

## Bridging the World's Two Largest Economies

An Interview with Xiaojun (Dennis) Huang, Executive Vice President, Bank of China U.S.A.

**EDITORS' NOTE** Dennis Huang is a senior financial economist and EVP of Bank of China U.S.A. Three years ago, his team was delegated to lead the Bank's strategic management process, including risk-based strategic planning and strategy implementation monitoring, on top of his previous responsibilities focusing on macro-business development research and training. He also leads the newly established N.Y. Research Center for the Research Institute of BOC Group and N.Y. Global Finance Academy of BOC University. Before working for the Bank, Huang had extensive securities industry experience in both China and the U.S. He was involved in the preparation of the Shenzhen Stock Exchange in 1989. He has served as an elected board member of the China International Finance Society, as a member of the New York Economic Club, BOC's Global Research Expert Network, and as a member of the advisory board of Cornell Johnson's Emerging Market Institute. He holds an MBA from Cornell University.



Xiaojun (Dennis) Huang

**COMPANY BRIEF** As China's most globalized and integrated bank, Bank of China ([boc.cn/en](http://boc.cn/en)) has a well-established global service network with institutions set up across the Chinese mainland as well as in 61 countries and regions. It has established an integrated service platform based on the pillars of its corporate banking, personal banking, financial markets and other commercial banking business, which covers investment banking, direct investment, securities, insurance, funds, aircraft leasing and other areas, thus providing its customers with a comprehensive range of financial services. Bank of China U.S.A. ([bocusa.com](http://bocusa.com)) has branches in New York City, Queens, Chicago and Los Angeles.

### Will you highlight BOC U.S.A.'s history and commitment to the U.S. market?

As China's most globalized and integrated bank and the world's fourth largest bank by total assets and Tier 1 Capital, Bank of China has a well-established global service network operating in 61 countries and regions and the longest history of engagement in international markets. In 1981, the Bank established its first U.S. branch in midtown Manhattan and became the first Chinese bank to operate in the U.S. market

following China's economic reforms and the normalization of diplomatic relations between the two countries. By its 40th anniversary in the U.S. market in 2021, Bank of China U.S.A. has established a strong presence in corporate finance, financial institution services, trade finance, commodity finance and global markets, along with a growing presence in retail banking. The Bank operates through four federal chartered branches in Manhattan, Queens, Chicago and Los Angeles, providing comprehensive financial

solutions to support our clients, the local economy and community development. Since our first day in the U.S. market, BOC U.S.A. has committed to bridging the world's two largest economies, supporting bilateral trade and direct investment activities, and helping businesses from both countries achieve financial success.

### How do you define the BOC U.S.A. culture and how important is innovation and analytics to its culture?

As a part of the BOC global network, BOC U.S.A.'s culture is built on the strong foundations of BOC Group's mission, vision, and values. Bank of China's mission is "integrating the world for the benefit of society." BOC U.S.A. actively promotes a mutually beneficial and two-way interaction between China and the U.S. and serves as an important bridge between both economies.

Bank of China's vision is "building a world-class and modernized banking conglomerate." BOC U.S.A. strives to continue introducing the market's best practices for compliance management, data analytics and community involvement and support.

Bank of China's values are "excellent service, sound creativity, open and inclusive, collaboration and mutually-beneficial." BOC U.S.A. strives to achieve excellence and deliver results in a professional, responsible and agile fashion. Operating in a vibrant market here in New York City also makes it possible to build a diverse workforce pool and an open and inclusive corporate culture. Employees with different backgrounds and corporate experience bring varied perspectives and values to the Bank. Our culture of diversity, mutual respect and inclusion supports strong employee engagement and fosters teamwork.

Operating as a large bank under our regulator OCC's Heightened Standards framework, BOC U.S.A.'s risk-based strategic plan defines regulatory compliance as its priority, together with sound management, balanced and sustainable growth and efficient operation. Guided by our strategy, the Bank has also cultivated a culture of compliance across our branches, our entire staff and all components of our business activities, and maintains the sustainability of higher compliance standards.

