that need to be taken into account. It's not impossible, but it could be difficult.

MR. RUBENSTEIN: Did Jay Powell ever call you up for your advice? Does he call you, or do you call him, or have you talked to him lately, or to Janet Yellen? Do they call you? You're running one of the biggest banks.

MS. FRASER: Yes. They do call.

MR. RUBENSTEIN: They do? And what do they say?

MS. FRASER: You know, they will ask for opinions on things. So, I think it's great to see that we've got people that aren't just telling you what to do, or just – they're soliciting advice, trying to understand what's happening in the economy, what are we seeing, what are we learning? Because we're a big, global bank. We've got operations everywhere. We have a lot of information on it. So, they'll be testing out what they see going on. They'll be asking for advice. They won't necessarily take it, but I'm used to that. I'm the mother of teenagers. [Laughter.]

³ Jerome Hayden "Jay" Powell, chair of the Federal Reserve since 2018.

MR. RUBENSTEIN: If you're in a – if you're in a board meeting or something like that, does your assistant tell you that there's a call from the secretary of Treasury or chairman of the Federal Reserve? Would they put that right through? Or do you say, I'll get back to them when I'm –

MS. FRASER: Oh, I – my chairman's sitting in front of me here. He can attest that I will dump the board to pick up Janet Yellen or Jay Powell.

MR. RUBENSTEIN: So, do you see any evidence in the information data that Citi has that we are heading for a recession, a mild recession, or some type of recession? If so, when might you think we would see the evidence of that?

MS. FRASER: Yeah. I mean, we've certainly been expecting that a recession could well be – could well be happening in the second half of the year. If one does occur, we don't think it'll be that heavy and that hard a recession because normally when you're heading into some tougher times, you know, the consumer is not in such good health, the companies aren't, the banks aren't. Whereas that's not the case right now. The consumer is in good health. The corporate balance sheets are strong. People took advantage of a low-rate environment to make sure their balance sheets are in good shape. And the banks are strong.

So, the factors that typically amplify a recession are not in play at the moment. So, you know, we have to make sure nothing crazy happens in the geopolitical world that would change it, but we could well have a mild recession. The last couple of weeks could make that a bit more likely. We're doing price stability and financial stability. But it doesn't feel like it's going to be a tough one. And the U.S. economy is likely to pull out of it pretty quickly.

MR. RUBENSTEIN: As we talk today, are you worried about any other bank, without mentioning one, that might have a financial problem? Or you think there's another shoe to drop? Or do you think we've basically patched this problem up by now?

MS. FRASER: Look, I think there's probably going to be a few – there could well be some smaller institutions that have similar issues in terms of their being caught without managing their balance sheets as ably as others have done. And it's quite likely there may be a few of them. We certainly hope there'll be fewer rather than more, but there again it should be manageable within the existing toolkit that's there.

MR. RUBENSTEIN: OK. Let's talk about your background for a moment. So, you grew up in Edinburgh area.

MS. FRASER: Yep, I did.

MR. RUBENSTEIN: And were your parents bankers?

MS. FRASER: No, definitely not. So, my father was a Scottish accountant, which meant you're not really relying on parental generosity and extra pocket money from a Scottish accountant as a

father. So, I used to earn my pocket money on the golf course at St. Andrews caddying. You would not know it from my golf game, but.

MR. RUBENSTEIN: So, you were a good golfer, or you were a caddy, or?

MS. FRASER: I was a caddy. You wouldn't think I was a golfer if you saw my golf game now, but I used to enjoy it a lot.

MR. RUBENSTEIN: Well, I'm sure it's better than mine. But so, you grew up. You were an only child.

MS. FRASER: Yep.

MR. RUBENSTEIN: So, I'm an old child too. So, there's an advantage to it.

MS. FRASER: So, we're both special, David.

MR. RUBENSTEIN: There's pluses and minuses. All right, so you're growing up. What did you say you wanted to be, the CEO of Citi, when you were growing up? What did you think you wanted to be?

MS. FRASER: Oh, I wanted to be a doctor when I grew up. But I was really lousy at biology, so that kind of makes – that one ended quickly.

MR. RUBENSTEIN: That happens to a lot of people who want to go to medical school. So, OK.

MS. FRASER: Yes. [Laughs.]

MR. RUBENSTEIN: So, you went to Cambridge. Was it hard to get into Cambridge? Pretty good school. And how did you get in? Did you take exams and do you get scholarships? How do you go to Cambridge?

MS. FRASER: So, my parents when I was twelve moved to Australia, which I thought I'd died and gone to heaven because the climate difference is quite material between the two. And I applied to Cambridge from Australia. And I think they probably thought I was such an unusual person in terms of background, they managed to talk my way in there, David.

