



Bank of China USA

Resolution Planning Policy


May 2021

BOC US Branches Resolution Planning Policy
May 2021

Version	Date Changes Made	Author	Description of Changes
1.0	Jun 2018	Xiaohui Wu, Ying Ping	Policy Initiation
2.0	Oct 2019	Xiaohui Wu, Ying Ping	Update due to regulatory rule changes
3.0	May 2021	Xiaohui Wu, Ying Ping	Change Policy Review and Approval Frequency

Identifying Information	
Title	Resolution Planning Policy
Policy Owner	Market Risk Management Department (MRD)
Contact Information	Xiaohui Wu
Effective Date	6/3/2021
Location	BoC Policy Library
Document Type	Policy

Approvals	
RMICC	6/3/2021 V3.0

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	<div>Signature</div> <div>5/25/2021</div> <div>Date</div>

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1. Executive Summary

1.1. Summary

In order to regulate the resolution planning management system, improve the crisis management capability and the crisis response mechanism, and prevent the systemic financial risks, the Resolution Planning Policy of Bank of China USA branches (together “BOCNY”) are hereby formulated in accordance with relevant supervisory guidance of the Federal Reserve System (the “Fed”) and the Federal Deposit Insurance Corporation (the “FDIC”) as well as the regulatory opinions on resolvability assessment, and based on practical conditions of the Bank.

BOCNY’s resolution planning management system is set up based on the principles of realizing the combination of “crisis management” and “routine management”. As an extension and supplementation to BOCNY’s existing routine risk management system, the resolution plans need to be effectively aligned with the existing management system, procedures, tools and methods, and support BOCNY’s continual operation in the critical and extreme crisis stress scenario.

The common basic key definitions of BOCNY’s resolution plans include core business lines, critical functions, material entities critical operations and critical services for the component plans. Determination of these key definitions for purpose of the relevant component plans (described below) is the fundamental starting point during development of BOCNY’s concrete strategies, options and plan for resolution.

The resolution plan, through improving the corporate governance structure, clearly sets forth the trigger criteria of the resolution plan and the operable resolution scheme, including analysis of the resolution strategies and detailed arrangement based on the determination of four key definitions, so that the resolution authority may effectively resolve the circumstances without impacting stability of the financial system.

As a Covered Insured Depository Institution (CIDI), BOCNY is required to submit to the FDIC a resolution plan (the “CIDI Resolution Plan”) in the event of its failure that should enable the FDIC to resolve BOCNY under the FDI Act in a manner that ensures that insured depositors have access to their deposits within one business day, maximizes the net present value return from the sale or disposition of its assets and minimizes the amount of any loss to be realized by BOCNY’s creditors.

As a foreign bank holding company, Bank of China Limited (the “Bank” or the “Head Office”) is required to submit a resolution plan (the “165(d) Resolution Plan”) to the Fed and FDIC through BOCNY in accordance with Section 165(d) of the Dodd-Frank Act for the Bank’s rapid and orderly resolution in the event of material financial distress or failure. As a non-US bank, the Bank’s US resolution plan should focus on the Bank’s combined US operations (CUSO) and how the resolution planning for its US operations is integrated into the Bank’s overall resolution or other contingency planning process.

1.2. Related Policies

In order to strengthen the resolution planning management system of BOCNY, this policy is developed in accordance with the relevant supervisory guidance of the Fed, FDIC and other related regulatory guidance

as well as related policies of the Head Office, as applicable. Other related regulations and policies include but not limited to:

- BOCNY Risk Governance Framework
- BOCNY Credit Risk Management Policy
- BOCNY Market Risk Management Policy
- Bank of China Combined U.S. Operations (CUSO) Risk Management Framework
- CUSO Liquidity Risk Management Framework
- Administrative Measures on the Recovery and Resolution Plan of Bank of China Limited

2. US Regulatory Requirements of the Resolution Plans

2.1. CIDI Resolution Plan

Pursuant to the Federal Deposit Insurance Act (the “FDI Act”) and the FDIC’s CIDI Plan Regulations, because BOCNY has \$50 billion or more in total assets, BOCNY is required to submit annually to the FDIC a plan for the resolution of the branch in the event of its failure that should enable the FDIC to resolve BOCNY under the FDI Act in a manner that ensures that depositors receive access to their insured deposits in one business day of the branch’s failure (two business days if the failure occurs on a day other than Friday), maximizes the net present value return from the sale or disposition of its assets and minimizes the amount of any loss to be realized by the institution’s creditors.

