



**Conditional Approval #1088**  
**February 2014**

January 14, 2014

Patrick Fields, Esq.  
Squire Sanders (US) LLP  
555 South Flower Street, 31<sup>st</sup> Floor  
Los Angeles, CA 90071

Re: Applications by Wing Lung Ltd. Hong Kong to Establish a Federal Branch in San Francisco and to Upgrade the Limited Federal Branch in Los Angeles to a Federal Branch  
Control Numbers: 2012 IB 10 0004 and 10 0005

Dear Mr. Fields:

The Office of the Comptroller of the Currency (“OCC”) hereby grants preliminary conditional approval of the application by Wing Lung Bank Ltd., Hong Kong, Special Administrative Region of the Peoples Republic of China, (hereafter “Wing Lung Bank” or “Bank”), to establish a Federal branch, with the title of “Wing Lung Bank San Francisco Federal Branch,” to be located at Steuart Tower, One Market Plaza, San Francisco, California (hereinafter “San Francisco Branch”).

Additionally, the OCC hereby grants conditional approval of the application by Wing Lung Bank, to upgrade the limited Federal branch located at 201 East Valley Boulevard, Alhambra, California to a Federal branch, with the title of “Wing Lung Bank Los Angeles Federal Branch,” (hereinafter “Los Angeles Branch”).

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

## **Background**

Wing Lung Bank is a wholly-owned subsidiary of China Merchants Bank Co., Limited,

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<sup>1</sup> On January 13, 2014, Wing Lung Bank received approval from the Federal Reserve Board (“Board”) to establish the San Francisco Branch and to upgrade the Los Angeles Branch to a Federal branch. The Board also made a determination that China Merchants Bank Co., Limited’s home country supervisor is actively working towards comprehensive consolidated supervision.

Shenzhen, Peoples Republic of China. Wing Lung Bank commenced business in Hong Kong in February 25, 1933; under the name Wing Lung Ngan Ho. Wing Lung Bank is currently operating a limited Federal branch in Alhambra, California. On August 30, 2012, Wing Lung Bank applied to the OCC to upgrade this branch to a Federal branch. In addition, on the same day, Wing Lung Bank applied to establish a new Federal branch in San Francisco, California. Notice of the applications was published on November 11, 2013.<sup>2</sup> We did not receive any comments from the public.

### **Legal Authority for the Establishment and 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<sup>3</sup>, as is the establishment of a de novo branch. In accordance with the IBA, Regulation K, and the OCC’s Regulations, the Board of Governors and the OCC must approve the upgrade/establishment and the establishment of the de novo branch<sup>4</sup>.

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. Wing Lung Bank 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<sup>5</sup>. Therefore, the upgrade of the limited Federal branch and the de novo branch are permissible under state law and the IBA. The scope of activities to be conducted by the Branches is consistent with the OCC’s regulations.

Accordingly, the upgrade of the limited Federal branch and the establishment of the Federal branch (hereinafter “Branches”) are legally permissible, subject to the Federal Reserve Board’s (“Board”) approval. As required by the IBA and Regulation K, Wing Lung Bank has provided the Board with an application seeking the Board’s approval to establish the Branches pursuant to 12 U.S.C. § 3105(d)(1) and 12 C.F.R. § 211.24(a)(1). As previously mentioned, the Board approved the applications on January 13, 2014.

### **Conditions of Approval**

This is only a preliminary conditional approval. Final approval will not be granted until all other pre-opening requirements have been met, and the OCC determines that the San Francisco Branch is ready to commence operations. Until final approval is granted, the OCC has the right to alter,

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2 Notice of the application to upgrade the Los Angeles limited Federal Branch was published in the San Gabriel Valley Tribune on August 30, 2012. In addition, a notice to establish the San Francisco Branch was published on September 3, 2012 in the San Francisco Recorder and republished in the same newspaper, on November 11, 2013.

3 Refer to 12 U.S.C. § 3105(d) and 12 C.F.R. §§ 28.11(f)(6) and 211.21(k),

4 Refer to 12 C.F.R. §§ 28.12 and 211.24

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

suspend, or revoke this preliminary conditional approval should the OCC deem any interim development to warrant such action.

