

**The Bank of East Asia, Limited**

Tailored Resolution Plan  
Public Section

December 2014

## Summary of Resolution Plan

### 1. Introduction

Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 requires systemically important financial institutions that conduct business in the United States to file resolution plans with U.S. regulators. Section 165(d) has been implemented through regulations of the Board of Governors of the Federal Reserve System (the “FRB”) and the Federal Deposit Insurance Corporation (the “FDIC”) that require a foreign-based covered company to provide detailed information about its entities and activities in the United States, including the process by which those entities and activities would be resolved in the event of the company’s material distress or failure (the “Regulations”).<sup>1</sup>

Pursuant to the Regulations, The Bank of East Asia, Limited (“BEA”) has developed a tailored resolution plan (the “Plan”). The Regulations direct that the Plan focus on BEA’s U.S. nonbanking operations. The following discussion provides interested members of the public with an overview of the key elements of BEA’s Plan.

### 2. BEA and its U.S. Operations

#### *BEA*

BEA, the covered company for purposes of this resolution plan, was incorporated in 1918 under the laws of the Hong Kong Special Administrative Region of the People’s Republic of China. BEA is a publicly traded corporation listed on The Stock Exchange of Hong Kong and is one of the constituents stocks of the Hang Seng Index. Headquartered in Hong Kong, BEA operates an extensive international network covering Hong Kong and the rest of Greater China, Southeast Asia, the United Kingdom, and the United States.

As of December 31, 2013, BEA’s total consolidated assets were US\$97.3 billion, and BEA had U.S. total assets of US\$3.1 billion or 3.2% of BEA’s consolidated assets. Pursuant to the Regulations and guidance from the FRB and FDIC, tailored resolution plans should focus on a covered company’s U.S. nonbanking operations. As of the filing of this Plan, BEA’s direct U.S. operations consists of three federal branches — two in New York and one in Los Angeles, collectively, the “U.S. Operations” or the “Branches”. Although BEA has two U.S. nonbanking

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<sup>1</sup> See generally 12 C.F.R. pt. 243.

subsidiaries, such subsidiaries do not constitute material entities. BEA has no critical operations located in the United States.<sup>2</sup>

#### *BEA-NY Insured Branch*

The Bank of East Asia, Limited, New York Insured Branch (“BEA-NY Insured Branch”) is a federal branch licensed by the Office of the Comptroller of the Currency (the “OCC”), the deposits of which are insured by the FDIC.

#### *BEA-NY Uninsured Branch*

The Bank of East Asia, Limited, New York Uninsured Branch (“BEA-NY Uninsured Branch”) is a federally-chartered branch licensed by the OCC.

#### *BEA-LA Uninsured Branch*

The Bank of East Asia, Limited, Los Angeles Uninsured Branch (“BEA-LA Uninsured Branch”) is a federally-chartered branch licensed by the OCC.

### **3. Core Business Lines**

BEA U.S. Operations’ core business lines consist of Commercial Real Estate Mortgage (“CRE”) and Commercial & Industrial (“C&I”) loans. CRE and C&I loans are provided by all three branches.

### **4. Summary of Assets, Liabilities, Capital and Major Funding Sources**

The following provides an overview of the assets, liabilities, capital and funding, and liquidity sources used by BEA’s U.S. Operations. For additional information about BEA’s assets, liabilities, capital and major funding sources, please refer to BEA’s Corporate Information Website at <http://www.hkbea.com/hk/ci/index.htm>.

#### *Assets*

The U.S. Operations hold several types of assets for BEA, including commercial loan obligations in the form of syndicated C&I loans and CRE participation loans.

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<sup>2</sup> The Regulations define “critical operations” to mean those operations of a covered company, the failure of which would post a threat to the financial stability of the United States.

### *Liabilities*

The major liabilities of the U.S. Operations consist of insured and uninsured deposits, borrowings from BEA Head Office and third party banks. These liabilities are mostly short-term in nature, with maturities not exceeding 364 days. BEA New York Branch does not issue long-dated certificates of deposit.

### *Capital*

BEA monitors and maintains capital on a group-wide basis. A sufficient amount of capital is maintained to support the group's operations. For additional information on BEA's capital, please refer to the Corporate Information Website referenced above.

### *Funding and Liquidity*

Funding and liquidity for the U.S. Operations are managed in accordance with BEA's group-wide policies and procedures. These standards have been incorporated into the U.S. Operations' local policies and procedures. The U.S. policies and procedures require the U.S. Operations to provide information to BEA for purposes of reports including those for cash flow, loan growth and liquidity risk analysis.

