

A Financial Bridge Between the World's Two Largest Economies

An Interview with Xu Chen, President and Chief Executive Officer, Bank of China U.S.A.

EDITORS' NOTE Xu Chen started his banking career at Bank of China's Head Office in 1990. Since then, he worked successively in various departments including the Executive Office, the Corporate Banking Department, and the London branch before he was promoted to the position of General Manager of the Olympic Affairs Department in 2004. In August 2008, Xu was reassigned as General Manager of the Financial Institutions Department, a position he held until January 2015. At that time, he was transferred to the United States and assumed his current role. He now supervises the New York City, Queens, Los Angeles and Chicago branches. Xu holds a bachelor's degree in management information systems from Tsinghua University, China, and a master's degree from the University of International Business and Economics, China, with a major in business management.



Xu Chen

COMPANY BRIEF As China's most globalized and integrated bank, Bank of China (www.boc.cn/en) has a well-established global service network with institutions set up across the Chinese mainland as well as in 57 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. (www.bocusa.com) has branches in New York City, Queens, Chicago and Los Angeles.

Bank of China U.S.A. recently celebrated 40 years of operating in the United States. Will you discuss Bank of China U.S.A.'s mission of building a financial bridge between the world's two largest economies?

When it comes to the economic interaction between the U.S. and China, bilateral trade, investment, and lending all represent a win-win collaboration – at national, sub-national, commercial and individual levels. The relationship that developed between the two powerhouses throughout generations has

resulted in thriving economies, businesses, social well-being and jobs. Bank of China U.S.A. is proud to have helped facilitate this growth, serving many key underlying transactions while bringing businesses and people from both sides of the Pacific closer together.

Just as the economic and cultural exchanges between our two nations over the past 40 years have strengthened, BOC U.S.A. has functioned as a financial bridge between the world's two largest economies. For more than

four decades, we have succeeded in facilitating trade and currency exchanges from our offices in New York City. Throughout the '80s and '90s, we focused primarily on cooperating with Chinese clients seeking to enter the U.S. market either through importing, exporting businesses or acquisitions.

As U.S.-Chinese trade relations grew in the early 21st century and since China's accession to the WTO in 2001, we have significantly expanded our contributions to the American banking community. By serving Fortune 500 companies, commercial real estate firms, financial

institutions and SMEs, BOC U.S.A. has evolved into a major player in local and cross-border markets and has helped contribute to local communities throughout the U.S. In recent years, more than 85 percent of our clients at U.S. branches have been local U.S. companies – primarily Fortune 500 brands, 90 percent of our credit portfolios originated from the local market, and 87 percent of our 764 full-time employees are hired locally.

During and after the 2008 financial crisis, when capital was scarce for the commercial real estate markets and most banks retreated from the lending landscape, we provided timely and critical financial support to New York City projects. Even today, BOC U.S.A. has built a track record of financing transformative projects for Tier One sponsors, such as 220 Central Park South, a premier luxury condominium; One Vanderbilt, one of the few new Class A office projects built in midtown Manhattan in the past seven decades; and 50 Hudson Yards, a dynamic new CBD submarket on the Far West Side. As a good corporate citizen, we have also financed billions of dollars in affordable housing multifamily projects across the New York metropolitan area.



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

Both our nations have benefited from thriving bilateral trade and investments over the past 40 years, especially as China, the second largest economy in the world, shifts from “investment-driven” to “consumption-driven” economic growth, and there emerges greater demands for U.S. exports.

We will continue facilitating business collaborations between the world’s two largest economies, and at a local level, explore the potential for partnerships with both large scale as well as small and medium enterprises across virtually every sector.

Bank of China U.S.A. has placed a major focus on technology and providing its customers with the option to choose how and when they do their banking. Will you highlight Bank of China U.S.A.’s technology platform and how technology is impacting the future of banking?

As a foreign bank operating in the U.S. under a stringent regulatory environment, fierce competition and operating cost pressures, BOC U.S.A. has invested heavily in the digital transformation of our operational and managerial considerations. In recent years, we have launched tens of new IT platforms and upgraded other existing systems. We have also progressed in key business fields, such as liquidity management, U.S. dollar clearing, credit management, cross-border trade and on-line banking services, among many others.

Faced with complicated international anti-money laundering challenges and strict U.S. regulations, we treated the upgrading of IT compliance systems, data standardization and centralization of functions as the cutting points of digitalization. We have enhanced our anti-money laundering capabilities with eight IT systems covering the lifespan of BSA/AML/Sanction Management from KYC, sanctions screening to BSA/AML transaction monitoring, some of which have even utilized artificial intelligence and natural language processing to identify compliance risks more precisely through automated analytics of real business data.

