

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY

In the Matter of:)
)
Bank of China, New York Branch)
New York, New York;)
)
Bank of China, Chinatown Branch)
New York, New York;)
)
And)
)
Bank of China, Los Angeles Branch)
Los Angeles, California;)
)
Federal branches of)
)
Bank of China)
Beijing, People's Republic of China)

CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”), through his staff, has examined and investigated Bank of China, New York Branch (“New York Branch”), and has examined Bank of China, Chinatown Branch (“Chinatown Branch”), and Bank of China, Los Angeles Branch (“Los Angeles Branch”) (collectively, “Branches”), which are Federal branches of Bank of China, Beijing, People's Republic of China (“Bank”), and his findings have been made known to the Branches and the Bank.

The Branches, by and through their General Manager U.S.A. (“General Manager”), duly authorized by the Bank, have executed a “Stipulation and Consent to the Issuance of a Consent Order,” (“Stipulation and Consent”) dated January 17, 2002, that is accepted by the Comptroller.

By this Stipulation and Consent, which is incorporated by reference, the Branches have consented to the issuance of this Consent Order (“Order”) by the Comptroller.

Pursuant to the authority vested in him by the International Banking Act of 1978, as amended, 12 U.S.C. § 3101 *et seq.*, and the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818, the Comptroller hereby orders that:

ARTICLE I

RISK MANAGEMENT DEPARTMENT

(1) Not later than April 30, 2002, the New York Branch, in consultation with the Bank, shall expand the duties and authority of the Risk Management Department (“Department”) consistent with this Order:

- (a) The Department shall have authority over, and responsibilities for, all of the Branches, as described in this Order; and
- (b) The Department shall continue to be located within the New York Branch.

(2) Not later than April 30, 2002, the New York Branch, in consultation with the Bank, shall retain the services of an individual for the position of Chief Risk Officer (“CRO”), who shall manage the Department. The qualifications of the CRO shall include:

- (a) Education and training focused on bank operations within the United States;
- (b) Expertise in the banking laws and regulations of the United States;
- (c) Significant experience in fraud control; and
- (d) Experience in lending and trade finance.

- (3) The CRO shall be subject to the prior notice provisions of 12 U.S.C. §1831i.
- (4) The CRO shall report directly to the General Manager and the Bank.

(5) The New York Branch's evaluation of the CRO's performance shall be reviewed and approved in writing by the Bank.

(6) The CRO may be disciplined or terminated only with the prior written consent of the Bank. The New York Branch shall provide prior written notice to the Director of the Special Supervision/Fraud Division of the OCC ("Director") prior to disciplining or terminating the CRO.

(7) The CRO's authority and the Department's authority shall include, but is not limited to, the power to:

- (a) Gain access to all documents, files, correspondence, and personnel of the Branches, without restriction;
- (b) Require the Branches to adopt policies, processes, procedures, systems and controls consistent with the CRO's and the Department's responsibilities;
- (c) Require the Branches, and personnel of the Branches, to produce periodic reports and to produce specific reports as deemed necessary by the CRO;
- (d) Deny any loan request, which denial shall be supported by a written statement of the reasons for the denial and which may be overturned only by the General Manager, *provided that* a written statement by the General Manager of the specific reason(s) for overturning the denial, all documents related to the loan request and all documents related to the denial are provided to the Director within thirty (30) days of the date the General Manager overturns the denial;
- (e) Suspend any type of customer relationship, which suspension shall be supported by a written statement of the reasons for the suspension and which may be overturned only by the General Manager, *provided that* a written statement by the

General Manager of the specific reason(s) for overturning the suspension, all documents related to the customer relationship and all documents related to the suspension are provided to the Director within thirty (30) days of the date the General Manager overturns the suspension;

- (f) Terminate any type of customer relationship, which termination shall be supported by a written statement of the reasons for the termination and which may be overturned only by the General Manager, *provided that* a written statement by the General Manager of the specific reason(s) for overturning the termination, all documents related to the customer relationship and all documents related to the termination are provided to the Director within thirty (30) days of the date the General Manager overturns the termination;
- (g) Conduct investigations into any matters related to any of the duties or authority of the CRO or the Department, the existence and conclusions of which may be withheld from the Branches with the written consent of the Bank;
- (h) Recommend that the Branches or the Bank discipline any officer or employee of the Branches based upon breach of duty, wasting of assets, lack of candor, dishonesty or any other basis within the purview of the CRO or the Department;
- (i) Recommend that the Branches or the Bank terminate the employment of any officer or employee of the Branches based upon breach of duty, wasting of assets, lack of candor, dishonesty or any other basis within the purview of the CRO or the Department; and

(j) Any other incidental powers necessary to carry out the functions, duties and responsibilities of the CRO and the Department required by this Order, and any other powers deemed appropriate by the Bank.

(8) The CRO shall ensure that the Department fulfills its responsibilities, which shall include, but are not limited to:

- (a) Developing, in consultation with the Bank's American Auditing Center, policies, processes, procedures, systems and controls to mitigate and prevent fraud;
- (b) Supervising, in consultation with the American Auditing Center, the Branches' fraud control measures;
- (c) Consulting with the Compliance Department concerning the Branches' BSA compliance and anti-money laundering measures;
- (d) Supervising, in consultation with the American Auditing Center, the Branches' adherence to internal policies and procedures;
- (e) Investigating potential internal and external fraud;
- (f) Reviewing all loan recommendations;
- (g) Reviewing all Suspicious Activity Reports ("SARs");
- (h) Filing SARs, in consultation with the Compliance Department;
- (i) Maintaining documentation concerning the CRO's and the Department's actions required by this Order; and
- (j) Any other responsibilities contained in this Order, and any other responsibilities assigned to the CRO or the Department by the Bank.

