



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

OTTO CANDIES, LLC, CANDIES MEXICAN)
INVESTMENTS S. DE R.L. DE C.V.,)
COASTLINE MARITIME PTE. LTD.,)
MARFIELD MARITIME INC., SHANARA)
INTERNATIONAL SA., GULF INVESTMENTS)
AND SERVICES LTD., BLUE MARINE) C.A. No. 2018-____ -____
TECHNOLOGY GROUP, BLUE MARINE)
SHIPPING II, S.A. DE C.V., CALVI SHIPPING)
C.V., OCEAN MEXICANA, S.A. DE C.V.,)
HALANI INTERNATIONAL LTD., SHIPYARD)
DE HOOP B.V., HOOP LOBITH)
INTERNATIONAL B.V., WAYPOINT ASSET)
MANAGEMENT LLC, ASHMORE EMERGING)
MARKETS CORPORATE HIGH YIELD FUND)
LIMITED, ASHMORE EMERGING MARKETS)
HIGH YIELD PLUS FUND LIMITED,)
ASHMORE EMERGING MARKETS TRI ASSET)
FUND LIMITED, ASHMORE EMERGING)
MARKETS DEBT AND CURRENCY FUND)
LIMITED, ASHMORE EMERGING MARKETS)
SPECIAL SITUATIONS OPPORTUNITIES)
FUND LIMITED PARTNERSHIP, ASHMORE)
SICAV EMERGING MARKETS DEBT FUND,)
ASHMORE SICAV EMERGING MARKETS)
CORPORATE DEBT FUND, ASHMORE SICAV)
EMERGING MARKETS HIGH YIELD)
CORPORATE DEBT FUND, EIG GLOBAL)
PROJECT FUND II LTD., ICE 1 EM CLO)
LIMITED, ICE GLOBAL CREDIT (DCAM))
MASTER FUND LIMITED, ICE FOCUS EM)
CREDIT MASTER FUND LIMITED, ICE)
GLOBAL CREDIT ALPHA MASTER FUND)
LIMITED, ICE ORYX ALPHA MASTER FUND)
LIMITED, LARRAIN VIAL S.A. SOCIEDAD)
ADMINISTRADORA DE FONDOS DE)
INVERSION, MONEDA INTERNATIONAL)
INC., MONEDA LATIN AMERICAN)
CORPORATE DEBT, PADSTOW FINANCIAL)

CORP., MONEDA S.A. ADMINISTRADORA)
GENERAL DE FONDOS, MONEDA DEUDA)
LATINOAMERICANA FONDO DE)
INVERSION, MONEDA RENTA CLP FONDO)
DE INVERSION, NORDIC TRUSTEE ASA, and)
COÖPERATIEVE RABOBANK U.A.,)
))
Plaintiffs,)
))
v.)
))
KPMG LLP, KPMG CARDENAS DOSAL, S.C.,)
and KPMG INTERNATIONAL COOPERATIVE,)
))
Defendants.)
))

VERIFIED COMPLAINT*

* Plaintiffs filed this complaint in the Superior Court of the State of Delaware on February 26, 2016, and that court transferred the case to the Delaware Court of Chancery on May 15, 2018, based on a lack of subject matter jurisdiction. *See* Order Transferring Action to the Court of Chancery Pursuant to 10 *Del. C.* § 1902 (the “Transfer Order”), *Otto Candies, LLC v. KPMG LLP*, C.A. No. N16C-02-260 (Del. Super. Ct. May 15, 2018) (“IT IS HEREBY ORDERED this 15th day of May, 2018, that the Prothonotary shall transfer this action to the Court of Chancery of the State of Delaware, including all papers filed (or electronic copies thereof) and a transcript of the docket entries in this action.”). A copy of the Transfer Order is attached hereto as Exhibit A. Based upon instructions from the Register in Chancery, Plaintiffs have re-filed the complaint. Other than adding this footnote (and accompanying Exhibit A), revising the title and caption, deleting the jury trial demand, updating counsel’s address, and adding the date of re-filing, Plaintiffs have not altered the complaint in any way in order to reflect a transfer of the existing file.

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Plaintiffs (defined in Section II.A below), creditors of Oceanografía S.A. de C.V. (“Oceanografía”) (collectively, the “Plaintiffs”), hereby allege the following against KPMG LLP (“KPMG US”), KPMG Cardenas Dosal, S.C. (“KPMG Mexico”) and KPMG International Cooperative (“KPMG International”) (collectively, “KPMG”):

I. INTRODUCTION

1. Plaintiffs bring this action for negligent misrepresentation against KPMG for failing to detect and prevent one of the largest financial frauds in the history of Latin America – a debacle in which the U.S. and foreign-based Plaintiffs lost in excess of \$1.1 billion alone, in addition to the losses of scores of other innocent investors and creditors – all as a direct result of actions by KPMG and its clients Oceanografía, formerly the largest offshore oil services company in Latin America, and Citigroup Inc., the fourth largest bank in the U.S., along with its Mexican subsidiaries, Grupo Financiero Banamex S.A. de C.V. and Banco Nacional de México, S.A. (“Banamex”) (collectively, “Citigroup”).

2. The centerpiece of this massive fraud was a “cash advance” program in which Citigroup provided hundreds of millions of dollars to Oceanografía on the basis of scores of forged invoices for work Oceanografía had not yet performed, while KPMG – which audited *both* Citigroup *and* Oceanografía, and

was responsible for exposing their faulty internal controls – stood by and did nothing. When the scheme was exposed and Citigroup withdrew its credit line, Oceanografia collapsed, declared bankruptcy, and left Plaintiffs and others holding the bag. By contrast, Citigroup and KPMG lost nothing and in fact profited handsomely from their misconduct.

3. KPMG, as the purportedly independent auditor of all the companies involved in the fraud, was uniquely positioned to detect the scheme. Unfortunately, however, KPMG failed to employ the applicable standard of due professional care in conducting its audits of the co-conspirators, including by failing to, among other things, (a) adequately plan and execute its audits, and (b) meaningfully test (i) crucial internal accounting controls at Citigroup and Oceanografia which should have prevented the fraud; and (ii) management's ability to override or evade such controls.

4. Instead of rooting out and discovering the obvious deficiencies in the control mechanisms at Citigroup and Oceanografia, KPMG issued unqualified audit opinions year after year in support of Oceanografia's financial health, as well as that of Citigroup.

5. As KPMG knew or should have known, Plaintiffs, along with Oceanografia's other investors and creditors, reasonably relied on the audited financial statements of Oceanografia and Citigroup when they (i) purchased the

bonds of, (ii) loaned money to, (iii) sold or leased vessels or goods to, or (iv) otherwise extended credit to Oceanografía.

6. The fraud was exposed in February 2014 after Petróleos Mexicanos (“Pemex”), Mexico’s state-owned oil and gas company, reported to Citigroup that several Oceanografía invoices contained forged signatures – a crude fraud that should have easily been uncovered by KPMG as part of conducting routine audit procedures such as confirming accounts receivable with the third party Pemex.

7. After the fraud came to light, Citigroup had no choice but to cancel the cash advance facility and stop providing cash advances to Oceanografía, precipitating Oceanografía’s collapse and Plaintiffs’ loss of well in excess of \$1.1 billion.

8. Had KPMG identified and disclosed the systemic internal control deficiencies and failures at Oceanografía, Banamex and Citigroup, which allowed the fraud to fester and grow, Plaintiffs’ damages would have been prevented or substantially reduced.

A. Oceanografía and Citigroup

9. Oceanografía was Latin America’s largest oil and gas services company. It (i) built and maintained oil and gas platforms in the Gulf of Mexico,

(ii) built and maintained pipelines, and (iii) transported oil and gas. Pemex was Oceanografía's largest client. Oceanografía's annual revenue tripled between 2006 to 2012. In 2012, at its peak, Oceanografía generated approximately \$920 million in revenues and had approximately 11,000 employees. In 2013, multiple analysts valued Oceanografía at approximately \$2.7 billion. By the end of 2013, Oceanografía held ongoing contracts with Pemex worth over \$2.7 billion. Oceanografía projected in January 2014 that its continued growth would lead to annual revenue of approximately \$1.6 billion by 2017.

10. One month later, Oceanografía collapsed.

11. Oceanografía and Citigroup had an interdependent relationship at every level – Citigroup served as Oceanografía's banker, financial advisor and trustee for hundreds of millions of dollars in bonds Oceanografía placed with U.S. and international investors – as well as advising Oceanografía on its possible sale to U.S.-managed investment funds and strategic investors, including by preparing presentations detailing Oceanografía's financial condition and operations. In sum, Citigroup pursued every meaningful avenue to make money from its relationship with Oceanografía, and Oceanografía depended on Citigroup's credit to survive.

12. As auditor for both Citigroup and Oceanografía, KPMG was well aware of the deeply interdependent relationship between Citigroup and

Oceanografía and should have considered and conducted its audits of the companies accordingly, determining the adequacy and reliability of internal controls over the various risks presented by this relationship and related transactions. But it did not.

B. The Cash Advance Facility

13. In 2008, as Oceanografía's banker, Citigroup provided a credit line for the company to obtain hundreds of millions of dollars in cash advances secured by invoices purportedly reflecting work that it had performed for Pemex (the "cash advance facility"). In this capacity, Citigroup had to ensure Oceanografía's creditworthiness and, most importantly, ensure the authenticity of Oceanografía's Pemex invoices, particularly since Oceanografía could not survive, as Citigroup and KPMG knew or should have known, without Citigroup's credit line.

14. Over the next four years, the amount of cash advances from Citigroup to Oceanografía skyrocketed as Oceanografía became increasingly dependent on them. Indeed, by 2014, Citigroup's cash advance limits to Oceanografía grew by approximately 500%.

15. Given the amount of cash advances, the importance of the credit line to Oceanografía, the interdependent relationship between Citigroup and Oceanografía, and the applicable audit standards, KPMG should have tested the

authenticity of the Pemex invoices submitted by Oceanografía to Citigroup under the credit facility by confirming them independently with Pemex.

16. Confirmation of accounts receivable with the relevant third party is a generally accepted auditing procedure pursuant to AU Section 330, The Confirmation Process.¹ Accounts receivable are defined as the entity's claims against customers that have arisen from the sale of goods or services in the normal course of business, and the cash advances at issue here were certainly the result of generating accounts receivable from Pemex. As demonstrated below, KPMG either failed to perform this most basic audit procedure or failed to execute it properly.

C. KPMG's Audit Failures at Oceanografía and Citigroup

17. KPMG knew or should have known that Citigroup was responsible for establishing and implementing effective control processes to validate and authenticate Oceanografía's requests for payment and to prevent and detect management override of such controls in connection with the cash advance facility.

¹ "AU" is an abbreviation used to facilitate citation to various types of pronouncements in governing audit standards.

18. KPMG further knew or should have known that Oceanografia was responsible for establishing and implementing similar controls and procedures in connection with submitting requests for payment under the cash advance facility.

19. KPMG was required and entrusted to evaluate the adequacy of internal controls, determine if management was monitoring their effectiveness, test if the internal controls were working, and inform management if there were significant deficiencies in the control procedures at Citigroup and Oceanografia – thereby ensuring each company issued materially accurate financial statements.

20. Ultimately KPMG had every opportunity, at every level, to test (i) Oceanografia’s internal controls, (ii) its cash advance requests, (iii) Citigroup’s controls in connection with those requests, and (iv) that Citigroup’s controls in fact were appropriately implemented and executed and that management could not override them.

21. Had KPMG done so, conducting its audits according to even minimal standards of care, KPMG would have identified and informed the management of each company of the deficient internal control procedures that led to the fraud, thereby preventing the fraud and avoiding the devastating financial consequences to Plaintiffs. Instead KPMG simply routinely issued “clean” audit opinions in support of the financial statements of Oceanografia and Citigroup year after year.

D. KPMG's Endemic Failures

22. This is not the first time KPMG has failed to employ the proper standards of care when auditing financial institutions such as Citigroup.

23. In a 2015 report, the Public Company Accounting Oversight Board (the "PCAOB") determined that between October 2013 and February 2015, KPMG US (i) failed to properly conduct audits in *more than half (54%)* of the engagements tested by the PCAOB; and (ii) conducted deficient audits in *77%* of the engagements tested by the PCAOB involving clients in the financial services sector (like Citigroup).

24. The PCAOB also concluded that KPMG US had issued opinions without obtaining reasonable assurance that (i) the relevant financial statements were free of material misstatement; and/or (ii) the audit client maintained effective internal controls over financial reporting.

25. Similarly, in a 2013 report, the PCAOB concluded that KPMG Mexico, in several audits of U.S. companies, failed to: (i) test revenue, (ii) test controls, and (iii) report a prior year adjustment or sufficiently test entity level controls in an audit where it acted as component auditor. The PCAOB also found that KPMG Mexico failed to obtain sufficient appropriate audit evidence to support its opinions and fulfill its objectives and role in connection with its audits of three U.S. companies.

26. The endemic audit failures highlighted in the PCAOB reports are the very same audit failures committed by KPMG in its audits of Citigroup and Oceanografia, where KPMG similarly missed, or ignored, manifestly deficient internal control procedures and the crudely executed fraud itself.

E. Oceanografia's Creditors and Bondholders

27. Oceanografia has creditors and bondholders in the United States and throughout the world, including Plaintiffs.

28. Oceanografia's creditors include oil services ship building and leasing companies that sold and leased ships to Oceanografia, such as Plaintiff Otto Candies, LLC, a multi-generational, family-owned company based in Des Allemands, Louisiana that, through its subsidiaries, leased 21 vessels to Oceanografia.

29. Oceanografia's creditors also include numerous bondholders in the United States and elsewhere who purchased hundreds of millions of dollars of Oceanografia bonds.

F. Fallout

30. Oceanografia's collapse has had substantial ramifications.

31. Plaintiffs, as well as Oceanografía's other innocent bondholders and other creditors – including those based in Delaware and other states – have suffered well in excess of \$1 billion in losses.

32. The Mexican government placed Oceanografía in receivership and instituted criminal proceedings against numerous Citigroup and Oceanografía employees, including senior managers, for their role in the cash advance scheme.

33. In the United States, the Department of Justice (“DOJ”) and Securities and Exchange Commission (“SEC”) have initiated criminal and civil investigations against Citigroup. These investigations are ongoing.

34. In addition, Citigroup investors have filed suit in Delaware seeking information about the fraud.

35. Specifically, in April 2014, the Oklahoma Firefighters Pension and Retirement System, a shareholder of Citigroup, filed a demand to inspect Citigroup's records involving Citigroup's cash advance program with Oceanografía. The demand alleges that Citigroup omitted controls and failed to comply with U.S. laws including anti-money laundering statutes. In April 2015, the Delaware court granted the request for inspection.

36. Disputes regarding Citigroup's obligation to produce documents pursuant to the Delaware court's order continue, as Citigroup has allegedly withheld responsive documents on privilege grounds.

37. Furthermore, Citigroup itself has made remarkable admissions. In particular, Citigroup's Chief Executive Officer, Michael Corbat, admitted that Citigroup had conducted an investigation into the cash advance scheme and terminated one of its employees in Mexico because he was "criminally involved." Mr. Corbat also admitted that as a result of Citigroup's investigation, Citigroup had terminated a dozen employees, including two Citigroup executives. In addition, in its 2014 SEC annual report, Citigroup disclosed that the DOJ and the SEC are conducting an investigation into the cash advance scheme. These investigations are ongoing.

38. Citigroup further acknowledged that its internal controls failed to prevent the fraud.

39. Given Citigroup's own admissions, there is no question that the fraud occurred and that senior managers were involved. Nor is there any question that KPMG failed to identify the deficient internal controls that allowed the fraud to develop, or to expose the wrongdoing itself.

40. Furthermore, this is not Citigroup's first failure in Mexico. The DOJ and the U.S. Financial Crimes Enforcement Network have conducted intense investigations into Banamex's money laundering controls and Banamex's U.S. operations. Notably, in mid-2015 U.S. regulators imposed a \$140 million fine against Banamex U.S.A. for omitting money laundering controls. As a result of this fine, Citigroup announced it would close Banamex U.S.A.

41. Citigroup's failings should have put KPMG on heightened alert of increased audit risk for material undetected errors and KPMG should have planned and executed its audits accordingly. Pursuant to the relevant auditing standards, including but not limited to AU Section 316, Consideration of Fraud in a Financial Statement Audit, KPMG should have employed audit procedures specifically designed to address the risk of management override of internal controls at Citigroup and Banamex, as well as Oceanografía.

G. Redress

42. In this action, Plaintiffs, as Oceanografía bondholders and other creditors, seek redress for KPMG's negligent misrepresentations in the unqualified audit opinions it issued in connection with the financial statements of Citigroup, Banamex and Oceanografía, in which KPMG failed to, *inter alia*, (i) identify systemic internal control deficiencies and failures at both Citigroup and Oceanografía; and (ii) detect or prevent the fraud.

43. KPMG knew or should have known that Plaintiffs, or similarly situated persons and entities, would rely on the financial statements and its audit opinions when (i) purchasing bonds of; (ii) loaning money to; (iii) leasing and selling goods to; and/or (iv) otherwise issuing credit to Oceanografía.

44. KPMG's failures to identify the internal control deficiencies at Citigroup and Oceanografía and detect the fraud has caused Plaintiffs at least \$1.1 billion in damages, all of which could have been prevented or mitigated had KPMG complied with the applicable audit standard of due professional care during its audits of Citigroup and Oceanografía.

II. THE PARTIES

A. The Plaintiffs

45. Plaintiffs are among the largest creditors of Oceanografía.

46. As discussed more fully below, there are three categories of Plaintiffs in this action: (i) shipping companies that sold or leased vessels to Oceanografía or that provided services to Oceanografía; (ii) holders of bonds issued by Oceanografía or its affiliates; and (iii) a bank that loaned funds to Oceanografía.

1. Shipping Companies

47. KPMG, as the auditor of Oceanografía, Banamex and Citigroup, knew or should have known that shipping companies, such as Plaintiffs identified below, would and did reasonably rely upon the financial statements, audit opinions and other financial investment reports KPMG created, audited, certified, assisted in preparing and/or knew would be prepared based on work it performed and information it supplied, when leasing or selling vessels to Oceanografía, and when evaluating whether to continue leasing such vessels.

48. KPMG, as the auditor of Oceanografía, Banamex and Citigroup, was necessarily aware, or in the exercise of its duties as the companies' independent auditor should have been aware, that Oceanografía needed the cash advances from the revenue generated from Pemex contracts in order to service its debt with the shipping company Plaintiffs.