MR. RUBENSTEIN: All right. So, you got in. And how did you do there? You liked it? What did you study?

MS. FRASER: Oh, I studied economics. And in those days, it's a – I mean, what a privilege to go there. It's the most beautiful place to go and study. And it's quite – it's quite inspiring. It's a wonderful university. I know you have many affiliations with U.S. ones, but that place is special. And the only thing that you had in the economics department there is, it was mainly by extreme left-wing communists who would be the professors there. So, they have not proven to

be that helpful when it came to – and they were usually very depressed because all of us who’d studied economics, and they thought they’d converted them to their way of thinking, we all then worked – went and applied for jobs in the city of London and turned into capitalists, and disappointed them enormously.

MR. RUBENSTEIN: Oh, wow. All right. So, after you graduated, what did you do?

MS. FRASER: After I graduated, I joined Goldman as an analyst.

MR. RUBENSTEIN: And that’s an easy job to get, and an easy job to have. You don’t work more than 30-40 hours a week.

MS. FRASER: Yes. Yes.

MR. RUBENSTEIN: So how many years did you do that?

MS. FRASER: So, I worked at Goldman for a couple of years. And I was young when I started, and everyone was – I was the boring girl from Scotland. Everyone else was European, spoke multiple languages, was a lot more exotic and interesting than me. So, after I finished the honors program, I thought I’d better make myself a bit more interesting. So, I moved to Spain. And –

MR. RUBENSTEIN: Did you speak Spanish before?

MS. FRASER: I didn’t.

MR. RUBENSTEIN: You didn’t?

MS. FRASER: I didn’t speak Spanish.

MR. RUBENSTEIN: How did you think you were to get through that?

MS. FRASER: Because, you know, in those days when you’re 22 and you just turn up and you go do a crash course in Spanish for three weeks.

MR. RUBENSTEIN: So now do you speak Spanish?

MS. FRASER: Sí, habla español perfectamente.

MR. RUBENSTEIN: Well, my – I know one word, maybe “sí” or something like that.

MS. FRASER: I thought it was “cerveza.” Yes. [Laughs.]

MR. RUBENSTEIN: You know, my language skills are very limited. So after –

MS. FRASER: You have other talents, though. [Inaudible.]

MR. RUBENSTEIN: Well, Spanish isn't one of them. [Laughter.] But so – all right, so you do there for a couple years. And then you decide to go, where?

MS. FRASER: To America.

MR. RUBENSTEIN: All right. And where did you want to go in America?

MS. FRASER: So, I did the same again, talked my way into Harvard Business School, and I was fascinated by the American machine. And if you've spent a bit of time in Europe and grown up in the – you know, the '60s – '70s and '80s, it's fascinating. America is just, you know, something you want to try and understand, and the American economy and the American entrepreneur is not someone you are going to bet against.

MR. RUBENSTEIN: So, when you went to Harvard Business School you entered in '92, something like that?

MS. FRASER: Yes, that's right.

MR. RUBENSTEIN: As you entered in '92 were there a lot of women in your class then?

MS. FRASER: Probably about 24, 25 percent, something like that. Yes.

MR. RUBENSTEIN: And –

MS. FRASER: Not enough of us to cause trouble.

MR. RUBENSTEIN: You graduated in '94.

MS. FRASER: Yes.

MR. RUBENSTEIN: And who became the most famous person in your class other than you?

MS. FRASER: There's quite a few people who've done some pretty extraordinary things in my class –

MR. RUBENSTEIN: The governor.

MS. FRASER: – someone you know quite well, the governor of Virginia, a great example.

MR. RUBENSTEIN: The governor of Virginia is in your class. OK.

MS. FRASER: Yes.

MR. RUBENSTEIN: So, who was a better student, you, or the governor?

MS. FRASER: Oh, no. Glenn⁴ was definitely better.

MR. RUBENSTEIN: Really?

MS. FRASER: Yes. Oh, yes.

MR. RUBENSTEIN: OK. All right. So, you graduated from Harvard Business School and then you decide to go to McKinsey?

MS. FRASER: Yes, I did.

MR. RUBENSTEIN: And why did you want to be a consultant?

MS. FRASER: Well, first of all, was why didn't I go back into banking at that time, and I'd been in banking in the '80s where there weren't many women in banking, unlike the business school. They wore suits with very big shoulder pads and they were more scary than the men. You remember the era.