(9) Beginning no later than April 30, 2002, and continuing thereafter, the CRO and the Department shall require periodic reports from the Branches' personnel, designated by the CRO

or the Department, including personnel responsible for all units of the New York Branch, personnel of the Chinatown Branch, and personnel of the Los Angeles Branch. The periodic reports shall include:

- (a) Monthly reports on all credit accounts that are newly established, renewed, or modified (including changes in collateral), which shall include:
 - (i) The name of the customer;
 - (ii) The officers, directors and Major Shareholders of any corporate customer;
 - (iii) The partners of any partnership customer;
 - (iv) Any other accounts maintained by the customer, and, as applicable, its officers, directors, Major Shareholders or partners;
 - (v) A detailed analysis of the due diligence performed on the customer, and, as applicable, its officers, directors, Major Shareholders or partners;
 - (vi) Any Related Accounts of the customer at the Branch; and
 - (vii) The action taken on the credit account.
- (b) Monthly reports on Trade Settlement Transactions conducted through the Branches, which shall include:
 - (i) The name of the customer engaging in the Trade Settlement Transaction;
 - (ii) The name of the counter-party in the Trade Settlement Transaction;
 - (iii) A twenty-four (24) month history, if available, of Trade Settlement Transactions between the customer and the counter-party;
 - (iv) The type and origin of goods involved in the Trade Settlement Transaction; and
 - (v) The amount of the Trade Settlement Transaction;

- (c) Monthly reports listing all Related Accounts within the Branches;
- (d) Monthly reports on the activity between Related Accounts within each Branch;
- (e) Monthly reports on all loan participations by any of the Branches;
- (f) Monthly reports on all sales, purchases or transfers of assets by any of the Branches;
- (g) Monthly reports on all collateral held by any other party and all instruments issued by any other party, to secure (in whole or in part) credit extended by any of the Branches;
- (h) Monthly reports on all collateral held by any of the Branches and all instruments issued by any of the Branches, to secure (in whole or in part) credit extended by any other party;
- (i) Monthly reports on the Due Diligence that shall be performed by an independent third party, as required by this Order;
- (j) Monthly reports on any type of subpoena received by any of the Branches and on any law enforcement inquiry directed to any of the Branches;
- (k) Monthly reports on any type of litigation involving any of the Branches or any of the customers of the Branches;
- (l) Monthly reports on all deposit accounts and credit accounts at the Branches, and transactions of any nature through the Branches, other than clearings, directly or indirectly related to other branches of the Bank (including, but not limited to, any relationship through common ownership, officers, directors, partners, management, personnel or investment);

- (m) Quarterly reports on the account purpose, account balance and any unusual account activity for each credit account, sorted to group the credit accounts by each individual responsible for administration or origination of the credit accounts; and
 - (n) Such other reports deemed necessary or appropriate by the CRO, the Department or the Bank.
- (10) Not later than September 1, 2002, the CRO and the Department shall establish comprehensive lists and searchable databases, which shall be updated quarterly, of:
- (a) All Related Accounts, which the Department shall forward to the Branches' account officers and other personnel as deemed necessary or appropriate by the CRO, the Department or the Bank;
 - (b) All Trade Settlement Transactions conducted through the Branches from September 1, 2002 forward, which shall include:
 - (i) The name of the customer engaging in the Trade Settlement Transaction;
 - (ii) The name of the counter-party in the Trade Settlement Transaction;
 - (iii) The type of goods involved in the Trade Settlement Transaction;
 - (iv) The origin of the goods involved in the Trade Settlement Transaction, if the origin of the goods is known;
 - (v) The city and country from which the goods involved in the Trade Settlement Transaction were shipped; and
 - (vi) The amount of the Trade Settlement Transaction;
 - (c) All loan participations by any of the Branches from the date of this Order forward;

- (d) All sales, purchases or transfers of assets by any of the Branches, from the date of this Order forward;
 - (e) All collateral held by any other party and all instruments issued by any other party, to secure (in whole or in part) credit extended by any of the Branches;
 - (f) All collateral held by any of the Branches and all instruments issued by any of the Branches, to secure (in whole or in part) credit extended by any other party; and
 - (g) All deposit accounts, credit accounts, and transactions of any nature, other than clearings, from the date of this Order forward, directly or indirectly related to other branches of the Bank including, but not limited to, accounts or transactions where, after inquiry, the Branches determine that:
 - (i) The Branches' customer or its Related Accounts is a customer of another branch of the Bank;
 - (ii) The Branches' customer or its Related Accounts is a business that has, as applicable, common officers, directors, Major Shareholders, or partners as a customer of another branch of the Bank; or
 - (iii) The Branches' customer or its Related Accounts has business dealings or common investments with another branch of the Bank.
- (11) Not later than April 30, 2002, the CRO and the Department shall establish:
- (a) All reports, policies, processes, procedures, systems and controls that are necessary to carry out the Branches' fraud control function;
 - (b) All reports, policies, processes, procedures, systems and controls that are necessary to effectively coordinate the Department's duties and actions with the Compliance Department and the American Auditing Center; and

- (c) All reports, policies, processes, procedures, systems and controls that are necessary to effectively comply with all Articles of this Order.