49. In addition, as further described below, KPMG was necessarily aware, or in the exercise of its duties as the companies' independent auditor should have been aware, of the injuries Oceanografía's collapse would cause to shipping companies that dealt with Oceanografía should the internal accounting controls at Citigroup or Oceanografía fail as a result of management's override of internal controls, whether to create fraudulent transactions or otherwise,

particularly given the massive extension of credit by Citigroup to Oceanografía growing over time and Oceanografía's complete dependence on same.

Candies

50. Plaintiff Otto Candies, LLC ("Otto Candies") is a Louisiana-based vessel building and leasing company and a provider of maritime transport services.

51. It was established in the 1942 and has always been wholly owned by the Candies family.

52. Otto Candies and its owners, through their controlled entities, own Plaintiff Candies Mexican Investments S. de R.L. de C.V. ("Candies Mexican Investments"), their Mexican affiliate (collectively, "Candies"), which they control from the United States.

53. Otto Candies financed and built vessels in the United States.

54. Otto Candies then transferred vessels to Candies Mexican Investments, which leased the vessels to Oceanografía.

55. Candies Mexican Investments did not employ its own personnel.

56. When negotiating with Candies regarding the leasing of vessels, Oceanografía personnel communicated exclusively with Otto Candies personnel

in the United States. During these negotiations, Oceanografía personnel travelled to Louisiana to meet with Otto Candies personnel.

57. From approximately 2001 to 2014, Oceanografía leased 21 vessels from Candies, which Oceanografía utilized to provide services to Pemex.

58. At several points in time, Oceanografía failed to pay rent to Candies pursuant to Candies' lease agreements with Oceanografía, and by May 23, 2011, Oceanografía owed Candies \$140,980,676 in past due lease payments.

59. To restructure Oceanografía's debt with Candies, Oceanografía and Candies entered into an agreement on August 14, 2012 (the "Candies Restructuring Agreement"), pursuant to which Oceanografía submitted a letter of instructions to Citigroup (the "Candies Instructions") under which Citigroup was to pay Candies the monthly payments due under the Candies Restructuring Agreement if Oceanografía failed to make, or only partially made, those payments.

60. Specifically, if Oceanografía failed to pay, or only partially paid, any monthly payment to Candies pursuant to the Candies Restructuring Agreement, Candies would inform Citigroup/Banamex and Citigroup would make the payment to Candies.

61. Oceanografía sent the Candies Instructions to Citigroup on September 28, 2012, ordering it to pay to Candies, with revenue from services provided by Oceanografía to Pemex, any monthly installments Oceanografía failed to pay, or only partially paid, to Candies.

62. Pursuant to the Candies Restructuring Agreement, Oceanografía agreed to make monthly payments to Candies of (1) \$3,000,000 from September 10, 2012 to December 10, 2012; and (2) \$4,166,700 from January 10, 2013 to January 10, 2016.

63. When Oceanografía collapsed, it owed approximately \$120 million to Candies.

64. Before Oceanografía's collapse, the Candies vessels were worth hundreds of millions of dollars.

65. Candies has not recovered the 21 vessels from Oceanografía and has not been able to lease and receive payments for the 21 vessels since Oceanografía's collapse in 2014.

66. Candies and its agents received, reviewed and relied upon Oceanografía financial statements audited by KPMG, including KPMG's audit opinions, conducted related due diligence, and were not aware of any

discrepancies in these financial statements, including any internal control deficiencies and failures in connection with the cash advance facility.

67. Candies and its agents also relied upon KPMG's unqualified audit opinions confirming Citigroup's and Banamex's financial statements as correct, free from material misstatements and presented fairly in accordance with applicable accounting principles. Candies and its agents would not have leased, or continued leasing, vessels to Oceanografía had KPMG issued a qualified or adverse opinion of Citigroup/Banamex or otherwise indicated that Citigroup/Banamex lacked appropriate internal controls in connection with the cash advance facility.

Coastline

68. Plaintiff Coastline Maritime Pte. Ltd., a vessel building and leasing company incorporated in Singapore, and its subsidiaries, Plaintiffs Marfield Ltd. Inc. ("Marfield") and Shanara Maritime International, S.A. ("Shanara"), sold and leased vessels and provided other services to Oceanografía. Shanara and Marfield are Panamanian companies.

69. Shanara owns Caballo Marango, a large vessel for oil services.

70. Marfield owns Caballo Maya, a large vessel for oil services.

71. As of February 2014, Caballo Marango and Caballo Maya had a combined estimated value of \$328 million.

72. Shanara and Marfield leased Caballo Marango and Caballo Maya to Oceanografía. Oceanografía was required to pay approximately \$65,000 per vessel per day for its leases of Caballo Marango and Caballo Maya to Shanara and Marfield, respectively.

73. In approximately January 2014, Oceanografía defaulted on its rent payments to Shanara and Marfield for the leases of Caballo Marango and Caballo Maya. On approximately January 29, 2014, Shanara and Marfield informed Oceanografía of their intention to terminate the leases of Caballo Marango and Caballo Maya. Shanara and Marfield requested that Oceanografía pay the outstanding amounts due and return the vessels.

74. Because of Oceanografía's bankruptcy proceedings, Shanara and Marfield could not recover Caballo Marango and Caballo Maya from Oceanografía. As a result, Shanara and Marfield have been unable to lease and receive rent from Caballo Marango and Cabayo Maya since January 2014.

75. Shanara and Marfield and their agents received, reviewed and relied upon Oceanografía financial statements audited by KPMG, including KPMG's audit opinions, conducted related due diligence, and were not aware of any

discrepancies in these financial statements, including any internal control deficiencies and failures in connection with the cash advance facility.

76. Shanara and Marfield and their agents also relied upon KPMG's unqualified audit opinions confirming Citigroup's and Banamex's financial statements as correct, free from material misstatements and presented fairly in accordance with applicable accounting principles. Shanara and Marfield and their agents would not have leased, or continued leasing, vessels to Oceanografia had KPMG issued a qualified or adverse opinion of Citigroup/Banamex or otherwise indicated that Citigroup/Banamex lacked appropriate internal controls in connection with the cash advance facility.

Gulf Investments and Services Ltd.

77. Plaintiff Gulf Investments and Services Ltd. ("Gulf Investments"), a vessel leasing firm incorporated in the United Arab Emirates, leased a vessel to Oceanografia.

78. Specifically, in October 2013 Gulf Investments acquired an assignment of the charter to "Titan 2," a large vessel equipped with a crane used for heavy lifting at offshore oil facilities, from Baltic Offshore Marine Contractors AB ("Baltic"), a Swedish company. Gulf Investments replaced

Baltic on a five-year lease of Titan 2 to Oceanografía that commenced in April 2011.

79. Under the April 2011 lease agreement, Oceanografía was required to pay approximately \$32,500 per day for its lease of Titan 2 and agreed to maintain Titan 2 during the lease term, including by maintaining Titan 2's regulatory certifications.

80. As a result of Oceanografía's collapse, Gulf Investments has received no lease payments for Titan 2.

81. As discussed further below, in March 2014, the Mexican government seized Oceanografía and its assets, including Titan 2.

82. As a result of Oceanografía's bankruptcy, Gulf Investments cannot recover Titan 2 from Oceanografía. Gulf Investments therefore has been unable to lease Titan 2 to any other company and has not received lease payments for Titan 2 since Oceanografía's collapse.

83. Moreover, as a result of Oceanografía's bankruptcy, Titan 2 has not been maintained, diminishing Titan 2's value and causing the loss of regulatory certifications required for its commercial operation.

84. Gulf Investments and its agents relied upon KPMG's unqualified audit opinions confirming Oceanografía's financial statements as correct,

conducted related due diligence, and were not aware of any discrepancies in Oceanografía's financial statements, including any internal control deficiencies and failures in connection with the cash advance facility.

85. Gulf Investments and its agents also relied upon KPMG's unqualified audit opinions confirming Citigroup's and Banamex's financial statements as correct, free from material misstatements and presented fairly in accordance with applicable accounting principles. Gulf Investments and its agents would not have leased, or continued leasing, vessels to Oceanografía had KPMG issued a qualified or adverse opinion of Citigroup/Banamex or otherwise indicated that Citigroup/Banamex lacked appropriate internal controls in connection with the cash advance facility.

Blue Marine Technology Group

86. Plaintiffs Blue Marine Technology Group and its affiliates Calvi Shipping C.V., a Dutch company, and Blue Marine Shipping II, S.A. de C.V. and Ocean Mexicana, S.A. de C.V., Mexican companies, (collectively, "Blue Marine") lease vessels and provide oil and gas services.

87. In approximately 2011, Blue Marine leased vessels Rem Forza, OIG, Blue Giant, and Island Pioneer to Oceanografía.

88. In approximately 2011 and 2013, Oceanografía and Blue Marine established trusts at Citigroup to receive payments by Pemex to Oceanografía for services provided by Oceanografía to Pemex utilizing Blue Marine's vessels.

89. The Blue Marine trusts at Citigroup contain revenue from Pemex contracts utilizing Blue Marine's vessels, which Citigroup has not disbursed to Blue Marine.

90. As a result of Oceanografía's collapse, Blue Marine has not received lease payments and has not recovered its vessels.

91. Blue Marine and its agents relied upon KPMG's unqualified audit opinions confirming Oceanografía's financial statements as correct, conducted related due diligence, and were not aware of any discrepancies in Oceanografía's financial statements, including any internal control deficiencies and failures in connection with the cash advance facility.

92. Blue Marine and its agents also relied upon KPMG's unqualified audit opinions confirming Citigroup's and Banamex's financial statements as correct, free from material misstatements and presented fairly in accordance with applicable accounting principles. Blue Marine and its agents would not have leased, or continued leasing, vessels to Oceanografía had KPMG issued a qualified or adverse opinion of Citigroup/Banamex or otherwise indicated that

Citigroup/Banamex lacked appropriate internal controls in connection with the cash advance facility.

Halani International Ltd.

93. Plaintiff Halani International Ltd. (“Halani”) is registered in St. Vincent & Grenadines. It was established in 2002 and is wholly owned by Ashok Hariram Bhambhani.

94. Starting in 2013, the company chartered out the vessel Halani 1 to Oceanografía, which Oceanografía utilized to provide services to Pemex.

95. Oceanografía failed to pay initial bank guarantees & subsequently failed to pay charter/rent to Halani pursuant to its charter agreement. When Oceanografía collapsed, it owed Halani approximately \$14 million in past due charter payments.

96. Before Oceanografía’s collapse, the Halani vessel was worth \$70 million.

97. Halani has not recovered the amounts due to it from Oceanografía.

98. Halani and its agents relied upon KPMG’s unqualified audit opinions confirming Oceanografía’s financial statements as correct, conducted related due diligence, and were not aware of any discrepancies in Oceanografía’s

financial statements, including any internal control deficiencies and failures in connection with the cash advance facility.

99. Halani and its agents also relied upon KPMG's unqualified audit opinions confirming Citigroup's and Banamex's financial statements as correct, free from material misstatements and presented fairly in accordance with applicable accounting principles. Halani and its agents would not have leased, or continued leasing, its vessel to Oceanografia had KPMG issued a qualified or adverse opinion of Citigroup/Banamex or otherwise indicated that Citigroup/Banamex lacked appropriate internal controls in connection with the cash advance facility.

Hoop Lobith International B.V.

100. Plaintiffs Shipyard De Hoop B.V., a vessel building and leasing company, and its subsidiary Hoop Lobith International B.V. (together, "Hoop Lobith"), incorporated in The Netherlands, sold vessels to Oceanografia.

101. In approximately 2012 and 2013, Hoop Lobith executed seven vessel-building contracts with Oceanografia. The total value of the contracts was approximately EUR 55,970,000.00.

102. According to a restructuring agreement entered into in September 2013, Oceanografía was to pay Hoop Lobith EUR 5,000,000.00 per month from September 2013 to July 2014.

103. As a result of Oceanografía's collapse, Hoop Lobith did not receive complete payment from Oceanografía for the vessels subject to their agreements.

104. Hoop Lobith and its agents received, reviewed and relied upon Oceanografía financial statements audited by KPMG, including KPMG's audit opinions, conducted related due diligence, and were not aware of any discrepancies in these financial statements, including any internal control deficiencies and failures in connection with the cash advance facility.

105. Hoop Lobith and its agents also relied upon KPMG's unqualified audit opinions confirming Citigroup's and Banamex's financial statements as correct, free from material misstatements and presented fairly in accordance with applicable accounting principles. Hoop Lobith and its agents would not have sold vessels to Oceanografía had KPMG issued a qualified or adverse opinion of Citigroup/Banamex or otherwise indicated that Citigroup/Banamex lacked appropriate internal controls in connection with the cash advance facility.

2. Bondholders

106. KPMG, as the auditor of Oceanografía, Banamex and Citigroup, knew or should have known, that bondholders, such as Plaintiffs identified below, would and did reasonably rely upon the financial statements, audit opinions and other financial investment reports KPMG created, audited, certified, assisted in preparing and/or knew would be prepared based on work it performed and information it supplied, when purchasing bonds of Oceanografía or its affiliates.

107. KPMG, as the auditor of Oceanografía, Banamex and Citigroup, was necessarily aware, or in the exercise of its duties as the companies' independent auditor should have been aware, that Oceanografía needed the cash advances from the revenue generated from Pemex contracts in order to service its debt with the bondholder Plaintiffs.

108. In addition, as further described below, KPMG was necessarily aware, or in the exercise of its duties as the companies' independent auditor should have been aware, of the injuries Oceanografía's collapse would cause to Oceanografía's bondholders should the internal accounting controls at Citigroup or Oceanografía fail as a result of management's override of internal controls, whether to create fraudulent transactions or otherwise, particularly given the

massive extension of credit by Citigroup to Oceanografía growing over time and Oceanografía's complete dependence on same.

a. 2008 Bondholders

109. In 2008, Oceanografía issued \$335 million in bonds (the “2008 Bond Issuance”).

110. Citibank, N.A., Citigroup's primary U.S. lending entity, acted as trustee to the 2008 Bond Issuance. Upon information and belief, in this capacity, Citibank, N.A. registered the 2008 bonds, accepted bond purchase payments and made scheduled payments to bondholders.²

111. Oceanografía issued these bonds in the United States pursuant to Rule 144A, a U.S. financial regulation that allows foreign companies to issue securities in the United States.

112. The offering memorandum and indenture agreement for the 2008 Bond Issuance required Oceanografía to (i) issue audited financial statements each year, and (ii) provide them to the bondholders and trustee of the offering.

113. The bondholders of the 2008 Bond Issuance are investment funds or vehicles from across the world, including funds or vehicles managed by U.S. entities.

² Notably, Oceanografía's comptroller at the time of the 2008 Bond Issuance had been a Banamex senior official for almost a decade.

114. As further described below, U.S. bondholders of the 2008 Bond Issuance include funds or vehicles managed by Plaintiff Waypoint Asset Management LLC, EIG Management Company, LLC, and ICE Canyon LLC, all of which are limited liability companies formed in Delaware.

Waypoint Asset Management LLC

115. Plaintiff Waypoint Asset Management LLC (“Waypoint”) is an investment advisor registered in Delaware.

116. Waypoint is an agent for and acts on behalf of Waypoint Absolute Return Master Fund, Ltd. (the “Waypoint Fund”), for which it is investment advisor. More than a third of the Waypoint Fund’s investors are U.S. investors.

117. The Waypoint Fund holds bonds from the 2008 Bond Issuance.

118. Upon Oceanografia’s collapse, these bonds lost their value, and the Waypoint Fund stopped receiving interest payments thereon.

119. Under the contracts governing the 2008 Bond Issuance, Oceanografia defaulted on the bonds upon failing to make any interest payment when it came due. The bondholders are entitled to full repayment of the principal and interest in the event of default.

120. The Waypoint Fund has not received payment of its principal and interest.

121. The Waypoint Fund and its agents received, reviewed and relied upon Oceanografía financial statements audited by KPMG, including KPMG's audit opinions, conducted related due diligence, and were not aware of any discrepancies in these financial statements, including any internal control deficiencies and failures in connection with the cash advance facility.

122. The Waypoint Fund and its agents also relied upon KPMG's unqualified audit opinions confirming Citigroup's and Banamex's financial statements as correct, free from material misstatements and presented fairly in accordance with applicable accounting principles. The Waypoint Fund and its agents would not have purchased or continued to hold bonds in Oceanografía had KPMG issued a qualified or adverse opinion of Citigroup/Banamex or otherwise indicated that Citigroup/Banamex lacked appropriate internal controls in connection with the cash advance facility.

Ashmore Funds and Accounts

123. Plaintiffs Ashmore Emerging Markets Corporate High Yield Fund Limited, Ashmore Emerging Markets High Yield Plus Fund Limited, Ashmore Emerging Markets Tri Asset Fund Limited, Ashmore Emerging Markets Debt and Currency Fund Limited, Ashmore Emerging Markets Special Situations Opportunities Fund Limited Partnership, Ashmore SICAV Emerging Markets Debt Fund, Ashmore SICAV Emerging Markets Corporate Debt Fund and

Ashmore SICAV Emerging Markets High Yield Corporate Debt Fund are funds and accounts formed in Guernsey and Luxembourg (collectively, the “Ashmore Funds and Accounts”) and managed by Ashmore Investment Advisors Limited and Ashmore Investment Management Limited (together, “Ashmore”), both investment management firms incorporated in England.

124. Ashmore is agent for and acts on behalf of the Ashmore Funds and Accounts.

125. The Ashmore Funds and Accounts acquired bonds from the 2008 Bond Issuance.

126. Upon Oceanografia’s collapse, the 2008 bonds lost their value, and the Ashmore Funds and Accounts stopped receiving interest payments thereon.

127. Under the contracts governing the 2008 Bond Issuance, Oceanografia defaulted on the bonds upon failing to make any interest payment when it came due. The bondholders are entitled to full repayment of the principal and interest in the event of default.

128. The Ashmore Funds and Accounts have not received payment of their principal and interest.

129. Ashmore received, reviewed and relied upon Oceanografia financial statements audited by KPMG, including KPMG’s audit opinions, conducted

related due diligence, and was not aware of any discrepancies in these financial statements, including any internal control deficiencies and failures in connection with the cash advance facility.

130. Ashmore also relied upon KPMG's unqualified audit opinions confirming Citigroup's and Banamex's financial statements as correct, free from material misstatements and presented fairly in accordance with applicable accounting principles. Ashmore would not have purchased or continued to hold bonds in Oceanografía had KPMG issued a qualified or adverse opinion of Citigroup/Banamex or otherwise indicated that Citigroup/Banamex lacked appropriate internal controls in connection with the cash advance facility.

EIG Global Project Fund II, Ltd.