A CIDI Resolution Plan shall include the following elements:

- Executive Summary
- Resolution Strategies
- Organizational Structure
- Critical Services
- Systemically Important Functions
- Management Information Systems
- Corporate Governance
- Assessment of the CIDI Resolution Plan
- Any Other Material Factor

2.2. 165(d) Resolution Plan

Pursuant to Section 165(d) of the Dodd-Frank Act and Section 165(d) Plan Regulations issued by the Fed and the FDIC, Bank of China Limited must set forth a plan (or “living will”) for the Bank’s rapid and orderly resolution in the event of material financial distress or failure. As a non-US bank, the Bank’s US resolution plan should focus on the Bank’s US operations and how the resolution planning for its US operations is integrated into the Bank’s overall resolution or other contingency planning process. For purposes of the Section 165(d) Plan Regulations, the Bank’s “US operations” generally include the Bank’s US branches, any subsidiaries domiciled in the United States and any “critical operations” or “core business lines” conducted in whole or material part in the United States.

The Fed and the FDIC jointly adopted the Resolution Plan Final Rule in October 2019 (2019 165(d) Rule) to address the amendments to the Dodd-Frank Act made by the Economic Growth, Regulatory Relief, and
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Consumer Protection Act (EGRRCPA). The 2019 165(d) Rule divided covered companies into three groups of filers: (a) biennial filers; (b) triennial full filers; and (c) triennial reduced filers. The Bank, subject to triennial reduced filers group, is required to submit a reduced resolution plan every three years. Under the Section 165(d) Plan Regulations, the requirements for a reduced plan would be significantly less than the requirements for a full resolution plan.

A 165(d) Reduced Resolution Plan shall include the following elements:

- A description of each material change experienced by the covered company since the filing of the covered company's previously submitted resolution plan (or affirmation that no such material change has occurred)
- A description of changes to the strategic analysis that was presented in the covered company's previously submitted resolution plan resulting from any:
 - (i) Change in law or regulation;
 - (ii) Guidance or feedback from the Board and the Corporation; or
 - (iii) Material change Supervisory and Regulatory Information