(12) Not later than April 30, 2002, the CRO shall designate appropriate, qualified employees to oversee each of the Department functions required by this Order, as well as other enhanced controls deemed necessary by the Bank.

(13) Not later than April 30, 2002, and continuing thereafter, the Department shall meet periodically, not less than monthly, with personnel of the Branches who have been designated by the CRO or the Department as being responsible for Department functions in the Branches, and such other personnel of the Branches required to participate in any meeting by the CRO or the Department:

- (a) The CRO shall chair the periodic meetings;
- (b) To accommodate members from the Bank of China, Los Angeles Branch, the meetings may occur via conference call; and
- (c) The Department shall maintain a written record of meeting minutes, signed by the CRO.

(14) Not later than April 30, 2002, and continuing thereafter, the CRO and the Department shall produce periodic reports to the Bank, not less than monthly, copied to the Director, summarizing:

- (a) Any investigations initiated, conducted or concluded by the CRO or the Department;
- (b) Any significant events or transactions within the purview of the CRO or the Department;

- (c) Any significant risk assessments within the purview of the CRO or the Department;
- (d) Any significant modifications to the policies and procedures of the Branches; and
- (e) The actions taken to comply with each Article of this Order and the results of those actions.

(15) Not later than April 30, 2002, the New York Branch, in consultation with the Bank, shall retain the services of a qualified, independent external auditor to annually audit the operations of the Department, and the CRO's and the Department's compliance with the terms of this Order.

(16) Before retaining the external auditor, the New York Branch shall submit a copy of the proposed "engagement letter" with the independent external auditor, and any proposed amendments thereto, to the Director for review and prior determination of no supervisory objection. The results of the Director's review shall be communicated to the Bank within sixty (60) days of the Director's receipt of the proposal. Failure to exercise any supervisory objection shall not constitute an approval or endorsement.

ARTICLE II

TRADE SETTLEMENT TRANSACTION SECURITY MEASURES

(1) Not later than March 31, 2002, the Branches shall conduct new Trade Settlement Transactions only in accordance with the requirements of this Order.

(2) Notwithstanding the preceding paragraph, the Branches may complete any Trade Settlement Transaction that is outstanding as of March 31, 2002, and any Trade Settlement Transaction for which the Branches are contractually obligated to perform as of March 31, 2002.

(3) The Branches Trade Settlement Transactions shall be conducted in accordance with:

- (a) Standardized policies and procedures for accepting Trade Settlement Transactions;
- (b) Standardized policies and procedures for reviewing and completing each Trade Settlement Transaction;
- (c) Implemented written policies and procedures establishing guidelines for Trade Settlement Transactions; and
- (d) Internal audits to verify conformance to legal requirements and adherence to policies and procedures.

(4) The Branches' Trade Settlement Transaction policies and procedures shall, at a minimum, include the following:

- (a) All Trade Settlement Transactions, excluding only local deliveries, shall be supported by:
 - (i) Original bills of lading or original warehouse receipts signed by an independent warehouse, or, with the prior written consent of the CRO or the Department, duplicate bills of lading or warehouse receipts bearing an original signature or original stamp of the carrier or warehouse, as applicable;
 - (ii) Original commercial invoices; and
 - (iii) Such other documents required by the CRO or the Department.
- (b) All Trade Settlement Transactions calling for local delivery shall be approved in advance by the CRO or the Department, and shall be supported by:
 - (i) Original warehouse receipts signed by an independent warehouse, or original inspection certificates signed by an independent inspection

service, or, with the prior written consent of the CRO or the Department, duplicate warehouse receipts or inspection certificates bearing an original signature or original stamp of the warehouse or inspection service, as applicable;

- (ii) Original commercial invoices; and
- (iii) Such other documents required by the CRO or the Department.

(5) Not later than March 31, 2002, the New York Branch, in consultation with the Bank, shall retain an independent third party to perform monthly direct verifications of the authenticity of not less than fifteen percent (15%) of all bills of lading submitted during the preceding one-month period to support Trade Settlement Transactions:

- (a) The fifteen percent (15%) sample of bills of lading subject to direct verification under this paragraph shall be selected at random by the independent third party, from completed Trade Settlement Transactions; and
- (b) To the extent not included in the random sample, the independent third party shall add to the sample at least one (1) bill of lading provided to the Branches during the one-month period in connection with a Trade Settlement Transaction conducted by each customer.

(6) Beginning not later than March 31, 2002, the Department shall perform monthly direct verifications of the authenticity of not less than thirty-five percent (35%) of all bills of lading submitted during the preceding one-month period to support Trade Settlement Transactions:

- (a) The thirty-five percent (35%) sample of bills of lading subject to direct verification under this paragraph shall be selected at random by the Department,

from completed Trade Settlement Transactions, excluding the bills of lading selected by the independent third party required by the paragraph above; and

- (b) To the extent not included in the random sample, the Department shall add to the sample at least one (1) bill of lading provided to the Branches during the one-month period in connection with a Trade Settlement Transaction conducted by each customer.

(7) Not later than March 31, 2002, the New York Branch, in consultation with the Bank, shall retain the services of an independent third party to perform additional Due Diligence on every customer that conducts Trade Settlement Transactions through the Branches totaling one million dollars (\$1,000,000) or more during any twelve (12) month period:

- (a) All Trade Settlement Transactions involving Related Accounts shall be aggregated, and all Trade Settlement Transactions at all of the Branches shall be aggregated, for the purpose of determining if the customer meets the one million dollar (\$1,000,000) threshold in the twelve-month period;
- (b) The Due Diligence shall be commenced within thirty (30) days of the date the customer reaches the one million dollar (\$1,000,000) threshold; and
- (c) The independent third party shall make a monthly written report of all findings to the CRO, the Department and the Bank.