In recent years, innovation and data-driven analytics also gradually merged into the Bank's culture. These new corporate culture components emerged from increasing fintech competition and disruption in the Bank's operating environment in the U.S. The banking industry is undergoing a significant sea change and BOC U.S.A. strives to be at the forefront of building an innovative and data-driven/analytical culture that can drive sustainable business growth and prepare for what tomorrow's customers expect from us.

In past years, the Bank has emphasized new hires with quantitative backgrounds. To better implement compliance requirements, the Bank explored various data analytics tools and techniques to empower our compliance and risk management processes. For instance, the use of deep learning and other artificial intelligence technologies to automate complex compliance information analyses.

### What have been the keys to the success of Bank of China U.S.A.'s risk-based strategic plan?

Bank of China U.S.A. has been closely following the OCC's Heightened Standards' requirements to enhance the Bank's risk-based strategic plan and drive business growth with its prescribed risk appetite. Our strategic plan, which is updated at least once a year, has been an essential component of our risk governance framework, featured with strong top-down alignment, robust bottom-up implementation, effective collaboration, and realistic strategic targets. Three key factors or processes underlie the success of the strategic plan.

First, it is a risk-based plan covering a full set of balanced financial and non-financial objectives over a three-year horizon, rather than a conventional business plan only focusing on short-term financial targets without considering various risk factors. The risk-based strategic

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plan contains a comprehensive assessment of eight categories of risk currently impacting the Bank and a review of the risks emerging from the new strategies that could affect the Bank during the next three-year planning period. Our plan also articulates the relevant risk mitigation measures to ensure safe and sound execution.

Secondly, the strategic plan results from a collaboration process across all three lines of

defense within the Bank. Driven by the vision and strategic guidance from BOC Group and senior management for BOC U.S.A. and reviewed by the board, the strategic plan collects input from business lines, technology, supporting functions, risk management, legal and compliance. This top-down and bottom-up collaborative approach helps us understand different views from both business and risk perspectives. These risk-based

and business opportunity views are crucial for laying out a comprehensive strategy with realistic, measurable goals and detailed roadmaps within our risk appetite.

Finally, our strategic planning is always a dynamic and ongoing process. The operating environment for the financial services industry has been changing rapidly, and change has accelerated during the pandemic. A static strategic plan updated every few years will not adapt to the external landscape. Our team is continuously monitoring and evaluating the changes in the operating environment and updates the plan twice a year, or as needed when there are significant external changes. In addition to the planning process, we have established a data-driven framework monitoring the progress of execution to ensure the strategy stays on track, which fits into our strategic management process.

**What is your outlook for U.S.-China trade negotiations and how critical is it that this relationship is strong and successful in addressing global challenges?**

The world today is undergoing significant changes, and the COVID-19 pandemic has become a catalyst. The international landscape has become increasingly volatile, uncertain and complex, and the global economy has fallen into recession with rising supply chain risks and decoupling risks. The pandemic has driven the most severe wave of unilateralism and protectionism since the end of World War II. Meanwhile, it has never been more apparent that international cooperation will be the key to emerging from this kind of global crisis. At this juncture, no country can stay isolated. To overcome current difficulties, the international community must unite and cooperate.

China and the United States, as the world’s largest developing and developed countries, respectively, are the two economies accounting for more than one-third of the world’s total economic output, with billions of dollars’ worth of bilateral trade and tremendous socioeconomic and cultural exchange. Dun & Bradstreet estimates that among the Fortune 1000 companies, 163 have meaningful direct business relationships in China, and 938 have Tier 2 suppliers in China. Therefore, almost all the world’s top companies have supply chain upstream and/or downstream relationships with China. Economic and trade frictions between China and the U.S. are bound to impact economic globalization profoundly.



*The headquarters building of BOC U.S.A. in Manhattan*



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Before the trade war, most policymakers viewed the economic and trade ties between the two nations as the “cornerstone” of China-U.S. relations. In 2020, such “cornerstone” seemed to have turned into a “stumbling block” in China-U.S. relations. However, economic and trade relations will still play a critical role to prevent further deterioration of the broader bilateral ties. I am optimistic about the progress of future trade negotiations and as there is a growing amount of evidence that the past trade war has not benefited either country, it is becoming clearer than before that a well-established and robust trade relationship is mutually beneficial and critical for both China and the U.S.