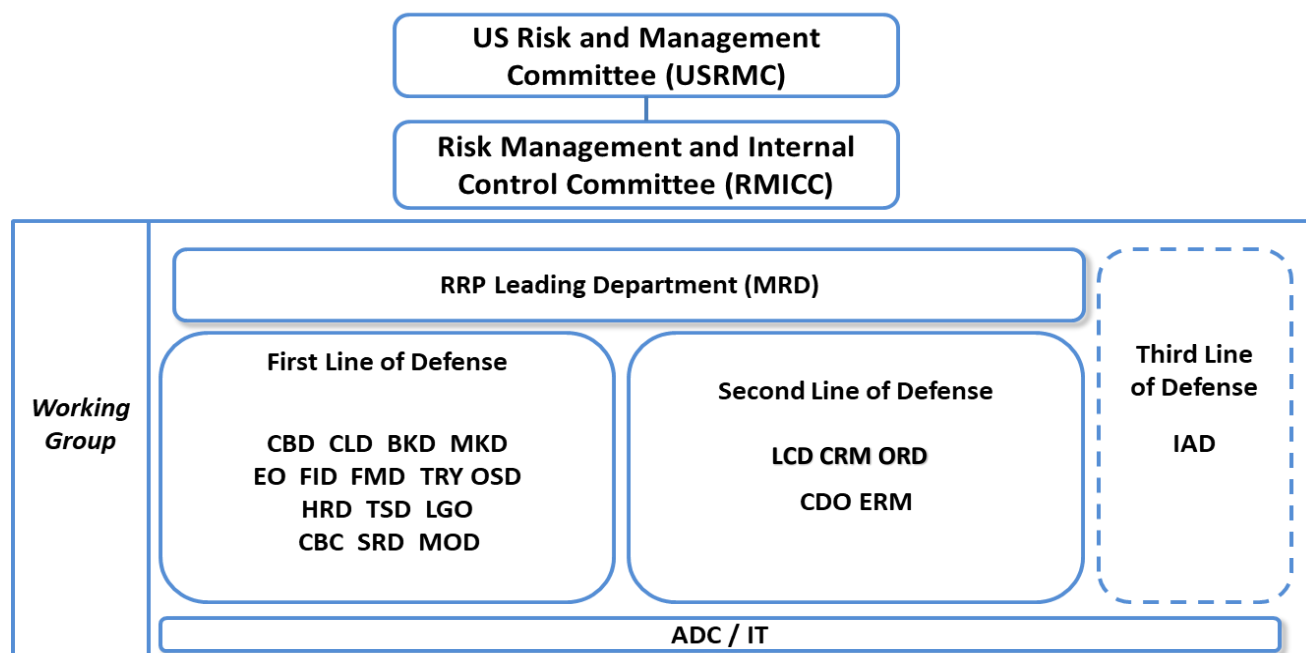
If a covered company does not include in its reduced resolution plan a description of changes to any information set forth in section 165(d)(1)(A), (B), or (C) of the Dodd-Frank Act (12 U.S.C. 5365(d)(1)(A), (B), or (C)) since its previously submitted resolution plan, such information from its previously submitted resolution plan are incorporated by reference into its reduced resolution plan.

3. Scope

The Policy establishes standards for BOCNY's resolution planning management. BOCNY shall conduct its resolution plan within the scope of this policy, its Risk Governance Framework, related regulations, other policies as well as those of Head Office.

4. Roles & Responsibilities

The policy defines the committee oversight structure and supporting working group, functions, and relevant departments as follows.



4.1. Policy Governance

U.S. Risk and Management Committee (“USRMC”)

USRMC is the board responsible for approving the resolution plans, and bears the ultimate responsibility for accuracy of the BOCNY and CUSO information in the resolution plans.

BOCNY Risk Management and Internal Control Committee (“RMICC”)

BOCNY RMICC is responsible for reviewing and approving the resolution plans which cover the Bank of China US branches, and then submit USRMC for final approval.

4.2. Policy Implementation

The policy is implemented through Resolution Planning working group and its lead management department.

4.2.1. Leading Department

Market Risk Management Department (MRD) is a lead management department of resolution planning. It is mainly responsible for uniformly planning the development, implementation, review and update of the resolution plans, providing assistance to the regulatory authorities’ implementation of resolvability assessment; regularly reporting formulation of the plans to USRMC and RMICC and accepting guidance from these committees and other relevant regulatory authorities; liaising communication with and reporting to the regulatory authorities; providing resolution planning trainings to working group members.

4.2.2. Other Working Group Members

Other relevant departments of BOCNY shall input adequate resources to participate in the formulation, implementation, review and update of the resolution plans, evaluate the resolvability assessment, and accept guidance from USRMC, RMICC and other relevant regulatory authorities. In the process of formulating, reviewing and updating the resolution plans, each relevant department shall fulfill their respective information acquisition, analysis and feedback tasks based on their scope of responsibilities; provide information/data support and guarantee execution at requests of the competent resolution authorities during implementation of the resolution plan; participate in and cooperate with inspections and resolvability assessment of the regulatory authorities on BOCNY's resolution plans, and timely provide the information needed by the regulatory authorities. Each information provider is responsible for their data accuracy & quality.