131. Plaintiff EIG Global Project Fund II, Ltd. ("GPF II"), a Cayman Islands entity, is managed or advised by EIG Management Company, LLC ("EIG"), an investment management firm formed in Delaware. 82.1% of GPF II's investors are U.S. investors.

132. GPF II holds bonds from the 2008 Bond Issuance.

133. Upon Oceanografía's collapse, these bonds lost their value, and GPF II stopped receiving interest payments thereon.

134. Under the contracts governing the 2008 Bond Issuance, Oceanografía defaulted on the bonds upon failing to make any interest payment when it came due. The bondholders are entitled to full repayment of the principal and interest in the event of default.

135. GPF II has not received payment of its principal and interest.

136. GPF II and its agents received, reviewed and relied upon Oceanografía financial statements audited by KPMG, including KPMG's audit opinions, conducted related due diligence, and were not aware of any discrepancies in these financial statements, including any internal control deficiencies and failures in connection with the cash advance facility.

137. GPF II and its agents also relied upon KPMG's unqualified audit opinions confirming Citigroup's and Banamex's financial statements as correct, free from material misstatements and presented fairly in accordance with applicable accounting principles. GPF II and its agents would not have purchased or continued to hold bonds in Oceanografía had KPMG issued a qualified or adverse opinion of Citigroup/Banamex or otherwise indicated that Citigroup/Banamex lacked appropriate internal controls in connection with the cash advance facility.

ICE Canyon Funds

138. Plaintiffs ICE 1: EM CLO Limited, ICE Global Credit (DCAM) Master Fund Limited, ICE Focus EM Credit Master Fund Limited, ICE Global Credit Alpha Master Fund Limited and ICE Oryx Alpha Master Fund Limited (collectively, the “ICE Canyon Funds”) are funds formed in Ireland that include U.S. investors and are managed or advised by ICE Canyon LLC, an investment advisor formed in Delaware (“ICE Canyon”). ICE Canyon is an agent for and acts on behalf of the ICE Canyon Funds.

139. The ICE Canyon Funds hold bonds from the 2008 Bond Issuance.

140. Upon Oceanografia’s collapse, these bonds lost their value, and the ICE Canyon Funds stopped receiving interest payments thereon.

141. Under the contracts governing the 2008 Bond Issuance, Oceanografia defaulted on the bonds upon failing to make any interest payment when it came due. The bondholders are entitled to full repayment of the principal and interest in the event of default.

142. The ICE Canyon Funds have not received payment of their principal and interest.

143. The ICE Canyon Funds and their agents received, reviewed and relied upon Oceanografia financial statements audited by KPMG, including

KPMG’s audit opinions, conducted related due diligence, and were not aware of any discrepancies in these financial statements, including any internal control deficiencies and failures in connection with the cash advance facility.

144. The ICE Canyon Funds and their agents also relied upon KPMG’s unqualified audit opinions confirming Citigroup’s and Banamex’s financial statements as correct, free from material misstatements and presented fairly in accordance with applicable accounting principles. The ICE Canyon Funds and their agents would not have purchased or continued to hold bonds in Oceanografía had KPMG issued a qualified or adverse opinion of Citigroup/Banamex or otherwise indicated that Citigroup/Banamex lacked appropriate internal controls in connection with the cash advance facility.

Larraín Vial Sociedad Administradora de Fondos de Inversión

145. Plaintiff Larraín Vial S.A. Sociedad Administradora de Fondos de Inversión (“Larraín Vial”) is an investment management firm registered in Peru. Larraín Vial is an agent for and acts on behalf of Fondo Larraín Vial Renta Fija Latinoamericana, FI, a Peruvian fund for which it is investment manager (the “LVFI Fund”).

146. The LVFI Fund holds bonds from Oceanografía’s 2008 Bond Issuance.

147. Upon Oceanografía's collapse, these bonds lost their value, and the LVFI Fund stopped receiving interest payments thereon.

148. Under the contracts governing Oceanografía's 2008 Bond Issuance, Oceanografía defaulted on the bonds upon failing to make any interest payment when it came due. The bondholders are entitled to full repayment of the principal and interest in the event of default.

149. The LVFI Fund has not received payment of its principal and interest.

150. The LVFI Fund and its agents received, reviewed and relied upon Oceanografía financial statements audited by KPMG, including KPMG's audit opinions, conducted related due diligence, and were not aware of any discrepancies in these financial statements, including any internal control deficiencies and failures in connection with the cash advance facility.

151. The LVFI Fund and its agents also relied upon KPMG's unqualified audit opinions confirming Citigroup's and Banamex's financial statements as correct, free from material misstatements and presented fairly in accordance with applicable accounting principles. The LVFI Fund and its agents would not have purchased or continued to hold bonds in Oceanografía had KPMG issued a qualified or adverse opinion of Citigroup/Banamex or otherwise indicated that

Citigroup/Banamex lacked appropriate internal controls in connection with the cash advance facility.

Moneda International Inc.

152. Plaintiff Moneda International Inc. (“Moneda International”) is an investment advisor incorporated in the British Virgin Islands. Moneda International is an agent for and acts on behalf of Plaintiff Moneda Latin American Corporate Debt, a Cayman-Islands based fund, Plaintiff Padstow Financial Corp., a British Virgin Islands-based account, and MLF Trust, a Canadian-based fund, for which it is investment manager or advisor (the “Moneda International Funds and Accounts”).

153. The Moneda International Funds and Accounts hold bonds from the 2008 Bond Issuance.

154. Upon Oceanografía’s collapse, these bonds lost their value, and the Moneda International Funds and Accounts stopped receiving interest payments thereon.

155. Under the contracts governing the 2008 Bond Issuance, Oceanografía defaulted on the bonds upon failing to make any interest payment when it came due. The bondholders are entitled to full repayment of the principal and interest in the event of default.

156. The Moneda International Funds and Accounts have not received payment of their principal and interest.

157. The Moneda International Funds and Accounts and their agents received, reviewed and relied upon Oceanografía financial statements audited by KPMG, including KPMG's audit opinions, conducted related due diligence, and were not aware of any discrepancies in these financial statements, including any internal control deficiencies and failures in connection with the cash advance facility.

158. The Moneda International Funds and Accounts and their agents also relied upon KPMG's unqualified audit opinions confirming Citigroup's and Banamex's financial statements as correct, free from material misstatements and presented fairly in accordance with applicable accounting principles. The Moneda International Funds and Accounts and their agents would not have purchased or continued to hold bonds in Oceanografía had KPMG issued a qualified or adverse opinion of Citigroup/Banamex or otherwise indicated that Citigroup/Banamex lacked appropriate internal controls in connection with the cash advance facility.

Moneda S.A. Administradora General de Fondos

159. Plaintiff Moneda S.A. Administradora General de Fondos (“Moneda S.A.”) is an investment management company registered in Chile. Moneda S.A. is an agent for and acts on behalf of Plaintiffs Moneda Deuda Latinoamerican Fondo de Inversion and Moneda Renta CLP Fondo de Inversion, Chilean funds and accounts for which it is investment manager or investment advisor (the “Moneda S.A. Funds and Accounts”).

160. The Moneda S.A. Funds and Accounts hold bonds from the 2008 Bond Issuance.

161. Upon Oceanografía’s collapse, these bonds lost their value, and the Moneda S.A. Funds and Accounts stopped receiving interest payments thereon.

162. Under the contracts governing the 2008 Bond Issuance, Oceanografía defaulted on the bonds upon failing to make any interest payment when it came due. The bondholders are entitled to full repayment of the principal and interest in the event of default.

163. The Moneda S.A. Funds and Accounts have not received payment of their principal and interest.

164. The Moneda S.A. Funds and Accounts and their agents received, reviewed and relied upon Oceanografía financial statements audited by KPMG,

including KPMG's audit opinions, conducted related due diligence, and were not aware of any discrepancies in these financial statements, including any internal control deficiencies and failures in connection with the cash advance facility.

165. The Moneda S.A. Funds and Accounts and their agents also relied upon KPMG's unqualified audit opinions confirming Citigroup's and Banamex's financial statements as correct, free from material misstatements and presented fairly in accordance with applicable accounting principles. The Moneda S.A. Funds and Accounts and their agents would not have purchased or continued to hold bonds in Oceanografía had KPMG issued a qualified or adverse opinion of Citigroup/Banamex or otherwise indicated that Citigroup/Banamex lacked appropriate internal controls in connection with the cash advance facility.

b. Goliath Bondholders

166. In 2013, Oceanografía, through its affiliate OSA Goliath Pte. Ltd. ("Goliath"), issued \$160 million in bonds (the "2013 Bond Issuance"), raising capital to acquire Goliath, one of the world's largest multi-purpose offshore construction vessels.

167. Plaintiff Nordic Trustee ASA ("Nordic Trustee") served as trustee of the 2013 Bond Issuance.

168. The offering memorandum and indenture agreement for the 2013 Bond Issuance required Oceanografía to (i) issue audited financial statements each year, and (ii) make them available on its website.

169. The offering memorandum also noted that Oceanografía's financial statements had been audited by KPMG and included an audit opinion from KPMG.

170. In 2014, Oceanografía, through its affiliate Goliath, issued \$21 million in bonds (the "2014 Bond Issuance"), raising capital to maintain Goliath and to cover other costs associated with Oceanografía's collapse.

171. Nordic Trustee served as trustee of the 2014 Bond Issuance.

172. The indenture agreement for the 2014 Bond Issuance required Goliath to (i) issue audited financial statements each year, and (ii) make them available on Nordic Trustee's website.

173. In 2015, the trust that controlled Goliath issued \$20 million in bonds (the "2015 Bond Issuance"), raising capital to maintain Goliath and to cover other costs associated with Oceanografía's collapse.

174. Nordic Trustee served as trustee to the 2015 Bond Issuance.

175. The indenture agreement for the 2015 Bond Issuance required Goliath to (i) issue audited financial statements each year, and (ii) make them available on Nordic Trustee's website.

176. The bondholders of the 2013, 2014 and 2015 Bond Issuances are investment funds or vehicles from across the world, including funds or vehicles managed by U.S. investment managers and funds which have U.S. investors (the "Goliath Bondholders").

177. Some of the largest Goliath Bondholders are U.S.-managed investment funds.

178. Under the contracts governing the 2013, 2014 and 2015 Bond Issuances, Nordic Trustee serves as trustee, acts on behalf and represents the interests of all the Goliath Bondholders, and is responsible for enforcing the Goliath Bondholders' rights, including through litigation.

179. As a result of Oceanografía's collapse, the Goliath Bondholders have not recovered, and will not recover, the principal they held, interest or other payments to which they were entitled under the contracts governing the 2013, 2014 and 2015 Bond Issuances.

180. In connection with the 2013 Bond Issuance, Citigroup and Banamex established and administered a trust to receive all payments from Pemex to

Oceanografía for services provided by Oceanografía to Pemex in connection with Goliath.

181. To establish and administer the trust, Citigroup and Banamex reviewed contracts governing the 2013 Bond Issuance.

182. KPMG, as the auditor of Oceanografía, Banamex and Citigroup, was necessarily aware, or in the exercise of its duties as the companies' independent auditor should have been aware, that the creation of this trust established material legal and financial exposure for Citigroup and Banamex in the event that they did not comply with their obligations under same, and KPMG should have planned and executed its audits accordingly.

183. Nordic Trustee and its agents received, reviewed and relied upon Oceanografía financial statements audited by KPMG, including KPMG's audit opinions, conducted related due diligence, and were not aware of any discrepancies in these financial statements, including any internal control deficiencies and failures in connection with the cash advance facility.

184. Nordic Trustee and its agents also relied upon KPMG's unqualified audit opinions confirming Citigroup's and Banamex's financial statements as correct, free from material misstatements and presented fairly in accordance with applicable accounting principles. Nordic Trustee and its agents would not have

purchased or continued to hold bonds in Oceanografía had KPMG issued a qualified or adverse opinion of Citigroup/Banamex or otherwise indicated that Citigroup/Banamex lacked appropriate internal controls in connection with the cash advance facility.

3. Rabobank

185. KPMG, as the auditor of Oceanografía, Banamex and Citigroup, knew or should have known, that banks, such as Plaintiff identified below, would and did reasonably rely upon the financial statements, audit opinions and other financial investment reports KPMG created, audited, certified, assisted in preparing and/or knew would be prepared based on work it performed and information it supplied, when loaning money to Oceanografía.

186. KPMG, as the auditor of Oceanografía, Banamex and Citigroup, was necessarily aware, or in the exercise of its duties as the companies' independent auditor should have been aware, that Oceanografía needed the cash advances from the revenue generated from Pemex contracts in order to service its debt with its banks, such as Plaintiff below.

187. In addition, as further described below, KPMG was necessarily aware, or in the exercise of its duties as the companies' independent auditor should have been aware, of the injuries Oceanografía's collapse would cause to banks such as Plaintiff dealing with Oceanografía should the internal accounting

controls at Citigroup or Oceanografía fail as a result of management's override of internal controls, whether to create fraudulent transactions or otherwise, particularly given the massive extension of credit by Citigroup to Oceanografía growing over time and Oceanografía's complete dependence on same.

188. Plaintiff Coöperatieve Rabobank U.A. ("Rabobank") is a Dutch financial institution.

189. In 2007, Rabobank lent EUR 102,528,636 to Oceanografía, and in 2008 it lent EUR 115,062,450 to Oceanografía. The loans were made in order for Oceanografía to purchase nine oil service vessels, which it then leased to Pemex through a Mexican affiliate. The nine vessels were collateral for Rabobank's loans to Oceanografía.

190. In 2009, Oceanografía stopped making installment payments on the Rabobank loans.

191. Oceanografía and Rabobank renegotiated the terms of the loans, and in 2011 Oceanografía established a trust at Citigroup for the benefit of Rabobank to receive payments by Pemex to Oceanografía for services provided by Oceanografía to Pemex utilizing the Rabobank-financed vessels.

192. As a result of Oceanografía's collapse, Rabobank did not receive payment of the principal and interest it lent to Oceanografía, and it was unable to recover the nine vessels until August of 2015.

193. Rabobank and its agents received, reviewed and relied upon Oceanografía financial statements audited by KPMG, including KPMG's audit opinions, conducted related due diligence, and were not aware of any discrepancies in these financial statements, including any internal control deficiencies and failures in connection with the cash advance facility.

194. Rabobank and its agents also relied upon KPMG's unqualified audit opinions confirming Citigroup's and Banamex's financial statements as correct, free from material misstatements and presented fairly in accordance with applicable accounting principles. Rabobank and its agents would not have provided loans to, or continued to maintain loans with, Oceanografía had KPMG issued a qualified or adverse opinion of Citigroup/Banamex or otherwise indicated that Citigroup/Banamex lacked appropriate internal controls in connection with the cash advance facility.

B. The Defendants

195. Defendant KPMG US is a Delaware limited liability partnership with its headquarters at 345 Park Avenue, New York, New York. At all relevant times, KPMG US was, and still is, a member firm of KPMG International.

196. Defendant KPMG US has been Citigroup's independent auditor since at least 2010.

197. Defendant KPMG International is a Swiss entity registered in the Swiss canton of Zug, with its global headquarters located in Amstelveen, The Netherlands.

198. Defendant KPMG Mexico is a Mexican entity. At all relevant times, KPMG Mexico was, and still is, a member firm of KPMG International.

199. Defendant KPMG Mexico was Oceanografía's independent auditor between 2010 and 2014.

200. Defendant KPMG Mexico has also been Banamex's independent auditor since at least 2005.

201. KPMG has voluntarily and purposefully availed itself of the protections of Delaware law by organizing the following numerous corporate entities under Delaware's corporate statute that, while not named as parties here, render Defendants amenable to litigating in this forum: KPMG Asset Holding

Inc.; KPMG Europe Holdings (USA), Inc.; KPMG Funding LLC; KPMG Global Services Inc.; KPMG Holding Corporation; KPMG Holding LLC; KPMG, Inc.; KPMG International Services, LLC; KPMG Global Marketing, LLC; KPMG Mexico Holding LLC; KPMG Mexico LLC; KPMG Netherlands Holdings LLC; KPMG US Canada Services LLC; KPMG USCMG LLC; and KPMG US Global Services LLC (collectively the “KPMG Delaware Entities”).

III. JURISDICTION AND VENUE

202. This Court has personal jurisdiction over KPMG US because KPMG US is a Delaware limited liability partnership.

203. This Court has personal jurisdiction over KPMG International pursuant to 10 *Del. C.* § 3104 by virtue of, *inter alia*, its presence in Delaware, including through its joint venturer, Defendant KPMG US, and KPMG’s formation of the KPMG Delaware Entities.

204. This Court has personal jurisdiction over KPMG Mexico pursuant to 10 *Del. C.* § 3104 by virtue of, *inter alia*, its presence in Delaware, including through its joint venturer, Defendant KPMG US, and KPMG’s formation of the KPMG Delaware Entities.

205. This Court also has personal jurisdiction over KPMG Mexico pursuant to 10 *Del. C.* § 3104 because KPMG Mexico, as a registered firm with

the PCAOB,³ conducts substantial operations in the United States by auditing, or playing a substantial role in the audit of, at least 50 U.S. companies, including Delaware entities such as Citigroup, whose fraudulent activities are directly at issue in this case.

206. Venue is proper in this Court pursuant to 10 *Del. C.* § 541.

IV. KPMG FAILED TO COMPLY WITH APPLICABLE AUDIT STANDARDS AND THEREBY FAILED TO PREVENT THE FRAUD

A. The Cash Advance Scheme Perpetrated by Oceanografía and Citigroup

1. Oceanografía Uses Banamex and Citigroup's Credit Facilities to Secure Fraudulent Cash Advances

207. Oceanografía is a Mexican company that specialized in providing off-shore oil services, including (i) installation, maintenance and repair of oil platforms and pipelines, and (ii) logistics and drilling support. It was founded in 1968 to provide services to Pemex and eventually grew to become one of Pemex's largest contractors.

208. In connection with its provision of services, Oceanografía owns or leases oil service vessels. By the time of its collapse in 2014, Oceanografía was

³ In order to prepare, issue, or participate in audit reports of U.S. issuers, brokers, and dealers, accounting firms must register with the PCAOB. Non-U.S. accounting firms that furnish, prepare, or play a substantial role in preparing an audit report for any issuer, broker, and dealer also are subject to PCAOB rules.

the largest owner of oil service vessels in Mexico (excluding Pemex itself), owning or leasing 69 vessels in total.

209. Oceanografía solidified its position as one of Pemex's largest contractors when, between 1990 and 2012, it won over 160 bids for contracts with the Mexican oil giant, worth billions of dollars. In that same timeframe, Oceanografía also won approximately 37% of Pemex's offshore transport contracts.