(8) Before retaining the independent third party, the New York Branch shall notify the Director of the name and qualifications of the independent third party for review and prior determination of no supervisory objection. The results of the Director's review shall be communicated to the Bank within sixty (60) days of the Director's receipt of the proposal. Failure to exercise any objection shall not constitute an approval or endorsement.

(9) Based on information provided by the independent third party, the Department shall file SARs on all customers who submitted, or are believed to have submitted, fraudulent trade documentation, and on all customers for whom the Due Diligence investigation indicated fraud and/or suspicious activity. If a SAR is filed on any customer pursuant to this paragraph, each additional Trade Settlement Transaction, if any, conducted by any of the Branches for the account of that customer (including any Related Account of the customer) must be approved in writing, and in advance, by the CRO or the Department.

(10) Not later than March 31, 2002, the New York Branch, in consultation with the Bank, shall retain the services of a qualified, independent external auditor to annually audit the Branches' compliance with this Article.

(11) Before retaining the external auditor, the New York Branch shall submit a copy of the proposed "engagement letter" with the independent external auditor, and any amendments thereto, to the Director for review and prior determination of no supervisory objection. The results of the Director's review shall be communicated to the Bank within sixty (60) days of the Director's receipt of the proposal. Failure to exercise any objection shall not constitute an approval or endorsement.

(12) Nothing in this Article shall be construed to prevent the Branches from complying with the Uniform Commercial Code of any State, the Uniform Customs and Practices for Documentary Credits published by the International Chamber of Commerce, or any other United States laws applicable to Trade Settlement Transactions.

ARTICLE III

CREDIT TRANSACTION SECURITY MEASURES

(1) Not later than March 31, 2002, the Branches shall extend credit and conduct credit transactions only in accordance with the requirements of this Order.

(2) Notwithstanding the preceding paragraph, the Branches may extend credit and conduct credit transactions to the extent the Branches are contractually obligated to perform as of March 31, 2002.

(3) This Article shall not apply to syndicated loans that are not underwritten or originated by the Branches or other branches of the Bank, and shall not apply to purchase-money commercial mortgages.

(4) The Branches shall extend credit and conduct credit transactions only in accordance with:

- (a) Standardized procedures for underwriting each proposal to extend credit;
- (b) Written policies and procedures establishing guidelines for approval of proposals to extend credit;
- (c) Standardized procedures for reviewing and completing each credit transaction;
- (d) Written policies and procedures establishing guidelines for completion of credit transactions; and
- (e) Conformance to legal requirements and adherence to policies and procedures.

(5) The Branches' credit policies and procedures shall, at a minimum, include the following requirements:

- (a) The Department shall be provided with a copy of all credit recommendations involving opening, renewing or modifying any credit (including changes in collateral);
- (b) The Department may deny any loan request, which denial shall be supported by a written statement of the reasons for the denial and which may be overturned only by the General Manager, *provided that* a written statement by the General Manager of the specific reason(s) for overturning the denial, all documents related to the loan request and all documents related to the denial are provided to the Director within thirty (30) days of the date the General Manager overturns the denial;
- (c) All credit granted to Related Accounts shall be treated as one borrower for loan approval and monitoring purposes;
- (d) All loan recommendations shall include an analysis of all Related Accounts of the proposed borrower;
- (e) All cash collateral and pledged securities for all the Branches shall be held by the Branch extending credit;
- (f) Collateral verifications shall be performed monthly for all collateral that does not involve real property and is not maintained at the New York Branch; and
- (g) All trust receipts shall include a description and location of the goods, and such other documents required by this Order for Trade Settlement Transactions, documents required by the CRO and documents required by the Department.

(6) Prior to extending, renewing or modifying any credit (including changes in collateral) of one million dollars (\$1,000,000) or more, aggregating credit extended to the customer and the customer's Related Accounts by all the Branches:

- (a) The customer shall be required to provide audited financial statements, tax returns, and, as applicable, credit and deposit account statements from all other financial institutions where the customer conducts banking;
- (b) The customer shall be required to provide a list of the customer's Major Suppliers and Major Customers;
- (c) Additional Due Diligence shall be conducted on the customer, and the customer's Major Suppliers and Major Customers, by an independent third party retained by the New York Branch, in consultation with the Bank; and
- (d) If a guarantee is provided, or proposed to be provided, in connection with the credit, the authenticity of the guarantee shall be verified, through direct verification with the guarantor, by an independent third party retained by the New York Branch, in consultation with the Bank.

(7) Prior to extending, renewing or modifying any credit (including changes in collateral) of two million dollars (\$2,000,000) or more, aggregating all credit extended to the customer and the customer's Related Accounts by all branches of the Bank worldwide (to the extent known to the Branches after inquiry to the Bank):

- (a) The customer shall be required to provide audited financial statements, tax returns, and, as applicable, credit and deposit account statements from all other financial institutions where the customer conducts banking;

- (b) The customer shall be required to provide a list of the customer's Major Suppliers and Major Customers;
- (c) Additional Due Diligence shall be conducted on the customer, and the customer's Major Suppliers and Major Customers, by an independent third party retained by the New York Branch, in consultation with the Bank; and
- (d) If a guarantee is provided, or proposed to be provided, in connection with the credit, the authenticity of the guarantee shall be verified, through direct verification with the guarantor, by an independent third party retained by the New York Branch, in consultation with the Bank, within ninety (90) days;

(8) The Branches shall immediately suspend any credit for which audited financial statements, tax returns, credit and deposit bank statements, and a list of Major Suppliers and Major Customers are required but not produced by the customer within thirty (30) days after the date due.

