



Bank of China (Hong Kong) Ltd.

Provides advanced custodian service through SWIFT



SWIFT is the primary international operations processing standard for global custody services. It improves the STP* rates of instruction transmission and processing.

Fanny WONG, Deputy General Manager, Head of Custody, Bank of China (Hong Kong) Ltd.

Bank of China (Hong Kong) Ltd. offers efficient and reliable custodian services to QDII customers through an advanced global custody system, which supports SWIFT connectivity and is in compliance with ISO 15022 standard. We are in active preparation for system capabilities and readiness in accordance with the ISO 20022 standard to embrace the future needs.

Bank of China (Hong Kong) Ltd. custodian service

- Business Size
 - Assets Under Custody (“AUC”) exceed USD49.2 billion (as of June 2010),
 - Average professional custody experience exceeds 15 years,
 - Average fund accounting and investment compliance experience exceeds 10 years.
- QDII status
 - More than a dozen QDII accounts opened, including many Mainland Investment Management Institutions (“IMI”) and insurers (as of December 2009)
 - Custodian network covers more than 80 markets, including all countries which have signed MOUs with CSRC and/or CBRC
 - Business relationship with many international IMI to facilitate mutual fund/unit trust fund investments by Mainland QDII customers globally

Challenges brought by global investments to the industry

- Timely management of assets across multiple time zones, markets, and currencies
- Adherence to strict compliance requirements and regulations
- Burdensome filing and reporting requirements
- Different standards and practices in different local markets
- Multiple service providers using different systems
- Difficulty in managing the heavy load of paper work for instructions and statement reconciliation

* Straight through processing (“STP”) is the ability to receive and process financial transactions from the beginning to the end utilizing an electronic system and without intervention of any sort.

Benefits of STP to QDII operations

- Reduced interpretation risk in statement reconciliation
- Lower operational risk – multi-level security control & minimal manual intervention
- Lower transaction processing costs
- Timeliness and confidentiality
- Alignment with international standards
- Social responsibility – reduce paper use

Advantages of SWIFT solutions

- International Standards Organization (“ISO”) standard

Standards not only cover the content, format of exchanged information, but also influence the basic operational flows of information. Adopting a common communication standard can help override language barriers and bridge the gap between different system syntaxes and business requirements, contributing to reduced operational risks. To domestic IMI, adopting a global standard is also a perfect opportunity to learn the international operation model.

- Single window

With an increasing number of QDII products and their expanding Assets Under Management (“AUM”), institutions need to communicate with more brokers, custodians, and investment managers. With the help of SWIFT, QDII/IMI can efficiently establish a linkage for data transmission between its own internal system and the different system interfaces offered by different counterparties, hence alleviating the complexities and difficulties involved in using different message formats and interfaces adopted by each of the counterparty.

- Security and reliability

SWIFTNet is a highly secure and reliable communication platform. Owing to advanced encryption and certification technology, it can meet the strict risk control requirements of financial institutions and support the stability of the global financial industries.

- High usage & adoption

SWIFT is a form of data transmission adopted by 9,100 financial institutions in 209 countries or regions. With 450 brokers, 600 fund managers, 2500 custodians and over 80 securities market infrastructures already on SWIFT, it will efficiently and effectively connect a SWIFT member with its counterparties while lowering marginal cost.

STP service propositions supported by Bank of China (Hong Kong) Ltd.

- Clearing & settlement, reconciliation of securities holdings

This process is depicted in the diagram. This process includes sending and receiving SWIFT messages on settlement instructions, settlement confirmations and status reports etc. to enable the reconciliation of securities accounts.

- Corporate actions

Support standardized MT564, 565, 566, 567 and 568 to transmit corporate action announcements, instructions, status updates and confirmations.

- Cash management

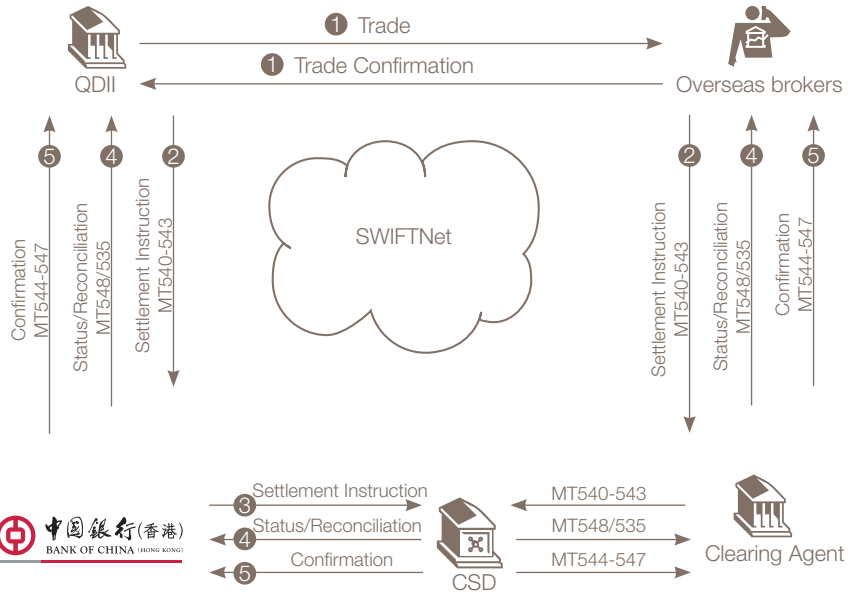
Facilitate the exchange of foreign currency and report latest cash positions via MT940 and MT950.

