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FORMER HEAD OF AMERICAN TRADING AT CITIBANK COMMODITIES
DESK PLEADS GUILTY IN FEDERAL COURT TO CHARGE OF
INFLATING PROFITS BY UP TO \$20 MILLION

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, and MARK J. MERSHON, the Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation (FBI), announced that CHARLES CRAIG GILE, the former head of American trading at the commodities desk at Citibank NA ("Citibank"), pleaded guilty today to conspiring to falsify bank records and to commit wire fraud. GILE was charged in connection with a scheme to inflate the trading profits of the Citibank commodities desk by as much as \$20 million during 2003 in order to enhance his apparent job performance and his eligibility for bonuses from Citibank.

According to the Information to which GILE pleaded guilty, GILE, and his co-conspirator, the head of Citibank's worldwide commodities desk, overstated the financial performance and understated the market risk of Citibank's commodities desk during 2003. That co-conspirator, DAVID BECKER, pleaded guilty to similar charges on September 26, 2006.

The Information charges that GILE and BECKER accomplished this scheme through a number of means, including inputting false data into a computer model used to estimate the value of positions held by the commodities desk. For example, that computer model used various inputs, including so-called "correlations"--the mathematical relationship between certain commodity contract prices--to estimate profit and loss, present value, risk exposure and other performance measures. In October and November 2003, GILE and BECKER input correlations into that

model that were inconsistent with market rates and inconsistent with correlations input for similar contracts held by the commodities desk, but which artificially inflated the profit reported by the desk by millions of dollars. In January 2004, after the end of Citibank's financial year and after questions had been raised about the accuracy of those correlations, GILE and BECKER changed certain of the correlations back to market rates.

The Information also charges that GILE and BECKER input fictitious options trades into the computer model in order to reduce reported market risk and increase reported profits. During 2003 traders on the Citibank commodities desk could estimate the value of a proposed trade by placing it into a so-called "test portfolio" in the computer model before actually executing the trade and moving it into the so-called "live portfolio." In late 2003 GILE and BECKER moved certain fictitious at-the-money or profitable options trades from the test portfolio into the live portfolio just prior to month end valuations of the Citibank commodities desk. After those month-end valuations were complete, GILE and BECKER moved those fictitious trades back into the test portfolio. Inclusion of these fictitious trades in the month end valuation resulted in the reporting of reduced risk and inflated profits for the commodities desk, the information charged.

The Information further charges that GILE and BECKER caused false information to be reported to the Citibank financial control department, which was monitoring the commodities desk. As part of that monitoring, the financial control department regularly obtained market quotes from brokers who were independent of Citibank and compared those quotes to those provided by the Citibank commodities desk. During 2003 and January 2004, GILE and BECKER directed a broker at an independent commodities brokerage firm to supply false market quotes to the Citibank financial control department in order to undermine its monitoring of the Citibank commodities desk.

GILE pleaded guilty to one count of conspiracy to falsify bank records and to commit wire fraud. He faces a maximum sentence of 5 years in prison and a fine of \$250,000 or twice the gross gain or gross loss from the offense. Sentencing is scheduled for February 12, 2007. BECKER is scheduled to be sentenced on January 26, 2007.

GILE, 42, lives in Longwood, Florida.

BECKER, 40, lives in Great Neck, New York.

Mr. GARCIA commended the Federal Bureau of Investigation for its assistance in the investigation.

Assistant United States Attorney JONATHAN R. STREETER is in charge of the prosecution.

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