And so when I looked at the consulting, particularly McKinsey, I like partnerships. I think partnerships are great places to grow up. The apprenticeship model is wonderful. Global institution and firm, and also it was, you know, quite strategic in what they were looking at. It was similar issues to M&A at Goldman. But I thought I would have a chance of having a family, a bit more predictability in the work schedule.

MR. RUBENSTEIN: So you did it for 10 years, roughly?

MS. FRASER: Ten years, yeah.

MR. RUBENSTEIN: And you had two children during that time?

MS. FRASER: Yeah. Yeah.

MR. RUBENSTEIN: And they're now in college?

MS. FRASER: They are in college. Yes.

MR. RUBENSTEIN: One at – can I say where they go to school?

MS. FRASER: No, of course, you can.

MR. RUBENSTEIN: One is at Duke, I'm happy to say, and one is at Stanford.

MS. FRASER: Yes.

⁴ Virginia Governor Glenn Youngkin

MR. RUBENSTEIN: But did you tell them it'd be easier for you if they were closer to each other in a campus? I mean –

MS. FRASER: They fired me as a parent and I'm only hired as a part-time consultant on occasion.

MR. RUBENSTEIN: All right. So you go to McKinsey. You work your way up. You become a partner there and, you know, being a partner at McKinsey is a great job. Why did you decide to leave to go to Citi?

MS. FRASER: Yeah. So when I was – I became a mum at the same time as I became a partner and I was – I worked part-time all the way through my partnership years and McKinsey was fantastic about that because I, you know, was able to spend time with the kids before they went into school. But then when they got – when they were then at school that I felt like, OK, I can go back full time working again. And I – you know, honestly, I felt like it was time that I could prove that I would – I could do it rather than just advise.

MR. RUBENSTEIN: OK. So you –

MS. FRASER: And so I thought it was time to, you know, OK, go and see if you couldn't put your – well, do see if I could actually translate my words and advice into action.

MR. RUBENSTEIN: All right. So you went to Citi. At the time, did you think a woman could become or would ever become the head of Citi?

MS. FRASER: I honestly never thought about it. I mean, at that point it's a firm that there were quite a few women around then, being in an environment the board was very supportive around it, some fantastic male mentors and others. And it wasn't – it was just never something I thought about. This was 20 years ago.

MR. RUBENSTEIN: So –

MS. FRASER: I was, as I said, enjoying the day job.

MR. RUBENSTEIN: So you had a series of jobs. Every one you were the CEO of this division or that division and so forth, and one time they asked you to move to Latin America to be the CEO of Latin America. Did you think that was a dead end? You were going to move to Latin America and get out of the way of a succession? Or did you think that was a way to get promoted?

MS. FRASER: It was a big turnaround role and it's one of those ones you say if I did a good job then that was going to put me in good position for bigger opportunities ahead and if I did a bad job then, you know, so be it.

MR. RUBENSTEIN: You wouldn't – you weren't afraid they would forget you when you were down in Brazil or something and you weren't afraid they would forget you and everything like that?

MS. FRASER: No.

MR. RUBENSTEIN: OK. So you did a good job. You come back and you're the head of the Global Consumer Bank.

MS. FRASER: Yes.

MR. RUBENSTEIN: What is the Global Consumer Bank at Citi?

MS. FRASER: So that's retail banking. That's a credit card, which I believe you are the proud owner of a Citi credit card, David, if –

MR. RUBENSTEIN: I am. I do have that right here. I can't – I'm getting – well, I don't have enough frequent flyer miles on it, though. I'm trying to – you told me I'm not qualified for my frequent flyer miles, but –

MS. FRASER: Yeah. You've got the wrong card.

MR. RUBENSTEIN: Is it a – is this the best credit card you can get?

MS. FRASER: So, David, you have the one with our wonderful partner, American Airlines. And they – it's a 30-, 40-year partnership.

MR. RUBENSTEIN: How come I – you have one – but yours is black. How come mine is gold? [Laughter.] How come I don't have – which is better?

MS. FRASER: You've got to ask for it, David. Yes.

MR. RUBENSTEIN: Oh, OK. All right. Well –

MS. FRASER: Although I suspect you may not be flying quite as much on the commercial airlines. [Laughter.]

MR. RUBENSTEIN: Yeah. I've done probably – well, not as much as I used to, I will say. But OK.

MS. FRASER: Not as much. Yeah.

MR. RUBENSTEIN: So OK. So are you – when did you realize for the first time I could be – you could be the CEO of a bank? I mean, you know, there are a lot of people. You have 230,000 employees. A lot of them want to be CEO. When did you realize for the first time you had a chance to get that?

MS. FRASER: When I was made president of the bank because up until then you just – you don't really have a sense. But that was the point when Mike⁵ and John⁶ had a conversation about being a likely successor but no guarantees in life and I better do a good job.

