



NEWS RELEASE

Comptroller of the Currency
Administrator of National Banks

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OCC and People's Bank of China Assess Money Penalties Against Bank of China

WASHINGTON -- The Office of the Comptroller of the Currency and the People's Bank of China announced today they have entered into separate actions against Bank of China and its U.S.-based federal branches for misconduct engaged in by prior management. The bank's New York branch will pay a \$10 million penalty to the OCC and the parent bank, which is based in Beijing, will pay an equivalent amount in local currency to the People's Bank of China, for a total of \$20 million. The bank and its U.S. branches have begun to implement measures to prevent future misconduct.

In reaching this settlement, the OCC noted that the bank's current management cooperated with the investigations conducted by the OCC and the People's Bank of China. The actions taken by the new management of the bank include removing officers suspected of misconduct, uncovering and reporting acts of misconduct to the two regulatory agencies, and requiring the U.S. branches to implement several action plans over the past 18 months to correct misconduct of prior management.

The OCC supervises Bank of China's three U.S.-based federal branches -- two in New York and one in Los Angeles. The OCC's monetary penalties were levied against one of the New York branches, where the misconduct was uncovered, but the remedial measures cover all three branches. The People's Bank of China is the home-country regulator of Bank of China.

The misconduct, which resulted in significant losses to the New York Branch, included showing preferential treatment to certain customers of the New York branch who had personal relationships with some members of the New York branch's prior management.

The OCC had a number of other concerns about the Bank of China's U.S. branches under the former bank management, including large exposures to a single borrower, the facilitation of a fraudulent letter of credit scheme, the facilitation of a loan fraud scheme, the unauthorized release of collateral and the concealment of that action, and other suspicious activity and potential fraud.

In its consent order, the OCC required Bank of China's federal branches to: develop procedures

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to guard against fraud; provide for adequate customer due diligence, using an independent third party to verify compliance; and cease doing business with 34 specific individuals and companies, and affiliated entities. The consent order also requires Bank of China's federal branches to:

- Strengthen their Risk Management Division, ensuring that it has unrestricted access to documents, files and personnel of the federal branches, and authority to terminate customer relationships, deny loans and conduct investigations.
- Develop new policies and procedures to guard against fraud in trade settlement transactions, including direct verifications of documents submitted by customers.
- Adopt new policies and procedures to prevent loan fraud, including analysis of related accounts, requirements for audited financial statements and additional due diligence on large customers and those who conduct business with the large customers.
- Hire an independent third-party to conduct a portion of the direct verifications of trade settlement documents and conduct due diligence on large customers and their business relationships.
- Implement new procedures to identify account owners and beneficial owners. In the case of business accounts, officers, directors and major shareholders must be identified and, in some cases, credit reports are required for account owners, beneficial owners, shareholders and other parties.

Bank of China's U.S. branches have already begun to implement the remedial measures required in the [consent order](#). In taking the enforcement action, both the OCC and the People's Bank of China recognized the bank's willingness to rectify past problems and the substantial progress that it has made. The two agencies believe that the bank's reorganization of the branches will better ensure compliance with applicable federal law and safe and sound banking practices

The enforcement action stems from a lengthy investigation by the OCC and a separate inquiry by the People's Bank of China.

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Attachments: [Statement of Comptroller of the Currency John D. Hawke, Jr.](#)
[Statement of the People's Bank of China](#)
[Statement of Bank of China Chairman and President Liu Mingkang](#)

The OCC charters, regulates and examines approximately 2,200 national banks and 52 federal branches of foreign banks in the U.S., accounting for more than 54 percent of the nation's banking assets. Its mission is to ensure a safe and sound and competitive national banking system that supports the citizens, communities and economy of the United States.