

Citigroup erroneously credited client account with \$81tn in 'near miss'

Incident comes as US bank seeks to assuage regulatory concerns over its risk management processes



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Citigroup credited a client's account with \$81tn when it meant to send only \$280, an error that could hinder the bank's attempt to persuade regulators that it has fixed long-standing operational issues.

The erroneous internal transfer, which occurred last April and has not been previously reported, was missed by both a payments employee and a second official assigned to check the transaction before it was approved to be processed at the start of business the following day.

A third employee detected a problem with the bank's account balances, catching the payment 90 minutes after it was posted. The payment was reversed several hours later, according to an internal account of the event seen by the Financial Times and two people familiar with the event.

No funds left Citi, which disclosed the "near miss" to the Federal Reserve and Office of the Comptroller of the Currency, according to another person with knowledge of the matter.

The bank said its "detective controls promptly identified the inputting error between two Citi ledger accounts and we reversed the entry" and that these mechanisms "would have also stopped any funds leaving the bank".

It added: "While there was no impact to the bank or our client, the episode underscores our continued efforts to continue eliminating manual processes and automating controls."

A total of 10 near misses — incidents when a [bank](#) processes the wrong amount but is ultimately able to recover the funds — of \$1bn or greater occurred at Citi last year, according to an internal report seen by the FT. The figure was down slightly from 13 the previous year. Citi declined to comment on this broader set of events.

Near misses do not need to be reported to regulators, meaning there is no comprehensive public data on how often these incidents occur across the sector. Several former regulators and bank risk managers said near misses of greater than \$1bn were unusual across the US bank industry.

The series of near misses at Citi highlights how the Wall Street bank is struggling to repair its operational troubles nearly five years after it mistakenly sent \$900mn to creditors engaged in a contentious battle over the debt of cosmetics group Revlon.

Citi's mistaken Revlon payout led to the ousting of then-chief executive Michael Corbat, big fines and the imposition of regulatory consent orders requiring it to fix the issues.

Jane Fraser, who took over as Citi's top executive from Corbat in 2021, has described fixing Citi's regulatory issues as her "top priority". Still, the group was fined \$136mn last year by the OCC and Federal Reserve for failing to correct problems in risk control and data management.

Citi's \$81tn near miss in April was due to an input error and a back-up system with a cumbersome user interface, according to people familiar with the incident. In mid-March, four transactions totalling \$280 destined for a customer's escrow account in Brazil had been blocked by a screen that catches payments that are potential sanction violations.

The payment was quickly cleared, but nonetheless remained stuck in the bank's system and unable to be completed normally.

Citi's technology team instructed the payments processing employee to manually input the transactions into a rarely used back-up screen. One quirk of the program was that the amount field came pre-populated with 15 zeros, which the person inputting a transaction needed to delete, something that did not happen.

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