MR. RUBENSTEIN: OK. So your predecessor was Michael Corbat.

MS. FRASER: Yeah.

MR. RUBENSTEIN: He retired about two years ago and you succeeded him. What was the biggest challenge you had in becoming the CEO right away?

MS. FRASER: It was COVID. So this was – becoming CEO during COVID is not the easiest because, you know, one's used to going around, going to different sites, seeing our people, seeing our clients in person, and while Zoom did an amazing job it is not the same. And so, like, no, you have to learn how to lead in a different way.

MR. RUBENSTEIN: Where did – where were you working? Were you working out of your home or did you come in because you're the CEO?

MS. FRASER: I came in. I came into the office and worked from there. I think my husband would have not been too thrilled if I was home all of the time if I'm also honest.

MR. RUBENSTEIN: OK. And your husband was a former Goldman banker?

MS. FRASER: Yes. Yeah, that's right.

MR. RUBENSTEIN: OK. So he understands finance, and do you ever consult with him and say, I got this problem at Citi – what do you think?

MS. FRASER: He has quite a few different things going on and he's a wonderful asset to have because he understands what you're going through and, you know, these jobs are ones where having someone who's supportive of you makes a huge difference. But he's been wonderful.

MR. RUBENSTEIN: So the –

MS. FRASER: My kids – my kids are not so interested.

MR. RUBENSTEIN: They're not interested in finance?

MS. FRASER: Yes, no, no.

MR. RUBENSTEIN: OK. Well, they'll learn eventually that it's more – you know, a better thing to do. Maybe they'll go on to something important like private equity, too.

⁵ Michael Louis "Mike" Corbat served as the CEO of Citigroup from 2012 to 2021.

⁶ John C. Dugan, chair, Citigroup Inc.

MS. FRASER: Maybe one day private equity will have a woman running it. Yes. [Laughter.]

MR. RUBENSTEIN: Maybe. At the rate we're going it'll take a while probably. I haven't seen that many firms that are moving in that direction but they're trying and we're trying but it's – we're not as far ahead as the commercial banks yet probably.

MS. FRASER: Yeah. It'll come. Yeah.

MR. RUBENSTEIN: So let me ask you, when you're doing COVID and you have to deal with that, everybody's working at home, when COVID is over the theory was that people were going to come back to work. But the large financial service firms in New York, including mine, seem to have very few people coming in five days a week. What is your policy on that?

MS. FRASER: Yeah. Very early on we realized that for a lot of people the working from home was actually quite effective and we also had the view that COVID was going to go on for a while. We've been in Asia for a 100 and odd years. You know, we'd seen what happened to SARS.

These things take a while to get over. So we knew that this was going to be around for a while and that anyone speaking to any of their people who've got young kids homeschooling is – you know, that was a nightmare for parents. It was so hard commuting – [inaudible] – worried about it.

So we – you know, we were very well aware from our people that we were going to have to be flexible in the approach and the flexibility was actually not hurting productivity in a lot of different areas.

So we made a call quite early on to say that you were definitely – we're better together but that doesn't mean to say that it has to be all the time. And so we laid out the reasons why we wanted people together. It was around apprenticeship. It would be around collaboration.

But think of Wall Street. Wall Street in the '80s when I grew up, you know, you were doing all-nighters. You were doing – the culture has changed. You don't need to have quite such that. You just don't need that culture anymore.

So we're encouraging our analysts to go home in the evenings. If they need to work, work from home. You don't have to be in the office to do it. If you've got some folks that have significant commutes, you know, giving them a break so they can work from home actually makes them more productive.

So we're thoughtful about it. It's not one size fits all. Our traders are in five days a week. But, you know, we found that the hybrid model actually fits the best.

MR. RUBENSTEIN: But you're in five days – you're in five days a week?

MS. FRASER: I'm traveling a lot.

MR. RUBENSTEIN: OK. So –

MS. FRASER: So I'm not actually in that – in the office –

MR. RUBENSTEIN: You're not in five but you're working five days a week not from your home, pretty much?

MS. FRASER: Yeah. Sometimes a bit more than that.

MR. RUBENSTEIN: OK. More than that. OK.

So today, Citi is a bank that has announced it's changing its strategy.

MS. FRASER: Yes.

MR. RUBENSTEIN: You now want to be a consumer and institutional bank in the United States. Is that right?

MS. FRASER: Yeah.

MR. RUBENSTEIN: And you're getting out of the consumer business outside of the United States?

MS. FRASER: So what we've said we are rather than what we're not –

MR. RUBENSTEIN: OK.