The roles and responsibilities of relevant departments of BOCNY in resolution planning are as follows:

Executive Office

Executive Office (EO) is responsible for maintaining the public relations, timely assessing the influence on public relations when the stress scenario takes place, and organizing disclosure of the external announcement based on the regulatory requirements and the information disclosure management rules of BOCNY; recovering the reputation, stabilizing the public confidence through public opinion guidance and positive publicity efforts when the stress scenario takes place, and assisting in the information disclosure.

Human Resources Department

Human Resources Department (HRD) is responsible for providing BOCNY's human resources information required by resolution planning, developing and implementing the key personnel retention plan during the crisis.

Financial Management Department

Financial Management Department (FMD) is responsible for providing financial statements and financial regulatory reports as required for developing the resolution plans.

Treasury

Treasury (TRY) is responsible for carrying out the stress test on liquidity risk, interest rate risk of banking books based on the stress scenarios provided by MRD and shall provide financial data related to liquidity as required for developing the resolution plans.

Global Market Department

Global Market Department (MKD) is responsible for market execution under resolution, such as selling investment portfolio, and unwinding BOCNY's derivative positions.

Treasury Middle Office Department (MOD)

Treasury Middle Office Department (MOD) is responsible for providing information and data regarding

BOCNY treasury business required by resolution plans.

Credit Risk Management Department

Credit Risk Management Department (CRM) is responsible for performing credit related stress testing, providing credit related information for resolution planning, and supporting MRD and other relevant departments to implement the resolution plans.

Operational Risk Management Department

Operational Risk Management Department (ORD) is responsible for establishing and maintaining BOCNY third party risk management program, and overseeing the bank's third party risk taking activities. ORD is also responsible of managing information security and/or cyber security matters and maintaining its function in the implementation of resolution plans.

America Data Center

America Data Center (ADC) is responsible for the implementation and maintenance of BOCNY's IT infrastructure, systems, and applications. It uniformly plans the design and architecture of information systems, including IT support for resolution planning, to address business and technology needs. ADC provides services in the areas of software development, testing, implementation, system and network architecture and technical issue management.

Clearing Department

Clearing Department (CLD) is responsible for organizing the communication and coordination with relevant international and domestic clearing organizations regarding clearing system and payments in the circumstance of crisis.

Operation Service Department

Operation Service Department (OSD) is responsible for defining and implementing measures to resume critical shared services in the circumstance of crisis, such as processing market and credit lending transactions that would result in material loss of revenue and profit as well as maintain user access system functionality.

Chief Data Office

Chief Data Office (CDO) is responsible for managing the quality of BOCNY's data for resolution plans.

Legal Office

Legal Office (LGO) is responsible for managing the legal affairs involved in the resolution planning, and assessing the barriers that are restraining implementation of the resolution tools on the legal level.

Legal & Compliance Department

Legal & Compliance Department (LCD) is responsible for managing the compliance affairs involved in the

resolution planning.

Corporate Banking Department/Financial Institutions Department/Banking Department/Trade Services Department/Commodity Business Center/Operation Service Department/ Queens Branch

Corporate Banking Department (CBD), Financial Institutions Department (FID), Banking Department (BKD) & Queens Branch (QNB), Trade Services Department (TSD), Commodity Business Center (CBC) and Operation Service Department (OSD) shall identify their key personnel and assess impact of the crisis on business development of respective business line.

Enterprise Risk Management Department & Other CUSO entities

Enterprise Risk Management Department (ERM) is responsible for establishing a stress testing framework that will guide the relevant resolution planning activities. Other CUSO entities shall provide their business and financial information in a timely manner to US CRO Office to assist in the 165(d) plan update and implementation. Other CUSO entities are responsible for the content, related resolution strategy and implementation with their entities.