This preliminary conditional approval is subject to the following conditions:

1. In addition to compliance with other applicable requirements under United States law, China Merchants Bank Co., Limited (“Parent”), Wing Lung Bank, and Branches shall make available to the OCC such information on the operations and activities of the Parent, Bank, Branches, and any of, the Parent and Banks’ affiliates (hereinafter “Affiliates”) that the OCC deems necessary to determine and enforce compliance by the Branches with the International Banking Act and other applicable federal laws. If the disclosure of any required information is prohibited by law or otherwise, the Parent, Bank, and Branches 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 Parent, Bank, Branches, and Affiliates to make such information available to the OCC.
2. The Parent, Wing Lung Bank, and Branches 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 Branches: (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 Branches either engage 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 Branches’ notice.
4. The Branches must maintain risk management processes to effectively identify and aggregate all common and related customers’ transactions at both Branches to quantify and control any associated risks, including Bank Secrecy Act/Anti-Money Laundering and Office of Foreign Asset Control (OFAC) risk.
5. Wing Lung Bank must obtain approval from the Hong Kong Monetary Authority to establish the San Francisco Branch prior to consummation.
6. The Parent, Wing Lung Bank, and the Branches must comply with all understandings and commitments contained in any approval order or letter issued by the Federal Reserve Board in connection with the Branches.

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 U.S.C. § 1818. As such, the conditions are enforceable under 12 U.S.C. § 1818.

### **Procedural Requirements to Establish a Branch**

In connection with this preliminary conditional approval to establish the San Francisco Branch, final approval will not be granted until the Bank has met the following procedural requirements and the OCC determines that the San Francisco Branch is ready to commence operations as a Federal branch.

- The San Francisco Branch must have adequate fidelity insurance coverage.
- The San Francisco Branch will maintain its accounts, books, and records as prescribed by 12 C.F.R. Part 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 ensure applicable policies and procedures are established and approved by the Wing Lung Bank’s board of directors or senior management before the San Francisco Branch commences business. *Please refer to the enclosed minimum policies and procedures for guidance.*
- Wing Lung Bank and its San Francisco Branch must have (i) filled all staff positions at the San Francisco Branch with qualified personnel and (ii) hired a qualified individual(s) to provide internal audits of the San Francisco Branch’s activities to ensure that a safe and sound internal control system is maintained.

Also, enclosed are standard requirements that must be met, as applicable, before the San Francisco Branch will be allowed to commence business.

Please notify our office at least 45 days prior to the date that San Francisco Branch opens for business so that we may schedule a pre-opening examination and issue the license granting final approval for its establishment and operation.

The San Francisco Branch must open within eighteen (18) months of the date of this preliminary conditional approval; otherwise, the approval is withdrawn.

The OCC poses no objection to Ms. Zhengyu (Helen) Liu serving as the proposed General Manager of the San Francisco Branch as proposed in the application.<sup>6</sup>

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<sup>6</sup> Ms. Liu is currently the Deputy General Manager at the Los Angeles Branch.

You are reminded that for a period of two years after the San Francisco Branch is opened for business, the OCC must review and approve the appointment of any new executive officer *prior* to that person assuming such position.

### **Procedural Requirements to Upgrade Limited Branch**

- The Los Angeles Branch must continue to maintain its accounts, books, and records as prescribed by 12 C.F.R. Part 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, those 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 Wing Lung Bank's board of directors or senior management prior to adaptation and Los Angeles Branch's activities are upgraded. 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 preliminary conditional approval; otherwise, the approval is withdrawn.

### **Capital Equivalency Deposit (hereinafter "CED")**

In accordance with 12 U.S.C. § 3102(g), the OCC's rules at 12 C.F.R. § 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 both Federal branches. The minimum required for the Bank is 5% of each Federal branch's total third-party liabilities (*see* 12 U.S.C. § 3102(g); 12 C.F.R. § 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 Wing Lung Bank, and subject to the receipt by Wing Lung Bank of all applicable regulatory approvals, no objections and waivers, the OCC hereby grants preliminary conditional approval for the establishment of a Federal branch in San Francisco and expansion of the Los Angeles limited Federal branch to a Federal branch.

This conditional 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

Patrick Fields, Esq.  
Square Sanders (US) LLP  
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preliminary conditional approval is based on Wing Lung 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,

*Steven Maggio*

Steven Maggio  
Director for District Licensing

Enclosures: Standard Requirements  
Minimum Policies and Procedures