**Where do you see the greatest opportunities for cooperation as you look to the future of U.S.-China relations?**

Relations between the U.S. and China once again stand at a crossroads. Although both countries differ in many ways and on many issues, they can still find a way to cooperate and confront the challenges facing the world that they are uniquely equipped to address.

First, they could deepen economic and trade relations for post-pandemic recovery. After the two countries successfully signed the Phase One trade deal last year, there is an urgent need to break new ground for cooperation. The two sides could initiate economic policy coordination that connects China’s new development paradigm with the U.S. post-pandemic economic recovery. Both sides could strengthen cooperation in commodity products, information and communication, online education, and telemedicine, jointly stabilize the markets, secure growth, and safeguard people’s well-being. They should also ensure the smooth operation of global industrial and supply chains, thus leading to the world economy’s recovery and development.

Secondly, they could jointly strengthen bilateral financial investment activities. Facing the economic impact and risk challenges of the pandemic, China and the United States, as the two major powers in the world, must shoulder the responsibilities and jointly strive to promote economic recovery and prevent more people from falling into poverty and unemployment. Specifically, China and the United States can strengthen bilateral financial investment activities, given financial services are a traditional strength of the U.S. China’s 3Q 2020 data shows that China has seen growth rates of over 20 percent for its import and export financial services and insurance services. The momentum for growth is strong, and there is a lot of room for further development. China has become a safe haven for global capital and assets, and China’s financial markets can bring better investment opportunities for American companies in an ever-opening environment. China and the United States can also consider launching cooperation around fintech-related regulation, as the COVID-19 pandemic has accelerated the development of fintech solutions and inclusive finance, as well as AML and other compliance initiatives.

Thirdly, they could jointly combat global challenges such as COVID-19 and climate change, as the U.S. and China may be perfect bilateral partners to combat these issues. For COVID-19, the two countries can collaborate to discuss and share the best practices they have established, assist the poorest nations in combating the disease and cooperate to manage debt defaults in the developing world.

In a different sense, climate change is another catastrophic global crisis in the making. Unlike COVID-19, however, the U.S. and China already have a history of working

together to combat global climate change. In 2014, China and the U.S. worked on a bilateral emissions agreement that ultimately resulted in both countries joining the Paris Agreement in 2016.

Finally, both nations could jointly resume people-to-people exchanges. People play critical roles in cultural exchanges between countries, especially in the world’s two largest economies. Later in 2021, the two sides should resume some appropriate and safe level of people-to-people exchanges and make new plans involving think-tanks, students or scholars exchange programs, and skilled labor exchanges for global companies to consolidate the foundation of strong cultural and bilateral relations.

**Bank of China U.S.A. is heavily invested in the communities it serves. Will you discuss this community engagement and the importance for Bank of China U.S.A. to be a strong partner in its communities?**

Supporting community development and putting value in social responsibility has always been an essential part of our mission here at BOC U.S.A. We are committed to supporting community development, especially in low-to-moderate income neighborhoods. With our financing, many of our clients have brought significant investments to our local communities, providing jobs and revitalizing industries such as manufacturing, agriculture, and energy.

In New York City, we have also been active in providing loan facilities to affordable housing projects and public transportation projects to create employment opportunities and improve community living conditions. In recent years, the Bank has further expanded our community partnerships with many local organizations. For example, since 2019, we have partnered with Big Brothers Big Sisters of New York City and created a workplace mentorship program where our employees volunteer to provide mentorship to high school students from underserved communities. Also, last year at the onset of the COVID-19 crisis, BOC U.S.A. provided immediate support to our first responders, essential workers, communities, and non-profit organizations. We sourced and donated more than 120,000 masks, 12,000 pairs of surgical gloves to hospitals, senior homes, post offices, sanitation departments and police stations, and 4,150 free meals to local hospitals. We also worked closely with our small-to-medium-sized enterprise clients during this challenging time, providing solutions to meet their financing and liquidity needs through PPP programs.

Since we first entered the U.S. market, BOC has been striving to be a trusted partner with our communities and provide financial solutions that serve the real economy because we believe that our business success will only be possible when our local communities stay strong and prosperous. Despite the changes to our business operations and social distancing measures during the pandemic, we have never felt closer to the communities we serve. We will continue to strengthen the bond and are confident that together, we can come out stronger on the other side. ●