Internal Audit Department

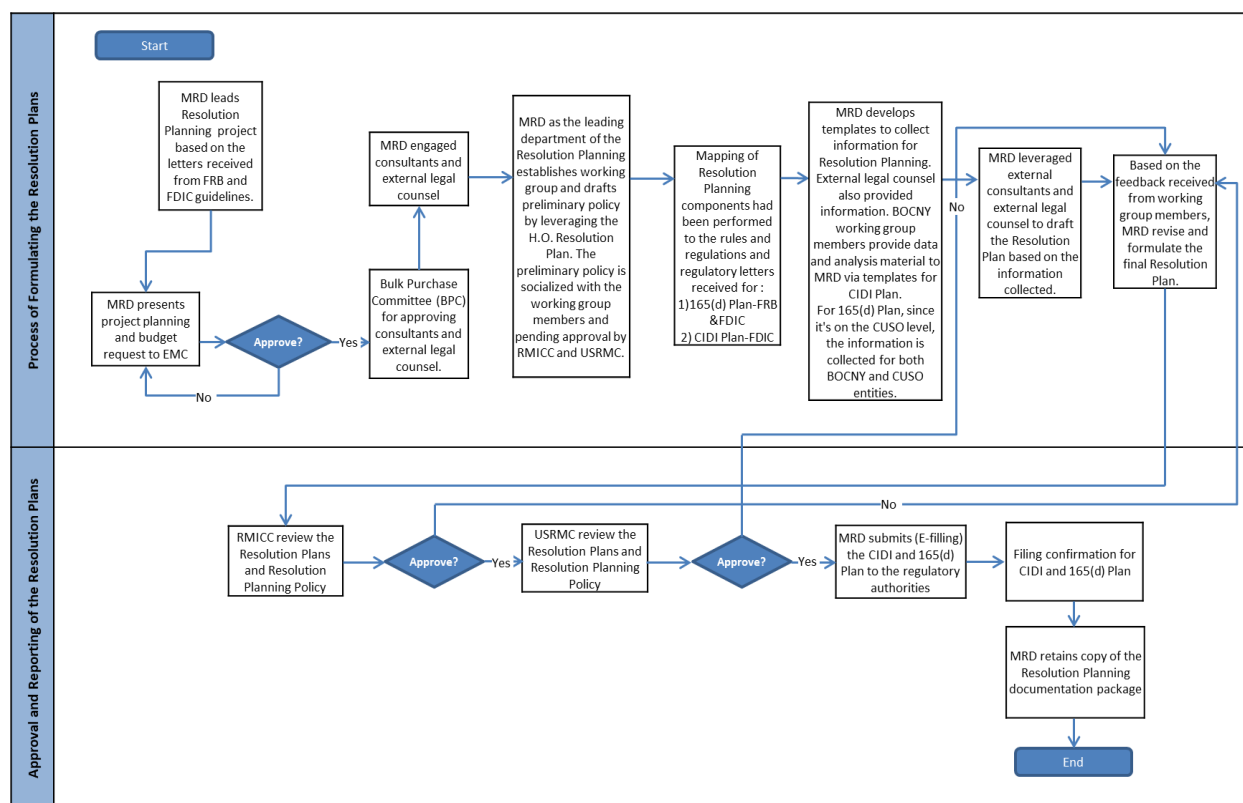
As the third line of defense, Internal Audit Department (IAD) is responsible for independent review and testing on resolution planning.

5. Workflow of the Resolution Planning Management

The Resolution Planning management workflow aims to regulate the formulation, review and update of the resolution plans during the routine operating activities before any crisis takes place.