(9) Before retaining the independent third party, the New York Branch shall notify the Director of the name and qualifications of the independent third party for review and prior determination of no supervisory objection. The results of the Director's review shall be communicated to the Bank within sixty (60) days of the Director's receipt of the proposal. Failure to exercise any objection shall not constitute an approval or endorsement.

(10) The independent third party shall provide a written report of all findings to the CRO, the Department and the Bank.

(11) Based on information provided by the independent third party, the Department shall file SARs on all customers, Major Suppliers and Major Customers for whom the Due Diligence investigation indicates fraud or suspicious activity, and on all customers who produced

guarantees that cannot be verified by the independent third party. If a SAR is filed on any customer or any of the customer's Major Suppliers or Major Customers pursuant to this paragraph, the Branches may extend credit to the account of the customer (including any Related Account of the customer) only with the prior written approval of the CRO or the Department.

(12) Not later than April 30, 2002, the New York Branch, in consultation with the Bank, shall retain the services of a qualified, independent external auditor to annually audit the Branches' compliance with this Article.

(13) Before retaining the external auditor, the New York Branch shall submit a copy of the proposed "engagement letter" with the independent external auditor, and any amendments thereto, to the Director for review and prior determination of no supervisory objection. The results of the Director's review shall be communicated to the Bank within sixty (60) days of the Director's receipt of the proposal. Failure to exercise any objection shall not constitute an approval or endorsement.

ARTICLE IV

ACCOUNT-OPENING AND MONITORING

(1) Not later than April 30, 2002, the Branches shall adopt, implement and thereafter adhere to, expanded account-opening procedures for all accounts by requiring:

- (a) Identification of all account owners and beneficial owners;
- (b) For business accounts, identification of, as applicable, the officers, directors, Major Shareholders, and partners, of the business; and
- (c) For all credit customers and all customers depositing ten thousand dollars (\$10,000) or more, a credit reporting agency report on, as applicable, the account

owners, beneficial owners, the business, and the business officers, directors, Major Shareholders and partners.

(2) Prior to renewing or modifying an existing customer's account, the Branches shall obtain the information required in the preceding paragraph.

(3) The Branches shall not open any new account, and shall immediately close any existing account, if the information required by this Article is not received by the Branches by the date the information is due.

(4) Not later than April 30, 2002, the Branches shall adopt, implement and thereafter adhere to:

- (a) A system for identifying high-risk customers; and
- (b) Procedures for regular, on-going review of account activity of high-risk customers to monitor and report suspicious activity.

(5) Beginning in 2002, all account officers within the Branches shall periodically review, not less than each calendar year, all account documentation for all accounts administered by or originated through the account officer and all other Related Accounts of those customers that are maintained at the Branches to determine if the account activity is consistent with the customer's business and the stated purpose of the account. This paragraph shall apply to all credit accounts of one hundred thousand dollars (\$100,000) or more (aggregating all Related Accounts) and all deposit accounts the balance of which reached or exceeded ten thousand dollars (\$10,000) during any point during the last twelve (12) months (aggregating all Related Accounts). Documentation of the reviews required by this paragraph shall be submitted to the CRO and the Department.

(6) Not later than March 31, 2002, prior to opening, renewing, extending or modifying any type of customer account, except deposits accounts where the balance has not exceeded ten thousand dollars (\$10,000) during the last twelve (12) months, the Branches shall document:

- (a) Any relevant financial information concerning the customer;
- (b) Any civil or criminal proceedings involving the customer that are a matter of public record;
- (c) The type of business conducted by the customer;
- (d) The reputation of the customer, and as applicable, the customer's officers, directors, Major Shareholders or partners; and
- (e) Any other Due Diligence required by this Order, the CRO, the Department, or the Bank.

(7) All information obtained by the Branches shall be maintained by the Branches in each customer's file, or, if no customer relationship is opened, maintained by the Department.

(8) The Branches shall not open any type of account for a customer, and shall terminate all accounts of a customer, if the information available to the Branches indicates that the customer's relationship with the Branches would be detrimental to the reputation risk of the Branches or the Bank.

ARTICLE V

PROHIBITION ON TRANSACTIONS

WITH CERTAIN INDIVIDUALS AND ENTITIES

(1) Effective immediately, the Branches shall close, and, if already closed, shall not reopen, any and all deposit accounts, shall not receive, complete or initiate wire transactions,

shall not extend any new credit, shall not renew, extend, or modify any existing credit, shall not issue or process any new letter of credit or any other Trade Settlement Transaction and shall not, in any manner, provide any extension of credit whatsoever, to or for, any of the following individuals:

- (a) John Chou (also known as Yu Q. An, Quiang Chou, Qiang Liu, Quang Z. Liu, John Zhou and Qiang Zhou), and any entity owned, controlled or managed by John Chou;
- (b) Toni Xiao (also known as Tongying Xiao), and any entity owned, controlled or managed by Toni Xiao;
- (c) Andrew Lee, and any entity owned, controlled or managed by Andrew Lee;
- (d) Sherry Liu (also known as Sherry Ping Liu, Ping Liu, and Sherry L. Zhou), and any entity owned, controlled or managed by Sherry Liu;
- (e) Helen Zhou (also known as Huiling Zhou), and any entity owned, controlled or managed by Helen Zhou;
- (f) Shumin Wang, and any entity owned, controlled or managed by Shumin Wang;
- (g) Daozhong Liu (also known as Tony Liu), and any entity owned, controlled or managed by Daozhong Liu; and
- (h) Wei Zhou, and any entity owned, controlled or managed by Wei Zhou.