210. Over the years, Oceanografía became progressively more dependent on its revenue from the Pemex contracts. Indeed, between 2009 and 2012, more than 95% of Oceanografía's revenue and income came from its Pemex contracts. During that same time, Oceanografía's revenues more than tripled. And by the time of the company's collapse in 2014, more than 97% of its revenue and income came from Pemex contracts.

211. As explained below, during this critical time period, Oceanografía also became increasingly reliant on the cash advances provided by Citigroup through its subsidiary Banamex. In 2009, Citigroup provided Oceanografía cash advances of approximately \$70 million, the largest amount of cash advances issued to any Pemex contractor. By 2012, that number had increased six-fold to approximately \$450 million. And in the years from 2011 to 2014, Citigroup authorized nine cash advance limit increases for Oceanografía, increasing the

company's cash advance limit from approximately \$100 million to over \$500 million.

212. Indeed, Citigroup's relationship with Oceanografía did not stop at the banking suite. Oceanografía's workers – from the laborers to the mechanics – wore coveralls emblazoned not just with their employer's logo, but that of Banamex, its ever-present financier.

213. Facing decreasing profits and increasing debt, Oceanografía executed a scheme with Citigroup to fraudulently obtain cash advances. Specifically, Oceanografía and Citigroup personnel exploited the deficient and non-functioning internal control processes both at Oceanografía and Citigroup/Banamex – apparently either undetected or ignored by KPMG in its audits of the companies – which ultimately brought Oceanografía crashing down, causing more than \$1.1 billion in damages to Plaintiffs in the bargain.

2. Citigroup and Banamex's Mexico Operations

214. Citigroup is the fourth largest bank in the United States, with extensive operations in Latin America, including Mexico. Indeed, Citigroup's operation in Mexico, which it carries out through Banamex, is its largest operation in the world outside of the U.S.

215. According to a former Citigroup CEO, Citigroup and Banamex are “one in the same.”

216. Citigroup's Mexican operations account for 13% of Citigroup's annual global revenue.

217. By 2009, Citigroup's operations in Mexico were considered Citigroup's "crown jewel," and by 2013, Mexican operations yielded a yearly net income of more than \$1 billion, even during the global financial crisis.

218. As the outside auditor both for the subsidiary Banamex and its parent Citigroup, including by virtue of auditing Citigroup's consolidated financial statements (which included Banamex's results), KPMG was well aware of the important role that Banamex's operations played in Citigroup's financial performance. Banamex's financial results clearly were material to accounting for Citigroup's consolidated results.

219. As the auditor of Citigroup, including Citigroup's consolidated financial statements, which include Banamex's financial information, KPMG US assumed responsibility for the audit work performed by KPMG Mexico, and was required to be involved in the work performed by KPMG Mexico.

220. This responsibility and requirement for KPMG US to be involved with the work of KPMG Mexico is pursuant to the auditing standard AU-C Section 600, Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors) ("AU-C Section 600"). AU-C

Section 600, paragraph 57, requires that when a component auditor (KPMG Mexico) performs an audit of the financial information of a significant component (Banamex) of group (Citigroup) financial statements for which the group auditor (KPMG US) is responsible, the group engagement team (KPMG US) should be involved in the risk assessment of the component to identify significant risks of material misstatement of the group financial statements. At a minimum, the group auditor's assessment should include the following:

- Discussing the component's business activities of significance to the group with the component auditor.
- Discussing the susceptibility of the component to material misstatement of the financial information due to fraud or error.
- Reviewing the component auditor's documentation of identified significant risks of material misstatement of the group financial statements.

3. Citigroup Establishes a Credit Facility at Banamex for Pemex Contractors Like Oceanografía

221. In approximately 2008, Citigroup established a credit facility within Banamex for Pemex contractors, including Oceanografía. Oceanografía began participating in Citigroup's cash advance facility soon thereafter. In addition,

Citigroup/Banamex and Oceanografía entered into a subsequent Cash Advance Contract in September 2012.

222. The Citigroup Institutional Clients Group (“ICG”), a U.S.-based division of Citigroup, was responsible for developing and overseeing the credit facility within Banamex. The Citigroup ICG is one of two main business divisions at Citigroup, the other being Global Consumer Banking, which focuses on retail banking.

223. The Citigroup ICG is the global division responsible for servicing high-net worth public and private sector clients, including Pemex through Citigroup’s subsidiary, Banamex.

224. The Citigroup ICG is one of Citigroup’s key divisions in Latin America and Mexico. It dominates the Latin American cash advance market, as evidenced by its recognition from Global Finance Magazine in 2014 – for the sixth consecutive year – as the “Top Treasury and Cash Management Provider” in Latin America.

225. In its annual reports, which KPMG US audited, Citigroup separately reported revenue for the Citigroup ICG. Accordingly, KPMG US specifically audited, or should have, Citigroup’s relationship with and services to Pemex and

Oceanografía through the Citigroup ICG, such as the cash advance program for Pemex contractors.

226. The Citigroup ICG was also responsible for designing and implementing the controls and policies meant to reduce the risk of errors related to Banamex's credit facilities, including its cash advance program for Pemex contractors like Oceanografía. KPMG US was responsible for and required to be involved in the audit work relating to Banamex's credit facilities and cash advance program involving Oceanografía pursuant to AU-C Section 600 (as previously cited), whether that work was conducted by personnel at KPMG US or KPMG Mexico.

227. Two main documents detail Citigroup's policies and procedures for awarding cash advances to Pemex contractors: (i) the Handbook of Cash Advances; and (ii) the Contract Guidelines.

a. Citigroup Handbook of Cash Advances

228. In January 2013, Citigroup issued an internal policy governing cash advance requests from Pemex's contractors to Citigroup (the "Handbook of Cash Advances").

229. The Handbook of Cash Advances describes the process for a Pemex contractor to request and obtain a cash advance from Citigroup, including submitting a Pemex work estimate and a Pemex work estimate authorization.

b. Citigroup Policies and Procedures Before Issuance of the Handbook of Cash Advances

230. Between 2008 and 2012, before Citigroup issued the Handbook of Cash Advances, Oceanografía submitted invoices to Citigroup reflecting services Oceanografía provided to Pemex in support of its cash advance requests.

231. Citigroup's policies and procedures required it to confirm with Pemex that Pemex had reviewed and authorized the Oceanografía invoice.

232. When the invoice became due, Pemex paid it to Citigroup.

c. Cash Advance Contract

233. On September 21, 2012, Citigroup and Oceanografía executed a contract (the "Cash Advance Contract") allowing Oceanografía to obtain cash advances from Citigroup based on other documents reflecting receivables such as Pemex work estimates, described above.

234. Under the Cash Advance Contract, Oceanografía would submit Pemex work estimates to Citigroup to obtain cash advances. When the Pemex work estimate became due, Pemex made payment directly to Citigroup. Pemex would not pay these work estimates immediately. Rather, they were due approximately 90 to 180 days after Pemex signed them.

235. As more fully described below, Citigroup disbursed the cash advances directly to Oceanografía or to Oceanografía's trusts. As discussed

above, Oceanografía's trusts were established by Oceanografía at Banamex to pay Oceanografía's creditors with revenue from Oceanografía's contracts with Pemex and with cash advances Oceanografía received from Citigroup. These trusts were managed by Citigroup.

d. Citigroup Contract Guidelines

236. In addition to the procedures described above, to provide cash advances to Pemex contractors based on services provided by those contractors to Pemex, Citigroup issued Contract Guidelines.

237. A Contract Guideline is a Citigroup policy that governs all cash advance requests from a Pemex contractor to Citigroup under a specific contract between the contractor and Pemex. One Contract Guideline may govern a Pemex contractor's cash advance request to Citigroup pursuant to several contracts between Pemex and the contractor.

238. As of 2014, Citigroup had in place at least thirteen Contract Guidelines governing all of Oceanografía's cash advance requests.

239. The Contract Guidelines designated the manager of Citigroup's relationship with Oceanografía (the "Oceanografía-Citigroup Relationship Manager") and the managers of Oceanografía's cash advance requests, including those employees responsible for receiving the requests with the requests' underlying documentation (the "Cash Advance Product Manager").

240. The Contract Guidelines also designated the Citigroup employees responsible for the relationship between Citigroup and Pemex (the “Pemex-Citigroup Relationship Managers”), and the Citigroup employee responsible for managing trusts in Banamex established by Oceanografía to pay Oceanografía’s creditors with revenue from Oceanografía’s contracts with Pemex and with cash advances from Citigroup (the “Citigroup Trust Manager”).

241. Table 1 below indicates (i) the date of all Contract Guidelines in effect at the time of the fraud; (ii) the Oceanografía-Pemex contracts governed by each Contract Guideline; (iii) whether Oceanografía established a trust to receive the cash advances and the trust’s beneficiary, including the Citigroup Trust Manager in connection with the Oceanografía-Pemex contract(s) covered by the Contract Guideline; (iv) the Pemex-Citigroup Relationship Managers in connection with the Oceanografía-Pemex contract(s) covered by the Contract Guideline; (v) the Cash Advance Product Managers; and (vi) the Oceanografía-Citigroup Relationship Managers in connection with the Oceanografía-Pemex contract(s) covered by the Contract Guideline.

Table 1. Table of Contracts

No.	Date	Contract(s)	Trust Beneficiary : Citigroup Trust Manager	Pemex-Citigroup Relationship Managers	Cash Advance Product Managers	Oceanografía -Citigroup Relationship Managers
1.	06/13/2012	428231830	No Trust	Mr. Rueda	Mr. Cervantes	Mr. Añorve
2.	06/21/2012	428221805; 428221806; 428238877; 428238807; 428237849; 428228804; 421001825	No Trust	Mr. Granja	Mr. Cervantes	Mr. Añorve
3.	06/25/2012	428233804; 428232818; 428223811	No Trust	Mr. Granja	Mr. Cervantes	Mr. Añorve
4.	06/29/2012	428232804	No Trust	Mr. Granja	Mr. Cervantes	Mr. Añorve
5.	07/09/2012	428231821	No Trust	Mr. Rueda	Mr. Cervantes	Mr. Añorve
6.	08/17/2012	428237855	No Trust	Mr. Granja	Mr. Cervantes	Mr. Añorve
7.	10/15/2012	428232813; 428822884; 420832824	No Trust	Mr. Granja	Mr. Cervantes	Mr. Añorve
8.	11/09/2012	428226834; 428228833; 421001823; 421001824; 421002805; 421002810; 428232808; 428232814; 428232816	Rabobank: N/A	N/A	N/A	N/A

No.	Date	Contract(s)	Trust Beneficiary : Citigroup Trust Manager	Pemex-Citigroup Relationship Managers	Cash Advance Product Managers	Oceanografía -Citigroup Relationship Managers
9.	11/12/2012	420901809; 420832829; 420832827	CVI Global Lux Oil and Gas SARL: Ms. Barrera-Montañez; Ms. Heredia; Ms. Vergara; Ms. Cinta	Mr. Granja	N/A	N/A
10.	11/13/2012	428231823	Blue Marine: Ms. Heredia	Mr. Rueda	Mr. Cervantes	N/A
11.	06/26/2013	428232833	Blue Marine: Ms. Barrera-Montanez; Ms. Vergara; Ms. Cinta; Ms. Heredia	Mr. Granja	N/A	N/A
12.	06/25/2015	420831803	No Trust	Mr. Granja	Mr. Cervantes	Mr. Añorve
13.	07/20/2015	428231832	No Trust	Mr. Rueda	Mr. Cervantes	Mr. Añorve

242. Given the significance of the cash advance facility to both Oceanografía and Citigroup, KPMG’s audits should have included a close examination of the 2012 contract guidelines – which constituted the majority of guidelines in place during the fraud – and the related internal control procedures

of Citigroup and Oceanografía to determine (i) whether the controls complied with the contract guidelines, (ii) whether the controls were effective, (iii) whether the controls were properly implemented; and (iv) the extent to which management could override or evade these controls.

243. Because KPMG examined (or should have examined) the 2012 contract guidelines, it was aware (or should have been aware) of the policies and procedures Citigroup and Oceanografía should have implemented in connection with the cash advance facility. As those procedures were apparently increasingly loosened or ignored over time, KPMG should have taken further steps to investigate Citigroup's and Oceanografía's adherence to the contract guidelines, and to determine if KPMG needed to require the companies to restate their prior years' financial statements.

244. Indeed, when an auditor learns of facts after the release of its report, auditing standard AU-C Section 560, Subsequent Events and Subsequently Discovered Facts ("AU-C Section 560"), requires the auditor to (i) discuss the matter with management, and (ii) determine whether the financial statements need revision and inquire how management intends to address the matter in the financial statements. If management refuses to take action, then the auditor is required to take further action, as discussed more fully below. It cannot simply stand by and do nothing.

e. Citigroup Credit Memorandums

245. For each cash advance limit increase, Citigroup issued a Credit Memorandum, which is the Citigroup document necessary to increase credit facilities. All the Credit Memoranda were signed in English, in a standard Citigroup form, and saved to Citigroup's internal network.

246. Citigroup approved all Oceanografía cash advance limit increases.

247. As part of conducting its audit procedures, KPMG should have examined these Credit Memoranda and audited compliance therewith and the controls governing same.

4. Cash Advance Approval and Payment Process

a. Citigroup Policies and Procedures Required a Two-Step Approval Process for Cash Advance Requests

248. Based on the Handbook of Cash Advances and the Contract Guidelines, Oceanografía's cash advance requests to Citigroup were supposed to be subject to a two-step approval process.

249. *First*, the Oceanografía-Citigroup Relationship Manager and the Cash Advance Product Manager, both Citigroup ICG employees, would receive the Pemex work estimates and work estimate authorizations and contact Pemex to verify that Pemex had actually issued them.

250. *Second*, employees in Citigroup’s headquarters in Mexico City (the “Cash Advance Product Analysts”) responsible for processing cash advance requests would receive the documents submitted by Oceanografía via Citigroup’s email and ensure that the documents were consistent with the particulars of Pemex’s contracts with Oceanografía, including the terms governing contract timelines, deliverables and pricing.

251. Upon successful completion of both steps, Citigroup would disburse the cash advance to Oceanografía or to Oceanografía’s trusts.

b. Citigroup Profited from Each Cash Advance

252. When the Pemex work estimate became due, usually within approximately 90 to 180 days, Pemex made payment directly to Citigroup.

253. Citigroup charged Oceanografía interest on every cash advance it disbursed to Oceanografía. Specifically, Citigroup charged Oceanografía the “ordinary annual interest rate” plus a “spread” (the “Citigroup Rate”). The “ordinary annual interest rate” is an interest rate benchmark in Mexico resulting from averaging the interest rates banks charge each other for inter-bank loans.

254. Citigroup applied the Citigroup Rate on all its cash advances to Oceanografía, from the date of disbursement until the date Pemex paid the cash advance to Citigroup.

255. As the auditor for both entities, KPMG should have been aware of (i) Oceanografía's reliance on cash advances for its liquidity and the lack of adequate internal controls over submitting those requests, (ii) the details of Citigroup's cash advance controls, including the approval and verification procedures, and (iii) Citigroup's lucrative profits made in connection with those advances. An auditor with such knowledge, exercising reasonable professional skill and judgment, would have recognized the significant risks posed by these arrangements and taken appropriate steps to audit accordingly.

256. In response to these risks, KPMG should have identified and tested the adequacy of related internal controls, considered the risks related to management's ability to override those internal controls and commit fraud, and performed sufficient testing by obtaining third party corroborating documentation, such as confirming the accounts receivable with Pemex pursuant to AU Section 330, International Standards on Auditing ("ISA") Section 330 or ISA section 505.

257. Yet KPMG failed to perform these required auditing procedures and therefore failed to ensure that its audit reports on Oceanografía, Banamex, and Citigroup complied with the applicable professional standards and that the companies' financial statements were free from material misstatement, whether due to fraud or error.

5. Oceanografía Requested, and Citigroup Advanced, Hundreds of Millions of Dollars in Falsified and Unverified Cash Advances via Pemex's Credit Facility

258. Beginning as early as 2010 and continuing through February 2014, Oceanografía requested at least 166 fraudulent cash advances from Citigroup totaling at least \$750 million.

259. For each request, Oceanografía submitted (i) an original cash advance request form; (ii) a copy of a Pemex work estimate; and (iii) a copy of a Pemex work estimate authorization.

260. The signatures of Pemex employees on Pemex work estimates and work estimate authorizations submitted by Oceanografía to Citigroup from at least August 2013 to February 2014 were false.

261. On information and belief, even before September 2013, starting as early as 2010, Oceanografía submitted invoices with false signatures of Pemex employees to Citigroup to obtain cash advances from Citigroup.

262. As of February 2014, Oceanografía had 39 ongoing contracts with Pemex. Oceanografía's yearly revenue based on those 39 contracts was approximately \$1 billion. Oceanografía submitted falsified work estimates and work estimate authorizations related to only 13 of the 39 contracts Oceanografía had with Pemex, totaling approximately \$750 million. Thus, within six months,

and based on only one third of its Pemex contracts, Oceanografía requested funds from Citigroup amounting to three quarters of the total annual revenue to which Oceanografía was entitled pursuant to all 39 contracts.

263. Moreover, the 13 contracts' total value, over terms ranging from one and five years, was approximately \$542 million. Yet, in a six month period from September 2013 to February 2014, Oceanografía requested \$750 million in cash advances based on those contracts – almost \$200 million more than those contracts' total value. Specifically, Citigroup provided cash advances for five contracts in amounts significantly greater than the contracts' values, in some cases nearly three times that amount. For example, Citigroup paid cash advances of (i) approximately \$126 million on a contract that only paid \$39 million annually; (ii) approximately \$110 million on a contract that only paid \$23 million annually; (iii) approximately \$88 million on a contract that only paid \$32 million annually; (iv) approximately \$44 million on a contract that only paid \$16 million; and (v) approximately \$75 million on a contract that only paid \$51 million. Had KPMG taken even basic steps to confirm that the cash advances Citigroup provided to Oceanografía were consistent with Oceanografía's ongoing contracts with Pemex, it would have immediately known that the cash advances involving each contract significantly exceeded the total face value of the contracts.

264. Citigroup charged Oceanografía tens of millions of dollars in interest for the 166 fraudulent cash advances. This amount was qualitatively material to Citigroup's financial statements, and was recorded as part of Citigroup's results audited by KPMG.

265. As the auditor for both Oceanografía and Citigroup, KPMG had detailed information regarding Oceanografía's finances and business, including its cash requirements and income from Pemex contracts.

266. As the auditor for both Oceanografía and Citigroup, KPMG knew that Oceanografía needed those cash advances to maintain its liquidity and stay in business, including for paying its employees, vendors, bondholders and other creditors.

