

Improve Comprehensive Risk Management Upon Opportunities Given by Basel II

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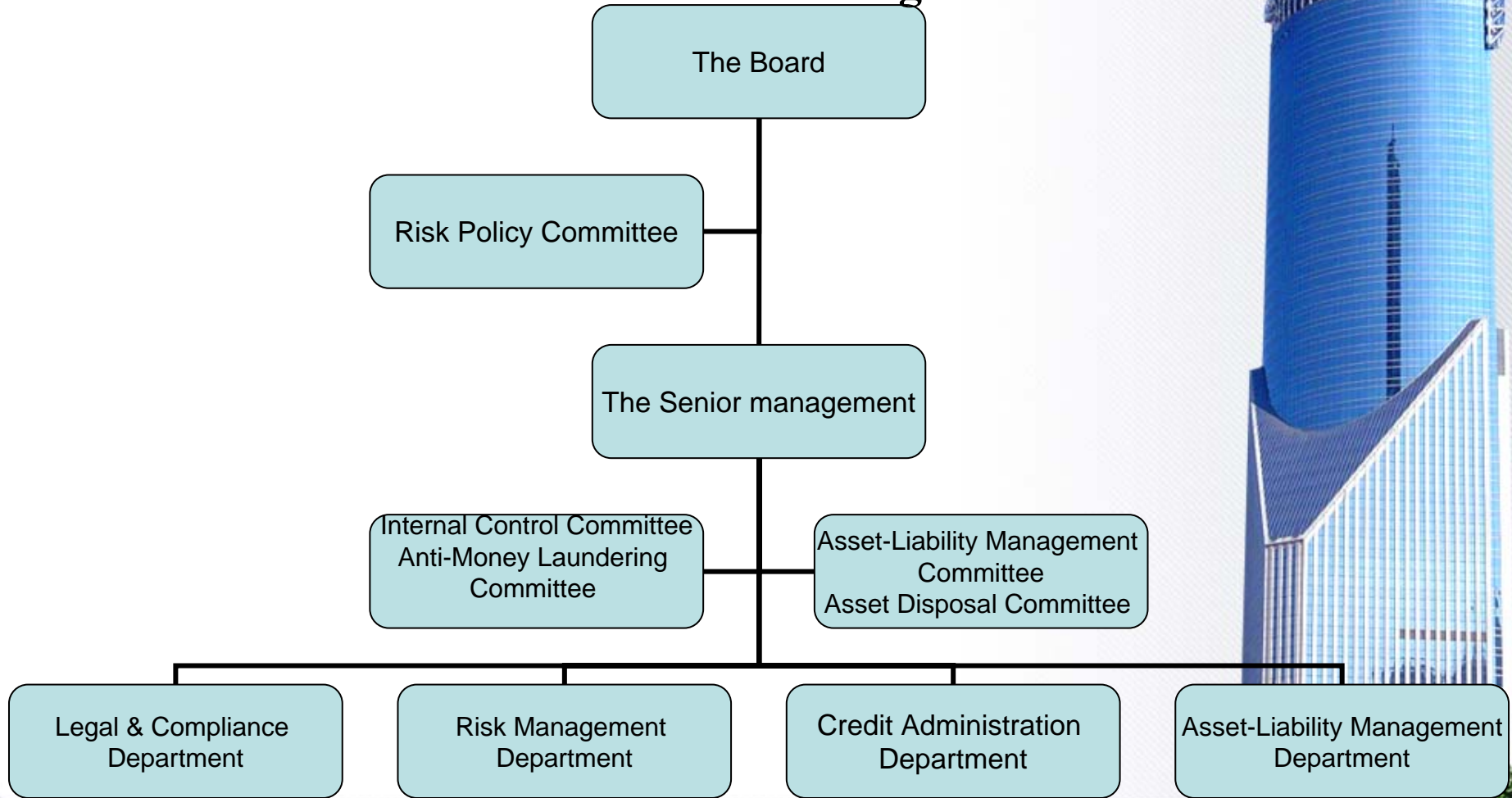
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I. Risk Management in Bank of China

● The Framework of the Bank's Risk Management



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● The Model of the Bank's Risk Management

The Vertical Management Model : *Manage the Risk in Branch*

The Risk Window management Model: *Manage the Risk in Business Departments*

Appointing Members Model: *Monitor & Control the Risk Management in Subsidiaries*



●The Guiding Principles of the Bank's Risk Management Framework

Compliance with legal & regulatory Requirements

Achieving an Appropriate Equilibrium between Risk & Return

Relative Independence

Strict Accountability

Alignment

Sufficient Disclosure



●The Objectives of the Bank's Risk Management System

- 1. Extending our risk management framework to all of our business departments, branches, and subsidiaries;*
- 2. Ensuring that risks inherent in our various lines of business are effectively managed;*
- 3. Establishing an all-encompassing risk management culture;*
- 4. Developing comprehensive and integrated risk management procedures, policies and processes;*
- 5. Utilizing appropriate risk management tools to identify, monitor and quantify our risks.*



● **Three Lines of Defense of Internal Control of the Bank's Risk Management**

The First Line of Defense: *the individual who implements the policies and procedures*

The Second Line of Defense: *the Legal & Compliance Department and the Business Departments*

The Third Line of Defense: *the Internal Audit Department*



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II.Challenges & Opportunities in Risk Management

- **Chinese Banks' Challenges**

1. *In Need of Appropriate Tools & Models*
2. *In Need of Appropriate Data & Technology*
3. *In Need of New Concepts & Talents*



● Chinese Banks' Opportunities

- 1. Expand International Communication & Co-operation*
- 2. Induct Advanced Tools and Enhance Risk Management*
- 3. Refer to China's Situation and Improve Innovation Capacity*
- 4. Strengthen Professional Training and Foster Experts*



III. Some personal Views on Implementation of Basel II in China

- 1. The implementation of Basel II helps risk management to be more scientific and sophisticated.*
- 2. Risk management on the basis of capital economy helps the transition of business model.*
- 3. Risk management that is in line with international practice helps the implementation of global strategy for large Chinese Banks.*



Thank You!



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