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Before Greensill Failed, It Relied on Wall Street

By Duncan Mavin and Julie Steinberg
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LONDON -- The founder of Greensill Capital spoke frequently about disrupting big banks. But before the financial startup collapsed this month, it relied on the apparatus of Wall Street to fuel its expansion.

Greensill's closest Wall Street relationship was with Credit Suisse Group AG, which provided it financing through $10 billion of investment funds. But a clutch of other big players -- including Citigroup Inc., Morgan Stanley, Ernst & Young, and Moody's Investors Service -- played key roles in Greensill's rise.

Citigroup expanded its business with Greensill despite repeated warnings internally not to do so because of reputational issues, according to people familiar with the Citigroup-Greensill relationship. The big U.S. bank operated a trust that processed payments for Greensill's borrowers, forwarding money on to investors in the Credit Suisse funds. Citigroup also worked on a failed last-ditch attempt to raise fresh capital for the startup.

Greensill was founded in 2011 by former Morgan Stanley and Citigroup banker Lex Greensill. The firm specialized in supply chain finance, a form of short-term corporate lending.

Greensill planned to outmaneuver big banks that dominate the industry with better **technology** and by offering the service to more clients. Many of Greensill's clients were blue-chip companies, though it also made other, riskier loans that were longer-term or for borrowers that were more precarious.

Greensill filed for bankruptcy earlier this month after it lost credit insurance that was crucial to its business. Credit Suisse suspended the investment funds. Greensill's bank in Germany is under investigation by authorities into its accounting for loans to a major client.

The startup's business model required complex financial engineering. It made supply-chain loans to companies, then packaged them up into notes, selling those on to investors, which served as off-balance-sheet financing for Greensill.

Citigroup operated a trust for Greensill, according to a Greensill marketing document and the people familiar with the Greensill-Citigroup relationship.

Such trusts are commonly used on Wall Street to handle the details of moving money among financial entities. Yet employees on Citigroup's trade finance team raised concerns in conversations and emails multiple times over the past five years about doing business with Greensill, according to the people.

Some of the warnings, which centered on Greensill's business practices, were made to senior managers who oversaw treasury and trade, trusts and banking coverage, one of the people said.

In 2019, employees brought their concerns to the bank's business practices committee, which assesses conflicts of interest and other reputational risks to the bank, one of the people said.

The business practices committee's response couldn't be determined, though Citigroup expanded its business with Greensill in 2020 when it helped the company hunt for fresh capital, The Wall Street Journal has reported.

A Citigroup spokesperson declined to comment.

Greensill also leaned on Morgan Stanley, which for several years acted as an intermediary between Greensill and the investors in the notes. These included funds at Credit Suisse and Swiss asset manager GAM Holding AG, according to people familiar with the funds and the Greensill marketing document reviewed by the Journal.

Morgan Stanley provided the funds with information about the notes, including pricing and duration of the underlying loans, and placed the notes with the funds for a fee, the people said.

Morgan Stanley also helped Greensill's biggest client in 2019, when GAM shut a fund that had been an important source of financing for Greensill. Some of the assets in the GAM fund were tied to businesses owned by U.K. steel magnate Sanjeev Gupta.

Morgan Stanley used a special-purpose vehicle to repackage about GBP 220 million, equivalent to $300 million, of Greensill-arranged bonds related to Mr. Gupta's businesses held in the GAM funds. Morgan Stanley then sold them to its clients, according to some of the people familiar with the funds.

Big Four accounting firm EY had a close-up look at Greensill's business. In 2019, EY performed investing due diligence on Greensill for SoftBank Group Corp.'s Vision Fund, Greensill's biggest outside investor, according to a SoftBank investment memo reviewed by the Journal.

EY told the Japanese investor it faced several risks, including that Greensill relied heavily on a handful of clients for most of its revenue, and that access to trade credit insurance was a constraint on Greensill's business.