(2) Effective immediately, the Branches shall close, and, if already closed, shall not reopen, any and all deposit accounts, shall not receive, complete or initiate wire transactions, shall not extend any new credit, shall not renew, extend, or modify any existing credit, shall not issue or process any new letter of credit or any other Trade Settlement Transaction and shall not,

in any manner, provide any extension of credit whatsoever, to or for, any of the following entities:

- (a) BHK, LLC;
- (b) BOC Company;
- (c) CBL Investments;
- (d) CBL Ltd;
- (e) Century Limited;
- (f) Charact Enterprises, Inc;
- (g) CHG Enterprises;
- (h) Cliffs Trading;
- (i) Daniel Caron Holdings;
- (j) Daniel Caron, Ltd.;
- (k) Desirable International Fashions, Ltd;
- (l) GEG International;
- (m) IFB Inter Establishment;
- (n) INCO, LLC.;
- (o) Lee Brothers Enterprises;
- (p) Modest International Inc;
- (q) National Budget Merchandise;
- (r) NBM, LLC;
- (s) NFM (USA);
- (t) NFM Scrap Metals;
- (u) Nonferrous B.M. Corp;

- (v) Nonferrous Metals Allied;
- (w) Rchfins Inc;
- (x) Rchfins Investments;
- (y) Sino-Place Alliance, Inc;
- (z) Sunleaf, Inc;
- (aa) Valentine (USA); and
- (bb) Yang Mei, Corp.

(3) The Branches and the employees of the Branches shall not assist any of the individuals or entities listed in this Article in opening or maintaining credit or deposit relationships with the Bank, other branches of the Bank or any other financial institution.

ARTICLE VI

PROCEDURES TO SAFEGUARD AND MANAGE ASSETS

- (1) The Branches shall continue to reorganize Branch structure to segregate loan administration from the lending function.
- (2) The Branches shall continue to establish controls for loan file documentation.
- (3) The Branches shall continue to strengthen, implement, and adhere to credit administration and loan underwriting policies and procedures.
- (4) The Branches shall continue implementing dual controls for verification, validation, and data entry in loan administration.
- (5) The Branches shall continue to implement a risk-based audit approach, improve audit methodology and documentation, and enhance the staffing qualifications and experience of internal auditors.

ARTICLE VII

CREDIT UNDERWRITING PRACTICES

(1) The Branches shall continue to strengthen loan underwriting by analyzing the borrower's overall financial condition and resources, the financial responsibility of any guarantor, the nature and value of any underlying collateral, and the borrower's character and willingness to repay as agreed.

(2) The Branches shall continue to revise loan officers' responsibilities and performance expectations.

(3) The Branches shall continue to revise the loan approval process to segregate duties, eliminate individual approval over-rides, and provide additional safeguards.

ARTICLE VIII

RISK ASSESSMENT

(1) The Branches shall continue to revise the criticized asset report to include more specificity on collection efforts and time frames.

(2) The Branches shall continue to review and evaluate the methodology for risk rating loans and the loan loss reserve to ensure consistency with United States standards.

(3) The Branches shall continue to evaluate management and staffing needs, evaluate staff performance, identify weaknesses, and take corrective action as warranted.

ARTICLE IX

LIMITATIONS ON CREDIT TO INDIVIDUALS AND ENTITIES DOMICILED OUTSIDE OF THE UNITED STATES

(1) Not later than December 31, 2002, the Branches shall ensure that the total amount of credit extended by the Branches and outstanding (excluding documentary letters of credit), on an aggregate basis, to individuals and entities domiciled outside of the United States shall not exceed twenty-five percent (25%) of total assets of the Branches.

(2) The Branches shall adopt processes and control systems to ensure implementation of and adherence to the requirements of this Article.

ARTICLE X

LIMITATIONS ON THE TRANSFER OF ASSETS

(1) Effective immediately, the Branches shall not purchase a Low-Quality Asset from any other branch of the Bank or from any Affiliate of the Bank.

(2) Effective immediately, the Branches shall not extend credit or participate in any credit where:

- (a) Any part of the funds from the credit would be used to fund an equity investment by any another branch of the Bank or any Affiliate of the Bank;
- (b) Any part of the funds from the credit would be used to fund a joint venture or any other business arrangement owned or controlled, in whole or in part, by any other branch of the Bank or by an Affiliate of the Bank; and
- (c) Any part of the funds from the credit would be used to facilitate a transaction by any other branch of the Bank or any Affiliate of the Bank, that would be

impermissible if the other branch of the Bank or the Affiliate of the Bank, as applicable, were a national bank located in the United States.