MS. FRASER: – is a – it's a pretty extraordinary bank in its history and its presence globally. It's uniquely operated – opens the door of the bank in a 100 different countries. So Citi is to be the preeminent banking partner for companies and for investors and for individuals with cross-border needs, and that's the vision of the bank. That's the – we will serve that client base as their absolutely critical partner.

MR. RUBENSTEIN: So you've sold a number of your international consumer businesses.

MS. FRASER: Yes, as in Brazil.

MR. RUBENSTEIN: It's been announced you're trying to sell your business in Mexico.

MS. FRASER: The consumer business.

MR. RUBENSTEIN: Consumer business. Who are you going to sell that to?

MS. FRASER: Oh, we've been – we've been fortunate to have a lot of interest there. You know, we looked at consumer banking, and we could see that originally the view would be that

you would get a lot of global scale in consumer banking and we were very strong in a number of different geographies.

But the reality is you don't get as much scale globally. It's much more about local scale in those businesses. So we decided let's focus. We want the bank to be simple. We want to be truly excellent at what we do and that's better if you're a more focused bank around fewer business lines. So that's the path we're on.

MR. RUBENSTEIN: All right. So after the Great Recession, your bank did a 10-for-one reverse split and the stock, which was then maybe \$5 or \$6 or something became worth \$50 or \$60. I forget what it was, something like that. But you're still around \$60 or so, something like that, maybe in the high \$50s. So the bank's stock under your predecessors and, to some extent, under you hasn't really moved in 10 years. Is that a concern?

MS. FRASER: Well, we're transforming the bank to make sure that we're in a very different position. So the – we're changing the strategy of the bank, as we talked about, and that entails selling 65,000 employees – it's 25 percent of our employee base – so we can really focus and double down on the businesses that make sense.

MR. RUBENSTEIN: OK. But of the 230,000 you have your selling 65,000 of it?

MS. FRASER: Yes.

MR. RUBENSTEIN: Wow.

MS. FRASER: Yes, it's a lot. And I know it's under the belief that what – where we truly excel we will move every single day \$4 trillion of volume for 5,000 multinational firms, and there's no other bank in the world that can do that.

So we'll be helping them with their payroll, with all of their suppliers, with their – all the payments that they make in their system with their foreign exchange, with their trade. It's an extraordinary network everywhere around the world that does that.

That's an incredible asset for America. It's a strategic asset for the states, because you'd much rather have American companies operating on American banking rails and not foreign banking rails, particularly these days.

So that's what we're focusing the bank around is that client base, and it's a big transformation, David, right. This is bold. You know, this takes some courage to do. We're making really good progress on it and we're putting a lot of investment into modernizing the bank because we've had some regulatory orders against us as well to make sure that we make the investments we need to and making sure the culture is there of real excellence, but also to be a human bank. We've talked about that being important.

Put all of that together; that's a lot of transformation. It's a lot of work. But we're really – we're determined around it and we're completely convinced that puts the bank into a different profitability, different return profile, and, ultimately, to the benefit of our shareholders.

MR. RUBENSTEIN: Now, under your predecessors, the U.S. regulators weren't so happy from time to time about your regulatory controls that you had over your business. Is that one of your biggest concerns, making the regulators feel happier about what you're doing?

MS. FRASER: Oh, I mean, one – if you're a bank you do want to make sure that regulators feel that you are safe, sound, and that you're operating appropriately. I found them to be very constructive and very helpful.

Our regulators give us good advice because, you know, like every company these days everyone is trying to transform because of digitization. They have an insight into all the banks in the system and, frankly, they give us some – you know, they're tough but they give us very good guidance and advice as to the – they want – they want the banking system to be strong, sound, and incredibly effective. And I have to say it's been – I've had a lot of good guidance from them. They've been helpful.

MR. RUBENSTEIN: So when you – you're in Washington today as we talk and when people come to Washington they often talk to members of Congress. Do you always find that an uplifting experience?

MS. FRASER: [Laughs.] In the congressional hearings less so, I have to say. I've had four congressional hearings so far with my fellow bank CEOs and those ones are a little tougher.

MR. RUBENSTEIN: The questions are always fair?

MS. FRASER: They aren't always questions. [Laughter.]

MR. RUBENSTEIN: Oh, OK. So, today, the culture of any organization is critical. So what type of culture are you trying to infuse into Citi? It's had many CEOs over the last 10 years, or four or five different people so the culture has changed a fair bit. What culture are you trying to infuse into the organization?