EY said in the memo that it expected Greensill to diversify its pool of clients and that insurance would become less important as Greensill established a successful record. Those expectations didn't come to pass. Greensill collapsed into insolvency after a major credit insurance provider said it would stop providing new coverage.

By February this year, EY had become wary of working with Greensill because of the possible reputational hit, according to people familiar with the matter.

Credit ratings company Moody's rated three multibillion-dollar funds at GAM and Credit Suisse that invested in securities created by Greensill. The funds were given the third-highest rating on Moody's scale for bond ratings, which indicates that assets are generally considered "upper-medium credit quality."

The ratings were important to Greensill because they made it possible for a broader pool of investors to buy into the funds. The Moody's analysts noted that sometimes the assets were concentrated in just a handful of Greensill clients.

It wasn't until March, however, until after the funds were suspended, that Moody's downgraded the Credit Suisse-Greensill funds and put the GAM-Greensill fund on review for downgrade.

A Moody's spokesperson declined to comment.

Patricia Kowsmann and Rolfe Winkler contributed to this article.

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Every Day Is Casual, So Citi Tries 'Zoom Free Friday'

By Anna Schaverien
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The bank plans to have one day each week when workers can avoid being on-camera for internal calls. "We are all feeling the weariness," Citi's chief executive said.

Happy hours and "Casual Fridays," team doughnuts and coffee trips have all fallen by the wayside in the last year, as one office tradition after another was curtailed by the reality of remote work.

Lawyers rolled into court from bed. Executives used one good shirt. Sweatpants ruled the day.

But Citigroup, one of the world's largest banks, is trying to start a new end-of-week tradition: Zoom-free Fridays.

The bank's new chief executive, Jane Fraser, announced the plan for "Zoom-free Fridays" in a memo sent to employees on Monday. Recognizing that workers have spent inordinate amounts of the past 12 months staring at video calls, Citi is encouraging its employees to take a step back from Zoom and other videoconferencing platforms for one day a week, she said.

"The blurring of lines between home and work and the relentlessness of the pandemic workday have taken a toll on our well-being," Ms. Fraser wrote in the memo, which was seen by The New York Times.

"After listening to colleagues around the world, it became apparent we need to combat the 'Zoom fatigue' that many of us feel," she wrote.

The memo said that no one at the company would have to turn their video on for any internal meetings on Fridays. External meetings would not be affected: "There still will be client and regulator meetings that need to happen via Zoom," it said.

Citi -- the third largest bank in America and the 13th largest globally by assets, according to S&P Global -- also asked its 210,000 workers around the world to make sure they take their vacation time and designated Friday, May 28 a companywide holiday for all workers to be off and "reset."

The bank outlined other steps to restore some semblance of work-life balance. It recommended employees stop scheduling calls outside of traditional working hours, and pledged that when employees can return to offices, a majority of its workers would be given the option to work from home up to two days a week.

"We are all feeling the weariness," wrote Ms. Fraser, who took up her role as Citi's chief executive this month and is the first woman to lead a major American bank. The pressure is high for Citi to turn itself around, after a banker's mistake sent nearly $1 billion wired to the wrong people and the bank was handed a $400 million fine by federal regulators last year over long-running problems.

But complaints of "Zoom fatigue" have emerged across industries and classrooms in the past year, as people confined to working from home faced schedules packed with virtual meetings, and found that their hours of on-camera work were often followed up by long video catch-ups with friends.

The widespread feeling of burnout prompted research from Stanford University trying to explain why video calls felt so draining.

In a peer-reviewed article published in the journal **Technology**, Mind and Behavior last month, Professor Jeremy Bailenson, the founding director of the Stanford Virtual Human Interaction Lab, outlined several reasons video calls can be so much more exhausting than in-person conversations.

He found that the excessive eye contact involved in video calls, the unnatural situation of seeing ourselves on-screen and having to stay in the same fixed spot all contribute toward "Zoom fatigue."

