



# **Bank of China Limited, New York Branch**

## **CIDI Resolution Plan**

### **Public Section**

**July 01, 2018**

*This document contains forward-looking statements. Statements that are not historical facts, including statements about Bank of China (the "Bank") and the Bank's New York Branch's beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore undue reliance should not be placed on them. The forward-looking information contained in this document is presented for the purpose of interpreting the information contained herein and may not be appropriate for other purposes. Forward-looking statements speak only as of the date they are made, and the Bank and the Bank's New York Branch undertake no obligation to update publicly any of them in light of new information or future events.*

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## **INTRODUCTION**

This U.S. Covered Insured Depository Institution Resolution Plan (“CIDI Resolution Plan”) of Bank of China, New York Branch (“BOCNY”) is being filed pursuant to implementing regulations issued by the Federal Deposit Insurance Corporation (“FDIC”) (12 CFR § 360.10) (the “CIDI Rule”), a regulation issued pursuant to the Federal Deposit Insurance Act (“FDI Act”).

Section 360.10(a) of the CIDI Rule requires insured depository institutions with \$50 billion or more in total assets to periodically submit to the FDIC a plan for the resolution of such institution in the event of its failure. Section 360.10(b)(4) of the CIDI Rule requires the submission of the plan when the average of an institution four most recent Reports of Condition and Income exceeds \$50 billion in assets. BOCNY, an FDIC-insured branch, exceeded \$50 billion in average total assets of the preceding four quarters during the quarter ending December 31, 2017. As a result, BOCNY is required to submit a CIDI Resolution Plan as outlined in the CIDI Rule.

BOCNY is the only branch of Bank of China Limited (the “Bank”) that has met the requirements to be subject to the CIDI Resolution Plan submission in 2018. As a result, this CIDI Resolution Plan is being submitted by BOCNY, which is the focus of this plan. BOCNY is a branch of the Bank and not a separate legal entity. BOCNY is a federally licensed FDIC-insured branch and one of the few grandfathered, FDIC-insured branches of foreign banks. BOCNY was licensed by the Office of the Comptroller of the Currency (“OCC”) in 1981. Since being licensed by the OCC, BOCNY has been based in Manhattan, New York. BOCNY specializes in corporate lending, international trade services, treasury business, USD clearing, and retail banking. Its clients are mainly from Chinese companies that pursue a “going-global” strategy in the U.S., U.S. Fortune 500 companies, and high net-worth and affluent individuals.

### **Overview of the Bank**

Bank of China was formally established in February 1912. From 1912 to 1949, the Bank served consecutively as the country’s central bank, international exchange bank and specialized international trade bank. After the founding of People’s Republic of China, the Bank became responsible for managing China’s foreign exchange operations and provided support to the nation’s foreign trade development and economic infrastructure through its offering of international trade settlement, overseas fund transfer and other non-trade foreign exchange services. In 1994, the Bank transformed from a specialized foreign exchange bank into a state-owned commercial bank, and then incorporated as Bank of China Limited in August 2004. The Bank was listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange in June and July 2006 respectively.

The Bank provides a comprehensive range of financial services to customers across the Chinese mainland, Hong Kong, Macau, Taiwan as well as 54 other countries and regions. It is one of the largest banking groups in China and is China's most international and diversified bank. As of December 31, 2017, the largest shareholder of the Bank was Central Huijin Investment Limited, an investment company owned by the Chinese Government. At that time, Central Huijin Investment Limited held 64.02% of Bank's equity. The Bank's core business is commercial banking, including corporate banking, personal banking and financial markets services. As of December 31, 2017, the Bank had total assets of over \$2.98 trillion. The Bank's total revenue for 2017 was \$73.98 billion. In 2017, the Bank was again designated by the Financial Stability Board as a Global Systemically Important Bank ("G-SIB"), becoming the sole financial institution from emerging economies to be designated as a G-SIB for seven consecutive years.

### **Overview of the Bank's U.S. Operations**

The Bank's U.S. operations ("BOCUSA") include both banking and non-banking activities. BOCUSA conducts its banking operations in the United States through four federally licensed branches:

- BOCNY,
- Bank of China Queens Branch (the "Queens Branch"),
- Bank of China Chicago Branch ("BOCCH"),
- Bank of China Los Angeles Branch ("BOCLA").