MS. FRASER: The culture we're infusing is one of excellence but also one of empathy, and it's not a word – some people start cringing when they hear that but I actually think empathy is a critical source of competitive advantage because that means that you're actually listening to your clients and your customers and understanding what they're worried about.

You're in touch with your people and understanding what it is that they care about and why they want to work or what they're looking for, and then you put your value proposition around it, and, unsurprisingly, that gives you a competitive edge.

MR. RUBENSTEIN: So how –

MS. FRASER: So I'm looking for a bank that has a human side to it as well as a bank that has a brain and is very, very good at what they do.

MR. RUBENSTEIN: So 230,000 employees. You'll have fewer at some point when you do the divestitures. But how do you communicate with 230,000 people? Do you send them emails from time to time or you do a Zoom call? What do you do?

MS. FRASER: Yeah. A lot of different pieces and, actually, it's one of the things that it's – the most fun piece is communicating and talking to your people, right? It just is one of those great sources of energy. It's wonderful traveling around the world now. So going around listening and talking to them in person is wonderful.

When I first started in COVID every Thursday night I would write a note just letting everyone know what was going on because it was so important to feel you were connected to something. We're all in our little home microcosm and you wanted to give people a sense of purpose.

I'm really proud of what our bank and many other banks did during COVID where there was a huge amount of support to the communities, to our clients who were suffering, going through a very challenging time if they're an owner of a small business or if they're an individual, and that human touch was really important, and it was an opportunity as a leader to try things that were very different.

Also, frankly, as a woman, I think it made it easier to have a different way of connecting with our people and having a conversation with them. So I complain about the fact my son didn't know how to stack a dishwasher and, you know, you talk about other things that were human that were going on in our lives and it made it much easier to connect to our people.

MR. RUBENSTEIN: So your employees they call you Jane or what do they call you?

MS. FRASER: Yes, absolutely. Yes. Yes.

MR. RUBENSTEIN: OK. They don't call you Ms. Fraser or something like that?

MS. FRASER: No, they do not. I'm just Jane and that's great because, you know, they'll tell you things that way. They'll tell you what's going on. They'll tell you things that we could do to improve. They'll tell you funny stories. They'll tell you things they are proud about.

MR. RUBENSTEIN: So for young professionals why should they want to work in a large commercial bank? What's the appeal of it? Why – if somebody goes to Harvard Business School why not go to a private equity firm, a hedge firm, one of these, you know, important organizations and what's the – well, how do you recruit people into a place like Citi? What is it that you say is so great about being a commercial banker?

MS. FRASER: So I look at my career in – within Citi and I've worked all around the world. I've lived all around the world. I've worked in St. Louis, Missouri. I've lived in Miami and

worked out of there, in New York. I've obviously worked around Europe, as you can tell from the accent, and I've worked in all sorts of different businesses. I worked on really, really tough problems.

You know, America's global banks are right at the center of some of the biggest challenges that are going on in the world geopolitically. We get pulled into the conversations. We're supporting – we're playing a critical role in supporting clients and countries and you get an opportunity to come and work and learn in a team environment, in an apprenticeship model, on how to tackle and solve some of these pieces. It's a privilege. I mean, it's such – it truly is a privilege. It's extraordinary the different topics and challenges and opportunities you're pulled into.

MR. RUBENSTEIN: OK. At Citi now what is the largest, most profitable part of your bank? How do you divide the bank into – you have it divided into consumer, institutional?

MS. FRASER: Four businesses. Yeah. Four main businesses. So we have what we call services businesses. So this is the \$4 trillion a day that moves around the world. That's the GDP of Germany, and that serves the multinational companies and also the new emerging digital companies that go global very quickly. So these mid-market players.

So that, in a way, is almost a jewel in the crown just because of the connectivity it provides and what it does for companies, and that grew last year almost by 33 percent. So it is a very fast-growing part of the bank –

MR. RUBENSTEIN: That's a low-margin business relative to others?

MS. FRASER: No, a very high return on tangible common equity. It's a thing of beauty.

MR. RUBENSTEIN: OK.

MS. FRASER: It had been – yes.

MR. RUBENSTEIN: OK. And you're –

MS. FRASER: It's not available for sale, David. I'm sorry.

MR. RUBENSTEIN: OK. What –

MS. FRASER: Then we have our markets business, and our markets business most people think of trading – you know, what are you doing in trading? Most of our trading is, for example, helping companies hedge foreign exchange.

You can imagine when Russia happened and the invasion into Ukraine and the horrors of what happened there. Huge amount of companies trying to work out how do I hedge my foreign exchange? What am I doing?

We've been helping companies manage their volatility. So that's our markets business. Our investment banking business, corporate banking business, supplies corporates on their lending needs, on their financing needs, and if they're in M&A I'm very proud to serve your company in all of those three businesses.