ARTICLE XI

ADHERENCE TO ACTION PLAN

(1) Effective March 31, 2002, the Branches shall continue to adhere to the Addendum to its Action Plan, dated January 8, 2002, which Addendum is incorporated by reference into, made a part of, and shall be enforceable under, this Order:

ARTICLE XII

DOCUMENT MAINTENANCE, DESTRUCTION AND RETENTION

(1) Effective immediately, the Branches shall maintain all Documents, Books, and Records, including correspondence from the Bank and other branches of the Bank, in English.

(2) Effective immediately, the Branches shall ensure adherence to a record retention policy that requires all Documents, Books or Records whatsoever to be maintained on the premises of the Branches in their original state for a period of five (5) years from the effective date of this Order.

ARTICLE XIII

ADMINISTRATIVE APPEALS AND EXTENSIONS OF TIME

(1) If the Branches determine that they are unable to comply with any provision of this Order, determine that an exception to any provision of the Order is in the best interests of the Branches, or require an extension of any timeframe within this Order, the Branches shall submit a written appeal to the Director asking for relief.

(2) The written requests submitted pursuant to this Article shall include a statement setting forth in detail the extraordinary circumstances that prevent the Branches from complying with any provision, that require the Director to exempt the Branches from any provision, or that require an extension of any timeframe within this Order. All such requests shall be accompanied by relevant supporting documentation.

(3) The Director's decision in granting or denying the appeal shall be discretionary, final, and not subject to further review.

ARTICLE XIV

NOTICE TO THE OCC

(1) All correspondence related to this Order, and any information or documentation required hereunder to be submitted to the Director, shall be sent by overnight mail, hand delivery or facsimile to:

Director, Special Supervision/Fraud Division
Office of the Comptroller of the Currency
250 E Street, SW
Washington, DC 20219
202-874-4450
202-874-5214 (fax)

ARTICLE XV

ASSESSMENT OF CIVIL MONEY PENALTY

(1) Without admitting or denying any wrongdoing, any violation of law or any unsafe and unsound banking practice, the New York Branch hereby consents to the payment of a Civil Money Penalty of ten million dollars (\$10,000,000), which shall be paid upon execution of this Order. The New York Branch shall make payment in full by check made payable to the

Treasurer of the United States and shall deliver the check to: Comptroller of the Currency, P.O. Box 73150, Chicago, Illinois 80673-7150, and send a copy of the check to the Director.

ARTICLE XVI

DEFINED TERMS

- (1) The term “Related Accounts” shall be broadly construed and includes:
- (a) All accounts at the Branches, collectively, for which there are common signatories, directors, officers, addresses, or phone numbers;
 - (b) All accounts at the Branches, collectively, of relatives of the customer, whether by blood or by marriage, including, but not limited to, spouse, sons, daughters, sons-in-law, daughters-in-law, and parents;
 - (c) All accounts of any corporation, partnership, joint enterprise or other enterprise or undertaking whatsoever, controlled by or operated substantially in the interest of any of the Branches’ customer; where "control" shall be defined as ownership, whether direct or indirect, of ten percent (10%) or more of the stock or other evidence of capital or equity ownership of any such organization; and where "substantial interest" shall be defined as derivation, in any manner whatsoever, of income of ten thousand dollars (\$10,000) or more per annum as a result of the operation of any such organization;
 - (d) All accounts where the Branches’ customer exercises control or authority over the account holder;
 - (e) All accounts of any Affiliate of the Branches’ customer; and
 - (f) Any accounts so designated by the Director.
- (2) The term “Trade Settlement Transactions” shall be broadly construed and includes:

- (a) Letters of credit;
- (b) Trust receipt financing;
- (c) Documentary collections;
- (d) Payments against invoices;
- (e) Discounting or creating bankers acceptances;
- (f) Payments against sight drafts;
- (g) Any other transaction customarily supported by bills of lading, commercial invoices or other trade documents; and
- (h) Any type of transaction so designated by the Director.

(3) The term "Major Shareholder" shall mean any individual or entity that owns, controls or has the power to vote ten percent (10%) or more of a company's voting stock.

(4) The term "Due Diligence" shall be broadly construed and includes:

- (a) Verifying the name, address, phone number of the customer;
- (b) Determining the identity of the officers, directors, Major Shareholders and partners, as applicable;
- (c) Investigating common addresses, phone numbers, and personnel;
- (d) Verifying the legitimacy of the business;
- (e) Verifying the validity of Trade Settlement transactions;
- (f) Verifying the legitimacy of the entity or entities with which the customer is conducting business;
- (g) Reviewing pending, current, and past litigation of the customer and the customer's Related Accounts; and

(h) Assessing the current and past history of the customer with the Branches and the Bank.

(5) The term “Major Suppliers” means entities from whom the Branches' customers have purchased, or intend to purchase:

(a) Ten percent (10%) or more of the dollar amount equivalent of the supplies the customers have purchased, or intend to purchase, annually; and

(b) Ten percent (10%) or more of the number of supply purchases the customers have made, or intend to make, annually.

(6) The term “Major Customers” means entities to whom the Branches' customers have sold, or intend to sell:

(a) Ten percent (10%) or more of the dollar amount equivalent of the goods the Branches' customers have sold, or intend to sell, annually; and

(b) Ten percent (10%) or more of the number of sales the Branches' customers have made, or intend to make, annually.

(7) The term “Low-Quality Asset” means an asset that falls in any one or more of the following categories:

(a) An asset classified as “substandard,” “doubtful,” “loss” or treated as “other loans especially mentioned” by the OCC, or classified as lower than “pass” (or equivalent classification) by the Branches or other branches of the Bank;

(b) An asset in a nonaccrual status;

(c) An asset on which the principal or interest payments are more than thirty (30) days past due;

(d) An asset whose terms have been renegotiated or compromised due to the deteriorating financial condition of the obligor; and

(e) Any asset so designated by the Director.

