



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, DC 20551

November 15, 2022

Mr. Jiang Liu  
Partner  
Morrison & Foerster LLP  
250 West 55th Street  
New York, New York 10019

Dear Mr. Liu:

This letter responds to your request on behalf of China Merchants Group Limited (CMG), Hong Kong, People's Republic of China (PRC), for permission to comply with the single-counterparty credit limit (SCCL) rule of the Board of Governors of the Federal Reserve System<sup>1</sup> and reporting requirements on the Form FR 2590, through CMG's foreign bank subsidiaries, China Merchants Bank Co., Ltd. (CMB), Shenzhen, PRC, and CMB Wing Lung Bank Limited (WLB), Hong Kong, PRC. CMG is a top-tier foreign banking organization (FBO) owned by the PRC.

The SCCL rule generally limits the aggregate net credit exposure of the U.S. operations of an FBO that either is subject to Category II or III standards or has total global consolidated assets of at least \$250 billion to any single counterparty to 25 percent of the FBO's tier 1 capital.<sup>2</sup> In addition, an FBO subject to these requirements must submit the Form FR 2590

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<sup>1</sup> 12 CFR part 252, subpart Q; *see also* 12 CFR part 252, subpart H (for U.S. banking organizations).

<sup>2</sup> 12 CFR 252.172(b)(2). An FBO that would be a global systemically important banking organization (GSIB) under either the global methodology or under section 217.402 of the Board's Regulation Q and is subject to certain other requirements must further limit its aggregate net credit exposure to a major counterparty to no more than 15 percent of the FBO's tier 1 capital. 12 CFR 252.170(a)(2)(ii); 12 CFR 252.172(c)(2). A "major counterparty" generally is defined as a counterparty that either (i) is a U.S. or foreign GSIB or (ii) is a nonbank financial company supervised by the Board. *See* 12 CFR 252.171(y).

on a quarterly basis.<sup>3</sup> CMG is an FBO with total consolidated assets of more than \$250 billion whose subsidiary foreign banks have offices in the United States. Therefore, CMG must comply with these requirements.

An FBO subject to a regime established by its home-country supervisor that is consistent with the large exposures framework published by the Basel Committee on Banking Supervision (Basel Large Exposures Framework)—and therefore comparable to the SCCL rule—may comply with the SCCL rule and satisfy the reporting requirements of the Form FR 2590 by certifying its compliance with the home-country regime on a quarterly basis.<sup>4</sup> CMG is not subject to a home-country regime consistent with the Basel Large Exposures Framework. However, its subsidiary foreign banks, CMB and WLB, are subject to home-country regimes consistent with the Basel Large Exposures Framework adopted in the PRC and Hong Kong, respectively. CMG requests permission to satisfy the Form FR 2590 reporting requirements by certifying instead that its subsidiary foreign banks, CMB and WLB, comply with home-country regimes consistent with the Basel Large Exposures Framework.

Regulation YY authorizes the Board to permit an FBO to comply with the requirements of the regulation, including the SCCL rule, through a subsidiary.<sup>5</sup> In exercising this authority, the Board must consider the following: (1) the ownership structure of the FBO, including whether the FBO is owned or controlled by a foreign government; (2) whether the action would be consistent with the purposes of Regulation YY; and (3) any other factors that the Board determines are relevant.<sup>6</sup>

Based on all the facts of record, including the information provided by CMG and other supervisory information, the Director of the Division of Supervision and Regulation, in consultation with the General Counsel, acting under authority delegated by the Board,<sup>7</sup> grants CMG's request.

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<sup>3</sup> 84 FR 64,070 (Nov. 20, 2019).

<sup>4</sup> 12 CFR 252.172(d); *see also* 84 FR 64,070, 64,071 (Nov. 20, 2019).

<sup>5</sup> 12 CFR 252.3(c).

<sup>6</sup> *Id.*

<sup>7</sup> *See* Board Order Delegating Authority to Make Certain Determinations under Regulation LL and Regulation YY, item 1 (Oct. 10, 2019), <https://www.federalreserve.gov/aboutthefed/boardmeetings/files/delegating-authority-orders-20191010.pdf>.

This action is based on the specific facts of record and representations in the request and in related communications with Board staff. Any material change in these facts or representations should be communicated immediately to Board staff and may result in a revocation of this determination.

Please contact Lesley Chao (202-974-7063) or Lars Arnesen (202-452-2030), both of the Division of Supervision and Regulation, or Lucy Chang (202-475-6331), Christopher Callanan (202-452-3594), or Josh Strazanac (202-452-2457), all of the Legal Division, if you have any questions.

Very truly yours,

*(Signed) Ann E. Misback*

Ann E. Misback  
Secretary of the Board