Video calls are also harder mental work for us, Professor Bailenson said in a news release, because we have to put in more effort to make and interpret nonverbal communications. "If you want to show someone that you are agreeing with them, you have to do an exaggerated nod or put your thumbs up," he said. "That adds cognitive load as you're using mental calories in order to communicate."

Dr. Aaron Balick, a psychotherapist and the author of "The Psychodynamics of Social Networking," said a key mistake companies made when setting up work-from-home conditions last year was to treat Zoom calls as the equivalent of face-to-face meetings. He said that they failed to consider the additional mental burden placed on workers and the downtime needed to process what was said between calls.

"They require different intellectual muscles," Dr. Balick said in an interview on Wednesday, adding that Zoom calls needed to be treated as a "functionally different thing."

Citi's "Zoom-free Fridays" have the right spirit behind them, he said, though he added, "if you're doing back-to-back Zooms Monday through Thursday and then have a day off Friday, that's still not quite good enough."

Employees need more opportunities to block out uninterrupted time to work without the distractions of calls and meetings, he said. Without the structure and routine of office life, many people have also fallen into the trap of working longer hours because they have no external cue telling them when to switch off, he added.

Research has found that the stresses of the pandemic and increased workloads have meant some employees could be working as much as two hours a day more than usual.

For Wall Street, which even before the pandemic had a notorious reputation for extreme hours, Citi's efforts to introduce a more flexible approach to work will probably not go unnoticed.

Last week, a survey of 13 first-year Goldman Sachs analysts drew attention on social media, with the analysts claiming they worked an average of around 100 hours a week and felt they were victims of workplace abuse.

Goldman responded in a statement that "a year into Covid, people are understandably quite stretched." It said it was "listening to their concerns and taking multiple steps to address them."

Citi's chief said she wanted to cut "the 'Zoom fatigue' that many of us feel." (PHOTOGRAPH BY KENA BETANCUR/AGENCE FRANCE-PRESSE -- GETTY IMAGES)

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Banking & Finance: Citi Error Puts Focus on Software

By Ann-Marie Alcantara
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When Citigroup Inc. last year sent almost $900 million to lenders in error, it not only set off a legal fight over the money but unwittingly highlighted a separate issue in the back office: the frequently clunky experience of using business software.

The mistaken payment at Citi occurred as workers tried to send a nearly $8 million interest payment using a financial software product called Flexcube, which is offered by a subsidiary of Oracle Corp. Citi has blamed the mistake on human error. An Oracle spokeswoman said financial institutions use Flexcube to safely make trillions of dollars in transactions every day.

In the ensuing litigation as Citi tried to recoup the money, the bank shared images from its software. The screenshots showed a user interface with dense type, low contrast and small buttons and boxes.

It is the kind of design that would make executives at consumer-facing companies cringe, including banks offering brightly lit and easy-to-use apps to their checking, savings and credit-card customers, designers and analysts said. But it hardly stands out in a business environment, they said. While people look for best-in-class user experiences as consumers, they are often forced to check those kinds of expectations at the office door.

That is partly because the people who choose business software for their companies rarely consider user experience, said Sam Horodezky, founder of Strathearn Design, a user-experience consulting firm. "They will frequently pick the product with the most features or the lowest cost, without factoring in the end user at all," he said.

It can also be costly to change or update business software, and might require retraining employees, Mr. Horodezky added.

The Flexcube screenshot reflects an older, customized version of its business software, the Oracle spokeswoman said. "The screenshots shown in court do not reflect the current user interface of Oracle's corporate-lending systems," she said.

There are also key differences between personal payments and corporate lending, the Oracle spokeswoman said.

"These lending systems are built for trained users who have to consider multiple complex scenarios and fields, and is not just a money transfer from one person to another," she said.

No two commercial loans are structured the same way, as they might be in consumer lending, said Paul Spiteri, chief executive of the Lending Practice, a commercial lending consulting firm. "It is hard to encapsulate **technology** and processes around something that doesn't look the same twice," he said.