The process of resolution plans formulation is as follows:

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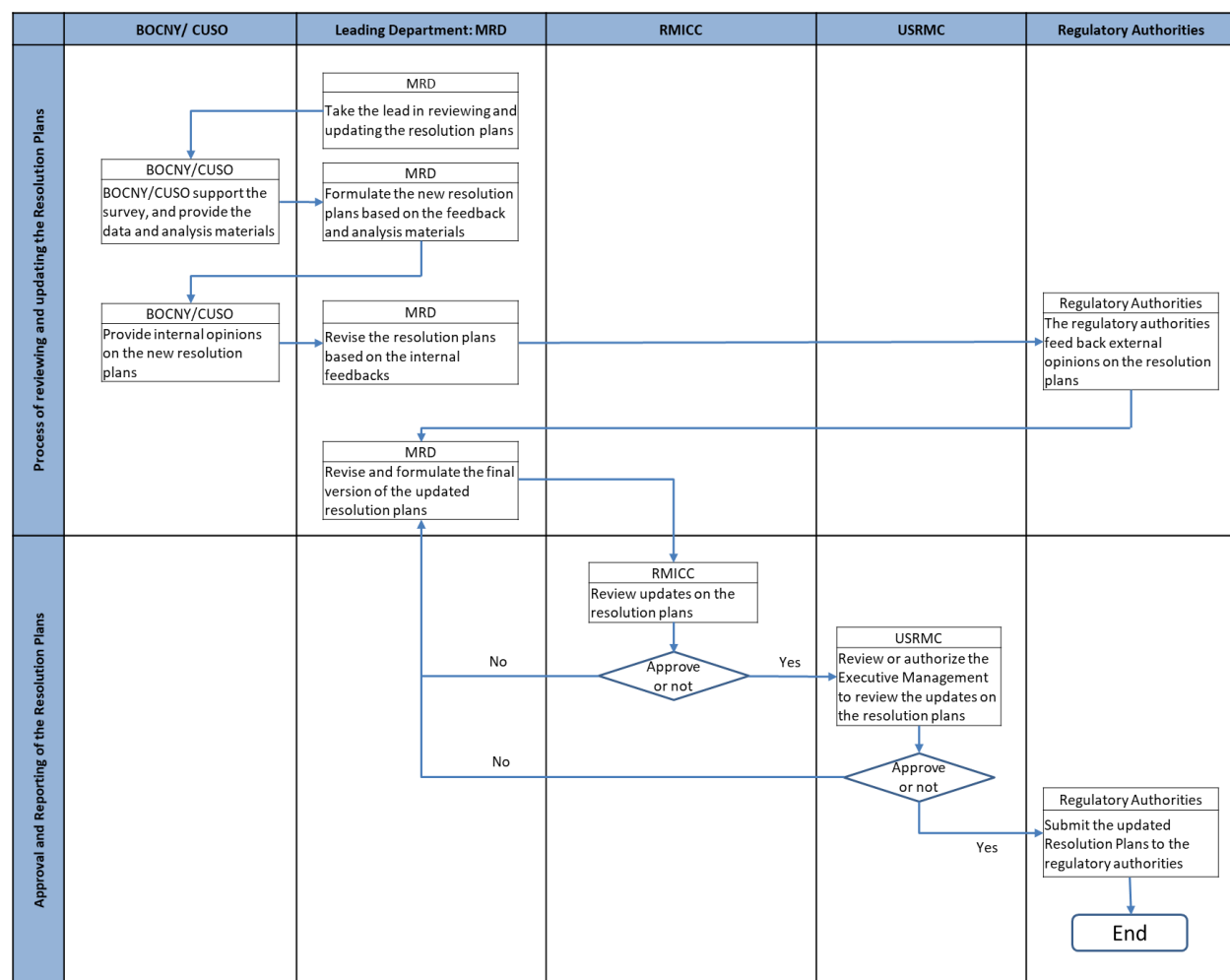
CIDI Resolution Plan and 165(d) Resolution Plan shall be reviewed as necessary and submitted according to regulatory requirement. In case any material change happens to BOCNY's and/or the Bank's business model, management framework, risk profile or external environment, BOCNY shall timely update the resolution plans. In case of significant changes such as M&A, acquisition and restructuring, BOCNY shall timely assess the changes of resolvability.

Review and update of the Resolution Plans shall be led by MRD with support of working group and CUSO entities.