BEA's U.S. Operations are able to draw on a variety of funding sources. In normal market conditions, BEA-NY Insured Branch may rely on taking deposits, the majority of which are insured Money Market and NOW omnibus deposit accounts. In addition, the Branch maintains on behalf of its direct customers Money Market deposits and certificates of deposit, and receives borrowings from BEA Head Office and third party banks.

The BEA-NY Uninsured Branch and the BEA-LA Uninsured Branch are funded mostly through borrowings, either from BEA Head Office or third party banks.

## 5. Derivatives and Hedging Activities

The Branches have a portfolio of Interest Rate Swaps (“IRS”) with affiliated parties.

## 6. Financial Market Utilities

BEA relies on the services of Financial Market Utilities (“FMU”) to conduct its U.S. and home-country operations. Certain FMUs that are used for the U.S. Operations are identified in the following table.

FMU	Functionality
Automated Clearing House (ACH)	Payments
Depository Trust and Clearing Corporation	Settlement and Clearing
FedWire	Payments
SWIFT Alliance	Payments

## 7. Foreign Operations

In addition to its home market, Hong Kong, and its U.S. Operations, BEA maintains commercial and retail operations in Mainland China, Southeast Asia, and the United Kingdom. Worldwide BEA operates more than 240 outlets and employs over 12,000 people. For additional information about non-U.S. operations, please refer BEA’s annual report available on the Corporate Information Website, referenced above.

## 8. Material Supervisory Authorities

BEA Entity	Primary Supervisory Agency
BEA	Hong Kong Monetary Authority (“HKMA”) Securities and Futures Commission Mandatory Provident Fund Schemes Authority Office of the Commissioner of Insurance
	Board of Governors of the Federal Reserve System (“FRB”)

## 9. Executives and Management

The U.S. Operations are run according to the policies and procedures set by BEA Senior Management and management committees. For a listing of BEA’s Senior Management, please refer to [Appendix A](#) to this Public Section of the Plan. The table below identifies the members of the BEA Board of Directors, as of August 2, 2014:

BEA Board of Directors	
Name	Role / Title
Dr. the Hon. Sir David LI Kwok-po	Chairman & Chief Executive
Mr. Adrian David LI Man-kiu	Executive Director & Deputy Chief Executive
Mr. Brian David LI Man-bun	Executive Director & Deputy Chief Executive
Professor Arthur LI Kwok-cheung	Deputy Chairman, Non-executive Director
Mr. Aubrey LI Kwok-sing	Non-executive Director

<b>BEA Board of Directors</b>	
<b>Name</b>	<b>Role / Title</b>
Mr. Richard LI Tzar-kai	Non-executive Director
Mr. Eric LI Fook-chuen	Non-executive Director
Mr. Stephen Charles LI Kwok-sze	Non-executive Director
Dr. Isidro FAINÉ CASAS	Non-executive Director
Dr. Peter LEE Ka-kit	Non-executive Director
Dr. Allan WONG Chi-yun	Deputy Chairman, Independent Non-executive Director
Mr. WONG Chung-hin	Independent Non-executive Director
Mr. Winston LO Yau-lai	Independent Non-executive Director
Tan Sri Dr. KHOO Kay-peng	Independent Non-executive Director
Dr. Thomas KWOK Ping-kwong	Independent Non-executive Director
Mr. Kenneth LO Chin-ming	Independent Non-executive Director
Mr. William DOO Wai-hoi	Independent Non-executive Director
Mr. KUOK Khoon-ean	Independent Non-executive Director
Mr. Valiant CHEUNG Kin-piu	Independent Non-executive Director

## **10. Resolution Summary**

In the event of material distress or failure of the U.S. Operations or BEA, the U.S. Operations would be resolved according to the Plan. BEA provides certain information systems and services to the Branches, either directly or through BEA New York Branch. BEA has identified which systems are critical for the U.S. Operations, and addressed how the lack of support for those systems could impact the U.S. Operations.

In the event of BEA's insolvency, the OCC would take possession of assets of the Branches in accordance with U.S. law.

Appendix A

<b>BEA Senior Management</b>	
<b>Name</b>	<b>Role / Title</b>
Mr. Adrian David LI Man-kiu	Executive Director & Deputy Chief Executive
Mr. Brian David LI Man-bun	Executive Director & Deputy Chief Executive
Mr. Samson LI Kai-cheong	Deputy Chief Executive & Chief Investment Officer
Mr. TONG Hon-shing	Deputy Chief Executive & Chief Operating Officer & Chief Compliance Officer