We are in an era when cross-border e-commerce dominates trading between SMEs and consumers. With burgeoning demand for high frequency, but small value cross-border deals, traditional international financial settlement services such as wire transfers and demand drafts are no longer the best means to meet shifting industry needs. To enhance efficiencies for our clients and stay ahead of these changes, we launched eMPAY, a vehicle that can provide effective and low-cost payment services for cross-border e-commerce by joining forces with fintech firms. Since it was launched, eMPAY has served more than 10,000 small, medium and micro cross-border merchants with billions of dollars in payments, promoting more American exports to China. Furthermore, despite uncertainties in U.S.-China trade relations in recent years, eMPAY has grown by 13 percent annually.

One more example relates to trade services which are characterized by frequent transactions, large amounts of data and a wide range of cross-border money flows, thereby exposing

banks to heavier BSA/AML risks. We developed Smart-DD, a tool to provide trade financial services with end-to-end AML due diligence by automated sourcing of external feeds, audit tracking of all activities and advanced analytics.

Digitization is a double-edged sword. As businesses more rapidly digitized and services became far more efficient, banks and consumers have been increasingly exposed to cyber-attack concerns. To address these concerns, we developed Smart-i, an intelligent cybersecurity monitoring tool with AI and big data analytics. Smart-i builds behavior analytical models to detect and alert various known/unknown threats and abnormal behaviors, covering applications, systems, databases, networks, terminals, and information security of associated equipment.

Do you feel that there will still be a role for bank branches in the future as more people continue to bank online and through technology platforms?

Indeed, the banking industry has started shifting away from the traditional brick-and-mortar branches towards more online services in the fast-growing digitalized world. The COVID-19 pandemic and the move to working and shopping remotely has only served to accelerate the pace of this shift. While we satisfy the consumer preferences of younger generations who are more comfortable banking online, we cannot ignore the consumption habits of older generations and the need to preserve traditional channels for our neighborhoods.

For instance, cash usage and related services still rely on physical outlets including ATMs. Small and medium-sized enterprises such as restaurants, shops and garages still collect and deposit cash regularly, despite digital payments becoming ubiquitous. Consumers need cash to pay tips as well. In addition to needing physical outlets for some services, many customers still feel more comfortable with direct and personalized communication with bank tellers rather than machines. Corporate banking is also still very much a people-to-people business.

Banks need to segment the markets, whereby management can decide which approach they would follow according to their own strategies. Nevertheless, traditional service channels should be sustained by any means for the satisfaction of various clientele.

How does Bank of China U.S.A. make sure that it is offering e-banking and internet services while still maintaining the human touch and personal relationships with its clients?

Faced with the rise of digital-oriented banking, we conducted comprehensive upgrades to our internet banking systems in 2020. These included new services such as online RMB exchange, RMB remittance, SBA PPP loan applications, batch remittance, and recurring wire and transfer, fraud alerts. The upgrades also included a brand-new user interface, which provides a simpler, quicker and more personalized online banking experience.

After these changes, we saw a 32 percent increase in the use of our online banking services and online transactions grew by more

than 62 percent. To date, 70 percent of our overall transactions are conducted via online channels. As these services have grown, we have also devoted resources to cybersecurity and information security enhancements to better protect customers’ and the bank’s information.

While fewer customers visit local branches for their day-to-day needs, our client managers still hold close interpersonal interactions by connecting with them over the phone and through e-mail. Also, if a customer needs to open a new account with the bank, they must still visit one of our branches on site as we are subject to compliance requirements.

Will you discuss Bank of China U.S.A.’s corporate social responsibility efforts and how these efforts are ingrained in all of the bank’s operations?

As a global bank with a local heart, we are committed to supporting the communities where we operate. Whether it is by expanding our CSR programs, satisfying our Community Reinvestment Act (CRA) requirements, investing in Environmental, Social and Governance (ESG) initiatives and through various volunteer and donation efforts, we continue to believe that our investments in society connect us with our communities and help bring about a brighter future.

In recent years, we have provided more than \$2 billion in public finance and corporate loans, grants and services to low- and moderate-income communities. We have actively promoted financial education among the underserved and supported housing and community development, especially while countering the costly effects of the pandemic.

How does Bank of China U.S.A. focus its CSR efforts and do the areas the bank supports align with the bank’s business, such as its efforts to improve access to financial services and promote financial literacy?

Our CSR efforts are primarily focused on initiatives that improve access to financial education, promote the well-being of local families and strengthen cultural ties between the U.S. and China. Our support for these programs mirrors our mission to empower our neighbors and communities, create economic value and improve people’s lives, especially as so many seek to recover from the financial and emotional toll of the COVID-19 pandemic.

To this end, we contribute to local and national philanthropic organizations and scholarships such as Big Brothers Big Sisters of New York City, Robin Hood, Jump\$tart Foundation, Trufund, Cents Ability, The Juilliard School, and the China General Chamber of Commerce Foundation, among others. We also set internal policies and procedures to encourage our employees to volunteer and even take on leadership roles within these organizations, making significant contributions through ideas, education, and structured participation. On this front, several employees sit on the boards of various foundations, including Cents Ability and Big Brothers Big Sisters of New York City, demonstrating our commitment to our local communities. ●