The good news for workers squinting at dimly lit designs is that the consumer sector is putting pressure on businesses to provide better digital experiences for both clients and employees, according to software executives.

"They're having an influx of users who are demanding easier, simpler, more modern experiences," said Todd Olson, chief executive of Pendo.io Inc., a product-engagement software company that offers services such as user onboarding and training.

However, while changing relatively obvious elements in the user interface can help, that doesn't always address deeper problems, he said. Companies might need to analyze how long users are spending on certain forms or where they pause, for example, to understand which changes to make.

Companies are beginning to invest in making products easier to use, but their efforts are still relatively nascent, said Andrew Hogan, principal analyst at Forrester Research Inc., a research firm.

"They're paying interest on the design debt," Mr. Hogan said of companies that don't make ease of use a priority. "This is an area that's going to see huge investment over the next few years."

The coronavirus pandemic has accelerated the adoption of digital practices in business software, said Lidiane Jones, executive vice president and general manager of Salesforce Commerce Cloud, part of business software provider Salesforce.com Inc. Technologies such as personalization and artificial intelligence, commonly used in consumer products, are starting to become capabilities that business-software users want, she said.

After the overpayment snafu last August, Citi said it is in the process of upgrading its loan-operations platform. "We have put significant, additional controls in place until the new system is operational," it said then.

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Can She Roust Slumbering Citigroup?

By Emily Flitter
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On Jane Fraser's desk at Citigroup's downtown Manhattan headquarters sits a map of Puerto Rico made from trees downed by Hurricane Maria, which devastated the island in 2017. For Ms. Fraser, the incoming chief executive of Citi, the memento is a reminder of her mission: to restore order in the midst of chaos.

When Maria hit Puerto Rico, downing power lines and flooding the territory, Citi's San Juan branch was forced to close. As head of the bank's Latin America business, Ms. Fraser oversaw efforts to provide bank employees with generators, solar cellphone chargers, portable septic systems, water and other basic necessities at lightning speed, allowing them to reopen the branch a week after the storm.

''We were the only bank that was up and running,'' she said in an interview. That allowed companies like Shell, Walmart and other big Citi clients to restart operations as well. The map was a thank-you gift from the bank's Puerto Rico employees.

''We don't leave a country when it's in really bad shape,'' Ms. Fraser said. In fact, she said, turmoil in a country makes the bank's purpose there clearer. ''We can really make a difference.''

Ms. Fraser learned this as she steered the bank through economic crises in Venezuela and Argentina and worked to clean up its Mexican subsidiary, which was reeling from a money-laundering scandal when she took over the Latin America region in 2015.

Her skills, attitude and global perspective will come in handy as she turns her attention to what could be one of the biggest cleanup jobs of her career: Citigroup itself.

In March, she will take the chief executive reins from Michael Corbat. It is a major turnaround job. Ever since the 2008 financial crisis, when Citi required a $45 billion government bailout and had to split itself into separate operating units to survive, the sprawling institution has been limping along in third place among the four biggest U.S. banks, underwhelming its investors and irritating regulators, who in October imposed a wide-ranging directive to get itself in shape. Citi also agreed to pay a $400 million fine.

The bank had longstanding problems, regulators said -- from failing to catch money launderers to ineffective risk management. Citi's other mistakes included failing to tell minority customers seeking mortgages that they were eligible for lower interest rates if they had other business with the bank. It spent $24 million in 2019 compensating customers to remedy that.

Regulators also found that the bank had, for at least six years, failed to follow a federal law requiring that lenders ensure owners of buildings vulnerable to flooding had insurance if the buildings were used as collateral. Just before regulators acted in October, Citi accidentally wired $900 million to the wrong people -- an embarrassing scandal that landed it in court.