All four of the Bank's U.S. branches are licensed by the OCC. The Bank has two branches in New York: BOCNY and the Queens Branch. For purposes of this CIDI Resolution Plan, BOCNY is the only CIDI of the Bank because the Queens Branch does not meet the total asset threshold set forth in the CIDI Rule and is therefore not subject to the CIDI Resolution Plan submission requirement in 2018. Thus, as noted above, for this CIDI Resolution Plan, BOCNY is the only branch of the Bank that has met the requirements to be subject to the CIDI Resolution Plan submission in 2018.

In addition to the above banking operations of the Bank in the U.S., within the BOCUSA organization, there are five non-banking entities domiciled in the U.S.:

- BOC Aviation (U.S.A.) Corporation
- BOC International (U.S.A.) Holdings Inc.
- BOC International (U.S.A.) Inc.
- BOCI Commodities & Futures (U.S.A.) LLC
- 7BP Owner LLC

### **Overview of the Resolution Plan**

This CIDI Resolution Plan is intended to provide the FDIC with a comprehensive understanding of the organization, operations, and businesses of the CIDI (BOCNY) as well as provide a plan for the FDIC to resolve the institution in an orderly manner. The key building blocks of any resolution plan, therefore, are the identification of Material Entities (“ME”), Core Business Lines (“CBLs”), and Critical Services (“CS”) (each as defined in the CIDI Rule), if any, and a strategic analysis of resolution actions and impacts.

## **1. MATERIAL ENTITIES**

### Definition

A Material Entity (“ME”) is defined in the CIDI Rule as a company significant to the activities of a critical service or core business line.

### Identification of *Material Entity*

For the purpose of this CIDI Resolution Plan, BOCNY has identified one Material Entity – the CIDI (BOCNY).

## **2. CORE BUSINESS LINES**

### Definition

CBLs are defined in the CIDI Rule as the business lines of the CIDI, including associated operations, services, functions and support that in the view of the CIDI, upon failure would result in a material loss of revenue, profit or franchise value.

### Identification of *Core Business Lines*

For purposes of this CIDI Resolution Plan, BOCNY has identified three CBLs in its U.S. operations – Corporate Banking, Treasury, and Payment Settlement/Clearing Services (“PSCS”). Corporate Banking comprises the vast majority of the U.S. operations of BOCNY and includes the following three businesses:

- Trade Finance,
- Corporate Loans, and
- Commodity Business.

### 3. CONSOLIDATED FINANCIAL INFORMATION REGARDING ASSETS, LIABILITIES, CAPITAL AND MAJOR FUNDING SOURCES

The following table shows the assets and liabilities of BOCNY as of December 31, 2017. As of that date BOCNY had approximately \$52.52 billion of total assets under U.S. Generally Accepted Accounting Principles (“GAAP”).

<b>BOCNY Balance Sheet as of December 31, 2017</b>	
<b>Assets</b>	<b>(USD Millions)</b>
Balance with Fed	\$25,433
Due From Banks - Affiliate	\$2,214
Due From Banks - Third Party	\$85
Loans	\$18,813
Syndications	\$5,943
Time	\$4,733
Mortgage	\$5,703
Trade Finance	\$2,434
Securities	\$5,673
BOLI	\$174
Other Assets	\$126
<b>Total assets</b>	<b>\$52,517</b>
<b>Liabilities</b>	
Due to Banks	\$31,914
Customer Deposits	\$4,210
Demand, MM, & Savings	\$2,429
Time Deposits	\$1,781
Brokered Deposits	\$15,425
Bond Issuance	\$230
Equity	\$492
Other Liabilities	\$247
<b>Total liabilities</b>	<b>\$52,517</b>

Source: BOCNY Balance Sheet, December 31, 2017

#### Capital

BOCNY utilizes a centralized model for capital, funding, and liquidity management for its banking operations that ensures optimal funding efficiency and control. BOCNY provides funding operations to U.S. branches and provides U.S. dollar funding based on business

requirements to the Bank's other foreign branches and affiliates. It also manages the liquidity for the Bank's other U.S. branches.

As a U.S. branch of a foreign bank, BOCNY is not a separate legal entity and thus does not maintain capital separately from the Bank. Instead, it relies on the Bank's head office to maintain a sufficient level of level of capital at the Bank level in accordance with applicable regulations. However, BOCNY is subject to various asset pledge, asset maintenance, and capital equivalency deposit requirements from U.S. regulators.

