Report about USD payment delay and USD overdraft on 25March2016

On 25 March 2016, our USD balance by Citi NY was not enough to pay CCB Head Office which made a payment delay for USD 200,017,111.11 and made an overdraft by Citi NY for USD 34,874,172.44 for 4 days.

The cost for the payment delay for the CCB Head Office is USD 9488.33 and the cost for the overdraft by Citi NY is USD17437.08, while for the USD in CCB NY we got an interest income for USD 6767.73. The total loss is USD 20 157.68

The total short USD position by Citi NY was USD 234,891,283.55 while on the same day we had USD 243,638,224.02 by CCB NY which was enough to cover the short position in Citi NY. The reason for the payment delay and overdraft was that we did not transfer the USD from CCB NY to Citi NY in time.

1. The daily USD transfer between CCB NY and Citi NY was made by the Clearing Dept and the Treasury Dept together with following procedures:

1) Before the end of each working day, the Clearing Department calculates the in-out cash flow for the USD of the whole bank and gives the finale USD balance by Citi NY to Treasury Department in written form. ( Attached file 1 Sample of the daily USD balance report generated by the Clearing Dept. in written form)

2) The Treasury Dept. , based on the report from the Clearing department, decides which amount should be transferred between Citi NY and CCB NY and sends the transfer order to the Clearing Dept. by email. ( Attached file 2 sample of the daily USD transfer order email generated by the Treasury Dept. and attached file 3 Operating Manual for Treasury Department, page 10 Nr. 5.1 )

3) The Clearing Dept carries out the USD transfer instruction to CCB NY based on the email from the Treasury Dept.

2. Both Departments did not pay attention to the fact that 25 March 2016 was a normal USD clearing day but was the Eastern Friday in Germany. Both departments should have arranged the USD transfer on the previous Thursday in advance which could have avoided any further payment delay or overdraft.

To avoid that the same mistake being made again, some urgent amendments to the operating manuals of the two departments should be implemented.

1) In case that the following German Holidays happen to be USD normal clearing days, the Clearing dept. should calculated the USD balance by Citi NY always in advance and give the report to the Treasury Dept.

2) In case that the following German Holidays happen to be USD normal clearing days, the Treasury dept. should reminder the Clearing dept. to provide USD balance report and send USD transfer order to Clearing Dept by email.

3 ) In case that the following German Holidays happen to be USD normal clearing days, the Clearing dept. should reminder the Treasury dept. to provide necessary email to carry out followed transfer instructions.