The bank, with $2.3 trillion in assets, continues to be profitable. In January, Citi reported a profit of $4.6 billion on revenue of $16.5 billion. But both its revenue and its earnings were lower than a year earlier, as credit card users reduced their activity. Its share price has languished, falling roughly 20 percent in the past year, while a broader index of banking stocks, the KBW Nasdaq Bank Index, has remained flat.

Ms. Fraser, whose appointment to the top job was announced in October, will become the first woman to run an American megabank. She was named president in October 2019, a title that put her in line to take over from Mr. Corbat.

The bank has already committed to spending significant sums on revamping its systems; making its global operations more uniform; retraining employees; and investing in new **technology** to try to compete with online competitors such as Rocket Mortgage and PayPal that make loans and provide payment services without relying on traditional industry players.

Ms. Fraser said she will continue those changes. She is also shuffling senior executives within the bank, moving some longtime leaders into "chairman" or "vice chair" roles that are generally less involved in day-to-day operations and promoting others to oversee large parts of the bank's business.

Ms. Fraser is taking the reins as Democratic lawmakers are gearing up to hit big companies hard over racial inequality, global warming and the yawning gap in pay between C.E.O.s and workers. Some of those issues have been exacerbated by the pandemic.

Although she didn't delve into details about how her bank would tackle these issues, Ms. Fraser indicated that she would take a more global approach to addressing Citi's challenges, in keeping with her background and overseas work experience.

Born in Scotland, Ms. Fraser, 53, got her start in finance in the 1990s, working at Goldman Sachs in London at the age of 20 before attending Harvard Business School. She joined Citi in 2004, working her way up through several of the bank's biggest divisions and developing the kind of well-rounded experience that is looked for in C.E.O.s.

She is keen to apply lessons learned in other countries to challenges facing the U.S. For instance, Ms. Fraser sees an opportunity to introduce banking services to more people in the United States by implementing certain programs that Citi has successfully run in Mexico, India and China. In Mexico, Citi started a system that allows people to transfer money using QR codes scanned by smartphones; anyone sending or receiving less than $400 can use it for free. Digital payments systems can increase financial inclusion by allowing people without bank accounts to send and receive money.

Ms. Fraser also plans to continue a collaboration with Google, started by Mr. Corbat, in which the internet giant offers low-cost bank accounts and payment services using Citi's plumbing. She said it could be a way to bring poor Americans into the banking system and keep them away from predatory businesses like check-cashing shops and payday lenders.

Ms. Fraser, who will be the first woman to lead a major American bank, is well aware that she is making history. And she will have to navigate the widespread perception -- backed by research -- that women in top corporate roles are more often given cleanup jobs, especially given Citi's problems.

Catherine Tinsley, a professor of management at Georgetown University's McDonough School of Business, said researchers had found that corporate boards were more likely to appoint women to positions of power -- as leaders or to positions on boards -- if their companies were struggling.

"If they are usually more likely to be given a try when a company's in trouble, then it makes their positions more precarious," Ms. Tinsley said. For instance, Ginni Rometty was handed what many on Wall Street agreed was a tough turnaround assignment when she became C.E.O. of IBM in 2012. And when Mary T. Barra was put in charge of General Motors, becoming the first woman to lead one of the major U.S. automakers, she was tasked with righting its course four years after it had declared bankruptcy.

Ms. Fraser said her gender should not matter. Her management style is centered on empathy and is not much different from her predecessor's, she said.

"When you get the job you don't think of this in terms of: 'OK, I'm a woman getting a job,'" she said. "You think about: What is it that the company needs today? What needs to be the same? I certainly have a different style, but I don't think it's necessarily so much gender-related."

Jane Fraser, who led Citigroup in Latin America, favors a global approach to issues and expanded banking services for poor Americans. (PHOTOGRAPH BY BRAD TRENT) (B1); Jane Fraser will become the first woman to be placed in charge of an American megabank. (PHOTOGRAPH BY ERIN SCOTT/REUTERS) (B3)

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