### **Major Funding Sources**

BOCNY is primarily self-funded under both normal and stress conditions. It provides funding to and manages liquidity for BOCLA and BOCCH. Additionally, BOCNY is designated as the U.S. dollar funding pool within the Bank's global operations and arranges U.S. dollar funding for other overseas branches and the Bank's head office on a case-by-case basis. BOCNY is mainly funded by deposits from various sources, including deposits from major financial institutions in China, deposits from the Bank's other foreign branches or affiliates, brokered CDs, and deposits from corporates and individuals.

### **4. DERIVATIVE ACTIVITIES AND HEDGING ACTIVITIES**

BOCNY and its affiliated branches only conduct derivative trades for the purpose of hedging. Most of BOCNY's hedging activity is undertaken to accommodate the needs of commercial banking customers for interest rate and foreign exchange transactions.

### **5. MEMBERSHIPS IN MATERIAL PAYMENT, CLEARING AND SETTLEMENT SYSTEMS**

BOCNY utilizes payment, clearing and settlement systems to support a variety of business functions. The major payment, clearing and settlement systems in which BOCNY is a member are listed below.

Clearing House Interbank Payments System ("CHIPS")	U.S. dollar clearing house.
Federal Reserve Wire Network ("FedWIRE")	U.S. dollar settlement system.
Global Payment System ("GPS")	Funds transfer and payment processing system.
Society for Worldwide Interbank Financial Telecommunication ("SWIFT")	Global financial payment and messaging service system by SWIFT.

### **6. FOREIGN OPERATIONS**

The Bank provides a comprehensive range of financial services to customers across the Chinese mainland, Hong Kong, Macau, Taiwan as well as 54 other countries and regions. As a U.S. branch of a foreign bank, BOCNY is not a separate legal entity from the Bank and does not itself maintain any foreign operations.

## 7. MATERIAL SUPERVISORY AUTHORITIES

As an OCC-licensed, FDIC-insured branch of a foreign bank, BOCNY is subject to supervision and examination by several material U.S. supervisory authorities, including the OCC, the FDIC and the Board of Governors of the Federal Reserve System (the “FRB”). The OCC, which is BOCNY’s prudential regulator for safety and soundness, is its primary federal regulatory. The FDIC insures and regulates BOCNY’s deposit taking activities, and the FRB promulgates rules regulating BOCNY’s reserves and certain other matters relating to the U.S. operations of the Bank, including BOCNY. In addition, the Consumer Financial Protection Bureau regulates BOCNY’s consumer financial products and services.

## 8. PRINCIPAL OFFICERS

The following tables identify key management and department management personnel for BOCNY’s U.S. operations:

<b>BOCNY’s Key Management Personnel</b>	
<b>Name</b>	<b>Title</b>
Chen Xu	President and CEO of BOC U.S.A.
Tong Yu	Executive Vice President, Chief Operating Officer of BOC U.S.A.
Wenjian Fang	Executive Vice President, Chief Risk Officer of BOC U.S.A.
Jinjun Peng	Executive Vice President
Yong Ma	Executive Vice President, Deputy Chief Risk Officer BOC U.S.A.
Lei Qiao	Executive Vice President
Xiaojun Huang	Executive Vice President
Min Zhu	Executive Vice President

Source: BOCNY Management December, 2017

<b>BOCNY’s Department Management Personnel</b>		
<b>Name</b>	<b>Department</b>	<b>Title</b>
Rafael Leindekar	Internal Audit Department	Managing Director, Chief Auditing Executive
Lynne Johnston	Legal & Compliance Department	Managing Director, Chief Compliance Officer
Richard Goldberg	Chief Data Office	Managing Director, Chief Data Officer



