



October 24, 2017

**Conditional Approval #1186
December 2017**

Mr. Simon Keung
General Manager
The Bank of East Asia, Limited, Los Angeles Branch
388 East Valley Boulevard
Alhambra, CA 91801

Re: Application by The Bank of East Asia, Limited, Hong Kong SAR, People's Republic of China ("BEA"), to change the status of its Los Angeles Limited Federal Branch to a Federal Branch
OCC Control Number: 2012-NE-FBA-Conversion-135005 (2012-IB-10-0003)

Dear Mr. Keung:

The Office of the Comptroller of the Currency ("OCC") hereby grants conditional approval to BEA's application to change the status of the Los Angeles limited Federal branch located at 388 East Valley Boulevard, Alhambra, California, to a Federal branch ("Los Angeles Branch").

This preliminary conditional approval is based on a thorough review of the application and supporting documentation, and other information available to the OCC, including representations and commitments made in the application and by BEA's representatives during the application process.¹ This approval is also subject to the conditions set out herein.

Background

BEA is publicly held and its stock is listed on Hong Kong's Stock Exchange. In 1918, the Bank was incorporated in Hong Kong and offers commercial and retail banking services in Hong Kong, mainland China, and around the world. The Bank operates insured and uninsured Federal branches in New York, New York, and an uninsured Federal branch in Los Angeles, California. In addition, the Bank and its subsidiary East Asia Holding Company, Inc., New York, New York, own 20 percent equity interest in Industrial and Commercial Bank of China (USA) National Association, New York, New York. On July 2, 2012, the Bank applied to the OCC to upgrade the Los Angeles limited Federal branch to a Federal branch. Notice of the application

¹ On September 28, 2017, BEA received approval from the Federal Reserve Board ("Board") to upgrade the Los Angeles Branch to a Federal branch. The Board, in its order dated September 28, 2017, confirmed that BEA continues to be subject to CCS.

was published in a newspaper on July 2, 2012.²

Legal Authority for the Upgrade

An upgrade from a limited Federal branch is considered an “establishment” of a branch under the International Banking Act (“IBA”), Regulation K, and the OCC’s regulations.³ In accordance with the IBA, Regulation K, and the OCC’s Regulations, the Board of Governors and the OCC must approve the upgrade/establishment of the branch.⁴

The upgrade of the limited Federal branch is permissible under the IBA. In addition, the scope of activities to be conducted by the Federal branch is consistent with the OCC’s regulations. The IBA provides that a foreign bank may establish one or more Federal branches in any state in which it does not operate a state-licensed branch, if the establishment of a branch by a foreign bank is not prohibited by state law. BEA does not have a state-licensed branch in California, so the first part of the test is satisfied. California permits a foreign bank to establish a state-licensed branch in California and does not prohibit the establishment of a Federal branch in California.⁵

Accordingly, the upgrade of the limited Federal branch is legally permissible, subject to the Board’s approval. As required by the IBA and Regulation K, BEA provided the Board with an application seeking the Board’s approval to upgrade the Los Angeles Branch pursuant to 12 USC 3105(d)(1) and 12 CFR 211.24(a)(1). As previously mentioned in footnote one, the Board approved the application on September 28, 2017.

Conditions of Approval:

This conditional approval is subject to the following conditions:

1. In addition to compliance with other applicable requirements under United States law, BEA and its Los Angeles Branch shall make available to the OCC such information on the operations and activities of the BEA, and Los Angeles Branch, and any of the BEA’s affiliates (“Affiliates”) that the OCC deems necessary to determine and enforce compliance by the Los Angeles Branch with the International Banking Act and other applicable federal laws. If the disclosure of any required information is prohibited by law or otherwise, the BEA and Los Angeles Branch shall cooperate with the OCC including seeking timely waivers for exemptions from any applicable confidentiality or secrecy restrictions or requirements in order to enable the BEA, Los Angeles Branch, and Affiliates to make such information available to the OCC.

² No comments from the public were submitted to the OCC.

³ Refer to 12 USC 3105(d) and 12 CFR 28.11(f)(6) and 211.21(l),

⁴ Refer to 12 CFR 28.12 and 211.24

⁵ Refer to CAL. FIN. CODE 1803(a)(1) and 1803(a)(2).

2. The BEA and its Los Angeles Branch consent to the jurisdiction of the federal courts of the United States and of all United States government agencies, departments, and divisions for purposes of any and all claims made by, proceedings initiated by, or obligations to, the United States, the OCC and any other United States government agency, department or division, in any matter arising under the National Bank Act, the International Banking Act, and other applicable federal laws.
3. During its first three (3) years of operation, the Los Angeles Branch: (i) shall give the OCC's International Banking Supervision Office at least sixty (60) days prior written notice of its intent to significantly deviate or change from its business plan or operations and (ii) shall obtain the OCC's written determination of no objection before the Branch either engages in any significant deviation or change from its business plan or operations. The OCC may impose additional conditions it deems appropriate in a written determination of no objection to the Branch's notice.
4. BEA and its Los Angeles Branch must comply with all understandings and commitments contained in any approval order or letter issued by the Board in connection with the Branch.

These conditions of approval are conditions "imposed in writing by a Federal banking agency in connection with any action on any application, notice or other request" within the meaning of 12 USC 1818. As such, the conditions are enforceable under 12 USC 1818.

Procedural Requirements to Upgrade Limited Federal Branch

- The Los Angeles Branch must continue to maintain its accounts, books, and records as prescribed by 12 CFR 28 and in such a manner as to facilitate the complete and accurate presentation of financial statements and other reports in form and content as required by the OCC.
- Management must review and modify as appropriate, policies, practices, and procedures necessary to ensure the safe and sound operation of the Federal branch. In addition, these policies and procedures must be approved by the Bank's board of directors or senior management prior to adaptation and any upgrade to the Los Angeles Branch's activities. Please refer to the enclosed minimum policies and procedures for guidance.

The Los Angeles Branch must commence the upgraded activities within 18 months of the date of this conditional approval; otherwise, the approval is withdrawn.

Mr. Simon Keung
General Manager
The Bank of East Asia, Limited, Los Angeles Branch
Page 4 of 4

Capital Equivalency Deposit (“CED”)

In accordance with 12 USC 3102(g), the OCC’s rules at 12 CFR 28.15 (as amended), and the OCC’s interpretations and orders, the Bank and its Federal branches agree to maintain a CED on deposit at an eligible depository bank that is equal to the aggregate minimum required for the Federal branch. The minimum required for the Bank is 5 percent of each Federal branch’s total third-party liabilities (*see* 12 USC 3102(g); 12 CFR 28.15) as computed in accordance with the above-cited authorities.

Conclusion

For the reasons set forth above, including the commitments and representations made in the application and by representatives of BEA, and subject to the receipt by BEA of all applicable regulatory approvals, no objections and waivers, the OCC hereby grants conditional approval for the expansion of the Los Angeles Branch from a limited Federal branch to a Federal branch.

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. Our approval is based on the bank’s representations, submissions, and information available to the OCC as of this date. The OCC may modify, suspend or rescind this approval, if a material change in the information on which the OCC relied occurs prior to the date of the transaction to which this decision pertains. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

If you have questions regarding this letter, please contact Senior Licensing Analyst Sandya Reddy at (212) 790-4055. Please reference the application control number in any correspondence.

Sincerely,

signed

Marva V. Cummings
Director for District Licensing