The concrete process of review and update is as follows:

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6. Policy Assurance Methods

6.1. Implementation Plan

Policy implementation is the responsibility of the first, second, and third lines of defense as outlined in this document and the RGF.

6.2. Related Procedures

Not applicable.

6.3. Awareness Methods

The Policy will be distributed to key stakeholders via email on an annual basis with key changes summarized. The Policy will also be available in our Policy Library.

6.4. Training Methods

The Policy will be self-trained through the awareness process or as the policy owner determines necessary to promote full understanding of the Policy through the training sessions. The policy is included as part of resolution planning related training programs.

6.5. Policy Adherence Monitoring

Each applicable department head is responsible for monitoring and assessing the compliance of its procedures with this Policy. Internal Audit will also perform periodic monitoring of compliance through its annual testing program.

6.6. Update Requirements

This Policy will be reviewed and approved at least every three years, and will be updated any time on a need basis. MRD is responsible for taking a proactive role in ensuring this Policy remains relevant and comprehensive. It is therefore the responsibility of MRD to monitor internal and external circumstances to determine if and when a policy update may be required in accordance with the BOCNY Policy on Policies & Procedures.

MRD should communicate with counterparts and key stakeholders within IRM to ensure that this Policy appropriately considers emerging risks in other risk disciplines which may impact this policy. This communication may take place through attendance at working groups, subcommittee meetings, and through other informal means of communication.

The Head of MRD will have budget authority for risk management activities related to resolution planning and this will be considered within the annual budgeting process.

6.7. Consequences of Violating the Policy

Failure to comply with this policy will be escalated to the management under certain circumstances, which will consider appropriate remedial action. Violations of the Policy are grounds for disciplinary action, adapted to the circumstances of the particular violation and having as a primary objective furtherance of BOCNY's interest in preventing violations and making clear that violations are neither tolerated nor condoned.

6.8. Exceptions & Exemptions

Not Applicable.

7. Reference Information

7.1. External Regulations

Below is a list of the applicable regulations. Please note that this list is not designed to be exhaustive or comprehensive.

- Resolution plans required for insured depository institutions with \$50 billion or more in total assets, Final Rule, the FDIC (12 CFR §360.10), January 2012.
- Resolution Plans Required, Final Rule, the Fed and the FDIC (12 CFR Part 243, 12 CFR Part 381), October 2019.

7.2. Other Related Policies/Procedures/Guidance

Refer to Sections 1.2 Related Policies for the related BOCNY documents.

7.3. Glossary

Abbreviation	Name
ADC	America Data Center
ALCO	BOCNY Asset and Liability Committee
BOC	Bank of China Limited
BKD	BOCNY Banking Department
BOCNY	Bank of China USA or BOC U.S. Branches (including New York, Queens QNB, Chicago CHB and Los Angeles LAB)
CBC	BOCNY Commodity Business Center
CBD	BOCNY Corporate Banking Department
CDO	BOCNY Chief Data Office
CLD	BOCNY Clearing Department
CRO	Chief Risk Officer
CIDI	Covered Insured Depository Institution
EMC	BOCNY Executive Management Committee
ERM	BOCNY Enterprise Risk Management Function
EO	BOCNY Executive Office
FID	BOCNY Financial Institution Department
FMD	BOCNY Financial Management Department
HRD	BOCNY Human Resources Department
IAD	BOCNY Internal Audit Department
LCD	BOCNY Legal and Compliance Department
LGO	BOCNY Legal Office
MKD	BOCNY Global Market Department
MOD	BOCNY Treasury Middle Office Department
MRD	BOCNY Market Risk Management Department
ORD	BOCNY Operational Risk Management Department
OSD	BOCNY Operation Service Department
PMO	Project Management Office
RMD	BOCNY Risk Management Department
RMICC	Risk Management and Internal Control Committee
SRD	BOCNY Strategy and Research Department
TRY	BOCNY Treasury
TSD	BOCNY Trade Service Department
USRMC	US Risk and Management Committee