<b>BOCNY's Department Management Personnel</b>		
<b>Name</b>	<b>Department</b>	<b>Title</b>
Wesley Chen	Legal Office	Managing Director, Chief Legal Counselor
Xiaolong Lou	Banking Department	Senior Vice President
Yuanmeng Xiong	Commodity Business Center	Senior Vice President
Lei Zhao	Corporate Banking Department	Senior Vice President
Na Liu	Clearing Department	Senior Vice President
Yifei Chen	Executive Office	Senior Vice President
Shicong Fan	Financial Institutions Department	Senior Vice President
Min Li	Financial Management Department	Senior Vice President
Alan Wong	Human Resources Department	Senior Vice President
Jun Liu	Internal Audit Department	Senior Vice President
Xia Yu	Legal & Compliance Department	Senior Vice President
Qian Peng	Market Risk Management Department	Senior Vice President
Lixing Fan	Operational Risk Management Department	Senior Vice President
Yu Qiao	Operational Service Department	Senior Vice President
Xunxun (Grace) Li	Risk Management Department	Senior Vice President
Wei Liang	Strategy & Research Department	Senior Vice President
Zhidan Liu	Treasury Department	Senior Vice President
Yanxin Liu	Treasury Middle Office Department	Senior Vice President
Ke Yang	Trade Services Department	Senior Vice President

Source: BOCNY Management December, 2017

## **9. CORPORATE GOVERNANCE STRUCTURE AND RESOLUTION PLANNING PROCESS**

BOCNY has established a governance framework at both the Bank level and BOCNY operations level to ensure that all aspects of resolution planning receive appropriate attention by the designated Board of Directors. The governance process used for the CIDI Resolution Plan is similar to the one used for the Bank's 165(d) Resolution Plan (together with the CIDI Resolution Plan, the "U.S. Resolution Plans"). The use of a similar governance process for the U.S. Resolution Plans allows for the members of the governance bodies to develop a strong understanding of resolution planning requirements as well as the process at BOCNY. The governance framework establishes the roles and responsibilities of committees for the global and local management of resolution planning.

BOCNY has a multi-tiered corporate governance structure with respect to resolution planning. Consequently, policies, procedures, and internal controls governing the preparation and approval of the CIDI Resolution Plan must be discussed at each level of the corporate governance structure.

In addition, the following governance bodies have oversight responsibilities:

- Bank of China Limited's US Risk and Management Committee ("USRMC")
- BOCNY Executive Management Committee ("EMC"); and
- BOCNY Risk Management and Internal Control Committee ("RMICC").

As a foreign branch of the Bank, BOCNY is a branch of the Bank and not a separate legal entity. As such in its capacity, the Board of Directors chaired by Mr. Siqing Chen is the most senior management body of the Bank. It approved BOCNY's initial CIDI Resolution Plan in 2015. The USRMC, a sub-committee of the Risk Policy Committee of the Board of Directors of the Bank, is responsible for reviewing and approving the annual update and submission of BOCNY's CIDI Resolution Plan.

The EMC is responsible for overseeing the development, maintenance, implementation, and filing of BOCNY's CIDI Resolution Plan. The RMICC is responsible for establishing a comprehensive governance and risk management process of the CIDI Resolution Plan required to be filed by BOCNY.

The preparation of the 2018 CIDI Resolution Plan is coordinated by BOCNY's Market Risk Management Department ("MRD"). MRD designs the project management and reporting framework applicable to the CIDI Resolution Plan. Further, as the RRP leading department, MRD plays a central and critical role coordinating with the working team members from each business or function and with senior management, and facilitating and providing guidance to functional subgroups tasked with plan development.

Throughout preparation and development of the CIDI Resolution Plan, MRD provides periodic upstream reporting to EMC, and solicits feedback from stakeholders and coordinate the committee approvals.

Charlie Peng, the head of BOCNY's Market Risk Management Department is the senior management official responsible for overseeing the development, maintenance, implementation, filing, and compliance with the CIDI Resolution Plan requirements.

The preparation of the 2018 CIDI Resolution Plan commenced with requesting applicable data from various businesses and functions. During the data gathering period, MRD liaised with external consultants and legal counsel as well as the working team members from each business or function to define, collect, and analyze applicable data/information as per the regulatory requirements.

The development of this CIDI Resolution Plan was an iterative process involving frequent consultation with all relevant governance bodies and senior management. Furthermore, MRD communicated with the Bank on the development of this CIDI Resolution Plan. With respect to development, implementation, filing, and compliance of future CIDI Resolution Plans, BOCNY expects to follow a similar process, which will include a similar level of involvement by the Board of Directors and senior executive officers.

