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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

November 21, 2002

**Conditional Approval #559  
December 2002**

David C. Kenny, Esq.  
Squire, Sanders & Dempsey L.L.P.  
One Maritime Plaza, Suite 300  
San Francisco, California 94111-3492

Dear Mr. Kenny:

I am responding to the request of The Hong Kong Chinese Bank Limited (HKCB), Hong Kong, for the OCC's approval to proceed with its acquisition of substantially all of the banking business of CITIC KaWah Bank Limited (CKWB), Hong Kong, prior to final action by the OCC on its application to establish Federal branches in the United States. HKCB has applied to the OCC for approval of the 1) establishment by HKCB of a new uninsured Federal branch in New York, NY; and 2) establishment through reorganization of CKWB's uninsured Federal branch in Alhambra, CA. HKCB filed its application with the OCC on August 14, 2002.

You have indicated that on November 25, 2002 HKCB intends to acquire substantially all the banking business of CKWB. CKWB currently operates an insured Federal branch in New York and an uninsured limited Federal branch in Alhambra. As part of a reorganization, HKCB will acquire CKWB's Alhambra's Federal branch. HKCB's newly established New York branch will acquire all of the assets and liabilities of CKWB's insured New York branch except for FDIC-insured deposits. Following the merger, CKWB will continue to maintain the insured deposits until another depository institution assumes all of the insured deposits, or the FDIC permits termination of the branch's deposit insurance. The insured branch will conduct no new business. For purposes of the International Banking Act of 1978 (IBA), 12 U.S.C. §§ 3101 *et seq.*, and the OCC's International Banking Activities regulation, 12 C.F.R. Part 28, this acquisition will result in the establishment by HKCB of a new uninsured Federal branch in New York. The acquisition of CKWB's uninsured Federal branch in Alhambra is also an establishment under the IBA and the OCC's regulations.

The OCC's regulations provide that the OCC has discretion to allow HKCB to proceed with its proposed transactions prior to the OCC's final action on HKCB's application to establish the Federal branches in New York and Alhambra. *See* 12 C.F.R. § 28.12(g). As required by the regulation, HKCB gave the OCC reasonable advance notice of its proposed transactions, and filed an application with the OCC. In connection with its request, HKCB made the following commitments:

- It will promptly comply with and complete OCC application procedures governing the application; and
- It will abide by the OCC's decision on the application, including any decision to deny the application or terminate activities of the uninsured New York Federal branch and the Alhambra Federal branch.

In addition, other regulators do not object to your request to proceed with HKCB's acquisition of substantially all of the banking business of CKWB and establishment of Federal branches in New York and Alhambra. On November 4, 2002 the Board of Governors of the Federal Reserve System (the Board) approved HKCB's request to proceed with HKCB's acquisition of the banking business of CKWB before the Board's action on HKCB's application to establish banking offices in the United States. The primary regulator of HKCB and CKWB, the Hong Kong Monetary Authority, confirmed on November 6, 2002 that it does not object to HKCB relying on the "after-the-fact" approval procedure.

On the basis of the facts of record and your representations, including the commitments made by HKCB, the OCC has approved HKCB's request to proceed with its acquisition of substantially all of the banking business of CITIC KaWah Bank Limited (CKWB), Hong Kong, and to establish a Federal branch in New York, prior to final action by the OCC on HKCB's application to establish federal branches in the United States, subject to the following conditions:

- HKCB will promptly comply with and complete OCC application procedures governing the application;
- HKCB will abide by the OCC's decision on the application, including any decision to deny the application or OCC requirements to terminate activities of the branches HKCB is establishing in New York, NY, and Alhambra, CA; and
- HKCB: (i) shall give the OCC's New York Field Office at least sixty (60) days prior written notice of its intent that either the New York or Alhambra Federal branches will significantly deviate or change from their business plans or operations and (ii) shall obtain the OCC's written determination of no objection before the branches engage in any significant deviation or change from their business plans or operations.

These conditions are conditions "imposed in writing by the agency in connection with the granting of an application or other request" within the meaning of 12 U.S.C. § 1818 and, as such, are enforceable under 12 U.S.C. § 1818.

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This approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have questions, please contact Senior Licensing Analyst Beverly Evans in our Headquarters office at (202) 874-5060 or Senior Licensing Analyst Sandya Reddy in our Northeastern District Licensing office at (212) 790-4055.

Very truly yours,

**-signed-**

Alan Herlands  
Director, Licensing Operations

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