6. Citigroup Was Forced by Pemex to Reveal the Fraud, While KPMG Did Nothing

a. The Secretaría de la Función Pública (the "SFP") Brought Attention to Oceanografía

267. In June 2013, the SFP launched a probe into the insurance policies Oceanografía was providing to Pemex.

268. Under Mexican law, Pemex's contractors must provide to Pemex insurance policies covering 10% of the value of their contracts. Pemex can claim coverage under these policies if its contractors default.

269. On February 10, 2014, the SFP concluded that in nine contracts with Pemex, Oceanografía had failed to provide insurance policies covering 10% of the value of the contract. SFP accordingly banned Oceanografía from entering into new contracts with Pemex for 1 year, 9 months and 12 days.

270. The SFP published its decision on February 11, 2014.

271. Over the next eight months, Pemex terminated 20 contracts with Oceanografía, and 11 contracts reached the end of their terms.

272. In response to the SFP's decision, KPMG did nothing despite its continuing obligations under auditing standard AU-C Section 560 (discussed in more detail below) to investigate when there are subsequently discovered facts that become known to the auditor after issuance of its report.

b. The SFP Ban Forced Citigroup to Review Its Cash Advance Facility with Oceanografía

273. When the SFP publicly announced the ban on Oceanografía, Citigroup responded by initiating an internal review of the cash advance facility to evaluate its potential losses in connection with the ban.

274. Oceanografía's inability to secure new Pemex contracts would have reduced Citigroup's profits because Oceanografía would have requested less in cash advances from Citigroup. Because Oceanografía was dependent on the cash

advances to stay in business, Oceanografía requested, and Citigroup agreed to continue providing, cash advances during Citigroup's internal review.

275. As part of its investigation, Citigroup interviewed a Banamex employee, Mr. Erik Cervantes Murillo ("Mr. Cervantes"), who was responsible for verifying the authenticity of the Pemex documents submitted by Oceanografía.

276. Mr. Cervantes acknowledged that he did not always verify with Pemex the authenticity of the Pemex documents submitted by Oceanografía. In fact, he was unable to recall the name of a *single Pemex employee* with whom he had ever discussed the authenticity of the Pemex documents submitted by Oceanografía to Citigroup.

277. Had KPMG contacted Mr. Cervantes as part of standard third party confirmation procedures, it would have easily uncovered the same information. That it did not do so (or ignored what it found when it did) demonstrates that KPMG was not evaluating and testing management's own monitoring of its internal controls or considering whether management's controls were operating as intended.

278. As part of its investigation, Citigroup also contacted Pemex to verify Oceanografía's receivables and the amount of Pemex's pending payments to

Oceanografía as reflected in the Pemex work estimates that Oceanografía had submitted to Citigroup.

279. On February 20, 2014, Pemex informed Citigroup that Pemex had not actually signed several of the Pemex work estimates and work estimate authorizations provided by Oceanografía to Citigroup. According to Citigroup, “Pemex asserted that a significant portion of the accounts receivables... were fraudulent and that the valid receivables were substantially less than the \$585 million referenced above.”

280. After Pemex informed Citigroup that it had not issued the documents submitted by Oceanografía to Citigroup to obtain cash advances, Citigroup immediately canceled its cash advance credit facility with Oceanografía and stopped providing cash to the company.

281. The confirmation procedure ultimately performed by Citigroup with Pemex is precisely the type of procedure that **KPMG** should have conducted in its annual audits Oceanografía, Banamex and Citigroup – yet it either failed to adequately do so or ignored the red flags such a procedure would have raised.

282. Had KPMG (i) obtained a sufficient understanding of the internal controls at Oceanografía and Citigroup to plan its audit related to cash advances from contracts with Pemex, and (ii) verified the authenticity of the work

estimates through Pemex, it would have uncovered the fraud, or at a minimum realized that the internal controls at Oceanografía and Citigroup were both grossly deficient and not being enforced, and the damages suffered by Plaintiffs would have been prevented or mitigated.

283. On February 28, 2014, Citigroup disclosed in a press release that it had uncovered a fraud regarding Oceanografía's cash advance requests.⁴ In fact, the fraud was uncovered by Pemex itself when Citigroup attempted to confirm Oceanografía's transactions with Pemex.

284. Third party confirmations of critical transactions like this are (if actually undertaken) a routine yet extremely important procedure typically performed by auditors because confirming transactions with third parties – as opposed to relying on the audit client's word for it – is the best audit evidence of such activities. In sum, the basic investigative activity that Citigroup finally undertook that ultimately exposed the fraud was a simple and easy audit procedure that apparently KPMG nonetheless failed to do, or failed to do properly, during its audits of Citigroup, Banamex and Oceanografía.

⁴ Specifically, Citigroup stated that, through Banamex, as of December 31, 2013, it had extended "approximately \$585 million" in cash advances to Oceanografía under Citigroup's accounts receivable purchase program for Pemex contractors.

285. Hours after Citigroup disclosed the fraud to its investors and the SEC, the Mexican Attorney General's Office (in Spanish, *Procuraduría General de la República*, the "PGR") announced that it would open a criminal investigation into the fraud and that, upon Banamex's request, the PGR would seize Oceanografía and its assets.

286. On March 1, 2014, the PGR seized Oceanografía and all of its assets and placed them under the control of the Mexican government agency responsible for managing seized companies and assets (in Spanish, the *Servicio de Administración y Enajenación de Bienes*).

287. As a result of its investigation, Citigroup later terminated almost a dozen employees who were involved in the fraud.

7. The Citigroup ICG Recorded in Its Books the Profits and Purported Losses Associated with the Cash Advances to Oceanografía

288. In its 2013 and 2014 annual reports to the SEC, Citigroup disclosed that the fraud had increased the Citigroup ICG's expenses by approximately \$360 million.

289. In April 2014, John Gerspach, Citigroup's Chief Financial Officer, admitted that Citigroup had "direct exposure" to Oceanografía and

Representations y Distribuciones Evya, another Pemex contractor that had committed fraud.

290. According to Banamex's financial statements for 2013 with a February 2014 audit report from KPMG, the Citigroup ICG recorded in its accounting records the purported losses resulting from the fraud.

a. Mexican Authorities Investigate and Find that Citigroup Employees Were Responsible for the Fraud

291. On February 28, 2014, the PGR opened a criminal investigation into the fraud and, upon Banamex's request, the PGR seized Oceanografía and its assets.

292. On June 20, 2014, Jesus Murillo-Karam ("Mr. Murillo"), the head of the PGR, testified before the Mexican Senate about the results of the PGR's investigation. Mr. Murillo stated that bank employees, including at least one senior Banamex executive, and Oceanografía employees conspired to commit the fraud.

293. On approximately February 22, 2014, another Mexican government authority (in Spanish, *Comision Nacional Bancaria y de Seguros*, the "CNBV") launched a probe into the fraud.

294. On April 29, 2014, the CNBV rendered an opinion to the Mexican federal government regarding the fraud, concluding that 10 bank employees were

criminally responsible for the fraud because they knowingly engaged in wrongdoing and caused the bank to violate Mexico's banking statute. The CNBV referred this wrongdoing to the PGR for further investigation.

295. The CNBV also concluded that the movement of resources in connection with Oceanografía's cash advance requests included characteristics that drew attention by financial regulators and clearly suggested that the assets involved in the transactions resulted from the commission of illicit activities.

b. Mexican Authorities Investigate and Fine Banamex for Failing to Implement Adequate Internal Controls

296. In September 2014, the CNBV imposed 34 fines on Banamex totaling approximately \$2.3 million for omitting minimum internal policies and controls to prevent fraud.

297. Specifically, the CNBV concluded that Banamex had violated Mexican laws requiring that banks have minimum internal policies and controls to prevent fraud.

B. KPMG's Audit Failures

298. A primary reason companies hire auditors is to detect and eliminate material misstatements in financial statements due to errors and fraud. The auditor, in its written report, ordinarily makes two important representations: (i) that it conducted its audit in accordance with a defined set of standards, such as

Generally Accepted Auditing Standards (“GAAS”) or their international equivalent (ISA);⁵ and (ii) that it has an opinion about management’s financial statements, namely, that they do or do not comply with a defined set of accounting principles, such as Generally Accepted Accounting Principles (“GAAP”), and if they do not, why they do not.

299. A fundamental requirement of any auditor’s work is the exercise of due professional care in the planning and performance of its audit work in conducting an audit pursuant to AU Section 230, Due Professional Care in the Performance of Work. This includes: (i) doing sufficient field work to develop an understanding of the company’s internal controls and types of transactions reflected in the financial statements; (ii) carefully evaluating the audit risk and materiality of the various types of transactions; (iii) designing appropriate substantive audit procedures and tests to analyze transactions; and (iv) considering management’s ability to override internal controls, potentially resulting in material errors due to fraud.

300. In addition, the auditor must have sufficient persuasive evidence to support its opinion about the company’s financial statements and related footnote disclosures. If the auditor does not have that persuasive evidence, the auditor is required to disclose that in its audit report.

⁵ ISA are substantively similar to GAAS in almost all material respects.

301. Although perhaps differently worded in ways not material here, these basic audit standards and accounting principles apply in both the United States and Mexico where KPMG audited *all* of the parties involved in the fraud:

- Consolidation accounting should be consistent with the company's stated accounting policies and should produce a result that is not misleading.
- Failing to disclose material information necessary to understand the entities and operations included or excluded in consolidation is misleading.
- Mischaracterization of a material item or account balance produces misleading financial information.
- Financial statement disclosures should be reasonably informative and complete.
- No country has accounting standards governing the accounting for fraudulent transactions. If the transaction did not occur, or functions simply as a cover-up for some form of lying, cheating or stealing, then the financial statements either should not reflect the transaction at all or if they do then they must accurately portray its economic substance.

302. As set forth in this complaint, KPMG failed under each and every one of these essential and required standards, among others.

303. During all relevant times, KPMG had a duty to Plaintiffs in connection with its audits of Citigroup, Banamex and Oceanografía. KPMG owed a duty to Plaintiffs because it knew or should have known that Plaintiffs or a similarly situated class of persons, such as bondholders and other creditors of Oceanografía, relied on the financial statements, audit opinions and other financial investment reports that KPMG created, audited, certified, assisted in preparing and/or knew would be prepared based on work it performed and information it supplied, when (i) purchasing bonds of, (ii) loaning money to, (iii) selling or leasing goods to, or (iv) or otherwise extending credit to Oceanografía. Plaintiffs believed that these reports were sound and the result of KPMG performing its audit duties in accordance with the highest levels of professional skill and care.

304. KPMG unequivocally stated in its audit opinions for Oceanografía, Banamex and Citigroup that its audits were conducted in accordance with applicable audit standards and that the financial statements were fairly presented. KPMG rendered such opinions for all three companies for the relevant years at issue, other than in the case of Oceanografía's 2013 financial statements, which

were being audited by KPMG when the fraud came to light, at which point KPMG decided not to issue an audit opinion for Oceanografía for 2013.

305. As set forth below, each of these opinions and representations was materially inaccurate and violated both professional standards and the duty KPMG owed Plaintiffs. KPMG's audits failed to comply with the applicable audit standards in material ways, and the Oceanografía, Banamex and Citigroup financial statements did not present fairly the financial position of any of the companies in conformance with the applicable accounting principles for the relevant years at issue.

306. Had KPMG properly planned and performed its audit procedures, those procedures would have revealed the failures of each of Oceanografía, Citigroup and Banamex to implement or adhere to appropriate and necessary controls for the Pemex cash advance facilities, among a host of other problems with controls and financial reporting in general at all three entities.

1. KPMG Violated Applicable Audit Standards in Its Audits of Oceanografía, Banamex and Citigroup

307. GAAS AU Section 150 sets forth ten generally accepted auditing standards approved and adopted by the membership of the American Institute of Certified Public Accountants. These ten standards are grouped into three categories: Standards of Field Work, Standards of Reporting, and General

Standards. As detailed below, KPMG’s audits of Oceanografía, Banamex and Citigroup violated several of these standards, as well as other required standards cited in this complaint.

a. KPMG’s Violations of GAAS Standards of Field Work

308. GAAS Standard of Field Work No. 1 states, “The work is to be adequately planned....” PCAOB Auditing Standard No. 9 Audit Planning (“PCAOB Standard No. 9”) provides guidance to auditors planning an audit in accordance with GAAS. PCAOB Standard No. 9 requires the auditor to evaluate certain matters important to the financial statements and internal controls, including (i) the extent of recent changes in the company, its operations or its internal controls, (ii) judgments about the effectiveness of internal controls, and (iii) the extent of available evidence related to the effectiveness of the company’s internal controls. The ISA related to PCAOB No. 9 is ISA Section 300, Planning an Audit of Financial Statements.

309. KPMG violated Standard of Field Work No. 1 by, among other things, failing to adequately plan its audit work with respect to Oceanografía’s cash advance requests. KPMG failed to determine there were inadequate internal controls over the cash advances, and therefore failed to design the appropriate level of audit testing because of the increased risk of a material misstatement in the financial statements due to inadequate internal controls.

310. KPMG, as auditor for all three companies, was well aware of the Pemex cash advance facility, that Oceanografía was the recipient of the largest amount of cash advances under that facility, and that the volume of cash advances to Oceanografía alone had ballooned more than five times in size over the course of only three years. This should have been a visible and glaring red flag to KPMG.

311. As a result, KPMG should have included and performed sufficient audit procedures and testing to obtain a level of knowledge of internal controls relating to the cash advance requests to understand (and test) the risks related to these transactions. Had it done so, it would have determined that Banamex and Citigroup either failed to have adequate controls in place to mitigate the risk of material errors in recording the cash advances, or alternatively that employees failed to follow those internal controls – either of which would have ended the fraud or prevented it from occurring at all.

312. KPMG failed to confirm the cash advances, receivables and contract terms related to the work performed for Pemex, representing well over 95% of Oceanografía's revenues. ISA Section 330, The Auditor's Responses to Assessed Risks, states "this ISA requires the auditor to perform substantive procedures that are specifically responsive to risks the auditor has determined to be significant risks. Audit evidence in the form of external confirmations

received directly by the auditor from appropriate confirming parties may assist the auditor in obtaining audit evidence with the high level of reliability that the auditor requires to respond to significant risks of material misstatement, whether due to fraud or error.” (Paragraph A53.)

313. KPMG also knew that GAAS requires the confirmation of accounts receivable, which would include the receivable transactions with Pemex. Had KPMG performed an audit complying with the applicable auditing standards, it would have confirmed the transactions with Pemex and detected the fraud. KPMG would then have been obligated to report that fraud to Oceanografía, Banamex and Citigroup’s management to insure that the financial statements were properly reported.

314. GAAS Standard of Field Work No. 2 states, “A sufficient understanding of internal control is to be obtained to plan the audit and to determine the nature, timing, and extent of tests to be performed.”

315. KPMG violated Standard of Field Work No. 2 by, among other things, failing to obtain an understanding of whether the design and implementation of internal controls over cash advances and receivables at Banamex were operating properly. Despite failing to obtain that required understanding and to perform the related required testing, KPMG apparently concluded that Oceanografía, Banamex and Citigroup had appropriate internal

controls in place to prevent and detect the risk of a material misstatement due to error or fraud, and that all financial statement amounts and related footnotes were properly reported, even though they plainly were not.

316. Had KPMG performed audits in compliance with the applicable auditing standards as its audit opinions indicated, the lack of effective functioning internal controls at Banamex and Citigroup with regard to the Oceanografía cash advance requests would have alerted KPMG of the heightened scrutiny and increased audit testing that were required in this area.

317. GAAS Standard of Field Work No. 3 states, “Sufficient appropriate evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit.”

318. To comply with this standard, KPMG was required to obtain sufficient audit evidence to determine if Oceanografía was submitting appropriate documentation from Pemex in support of its cash advance requests to confirm that the Pemex-related cash advance requests (and the profit made therefrom) were not materially misstated in the Oceanografía, Banamex, and Citigroup consolidated financial statements.

319. KPMG failed to obtain sufficient audit evidence related to the overwhelmingly material cash advances to support its audit opinions. Had KPMG performed the most rudimentary testing by confirming with Pemex the claims for work purportedly performed on behalf of Pemex as the basis for the cash advances, it would have seen that Oceanografía was submitting false requests for payment and that Citigroup/Banamex employees were failing to acquire the necessary confirmations from Pemex to ensure their authenticity.

320. Before issuing unqualified audit opinions on the Oceanografía, Banamex and Citigroup financial statements, KPMG was required to obtain sufficient audit evidence to conclude that the Oceanografía's cash advances were not putting Oceanografía at significant risk of failing as a going concern. But KPMG issued unqualified opinions without obtaining sufficient audit evidence to determine that Banamex and Citigroup did not have any internal control issues (including possible management override of internal controls to commit fraud) related to the Oceanografía cash advance requests.

321. An auditor exercising reasonable professional skill and judgment would have learned of the substantial and material risk presented by the Oceanografía cash advance requests and would have required further testing and evidence of appropriate internal controls in place in connection with those requests before issuing unqualified opinions. KPMG's certification – that the

Oceanografía, Banamex and Citigroup financial statements were fairly presented and free from material misstatement – therefore violated applicable professional auditing standards.

b. KPMG's Violations of GAAS Reporting Standards

322. GAAS Standard of Reporting No. 1 states, “The [auditor’s] report shall state whether the financial statements are presented in accordance with generally accepted accounting principles (GAAP).” This opinion should be based on an auditor’s judgment as to whether “the financial statements, including the related notes, are informative of matters that may affect their use, understanding and interpretation” and “the information presented in the financial statements is classified and summarized in a reasonable manner.” AU Section 411.04. KPMG violated Standard of Reporting No. 1 by opining that the Oceanografía, Banamex and Citigroup audited financial statements were presented in accordance with applicable accounting principles when in fact they contained material misstatements.

323. KPMG also violated GAAS Standard of Reporting No. 4, which states, “The report shall contain either an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed.” KPMG violated Standard of Reporting No. 4 because it issued an opinion but did not perform an audit in accordance with applicable

GAAS or ISA due to the numerous failures to comply with the required standards detailed herein.

c. KPMG's Violations of GAAS General Standards

324. GAAS General Standard No. 3 states, "Due professional care is to be exercised in the performance of the audit and the preparation of the report." KPMG violated General Standard No. 3 by failing to exercise due professional care in the performance of its audits and providing clean audit opinions on the financial statements of Oceanografía, Banamex and Citigroup despite that the financial statements were materially misstated for the reasons set forth herein.