(8) The term "Affiliate" shall have the same meaning that is assigned to that term under 12 U.S.C. § 371c.

(9) The term "Documents, Books and Records" shall be broadly construed and shall include, without limitation, paper and electronic records of all kinds, reports, notes, calendars, phone logs, financial instruments and tapes.

ARTICLE XVII

CLOSING

(1) Although the Branches are required to submit certain proposed actions and programs for the review or approval of the Director, the Bank and the General Manager have the ultimate responsibility for proper and sound management of the Branches as well as compliance with all of the provisions contained in this Order.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the U.S to undertake any action affecting the Branches, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Order shall begin to run from the effective date of this Order.

(4) The provisions of this Order are effective upon issuance of this Order by the Comptroller, through his authorized representative whose hand appears below, and shall remain

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

In the Matter of:)
)
Bank of China, New York Branch)
New York, New York)
)
Bank of China, Chinatown Branch)
New York, New York)
)
And)
)
Bank of China, Los Angeles Branch)
Los Angeles, California)
)
Federal branches of)
)
Bank of China)
Beijing, People’s Republic of China)

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

Whereas, the Comptroller of the Currency of the United States of America ("Comptroller"), through his staff, has investigated and examined Bank of China, New York Branch ("New York Branch"), and has examined Bank of China, Los Angeles Branch, and Bank of China, Chinatown Branch (collectively, "Branches"), which are Federal Branches of Bank of China, Beijing, People’s Republic of China ("Bank");

Whereas, the Comptroller is of the opinion that numerous unsafe and unsound banking practices occurred during the period 1991 through 1999 at the Branches by former senior executive management and other former personnel of the Branches, including the facilitation of a fraudulent letter of credit scheme, the facilitation of a loan fraud scheme, the unauthorized

release of collateral and the concealment of such action, and other suspicious activity and potential fraud;

Whereas, the Comptroller recognizes that the Bank has reorganized the Branches to better ensure compliance with applicable federal law and safe and sound banking practices;

Whereas, the Comptroller acknowledges that the Branches have taken significant steps to adopt an Action Plan and to develop and revise policies, processes, procedures, systems and controls to mitigate and prevent Bank Secrecy Act noncompliance, and money laundering within the Branches;

Whereas, the Comptroller has informed the Branches that he intends to issue an Order against the Branches, pursuant to 12 U.S.C. § 1818(b) and 12 U.S.C. § 3101 *et seq.*;

Whereas, current management of the Branches wish to cooperate with the Comptroller in addressing the unsafe and unsound conditions at the Branches created by former management;

Whereas, the Bank has informed the Comptroller that it has consented to pay a ten million dollar (\$10,000,000) penalty to be assessed by the People's Bank of China.

Whereas, the Branches, in the interest of compliance and cooperation, stipulate and consent to the issuance of a Consent Order, dated January 17, 2002 ("Order");

Now Therefore, in consideration of the above premises, the Comptroller, through his authorized representative, and the Branches, by and through the General Manager, U.S.A., who is duly authorized by the Bank to bind the Branches, hereby stipulate and agree to the following:

ARTICLE I

JURISDICTION

(1) The Branches are Federal branches licensed and examined by the Comptroller pursuant to the International Banking Act of 1978, as amended, 12 U.S.C. § 3101 *et seq.*

(2) The Comptroller is “the appropriate Federal banking agency” regarding the Branches pursuant to 12 U.S.C. §§ 1813(q), 1818(b) and 3108(b).

(3) Each of the Branches is a “national banking association” within the meaning of 12 U.S.C. §1818(b)(5).

ARTICLE II

AGREEMENT

(1) The Branches, without admitting or denying any wrongdoing, hereby consent and agree to the issuance of the Order by the Comptroller.

(2) The Branches further agree that said Order shall be deemed an “order issued with the consent of the depository institution” as defined in 12 U.S.C. § 1818(h)(2), and consent and agree that said Order shall become effective upon its issuance and shall be fully enforceable by the Comptroller under the provisions of 12 U.S.C. §§ 1818(i) and 3101 *et seq.*

ARTICLE III

WAIVERS

- (1) The Branches, by signing this Stipulation and Consent, hereby waive:
- (a) The issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) Any and all procedural rights available in connection with the issuance of the Order;
 - (c) All rights to seek any type of administrative or judicial review of the Order; and
 - (d) Any and all rights to challenge or contest the validity of the Order.

ARTICLE IV
OTHER ACTION

(1) The Branches agree that the provisions of this Stipulation and Consent to the Issuance of a Consent Order shall not inhibit, estop, bar, or otherwise prevent the Comptroller from taking any other action affecting the Branches if, at any time, he deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller as his representative, has hereunto set her hand on behalf of the Comptroller.

_____/s/_____
Leann G. Britton
Senior Deputy Comptroller
for Midsize/Community Bank Supervision

January 17, 2002
Date

IN TESTIMONY WHEREOF, the undersigned General Manager, U.S.A., authorized by the Bank to enter into this Stipulation and Consent to the Issuance of a Consent Order, has irrevocably hereunto set his hand, on behalf of the Branches:

B. L. Zheng /s/
General Manager, U.S.A.

January 8, 2002
Date