Strengths of the custody services of Bank of China (Hong Kong) Ltd.

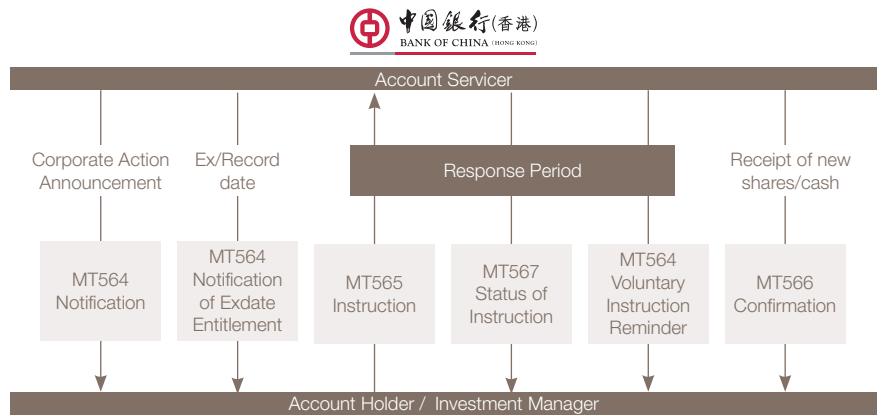
- Highly precise custody and valuation systems
- One-stop services leveraging on the close relationship with BOCHK Group
- Best-of-the-best sub-custodian network around the world
- Advanced SWIFT-compatible IT infrastructure
- Familiarity with Chinese culture and market practices, with client support services in Chinese language

In cross-checking the net asset valuations for sizeable QDII portfolios, Bank of China (Hong Kong) Ltd. achieves an accuracy of almost 100%, a standard hardly matched by most service providers.

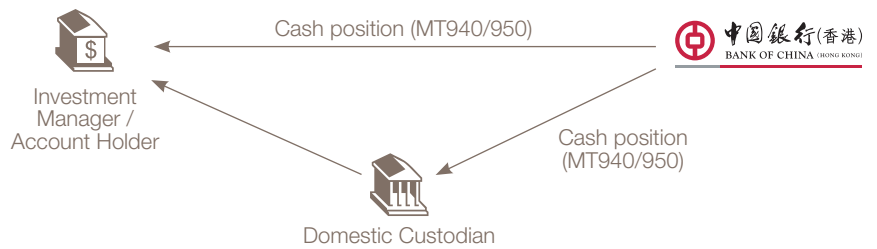
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Clearing & settlement, reconciliation of securities holdings



Corporate actions



Cash management

About Bank of China (Hong Kong) Ltd.

Bank of China (Hong Kong) Limited ("BOCHK"), established on 1 October 2001, is a leading listed commercial banking group in Hong Kong. With over 270 branches, 510 ATMs and other distribution channels in Hong Kong, BOCHK and its subsidiaries offer a comprehensive range of financial products and services to individual and corporate customers. BOCHK is one of the three note issuing banks in Hong Kong. In addition, the BOCHK Group (comprising BOCHK, Nanyang Commercial Bank and Chiyu Banking Corporation) and its subsidiaries have 24 branches and sub-branches in the Mainland of China to provide cross-border banking services to customers in Hong Kong and the Mainland.

Since 24 December 2003, BOCHK has been appointed by the People's Bank of China as the Clearing Bank for Renminbi business in Hong Kong. On 25 February 2004, BOCHK began to offer RMB Clearing Services in relation to deposit, exchange, remittance and bank card (bank card from April 2004) to Participating Banks in Hong Kong. To cater for the expanded Renminbi businesses, BOCHK has operated RMB Settlement System and Personal RMB Cheque Service on 6 March 2006. This was followed by RMB Bond Clearing Service on 18 June 2007. Commencing 6 July 2009, BOCHK provides RMB Trade Clearing Services. BOCHK was authorised as the Clearing Bank of RMB cashnotes business for Taiwan on 13 July 2010.

For more information please visit www.bochk.com.

About SWIFT

SWIFT is a member-owned cooperative that provides the communications platform, products and services to connect over 9,000 banking organisations, securities institutions and corporate customers in more than 209 countries. SWIFT enables its users to exchange automated, standardised financial information securely and reliably, thereby lowering costs, reducing operational risk and eliminating operational inefficiencies. SWIFT also brings the financial community together to work collaboratively to shape market practice, define standards and debate issues of mutual interest.

For more information please contact your SWIFT account manager or visit www.swift.com.