MR. RUBENSTEIN: Well, you were our first lender for sure. Thank you for your help.

By the way, the Global Consumer Bank, which you headed for a while, today you announced that the current head of the Global Consumer Bank is the new chief operating officer. So you obviously like the Global Consumer Bank, right?

MS. FRASER: Well, it's a couple of different pieces. He's incredibly talented. He's been at Citi for 30 years. So he's worked all over the world. He's followed the same career path we were talking about and he's very strong in terms of operational skills. So when you look at who do you want at the right – on your right-hand side there you want someone who's going to be strong at that.

Also, our global consumer business is changing. We're focusing on wealth, and then the U.S. business. So it's a different view now.

MR. RUBENSTEIN: So, now, what about diversity, equity, and inclusion? What are you doing? Obviously, you get a lot of attention for this because you're a woman. What are you doing to make certain you have other diversity standards met in the bank?

MS. FRASER: It's a really important part of the bank because I think – because we've got people from everywhere who work at Citi and, you know, they want to work for an American enterprise. It's a real compelling point of the bank in attracting talent from all over the world. It's very attractive to women. I've never worked – I've only ever worked for American companies all of my career and so there's a huge power to this.

For Citi, my predecessor really was very focused on making sure that we had strong diversity of all types in the bank and we worked out that radical transparency is very, very valuable. So we put out three-year targets on representation and we disclose those every – you know, we disclose exactly what they are.

Nothing like disclosing something to make sure you pay attention to it. Then the targets we have on both recruiting and in retention and in promoting are in everybody's scorecard. And we also have pay equity so every single year we measure. We have a third party come in and make sure that every woman is paid exactly the same as a man in the same job performing at the same level, and we disclose that. [Applause.]

MR. RUBENSTEIN: So OK. So now, currently, many CEOs are under pressure to take positions on public policy matters, so positions on voting rights or climate change, and so forth. Do you think CEOs should be getting in the middle of talking about those kind of things or do you try to not do that?

MS. FRASER: When they matter to your business model and when they're important for progress. If you're a bank you care a lot about economic growth and progress around the world. So yes, we will speak out on that.

Also, if it's very important to our people, the communities that we're in, there will be topics we'll talk about. We don't view that as being political but it's about what do we stand for as a bank. So, for example, in the climate arena, we don't see energy security and investing in sustainable and new technologies as being mutually exclusive, and our job is to work on how do we help companies develop the new technology for this and also help companies ensure we've got energy security, and we work on that. We don't view it as political.

MR. RUBENSTEIN: OK. All right. Suppose I'm listening to what you say and I say: She's, obviously, articulate. She's committed. Maybe I'll buy her stock. Do you think your stock's a good buy right now?

MS. FRASER: Yes. [Laughter.]

MR. RUBENSTEIN: OK.

MS. FRASER: Very.

MR. RUBENSTEIN: If I buy it, I can get an appreciation of some percent I can be happy with, you think? Not as good as private equity returns, but good, right? [Laughter.]

MS. FRASER: [Laughs.]

MR. RUBENSTEIN: OK. Let me ask you about credit cards. Have you ever had your credit card, your Citi card, denied when you would go to, you know, use it?

MS. FRASER: When I go to buy something?

MR. RUBENSTEIN: Yeah. Has it ever happened?

MS. FRASER: Yeah. I think that has been – I've been quite grateful because if there's been fraud I would much rather that someone's not using my card fraudulently and that they're checking it is me.

MR. RUBENSTEIN: Has that ever – have you ever been called and said somebody's using your card or they've never denied you credit because you're not paying your bills or something? That doesn't happen?

MS. FRASER: No. I'm Scottish so I'm very, very diligent about making sure that I can pay all my bills on time. Yes.

MR. RUBENSTEIN: OK. So today what do you do for relaxation to get away from the office from time to time? Are you a golfer or something?

MS. FRASER: Yeah. Well, look, I love spending time with my kids, so, you know, being able to chat or spend some time with them. They're less enthusiastic now than they used to be when they lived without that, but I'll take what I get.

MR. RUBENSTEIN: Do they tell – do they their friends who you are or they don't want to tell?

MS. FRASER: Oh. So when I was announced as CEO – I knew it was going to happen – I called up my Duke son and I said – didn't pick up as usual. I said, please call me and I get a text back –

MR. RUBENSTEIN: You called your son and he didn't pick up?