325. As part of its duty to exercise due professional care, GAAS requires an auditor to exercise professional skepticism. "Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence." AU Section 230.07. "In exercising professional skepticism, the auditor should not be satisfied with less than persuasive evidence because of a belief that management is honest." AU Section 230.09. ISA Section 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements, similarly discusses professional skepticism.

326. KPMG further violated General Standard No. 3 by failing to exercise professional skepticism, including by failing to obtain and critically assess audit evidence with respect to Oceanografía's cash advance requests, to

evaluate the design of internal controls, or to test the effectiveness and implementation of those internal controls.

327. KPMG had complete and unfettered access to all of the accounting records for all three companies engaged in the fraud. An auditor exercising reasonable professional skill and judgment would have determined that Banamex and Citigroup had inadequate and non-functioning internal controls with respect to Oceanografía's cash advance requests, and that Oceanografía was failing to implement even those inadequate internal controls that were supposed to be in place.

328. KPMG also failed to comply with AU Section 316, Consideration of Fraud in a Financial Statement Audit. AU Section 316 requires the auditor to consider fraud risk factors and possible management override of internal controls. AU Section 316 discusses the importance for the need of exercising professional skepticism when considering the possibility that a material misstatement due to fraud may be present, as does the comparable ISA Section 240.

329. AU Section 316 states "Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. The auditor should conduct the engagement with a mindset that recognizes the possibility that a material misstatement due to fraud could be present, regardless of any past experience with the entity and regardless of the auditor's belief about

management's honesty and integrity.... In exercising professional skepticism in gathering and evaluating evidence, the auditor should not be satisfied with less-than-persuasive evidence because of a belief that management is honest." AU Section 316, paragraph 13.

330. AU Section 316 further states "Management has the unique ability to perpetrate fraud because it frequently is in a position to directly or indirectly manipulate accounting records and present fraudulent financial information. Fraudulent financial reporting often involves management override of controls that otherwise may appear to be operating effectively.... Management override of controls can occur in unpredictable ways." AU Section 316, paragraph 8.

331. AU Section 316 requires a discussion among engagement personnel regarding the risk of material misstatement due to fraud. AU Section 316 provides that "In this regard, the discussion should include a consideration of the risk of management override of controls." AU Section 316, paragraph 15. "The discussion among audit team members should emphasize the need to maintain a questioning mind and to exercise professional skepticism in gathering and evaluating evidence throughout the audit." AU Section 316, paragraph 16.

332. KPMG failed to plan and perform its audits to consider the risks of fraud related to the incredibly significant cash advance requests that management falsified.

333. KPMG failed to confirm with Pemex that work had actually been performed as the basis for the receivables and cash advances on the books and records of Oceanografía.

334. KPMG failed to determine what internal controls were in place over potential fraud by management with regard to the cash advance requests.

335. KPMG failed to determine that purported internal controls were inadequate to detect fraud by management in connection with the cash advance requests.

336. KPMG failed to determine that management was not evaluating the effectiveness of internal controls as required by the applicable standards to detect fraud.

337. KPMG failed to exercise professional skepticism in considering the possibility of fraud by management with the cash advance requests in its audits.

338. An auditor exercising reasonable professional skill and judgment would not have issued unqualified audit opinions attesting to the financial soundness of Oceanografía, Banamex and Citigroup in light of these significant risks. But KPMG did just that by wrongfully certifying the consolidated financial statements of Citigroup and issuing unqualified audit opinions on Banamex and Oceanografía's financial statements. KPMG's failure resulted in

the loss of over \$1.1 billion by Plaintiffs. Had KPMG exercised reasonable professional skill and judgment, Plaintiffs would not be here today.

2. KPMG Violated Audit Standards by Failing to Determine If Subsequently Discovered Facts Would Require Revision of Previously Issued Financial Statements

339. While KPMG was conducting its work for the 2013 audits, it should have determined that the level of revenue, accounts receivable and cash advances related to Pemex were growing at incredible rates, creating additional audit risks.

340. KPMG should have determined and known that the existing internal controls, which the CNBV found to be effectively non-existent to prevent fraud (resulting in millions of dollars in fines to Banamex), were grossly deficient and not even being monitored by management to determine if they were operating as intended.

341. This situation of significantly increasing revenues, accounts receivable and cash advances related to Pemex existed at the time KPMG issued its unqualified audit opinions for 2012.

342. The internal controls for the 2012 audits were the same controls as in 2013 in all material respects.

343. KPMG knew or should have known the internal controls for 2012 were grossly deficient and effectively non-existent to prevent fraud.

344. AU Section 560, Subsequent Events and Subsequently Discovered Facts, sets forth certain conditions under which auditors are required to revisit and potentially take action in light of subsequent events and discovered facts pertaining to its audit. When such events occur, AU Section 560.15 requires that auditors (i) “discuss the matter with management and, when appropriate, those charged with governance”; and (ii) “determine whether the financial statements need revision and, if so, inquire how management intends to address the matter in the financial statements.”

345. Where, as here, management fails to reissue financial statements in light of subsequent events and discovered facts that the auditor believes require revision, AU Section 560 states “if the audited financial statements have been made available to third parties, the auditor should assess whether the steps taken by management are timely and appropriate to ensure that anyone in receipt of the audited financial statements is informed of the situation, including that the audited financial statements are not to be relied upon.”

346. AU Section 560 goes on to state that “If management does not take the necessary steps to ensure that anyone in receipt of the audited financial statements is informed of the situation... the auditor should notify management and those charged with governance – unless all of those charged with governance are involved in managing the entity – that the auditor will seek to prevent future

reliance on the auditor's report. If, despite such notification, management or those charged with governance do not take the necessary steps, the auditor should take appropriate action to seek to prevent reliance on the auditor's report.”

347. Such appropriate action includes notifying appropriate regulatory agencies as well as anyone the auditor knows may be relying on the unrevised financial statements, such as Plaintiffs here.

348. While working on the 2013 audits, KPMG should have determined that its clients' internal controls over the revenues, accounts receivable and cash advances related to Pemex were materially deficient and effectively non-existent to prevent fraud. KPMG violated Section 560 because it failed to bring to management's attention the non-existent internal controls, to determine if the 2012 audited financial statements needed revision, or to inquire with management on how it intended to address the matter of non-existent controls in the financial statements. This should have been done by KPMG as soon as it commenced the 2013 audits and evaluated the internal control environment related to transactions with Pemex.

349. In light of the fraud and pervasive control failures in each of the companies it was auditing, KPMG was required to immediately revisit and revise its earlier audits of Oceanografía, Banamex and Citigroup's financial statements and – had management not addressed the controls deficiencies and accounting

misstatements KPMG should have raised – to make its action publicly known, including by notifying relevant regulatory agencies like the SEC and third parties, like Plaintiffs, who were relying on the false financial statements.

350. But KPMG failed to take any of these required actions and thereby failed to comply with applicable auditing standards. Plaintiffs lost over \$1.1 billion as a result.

C. KPMG Globally Coordinated and Managed Its Audits of Citigroup, Banamex and Oceanografía

351. International accounting firms such as KPMG solicit business from multinational clients like Citigroup and Oceanografía based on their proclaimed ability to provide multinational accounting services as part of an integrated, unitary global enterprise. KPMG both portrays itself and operates effectively as a single worldwide firm for companies that have global operations.

352. Indeed, as discussed further below, KPMG entities across the world worked together to obtain business from and provide services to Oceanografía and Citigroup/Banamex.

353. As the auditor for all of the entities involved in the wrongdoing at issue here, KPMG was uniquely placed – and indeed, was required to – assess and review Oceanografía’s and Citigroup/Banamex’s financial operations from multiple angles, reflecting on Oceanografía’s apparent lack of effective controls,

its false cash advance requests, the controls that should have caught such false requests at both Banamex and Citigroup, and the financial statements that were misstated as a result of failing to catch the fraud.

354. Had *any* of Defendants adequately policed that work on *any* level, Plaintiffs would not have been harmed. But instead the fraud went undetected despite the coordinated participation of multiple KPMG entities. KPMG's international organization and member firms collectively acted in conducting the audits of Citigroup, Banamex and Oceanografia, and collectively failed to comply with applicable audit standards in doing so – rendering negligent audit opinions and damaging Plaintiffs as a result.

1. KPMG International: The Global Parent Organization

a. KPMG's International Structure

355. KPMG International was founded in 1987 with its international headquarters located in Amstelveen, The Netherlands. Originally organized as a Swiss verein (or association), KPMG International was converted into a Swiss cooperative on October 1, 2003 and remains a Swiss cooperative to this day.

356. KPMG US is one of the four founding members of KPMG International.

357. KPMG International has firms in some 155 countries that provide audit, tax and advisory services. These services are reported as an aggregate amount, totaling approximately \$24.44 billion in combined global revenues for fiscal year 2015, of which KPMG US's share was approximately 32%. In other words, nearly *one-third* of KPMG's *global* revenues came from *KPMG US* operations alone.

358. As discussed below, the member firms of KPMG perform their audits and other services for international clients as one integrated organization.

b. KPMG Presents Itself as a Unified Global Organization

359. KPMG International was formed in order to “further or ensure the economic interests of its Members.” To that end, KPMG International's objectives include:

- Creating a “strong cohesive international organization, consisting of leading independent national firms;”
- Coordinating and supporting the “provision by its Members of services which meet the Cooperative's standards in the fields of audit, tax, and advisory and other areas, all as approved by [KPMG International];”

- Protecting, enhancing and extending “the use of the KPMG name and brand wherever the market demands;”
- Promoting the “success and standing of each Member and the capability of all such Members to provide service which meet[s] [KPMG International’s] standards in any part of the world;” and
- Establishing and facilitating “the implementation and maintenance of uniform strategies, policies and standards of work and conduct by the Members.”

360. KPMG has recognized the obvious: international businesses (like Citigroup and Oceanografia) require international audit enterprises that can provide cross-border services. Precisely to address this need, KPMG not only extensively markets itself, its member firms and KPMG US together as the unitary “KPMG” but also touts that the “unique strength” of the KPMG organization “has proven to be critical to our success and ability to serve clients *seamlessly and consistently* across geographies” (emphasis added).

361. For example, KPMG’s 2014 International Annual Review touts its structure as helpful in ensuring “that we can quickly respond to changing market developments” and emphasizes that KPMG as a whole is “collaborating globally on more strategic priorities than ever before...” Significantly, KPMG’s structure

is sold as being designed for the express purpose of foster[ing] collaboration and achiev[ing] global alignment across geographies and across functions.” *Id.* at 4.

362. In addition, through the Global Opportunities Program (“GO Program”), KPMG encourages its professionals to participate in secondments to other member offices throughout the world. According to KPMG, the GO Program is an effort to develop international skills and transfer talent and knowledge beyond borders for the benefit of the KPMG network overall. Indeed, a condition of KPMG’s membership requires that its member firms be able to (i) “adopt global and regional strategies,” (ii) “service multi-national clients,” (iii) “deploy global products,” and (iv) “compete effectively.”

c. Use of One Name – KPMG – Worldwide

363. To maintain this global image, KPMG strictly controls the use of the “KPMG” name and, upon information and belief, maintains very specific requirements for such details as fonts, spacing, and appearance of marketing materials produced by its member firms, as well as office space design and signage.

364. Indeed, Article 19.1 of the KPMG International statutes explicitly states that KPMG International *has the sole authority to license the use of the name KPMG*, whether used alone or in conjunction with the logo and any other intellectual property of KPMG. In order to use the KPMG name, logo or other

material, a member firm is required to enter into a separate agreement with KPMG International.

365. The consistent use of the “KPMG” name is intended to help the network capture international business. In other words, it is how KPMG convinces its clients that it operates and functions as one, global firm. For example, upon information and belief, when KPMG wishes to pitch for multinational business, KPMG will put together a consolidated, joint bid that reflects all constituent member firms that will be performing audit and other services as part of a unified team.

366. Because it uses one name and operates as one global structure, KPMG requires member firms to comply with its policies and procedures. Member firms must follow KPMG’s branding and marketing policies, use KPMG’s audit manual, adopt KPMG’s audit methodology and software, and follow KPMG’s quality control policies.

367. But KPMG’s conduct is much more comprehensive than merely setting standards for member firms. KPMG also has the right to control member firms’ audit work through disciplinary measures, including disciplining individual partners and expelling member firms. This is the highest level of control imaginable, extending to the very individual partners and employees who perform audit work on KPMG engagements around the world.

d. All KPMG Member Firms Are Required to Comply with KPMG's Policies, Procedures and Directions

368. KPMG can both require and forbid member firms to use the valuable “KPMG” name – giving KPMG the means to control every aspect of member firms’ businesses, because for most member firms the right to practice under the KPMG name and carry KPMG’s reputational capital is their most valuable asset.

369. As a condition of using the “KPMG” name and intellectual property, member firms are required to execute a separate member agreement. As part of its membership criteria, KPMG mandates compliance with “all Membership Documents” and KPMG’s policies and regulations, including “policies, standards, procedures, practices, guidelines, systems, rules and regulations” and other specified “membership criteria.” In addition, member firms are subject to quality and compliance review procedures, discussed below, and must “cooperate fully in such reviews.”

370. KPMG International’s statutes grant KPMG International the “sole authority to license the use” of the name “KPMG” and appoint KPMG International as the agent in charge of supervising other member firms’ use of the KPMG name. KPMG has the right to demand evidence of any member firm’s compliance with the policies and regulations, membership documents and any other applicable laws and regulations as well as initiate any other necessary

action to protect the KPMG name including investigations and reviews of member firm compliance.

371. KPMG International requires that all member firms, including KPMG Mexico, participate in and comply with the terms and conditions of the KPMG professional indemnity insurance program, as well as adopt KPMG's Global Code of Conduct. Under its Global Code of Conduct, KPMG firms commit "to deliver a high quality service, to act lawfully, ethically and in the public interest, to maintain independence and objectivity, to avoid conflicts of interest and to protect clients' confidentiality."

372. In addition, all KPMG member firms must adhere to policies and regulations established by the Global Audit Steering Committee and the Global Quality and Risk Management Steering Group, which work to "establish and communicate appropriate audit and quality/risk management policies; enable effective and efficient risk processes to promote audit quality; and proactively identify and mitigate critical risks to the network."

373. Accordingly, KPMG International is able, through these requirements, to control the manner and method by which KPMG member firms carry out their work. Assenting to this control gives member firms, such as KPMG Mexico, the power to act for KPMG International.

e. Review of Member Firms and Disciplinary Action in Connection with the Review

374. KPMG monitors its member firms through periodic member firm reviews that were established in “order to ensure the maintenance of services to clients that meet the standards of [KPMG International].” These member firm reviews allow KPMG International to police member firms’ conduct of their daily business as KPMG agents. KPMG formally reviews member firms every three years under its “Quality Performance Reviews.” The reviews are overseen by senior reviewers from other KPMG member firms.

375. As part of its Quality Performance Review process, KPMG evaluates member firms’ compliance with applicable membership requirements, including the member firms’ ability to meet KPMG International standards, share resources, service multinational clients, and manage risk.

376. KPMG publicly touts this review program as “the cornerstone of our efforts to monitor engagement quality, and one of our primary means of ensuring that member firms are collectively and consistently meeting KPMG International’s requirements and applicable professional standards.”

377. In the event KPMG International determines that a member has acted contrary to KPMG International’s objectives, policies and regulations, or otherwise violated its obligations of membership, KPMG International may take

a variety of measures in response ranging from formal warnings and financial penalties to suspension, restriction or termination of membership.

378. More specifically, KPMG International is vested with the authority to terminate a member in the event it:

- Fails to comply with KPMG International’s membership criteria;
- Fails to comply with any other applicable Policies and Regulations or the KPMG International Statutes;
- Fails to make timely payments of dues to KPMG International;
- Fails to pay its debts more generally as they become due or in the commencement of a bankruptcy, insolvency, reorganization, receivership, or similar proceedings involving a Member; and
- Fails to comply with its obligations under a Membership Document

379. Indeed, KPMG International can terminate membership “at any time for any other valid reason upon the recommendation of [KPMG International’s] Global Board or the Decision Committee, as applicable.”

380. These measures that KPMG International can take establish the control of KPMG International over member firms other than KPMG US, which

as a founding firm of KPMG International and the largest contributor to KPMG's global revenues has a special status that other member firms do not.

f. KPMG Member Firms Coordinated to Obtain Business from and Provide Services to Oceanografía

381. In 2012, Oceanografía was evaluating whether to purchase Goliath, one of the largest oil service vessels in the world.

382. KPMG Mexico submitted a proposal to Oceanografía to provide tax, accounting, transfer pricing and legal advice in connection with the purchase of the Goliath vessel.

383. Ultimately Oceanografía, through its affiliate Goliath, issued \$160 million in bonds to purchase the vessel. The offering memorandum and indenture agreement for the 2013 Bond Issuance required Oceanografía to issue annual audited financial statements. The offering memorandum also noted that Oceanografía's financial statements had been audited by KPMG and included an audit opinion from KPMG. As discussed above, the Goliath Bondholders relied upon Oceanografía's audited financial statements when purchasing the bonds.

384. Pursuant to the bond agreement, Oceanografía, through its affiliate Goliath, was required to list the bonds in the Euro MTF Market or Luxembourg Stock Exchange ("LSE"). In order to list the bonds on the LSE, the affiliate had to submit audited financial statements. Through its relationship with KPMG

Mexico, Oceanografía retained KPMG Singapore to audit the Goliath's financial information.

385. Coordination between KPMG Mexico and KPMG Singapore to provide services to Oceanografía demonstrates that KPMG International and its member firms operate as an integrated, unitary global enterprise offering services for companies with global operations.

2. KPMG Mexico Acted as KPMG International's Agent in Auditing Banamex and Oceanografía

386. At all relevant times, KPMG Mexico was the Mexican member firm of KPMG International.

387. KPMG Mexico audited both Oceanografía and Banamex at all times relevant to this action. More specifically, KPMG Mexico performed audits for Oceanografía in 2010, 2011 and 2012, and, on information and belief, conducted interim audit work during 2013 as well as year-end planning, preparation and substantive audit procedures on Oceanografía's 2013 financial statements during 2013 and early 2014.

388. On information and belief, KPMG Mexico was specifically retained in order to assist in restructuring Oceanografía's finances, including its outstanding loans and debts to creditors. Ultimately this enabled Oceanografía to gain and/or maintain the credit issued by Plaintiffs.

389. KPMG Mexico accordingly knew or should have known about the importance of the Banamex cash advance facility to certain of Oceanografía's creditors, including Plaintiffs here.

390. KPMG Mexico issued unqualified audit opinions in support of Oceanografía's financial statements for every year.

391. KPMG Mexico also performed annual audit services for Banamex from 2009 onward, both on a stand-alone basis and as part of KPMG US's audits of Citigroup's consolidated financial statements.

