

## Case Study: Citibank N.A. in China

This case study deals with the decision to structure an overseas banking operation and how this decision is affected by a number of variables, which among others include the bank internal resources and experience, tax considerations, and most importantly the host country's banking laws.

In 1997 Citibank was still at an early stage of its China strategy. It was one of the strongest banks operating in the People's Republic of China, but as a foreign bank it only had limited market access. It was licensed to provide corporate banking services to foreign invested companies and to operate branches in only 3 of the 24 Chinese cities open to foreign banks. In order to grow beyond these three cities and to expand from corporate banking to the large and potentially lucrative domestic retail business, Citibank needed licenses from the central bank. Citibank's goal is to be one of the first banks to get those licenses.

Your assignment is to:

1. Demonstrate a through understanding of the case by **describing in great detail** all aspects of the case
2. Provide suggestions to allow Citibank to maintain its "first mover" advantage and to ensure that it is among the first foreign banks to enter the domestic market
3. Outline an alternative plan to establish Citibank's dominant position in this market in the eventually that the PBOC decides to grant licenses to other foreign banks (to enter China's retail market) before granting licenses to Citibank
4. Write a brief summary of major insights that you have gained and lessons learned from the case.

In your presentation you must be sure to provide answers for all these questions or issues:

1. What were the reasons for China to open banking to foreign banks?
2. What are Citibank's competitive advantages in foreign markets?
3. What is Citibank's worldwide strategy?
4. Describe Citibank's Global Relationship Banking strategy
5. Describe Citibank's Global Consumer Finance strategy
6. What is Citibank's preferred legal structure when operating in foreign countries and what was the opinion of the Bank's executives in China concerning Citibank's possible acquisition of a local financial institution?
7. What was Citibank allowed to do in China in 1997?
8. In December 23, 1996 the People's Republic of China Central Bank (PBOC) granted Citibank permission to do local business, but subject to certain restrictions. What were those restrictions?

9. What is the government of China's concern with credit cards
10. Situate yourself in 1997 to answer this question: is any possibility that the Chinese government will allow Citibank to issue credit cards in China?
11. How could Citibank's executives ensure that Citibank will maintain its "first mover" advantage?
12. How could Citibank's executives ensure that Citibank would be among the first foreign banks to enter the domestic market?
13. If the PBOC were to decide to open China's retail market to other foreign banks before granting licenses to Citibank, how could Citibank establish its dominant position in this market?
14. What Have I Learned From this Case?

In order to share in the Group's grade a student must contribute to the Group's presentation and participate in the group's discussion of the case, otherwise his or her grade will be 0.

Each group must designate a Group Captain who will coordinate the discussion of the case within the group and will be responsible for posting the Group's presentation on the Canvas' Assignment Tool. For additional details please, see your Syllabus-Assignments