As part of business-as-usual processes, MRD is responsible for coordinating the development, oversight and maintenance of BOCNY's CIDI Resolution Plan. In addition, each department and/or shared service is responsible for proactively identifying and escalating issues relevant to resolution planning.

## **10. MATERIAL MANAGEMENT INFORMATION SYSTEMS**

BOCNY utilizes management information systems ("MIS") to support a variety of business functions. These systems include applications to conduct business activities across all financial products, as well as generate accounting, financial, operations, regulatory and risk management reports. Systems and applications are essential for effective operations and are managed through a best practices business continuity approach. Some of the systems and applications are directly purchased from other third-party vendors, or have been developed internally and are supplemented with third-party vendors.

America Data Center ("ADC") and the Operational Service Department ("OSD") provide MIS support. Through an analysis of a Business Impact Assessment and BOCNY's key systems and applications, ADC, in conjunction with OSD, determines the appropriate recovery measures to ensure MIS capabilities.

## **11. HIGH-LEVEL OVERVIEW OF RESOLUTION STRATEGY**

The FDIC's Guidance for Insured Depository Institution Resolution Plan Submissions, issued in December 2014 (the "CIDI Resolution Plan Guidance") expects, at a minimum, that each CIDI Resolution Plan analyze and discuss a range of realistic resolution strategies. Specifically, the CIDI Resolution Plan Guidance expects that, at a minimum, each CIDI include in its analysis and discussion at least one strategy that primarily involves the separation and sale of the CIDI's deposit franchise, core business lines and/or major assets to multiple acquirers ("Multiple Acquirer Strategy"), and one strategy that involves the liquidation of the CIDI, including a payout of insured deposits ("Liquidation Strategy"). The CIDI Resolution Plan Guidance expects CIDs to discuss at least one Multiple Acquirer Strategy that involves the recapitalization of a portion of the CIDI through single or multiple IPO transactions.

Among CIDs that are subject to the resolution planning requirements of the CIDI Rule, BOCNY is different from all other CIDs in that it is the only CIDI that is a branch of a foreign

bank. As a branch of a foreign bank, BOCNY is not a separate legal entity. Because BOCNY is a branch rather than a separate legal entity and its customer relationships are primarily driven by its status as a Bank of China branch, BOCNY has determined that Multiple Acquirer Strategies, including those involving purchase and assumption transactions, initial public offering transactions, or a combination of such transactions, are not feasible or practical, and therefore not appropriate resolution strategies for BOCNY.

Based on an analysis and due diligence, BOCNY has concluded that a Liquidation Strategy is the only feasible resolution strategy for BOCNY. However, in accordance with the expectations set forth in the CIDI Resolution Plan Guidance, BOCNY has also considered a potential Multiple Acquirer Strategy involving a combination of purchase and assumption transactions and liquidation.

Under the Liquidation Strategy, BOCNY would pursue an orderly liquidation of its assets. As an FDIC-insured branch of a foreign bank, resolution of BOCNY would primarily involve the OCC appointing the FDIC as receiver under the International Banking Act of 1978 (“IBA”) and a liquidation of the branches by the FDIC under the FDI Act and FDIC regulations. Upon being appointed as receiver of a federal branch of a foreign bank, the FDIC shall take possession of all property and assets of BOCNY, and the FDIC shall exercise the same rights, privileges, power and authority over such U.S. property of BOCNY as are exercised by receivers of national banks appointed by the OCC. The FDIC has several statutory options to choose from in resolving the branch in a manner that protects insured depositors and the FDIC Deposit Insurance Fund, and the option chosen by the FDIC will depend on the circumstances at the time.

As is the case with the Liquidation Strategy, resolution of BOCNY under a Multiple Acquirer Strategy would commence with the OCC appointing the FDIC as receiver under the IBA. A proposed Multiple Acquirer Strategy would involve the establishment by the FDIC of a “bridge” bank pursuant to its authority under the FDI Act. BOCNY contemplates that the FDIC would transfer some of the assets and liabilities of BOCNY to the bridge bank. Following such transfers, the FDIC would pursue a permanent resolution of the bridge bank through one or more purchase and assumption transactions, sale of the stock of the bridge bank, or through other methods authorized under the FDI Act. BOCNY assets and liabilities not transferred to the bridge bank by the FDIC would be liquidated in a manner similar to the process under a Liquidation Strategy.