392. Given its unique role as an auditor for both Oceanografía and Citigroup/Banamex, KPMG Mexico was aware of Oceanografía's reliance on cash advances in connection with its Pemex contracts as well as the controls that were meant to be in place at all three entities in connection with those requests.

3. KPMG Mexico Presents Itself as An Agent of KPMG International

393. On its own website, KPMG Mexico routinely and publicly touts its membership, and global unity with, KPMG International.

394. Specifically, KPMG Mexico states that it is the Mexican member firm affiliated with KPMG International, and emphasizes that KPMG operates as an international network of member firms offering audit, tax and advisory services.

395. KPMG Mexico also flaunts the fact that KPMG member firms can be found in over 156 countries and that collectively they employ more than 152,000 people across a range of disciplines.

396. KPMG Mexico also touts that KPMG has a worldwide presence and builds on its member firms' successes thanks to clear vision and rigorously maintained values.

397. KPMG Mexico further claims that the KPMG member firms share the same values and offer a dual benefit for their clients: global support and comprehensive local knowledge.

398. Indeed, KPMG Mexico states that KPMG clients look to KPMG for a consistent standard of service based on high order professional capabilities, industry insight and local knowledge, and that it is these values that create a shared identity within the KPMG organization, defining what it stands for and how it does things.

399. KPMG Mexico also claims that KPMG contributes to the effective functioning of international capital markets because public trust in the capital markets is largely grounded in its confidence in the independent audit of company finances. KPMG Mexico also advertises its ability to help clients with

the tax implications of cross-border acquisitions or a global transfer pricing strategy.

400. KPMG Mexico not only flouts its connections to KPMG International and other member firms, it also accepts secondments from other KPMG member firms and staffs those employees on engagements, which, according to KPMG Mexico, benefit the KPMG network as a whole.

401. In addition, KPMG Mexico sends its own employees on secondments to other KPMG member firms around the globe. Between 2007 and 2008 alone, KPMG Mexico sent 69 of its employees on international assignments to more than nine countries, including the United States. It has stated it did so to offer added value to its clients and to promote the development of international skills and the transfer of talent and knowledge beyond borders, because of the benefits this provides the KPMG network overall.

402. KPMG Mexico accordingly acts as an agent of KPMG International with the same reputation and standards as any other KPMG member firm, and authority to act on KPMG International's behalf.

4. As an Agent of KPMG International, KPMG Mexico Claims to Abide by Certain Audit Standards Upon Which Its Clients Rely

403. On its website, KPMG Mexico claims that when conducting audits, it not only evaluates a company's financial information but also focuses on understanding the following:

- The business risks that may have an effect on the financial statements;
- The processes used by the company for risk management and reporting their effect on the financial statements; and
- The transactions carried out by the company, and how they are processed for reporting in the financial statements.

404. Accordingly, clients of KPMG Mexico and those who rely upon their audited financial statements such as Plaintiffs, reasonably expect KPMG Mexico to comply with these as well as internationally approved accounting and audit standards when conducting audits of a company's financial information.

5. KPMG International Is Responsible for KPMG Mexico's Conduct as Its Agent in Auditing Banamex and Oceanografía

405. By virtue of KPMG International's comprehensive control over the manner and method in which KPMG Mexico performed its work, the domination

KPMG International exercised over KPMG Mexico, and KPMG Mexico's conduct in acting in KPMG's name and on KPMG International's behalf, KPMG Mexico acted as KPMG International's agent for whose conduct, acts and omissions KPMG International is legally responsible as principal.

406. KPMG International and KPMG Mexico consented to an agency relationship. As discussed in this complaint, by virtue of KPMG International's conduct it manifested an intent for member firms to act for and bind it, and member firms similarly agreed to and did act on KPMG International's behalf. KPMG Mexico, like other member firms, was required to enter into a membership agreement with KPMG International; to abide by KPMG International's policies and procedures, which KPMG International agreed to enforce; to use KPMG International's intellectual property, which KPMG International monitored; and to submit to regular and specially mandated firm reviews, which KPMG International administered.

407. KPMG International retained control over KPMG Mexico whether or not KPMG Mexico was always in full compliance with KPMG International's policies and procedures, including its audit procedures, because KPMG Mexico was obligated to follow these procedures; because KPMG International held KPMG Mexico and its other member firms out to the world as doing so, periodically reviewing and enforcing their compliance therewith; and because

KPMG International always retained the power and ability to enforce its policies and procedures on KPMG Mexico, upon pain of a wide variety of sanctions up to and including expulsion from KPMG altogether.

408. KPMG Mexico, like all member firms, availed itself of cross-border referrals – including in the case of its audit of Banamex as a subsidiary of Citigroup, which was audited by KPMG US, as well as KPMG Mexico’s referral of work for Goliath to KPMG Singapore – and, upon information and belief, the payment and collection of commensurate fees, at least some portion of which redounded to KPMG International in the form either of direct referral payments or as part of KPMG Mexico’s annual membership fees.

409. In short, KPMG International urged member firms including KPMG Mexico to operate and present themselves out as a single global organization – which they do – and accordingly it is vicariously liable for their conduct.

410. At all material times, the persons who were actively involved in auditing Oceanografía and Banamex were partners, employees or affiliates in member firms of KPMG International, including KPMG US and KPMG Mexico.

411. When these partners or other persons were performing auditing and other services for Oceanografía and Banamex, they were (i) acting for and on behalf of KPMG International and the larger KPMG global organization in

general, and (ii) acting within the scope of their partnership in or employment by KPMG International and the KPMG global organization.

6. KPMG US Is Legally Culpable for KPMG Mexico’s Audit Failures by Virtue of Its Control of KPMG International, Which Controls KPMG Mexico

412. As with the dealings between KPMG International and KPMG Mexico, the relations between KPMG US and KPMG International establish a mutual agreement to function as principal and agent. In the unique case of KPMG US, however, given KPMG US’s status as a founding firm and the largest contributor of revenues to KPMG worldwide, it is *KPMG US* that is the *principal* and KPMG International its agent.

413. KPMG US’s website emphasizes its ability to provide clients with “a global network of professional firms providing audit, tax and advisory services.”

414. KPMG US’s fiscal and personnel impact on KPMG International is unparalleled by that of any other KPMG International member firm. KPMG US is far and away the largest member firm of KPMG International, dwarfing all other affiliate firms by a substantial margin. KPMG US accounted for more than 27% of KPMG International’s global fee income in fiscal year 2014, and 32% in its most recent fiscal year.

415. KPMG International is also staffed by partners and employees of its member firms, including a significant number of KPMG US partners and personnel. KPMG US's size, personnel and enormous financial resources dominate KPMG International. Indeed, until last year, KPMG US's Chairman and Chief Executive Officer, John Veihmeyer, also simultaneously served as KPMG International's Global Chairman. Mr. Veihmeyer, who continues to serve as KPMG International's Global Chairman (though KPMG US now has a new Chairman and CEO), is based in and works from KPMG's New York office.

416. In addition, at least the last two Global Heads of Audit for KPMG International (the most important of the Global Heads within the organization) held senior positions at KPMG US before joining KPMG International. Moreover, the outgoing Global Head of Audit returned to KPMG US to serve as the Global Lead Partner for one of KPMG US's largest industrial audit clients.

417. The role of the Global Head of Audit for KPMG International is to “*globally* drive audit quality and innovation *across* KPMG International's member firms to help enhance the value of the audit for capital markets and investors with *our* 65,000 audit practitioners around the world” (emphasis added).

418. KPMG US's control of KPMG International extends well beyond that of the Chairman and the Global Head of Audit. In fact, KPMG US personnel

make up 40% of KPMG International’s Global Management Team, one of the prime governance entities of KPMG International that is tasked with “developing global strategy,” supporting member firms like KPMG Mexico in their execution of KPMG’s global strategy, and then “holding them accountable for commitments” to the KPMG global strategy.

419. Recognizing KPMG US’s dominance of KPMG International, KPMG US personnel also hold such key positions as Global Head of Advisory and Global Head of Quality, Risk and Regulatory. Thus, it is KPMG US partners who – at some of the highest levels of KPMG International – are responsible for “driving the implementation by member firms of [KPMG’s] strategy in the Audit function, including standards of audit quality,” monitoring member firm compliance “with global quality and risk management policies and processes,” and ensuring that member firms deliver “consistent high quality work globally.”

420. Moreover, KPMG US consistently emphasizes the importance of, and its role in, KPMG International’s operations, including: (i) the KPMG US Department of Professional Practice’s liaison “with KPMG International’s International Standards Group, located in London, on international accounting and auditing standards matters;” (ii) the KPMG US Audit Quality and Process Monitoring Group’s responsibility “for conducting internal and external inspections” of KPMG auditors; (iii) KPMG US’s participation “in the

development of appropriately focused remedial actions in response [to problems....] and [m]onitoring the timely implementation, execution and effectiveness of the remedial action plans;” and (iv) the KPMG US Inspections Group’s execution of “the firm’s annual internal inspection program.... [and] the firm’s external quality review programs for the Audit practice.”

421. KPMG International’s internal statutes recognize KPMG US’s special status. Because KPMG US is a “founding member” of KPMG International, KPMG International’s statute provisions governing the all-important – and exclusive – use and licensing of the names “KPMG” and “Klynveld Peat Marwick Goerdeler” and related logos and intellectual property *cannot be changed* without KPMG US’s permission.

422. KPMG International’s internal statutes also state that, in the event of dissolution of the cooperative, the rights to the KPMG name are transferred and divided equally among the four founding firms. In other words, KPMG US’s control over licensing of (i) the KPMG name, (ii) related logos, and (iii) intellectual property continues beyond the dissolution of KPMG International itself. KPMG US therefore will continue to reap the benefits of the KPMG name even if KPMG International dissolves.

423. KPMG US controls KPMG International and KPMG International controls KPMG Mexico. By virtue of its control over KPMG International,

KPMG US is the principal and KPMG International is its agent, with KPMG Mexico being KPMG US's sub-agent both as a general matter and in particular with respect to its audits of Banamex and Oceanografía. Under established principles of agency law, KPMG US as principal is vicariously liable for the acts and omissions of its sub-agent KPMG Mexico.

7. KPMG US Is Directly Responsible for the Citigroup Consolidated Audit and Assumed Responsibility for KPMG Mexico's Audit of Banamex

424. In addition to controlling KPMG Mexico indirectly through its control over KPMG International, KPMG US assumed responsibility for, and was required to be involved with the work performed by, KPMG Mexico in connection with KPMG Mexico's audits of Banamex. As discussed above, KPMG US, as the group engagement auditor for Citigroup, assumed responsibility for the work of KPMG Mexico, as the auditor of Banamex, which is a wholly-owned subsidiary of Citigroup, pursuant to AU-C Section 600. AU-C Section 600 also requires KPMG US to be involved with the work of KPMG Mexico on its audits of Banamex itself.

425. In fact, KPMG International's "group audit" policies require KPMG US, as the group auditor, to (i) "evaluate the competence of component auditors, whether or not they are KPMG member firms," and (ii) incorporate "the heightened attention currently being given to key risk areas for group audits, e.g.

emerging markets and business environments that may be subject to heightened fraud risks.” KPMG US, based on information and belief, did none of this.

426. As the group auditor of Citigroup’s consolidated financial statements, KPMG US was required to oversee the related work of its agent KPMG Mexico in auditing Citigroup’s subsidiary Banamex. As the consolidation auditor, KPMG US exercised – or should have exercised – extensive oversight and pervasive control of KPMG Mexico’s audits of Banamex, including by dictating the scope of the audit and the applicable standards and procedures, highlighting potential areas of risk, responding to inquiries, checking on results, and coordinating billing for the overall engagement.

427. There was significant risk posed by Oceanografía’s cash advance requests to Banamex in connection with Mexican government contracts. KPMG US, as the primary group auditor for Citigroup, assumed responsibility for, and was required to be involved with, the work performed by component auditor KPMG Mexico to assess the risks related to the cash advance requests and the related audit testing and procedures relating to an expression of an audit opinion on the financial statements of Banamex.

428. This work would include evaluating and testing the internal controls (including possible management override of internal controls involving fraud)

related to the significant cash advances provided to Oceanografía. This work would also include performing substantive audit tests (e.g., reviewing the cash advance transactions and related supporting documents and obtaining some third-party corroborating documentation, such as confirmations from Pemex) to verify that the cash advance amounts did not contain material misstatements due to errors or fraud.

429. In its audits of Banamex's financial statements as part of KPMG's global audit of Citigroup, KPMG Mexico was controlled by – and was the agent of – KPMG US as Citigroup's consolidation auditor. KPMG US is therefore vicariously liable as principal for KPMG Mexico's audit failures in connection with the audits of Banamex and Citigroup.

430. Because of the materiality of Banamex to Citigroup's consolidated financial statements, KPMG US is also directly liable for incorporating KPMG Mexico's audit failures into KPMG US's own consolidation audit of Citigroup, which caused Citigroup's own financial statements to be materially misstated. Indeed, Citigroup admitted as much when it restated its financial statements on February 28, 2014, taking a pre-tax write down of \$360 million following the exposure of the fraud at Oceanografía and Banamex.

8. KPMG US Is Legally Culpable for the Audit Failures of KPMG Mexico in Its Audits of Oceanografía Because KPMG Mexico's Knowledge and Conduct in Relation to Those Audits Is Attributable to KPMG US

431. In addition to controlling KPMG Mexico indirectly through its control over KPMG International, and directly through its conduct of the Citigroup/Banamex audits, KPMG US also controlled and assumed responsibility for KPMG Mexico's audits of Oceanografía.

432. As discussed above, KPMG Mexico was the auditor of both Banamex and Oceanografía. Both companies had extensive dealings with each other, raising overlapping audit issues between the two engagements.

433. The knowledge and conduct of the KPMG Mexico personnel who conducted both audit engagements is attributable to KPMG Mexico.

434. Just as KPMG Mexico cannot disavow the knowledge and conduct of its personnel in connection with a particular engagement conducted within the scope of their agency, neither can KPMG US for the knowledge and conduct of KPMG Mexico within the scope of its agency.

435. As the principal of KPMG Mexico both indirectly via KPMG International and directly through the Citigroup audit, KPMG US is legally culpable for the knowledge and conduct of KPMG Mexico's personnel in their audits of Oceanografía as well as their audits of Banamex, given the audit clients'

extensive business dealings and overlapping audit issues between the two engagements.

436. In addition, at all relevant times, KPMG Mexico was registered with the PCAOB, which allowed KPMG Mexico to audit public companies in the United States. As a registered accounting firm with PCAOB, KPMG Mexico was subject to PCAOB rules.

437. The PCAOB lists KPMG Mexico as an affiliated entity of KPMG US, and vice versa.

438. Based on the most recent available information from the PCAOB, KPMG Mexico has substantial U.S. operations. For example, in 2012, KPMG Mexico audited, or played a substantial role in the audits of, at least 50 U.S. companies. On information and belief, KPMG Mexico closely coordinates with KPMG US in connection with its PCAOB registration and audits of U.S. companies and their subsidiaries, including Citigroup and Banamex.

9. KPMG International, KPMG US and KPMG Mexico Were Involved in a Joint Venture to Provide Professional Services to Citigroup, Banamex and Oceanografia

439. By virtue of the relationships described in this complaint, KPMG International, KPMG US and KPMG Mexico acted as joint venturers with and on behalf of one another in their provision of professional services to Citigroup,

Banamex and Oceanografía, and are therefore liable for one another's acts and omissions.

440. For example, as discussed in paragraphs 381 through 385, multiple KPMG entities across the globe coordinated and cooperated in obtaining business from and providing services to Oceanografía in connection with the Goliath vessel purchase.

a. Sharing of Profits and Losses

441. Under KPMG International's regular practices as well as KPMG International's governing agreements, KPMG International, KPMG US and KPMG Mexico had a duty to share, and did share, in both profits and losses in their provision of services to clients worldwide.

442. Indeed, KPMG International's own governing statutes explicitly state that each member firm "shall comply with... membership criteria" including to be able to (i) "adopt global and regional strategies;" and (ii) "*share resources (incoming and outgoing)*" (emphasis added), including in multinational engagements. There can hardly be a more clear statement of a commitment to share profits and losses.

443. Upon information and belief, the sharing of profits and losses took place in various ways, including without limitation through the preparation of joint bids and fee proposals worldwide, profit transfers based on allocation

percentages, and the payment of referral fees and service charges between and among KPMG member firms and KPMG International itself.

b. Sharing of Risk

444. KPMG International and its member firms also shared in the financial risks of their provision of services to Citigroup, Banamex and Oceanografía. KPMG International and its member firms share the risk of losses flowing from their global engagements and fee commitments, including Citigroup, Banamex and Oceanografía. Upon information and belief, these losses are sometimes shared in proportionate amounts, but other times in amounts that are set so as to allocate greater revenue or losses to particular KPMG International member firms based on the circumstances.

445. Evidencing their commitment to share and seek to ameliorate risk, the very same section of the KPMG International statutes referenced above requires member firms to jointly “manage risk.”

c. Joint Contribution of Resources to the Common Enterprise

446. In addition to the explicit general commitment referenced above to “share resources (incoming and outgoing),” KPMG International, KPMG US and KPMG Mexico contributed both funds and significant personnel that were used to carry out the specific provision of services to Citigroup, Banamex and Oceanografía.

447. Additionally, KPMG International, KPMG US and KPMG Mexico contributed both funds and significant personnel that were used to fund and staff KPMG International.

d. Joint Right to Control

448. As discussed above, KPMG International is staffed by partners and employees of the member firms, including KPMG US, that jointly provided services to Citigroup, Banamex and Oceanografía.

449. KPMG International member firms also police one another's day-to-day conduct. KPMG International requires each member firm to be formally reviewed every three years to ensure compliance with its policies and procedures. These reviews are conducted by partners and managers of other KPMG International member firms, including KPMG US. The member firms therefore have the right to direct and govern one another's conduct in connection with their joint venture provision of services to clients across the globe, such as Citigroup and Oceanografía.

450. As joint venturers, KPMG International, KPMG US and KPMG Mexico are liable for each other's conduct, acts and omissions.

e. Sharing of Personnel

451. KPMG uses personnel working under a variety of different arrangements to perform audit services for individual audit engagements, including secondments of personnel from one KPMG firm to another.

452. As discussed above in paragraph 362, KPMG publically touts its GO Program in which KPMG professionals work in other KPMG member offices. KPMG claims that the GO Program promotes the development of international skills and the transfer of talent and knowledge beyond borders, to the benefit of the overall KPMG network.

f. KPMG Operates as One Firm

453. As described above, KPMG International, KPMG US and KPMG Mexico viewed that they were acting as one global enterprise in providing their audit, consulting and financial services to Citigroup, Banamex and Oceanografia.