MS. FRASER: No. No. Didn't pick up. He sent a message about I'm busy. I said, no, no. Please, I've got some news – could you pick up? And he's, like, Mom, I'm on Zoom calls. You know, I'm really busy. And he did not pick up, did not pick up. I ended up having to text him the next morning that it was going to be announced and then he came back to me at the end of the day and said, Mum, you – you know, it was a text message. It wasn't a call. He said, Mum, you know, you're all over the news today. Are you important or something, dot, dot, dot, dot, dot. [Laughter.]

So, you know –

MR. RUBENSTEIN: Was your –

MS. FRASER: I enjoy spending time with them. They keep you – they keep your feet on the ground.

MR. RUBENSTEIN: Was your other son more responsive when you told him?

MS. FRASER: Was he more responsive? Slightly, but it was marginal.

MR. RUBENSTEIN: Marginal. OK. So but you can't work around the clock all the time so you must have some hobbies other than your children. Your son is a very good golfer. Both of your children golf. Are you a golfer, too?

MS. FRASER: I would probably kill someone off the first tee right now with my golf game. But I used to play a lot of golf. I enjoyed it. I love traveling. I mean, you work for a global company. The fascination of traveling around the world – I really enjoy going to new places.

MR. RUBENSTEIN: So what's the greatest pleasure of being the CEO of Citi?

MS. FRASER: Oh, our people. Our people and our clients, and they're – we've got people from all over the world and they've always got interesting stories as to why they join, you know, a global American company. They've usually – you know, it's taken a bit of guts in their story to come there so that – and they really aspire. They believe in the American dream. They aspire for greater things, and our clients are the same. They tend to want to bank with us because of

what we're able to provide them globally and they're some of the most incredible companies and entrepreneurs and innovators in the world like you, David.

MR. RUBENSTEIN: What's the biggest downside to being – what's the frustration, other than interviews like this?

MS. FRASER: Yeah. Lack of beauty sleep.

MR. RUBENSTEIN: Really? OK. So you don't – you get –

MS. FRASER: The jetlag. Now that we're back off COVID again, jetlag. I'm not – you know, I'm three years older than I was and I definitely find the jet lag has taken its toll.

MR. RUBENSTEIN: So if the president of the United States called you, and you are for the last 20 years a U.S. citizen?

MS. FRASER: Yes, indeed. Proudly.

MR. RUBENSTEIN: Said eventually I'm going to have a new secretary of Treasury and I'd like a woman to be secretary of Treasury again if Janet Yellen were to step down. I don't know that she is but eventually, she might. Would you like to be secretary of Treasury?

MS. FRASER: No.

MR. RUBENSTEIN: Really? Why?

MS. FRASER: Oh, I think I'm better suited to the private sector and, truly, I've got a lot to do, as we talked about, in my day job. It's a privilege to have this job. I'm focused on this job and doing this job well.

MR. RUBENSTEIN: OK. So –

MS. FRASER: I don't need to worry about other things.

MR. RUBENSTEIN: So you don't want to be secretary of Treasury, chairman of the Federal Reserve, none of those jobs, right?

MS. FRASER: No, I think there's some very good people in them right now.

MR. RUBENSTEIN: OK. So the final message that you would like people here to have or people watching, what is the main message you would like to give to people about Citi – Citibank?

MS. FRASER: Yeah. Citi is on a mission and we're going to get that mission done, to be a bank that America is proud of, that continues to play a very important role in the global economy and its shareholders will get a very good return from.

MR. RUBENSTEIN: OK. Well, can't say it better than that. I want to thank you very much for your time. [Applause.]



Jane Fraser
Chief Executive Officer
Citi

Jane Fraser is the Chief Executive Officer of Citi, serving as the first female CEO in the firm's history. Before becoming CEO in February 2021, she was President of Citi and CEO of the Global Consumer Bank. Previously, she served as the CEO of Citigroup Latin America from 2015 to 2019. From 2013 to 2015, she was CEO of U.S. Consumer and Commercial Banking and CitiMortgage. From 2009 to 2013, Jane served as the CEO of Citi's Global Private Bank. Prior to that, Jane was the global

head of strategy and mergers and acquisitions for Citi from 2007 to 2009. She joined Citi in 2004 in the corporate and investment banking division.

Before joining Citi, Jane was a partner at McKinsey & Company. She started her career with the Goldman Sachs Group, Inc. in London and later worked for Asesores Bursátiles in Madrid, Spain.

She is Vice Chair for Partnership for New York City and a member of the Harvard Business School's Board of Dean's Advisors; the Stanford Global Advisory Board; the Economic Club of New York; and the Council on Foreign Relations. Jane holds a Master of Business Administration degree from Harvard Business School and a Master of Arts degree in economics from Cambridge University.