454. KPMG's publicly available materials all emphasize that KPMG International and its member firms are one unified organization providing services worldwide, and KPMG International requires member firms to follow its policies and procedures in order to use the KPMG name. Indeed, once a member firm joins KPMG International, it can use the KPMG name and the KPMG name only.

455. This view is consistent with KPMG International’s founding principals and structure, how KPMG member firms present themselves to Citigroup and Oceanografía and other clients throughout the world, and how the member firms themselves, including KPMG US and KPMG Mexico, view themselves as members of a unified global firm providing services to Citigroup, Oceanografía and other clients worldwide.

V. **KPMG’S AUDIT FAILURES ARE ENDEMIC**

456. KPMG’s failure to conduct its audits of Citigroup, Banamex and Oceanografía with the requisite level of care are yet further examples of what appears to be an endemic problem within the organization itself, as illustrated by reports issued by the PCAOB.

A. **KPMG US Consistently Fails to Properly Conduct Audits**

457. Established by Congress to oversee and evaluate audits of public companies for the protection of investors, the PCAOB’s most recent report on its inspection of certain KPMG US audits reveals pervasive deficiencies throughout KPMG’s auditing procedures. Indeed, the PCAOB determined that between October 2013 and February 2015, KPMG US failed to properly conduct audits in 28 out of the 52 tested engagements, a **54%** failure rate. The PCAOB went on to caution that certain of the deficiencies it uncovered were of “such significance that it appeared to the inspection team that [KPMG US], at the time it issued its

audit report, had not obtained sufficient appropriate audit evidence to support its opinion that the financial statements were presented fairly.”

458. KPMG US’s failure to obtain that critical audit evidence, as it was required to do, left the PCAOB with no choice but to conclude that KPMG US had issued “an opinion without satisfying its fundamental obligation to obtain reasonable assurance about whether the financial statements were free of material misstatement and/or the issuer maintained effective [internal control over financial reporting].”

459. Even more telling, over a third of the deficient KPMG US audits identified by PCAOB were audits of financial services firms – firms in the same sector as Citigroup and Banamex.⁶ In fact, KPMG US failed to adequately conduct some 77% (10 of 13) of the financial services audits reviewed by the PCAOB.

460. The PCAOB inspection revealed that, just as it did with Citigroup, Banamex and Oceanografía, KPMG US repeatedly failed to meet the requisite standard of care in delivering its audits, including by failing to:

⁶ The PCAOB did not publicly identify the names of the specific audit engagements where it found that KPMG US’s audits were deficient. Accordingly, although it is entirely possible (if not likely, given the size of the engagement) that one of the audits examined and found deficient by the PCAOB was in fact KPMG US’s 2013 audit of Citigroup – one of the central audits at issue here – Plaintiffs have no way of confirming that at this time.

- sufficiently test the design and operating effectiveness of controls;
- identify and test any controls addressing risks related to a particular account or assertion;
- design and implement audit responses addressing the risks of material misstatement; and
- plan and perform audit procedures to obtain sufficient appropriate audit evidence to provide a reasonable basis for the audit opinion.

461. Concluding that KPMG US's failure to adhere to these basic professional duties and requirements was a "serious matter," the PCAOB found that KPMG US failed "to accomplish the essential purpose of the audit" in these engagements such that KPMG US's deficient audit opinions should never have been released in the first place.

462. The same is true here in the case of Citigroup, Banamex and Oceanografía, where KPMG US yet again employed sloppy auditing practices that failed, in all material respects, to meet even the most basic standards of professional conduct.

B. KPMG Mexico Audits Suffer Similar Deficiencies

463. The PCAOB also evaluated KPMG Mexico and found deficiencies related to its failure to (i) test revenue; (ii) test controls; and (iii) report a prior

year adjustment or sufficiently test entity level controls in an audit where it was the component auditor, as opposed to group auditor.

464. Specifically, in 2012, the PCAOB reviewed two audits conducted by KPMG Mexico and one audit in which it played a role but was not the principal auditor. During its review, PCAOB identified “deficiencies of such significance that it appeared to the inspection team” that KPMG Mexico, at the time it issued its audit reports, had not (i) “obtained sufficient appropriate audit evidence to support its opinions on the issuer’s financial statements or [the Guide to Internal Control Over Financial Reporting];” or (ii) “obtained sufficient appropriate audit evidence to fulfill the objectives of its role in the audit.”

465. Those deficiencies were:

- The failure to perform sufficient procedures to test revenue, including the inadequate performance of substantive analytical procedures;
- The failure to perform sufficient procedures to test the design and operating effectiveness of controls;
- The failure to perform sufficient procedures to test the existence of property, plant and equipment, due to relying on testing of a sample that was determined without consideration of certain relevant factors;

- The failure to report a prior period adjustment to the principal auditor;
and
- The failure to perform sufficient procedures to test entity level controls.

466. As discussed above at paragraphs 387 through 392, KPMG Mexico failed to do these exact same things when auditing Oceanografía and Banamex.

VI. CAUSES OF ACTION

COUNT ONE: NEGLIGENT MISREPRESENTATION

(Against all Defendants in connection with the Oceanografía audits)

467. Plaintiffs repeat and reallege paragraphs 1 through 466 above as if fully set forth herein.

468. KPMG represented that it had audited Oceanografía's financial statements in accordance with ISA and found its financial statements to conform to Mexican Financial Reporting Standards and to be free of material misstatement, whether due to fraud or error. There are no material differences in Mexican Financial Reporting Standards and GAAP related to the cash advances for work performed by Oceanografía for Pemex.

469. As evidenced by the fraud and Oceanografía's subsequent collapse in 2014, these representations were not true.

470. KPMG failed to exercise the applicable audit standard of due professional care when auditing Oceanografía's financial statements, including by failing to, *inter alia*, (i) comply with applicable audit standards in the planning and execution of the audits, (ii) test internal controls including management's ability to override of such controls, (iii) detect the fraud, (iv) determine if previously issued financial statements needed revision due to inadequate internal controls and possible override of internal controls by management, and (v) otherwise take various actions to make the facts known to the public and those who KPMG knew or should have known were relying on the financial statements, including Plaintiffs.

471. As a result of KPMG's failures to comply with applicable auditing standards, Oceanografía's financial statements were materially misstated.

472. As a result of KPMG's failure to identify the fraud during the ongoing audit of Oceanografía's 2013 financial statements, KPMG caused the material misstatements in Oceanografía's prior financial statements to persist.

473. KPMG owed Plaintiffs a duty to exercise the applicable audit standard of due professional care because KPMG knew or had reason to know Plaintiffs, or a similarly situated class of persons such as bondholders, noteholders, lenders, trade vendors and other creditors, would and did receive and reasonably rely on the financial statements, audit opinions and other financial

investment reports that KPMG created, audited, certified, assisted in preparing and/or knew would be prepared based on work it performed and information it supplied, when Plaintiffs, or other similarly situated class of persons, (i) purchased bonds of, (ii) loaned money to, (iii) sold or leased goods to, or (iv) otherwise extended credit to Oceanografía.

474. Plaintiffs justifiably and reasonably relied on the financial statements, audit opinions and other financial investment reports that KPMG created, audited, certified, assisted in preparing and/or knew would be prepared based on work it performed and information it supplied, when they (i) purchased the bonds of, (ii) loaned money to, (iii) sold or leased goods to, or (iv) otherwise extended credit to Oceanografía.

475. Plaintiffs justifiably and reasonably relied on the absence of any public notification by Citigroup, Banamex or Oceanografía that prior issued financial statements contained material errors. KPMG should have determined that the internal controls related to cash advances were materially deficient and there was a significant risk of material errors in the previously issued audited financial statements. KPMG should have informed management of these entities to take the appropriate measures to correct the errors and inform the public.

476. Plaintiffs also justifiably and reasonably relied on KPMG Mexico's involvement with and audits of Oceanografía.

477. KPMG Mexico was negligent in fulfilling its duties as an auditor of Oceanografía.

478. When auditing Oceanografía's financial statements, KPMG Mexico acted as KPMG International's agent.

479. KPMG Mexico presented itself as an agent of KPMG International and KPMG US, with the same reputation and standards.

480. KPMG International is legally culpable for KPMG Mexico's conduct as its agent in auditing Oceanografía's financial statements.

481. KPMG US is legally culpable for KPMG Mexico's conduct as its sub-agent in auditing Oceanografía's financial statements, by virtue of its control of KPMG International, which controls KPMG Mexico.

482. KPMG US is legally culpable for KPMG Mexico's conduct as its agent in auditing Oceanografía's financial statements, by virtue of its control of KPMG Mexico in connection with the Citigroup/Banamex audits, which overlapped with the Oceanografía audits given the audit clients' extensive business dealings with each other.

483. KPMG International, KPMG US and KPMG Mexico were involved in a joint venture to provide professional services to Oceanografía and are therefore legally culpable for one another's acts and omissions.

484. KPMG's negligence caused Plaintiffs to suffer significant financial losses to be proven at trial.

485. As a result of KPMG's negligence in opining that Oceanografia's financial statements conformed to GAAP and were free of material misstatement, Plaintiffs (i) lost the opportunity to decline to (a) purchase bonds of, (b) loan money to, (c) sell or lease goods to, or (d) otherwise extend credit to Oceanografia; (ii) rescind transactions or agreements with Oceanografia; (iii) renegotiate transactions with Oceanografia; and (iv) to reduce their exposure to Oceanografia by exiting their credit relationships, and, as a result, Plaintiffs suffered significant financial losses.

486. As a result of KPMG's negligence, the fraud went undetected as early as 2010 until February 2014. Had KPMG identified the systemic internal control deficiencies and failures at Oceanografia, KPMG would have prevented or identified the fraud; thereby avoiding Oceanografia's collapse and preventing Plaintiffs' losses.

487. The actions of KPMG alleged herein were conducted with a wanton or willful disregard for Plaintiffs' rights, and exhibited an attitude of conscious indifference. Therefore, Plaintiffs should be awarded punitive damages in an amount sufficient to punish KPMG for its wrongdoing and also deter others from similar conduct in the future.

COUNT TWO: NEGLIGENT MISREPRESENTATION

(Against all Defendants in connection with the Banamex audits)

488. Plaintiffs repeat and reallege paragraphs 1 through 487 above as if fully set forth herein.

489. KPMG represented that it had audited Banamex's financial statements in accordance with ISA and found its financial statements to conform to the accounting criteria established by the CNBV and to be free of material misstatement, whether due to fraud or error. In general, these criteria conform to Mexican Financial Reporting Standards.

490. As evidenced by the fraud and Oceanografía's subsequent collapse in 2014, as well as Citigroup's related restatement of its own financial statements, these representations were not true.

491. KPMG failed to exercise the applicable audit standard of due professional care when auditing Banamex's financial statements, including by failing to, *inter alia*, (i) comply with applicable audit standards in the planning and execution of the audits, (ii) test internal controls including management's ability to override of such controls, (iii) detect the fraud, (iv) determine if previously issued financial statements needed revision due to inadequate internal controls and possible override of internal controls by management, and (v)

otherwise take various actions to make the facts known to the public and those who KPMG knew or should have known were relying on the financial statements, including Plaintiffs.

492. As a result of KPMG's failures to comply with applicable auditing standards, Banamex's financial statements were materially misstated.

493. As a result of KPMG's failure to identify the fraud during its audits of Banamex's financial statements, KPMG caused the material misstatements in Banamex's financial statements to persist.

494. KPMG owed Plaintiffs a duty to exercise the applicable audit standard of due professional care because KPMG knew or had reason to know Plaintiffs, or a similarly situated class of persons such as bondholders, noteholders, lenders, trade vendors and other creditors, would and did receive and reasonably rely on the financial statements, audit opinions and other financial investment reports that KPMG created, audited, certified, assisted in preparing and/or knew would be prepared based on work it performed and information it supplied, when Plaintiffs, or other similarly situated class of persons, (i) purchased bonds of, (ii) loaned money to, (iii) sold or leased goods to, or (iv) otherwise extended credit to Oceanografia.

495. Plaintiffs justifiably and reasonably relied on the financial statements, audit opinions and other financial investment reports that KPMG created, audited, certified, assisted in preparing and/or knew would be prepared based on work it performed and information it supplied, when they (i) purchased the bonds of, (ii) loaned money to, (iii) sold or leased goods to, or (iv) otherwise extended credit to Oceanografía.

496. KPMG Mexico was negligent in fulfilling its duties as an auditor of Banamex.

497. When auditing Banamex's financial statements, KPMG Mexico acted as KPMG International's agent.

498. KPMG Mexico presented itself as an agent of KPMG International and KPMG US, with the same reputation and standards.

499. KPMG International is legally culpable for KPMG Mexico's conduct as its agent in auditing Banamex's financial statements.

500. KPMG US is legally culpable for KPMG Mexico's conduct as its sub-agent in auditing Banamex's financial statements, by virtue of its control of KPMG International, which controls KPMG Mexico.

501. KPMG US is legally culpable for KPMG Mexico's conduct as its direct agent in auditing Banamex's financial statements, by virtue of its control of

KPMG Mexico in auditing Banamex as a subsidiary of Citigroup for purposes of KPMG US's consolidation audits of Citigroup.

502. KPMG International, KPMG US and KPMG Mexico were involved in a joint venture to provide professional services to Banamex and are therefore legally culpable for one another's acts and omissions.

503. KPMG's negligence caused Plaintiffs to suffer significant financial losses to be proven at trial.

504. As a result of KPMG's negligence in opining that Banamex's financial statements conformed to the accounting criteria established by the CNBV and were free of material misstatement, Plaintiffs (i) lost the opportunity to decline to (a) purchase bonds of, (b) loan money to, (c) sell or lease goods to, or (d) otherwise extend credit to Oceanografía; (ii) rescind transactions or agreements with Oceanografía; (iii) renegotiate transactions with Oceanografía; and (iv) to reduce their exposure to Oceanografía by exiting their credit relationships, and, as a result, Plaintiffs suffered significant financial losses.

505. As a result of KPMG's negligence, the fraud went undetected as early as 2010 until February 2014. Had KPMG identified the systemic internal control deficiencies and failures at Banamex, KPMG would have prevented or

identified the fraud; thereby avoiding Oceanografía's collapse and preventing Plaintiffs' losses.

506. The actions of KPMG alleged herein were conducted with a wanton or willful disregard for Plaintiffs' rights, and exhibited an attitude of conscious indifference. Therefore, Plaintiffs should be awarded punitive damages in an amount sufficient to punish KPMG for its wrongdoing and also deter others from similar conduct in the future.

COUNT THREE: NEGLIGENT MISREPRESENTATION

(Against all Defendants in connection with the Citigroup audits)

507. Plaintiffs repeat and reallege paragraphs 1 through 506 above as if fully set forth herein.

508. KPMG represented that it had audited Citigroup's financial statements in accordance with GAAS and found its financial statements to conform to GAAP and to be free of material misstatement, whether due to fraud or error.

509. As evidenced by the fraud and Oceanografía's subsequent collapse in 2014, as well as Citigroup's related restatement of its own financial statements, these representations were not true.

510. KPMG failed to exercise the applicable audit standard of due professional care when auditing Citigroup's financial statements, including by failing to, *inter alia*, (i) comply with applicable audit standards in the planning and execution of the audits, (ii) test internal controls including management's ability to override of such controls, (iii) detect the fraud, (iv) determine if previously issued financial statements needed revision due to inadequate internal controls and possible override of internal controls by management, and (v) otherwise take various actions to make the facts known to the public and those who KPMG knew or should have known were relying on the financial statements, including Plaintiffs.

511. As a result of KPMG's failures to comply with applicable auditing standards, Citigroup's financial statements were materially misstated.

512. As a result of KPMG's failure to identify the fraud during its audits of Citigroup's financial statements, KPMG caused the material misstatements in Citigroup's financial statements to persist.

513. KPMG owed Plaintiffs a duty to exercise the applicable audit standard of due professional care because KPMG knew or had reason to know Plaintiffs, or a similarly situated class of persons such as bondholders, noteholders, lenders, trade vendors and other creditors, would and did receive and reasonably rely on the financial statements, audit opinions and other financial

investment reports that KPMG created, audited, certified, assisted in preparing and/or knew would be prepared based on work it performed and information it supplied, when Plaintiffs, or other similarly situated class of persons, (i) purchased bonds of, (ii) loaned money to, (iii) sold or leased goods to, or (iv) otherwise extended credit to Oceanografía.

514. Plaintiffs justifiably and reasonably relied on the financial statements, audit opinions and other financial investment reports that KPMG created, audited, certified, assisted in preparing and/or knew would be prepared based on work it performed and information it supplied, when they (i) purchased the bonds of, (ii) loaned money to, (iii) sold or leased goods to, or (iv) otherwise extended credit to Oceanografía.

515. KPMG US was negligent in fulfilling its duties as an auditor of Citigroup.

516. KPMG International, KPMG US and KPMG Mexico were involved in a joint venture to provide professional services to Citigroup and are therefore legally culpable for one another's acts and omissions.

517. KPMG's negligence caused Plaintiffs to suffer significant financial losses to be proven at trial.

518. As a result of KPMG's negligence in opining that Citigroup's financial statements conformed to GAAP and were free of material misstatement, Plaintiffs (i) lost the opportunity to decline to (a) purchase bonds of, (b) loan money to, (c) sell or lease goods to, or (d) otherwise extend credit to Oceanografía; (ii) rescind transactions or agreements with Oceanografía; (iii) renegotiate transactions with Oceanografía; and (iv) to reduce their exposure to Oceanografía by exiting their credit relationships, and, as a result, Plaintiffs suffered significant financial losses.

519. As a result of KPMG's negligence, the fraud went undetected as early as 2010 until February 2014. Had KPMG identified the systemic internal control deficiencies and failures at Banamex, KPMG would have prevented or identified the fraud; thereby avoiding Oceanografía's collapse and preventing Plaintiffs' losses.

520. The actions of KPMG alleged herein were conducted with a wanton or willful disregard for Plaintiffs' rights, and exhibited an attitude of conscious indifference. Therefore, Plaintiffs should be awarded punitive damages in an amount sufficient to punish KPMG for its wrongdoing and also deter others from similar conduct in the future.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs demand judgment against Defendants as follows:

- (a) Damages for all injuries suffered as a result of Defendants' unlawful and/or improper conduct, including compensatory and punitive damages where appropriate in an amount to be determined at trial, and pre-judgment and post-judgment interest;
- (b) Costs of this action, including Plaintiffs' attorney's fees; and
- (c) Such other and further relief as is just and proper.

Respectfully submitted,

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