BNY Mellon Capital Markets EMEA Limited

PILLAR 3 DISCLOSURE
DECEMBER 31, 2016

BNY MELLON | Invested

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1 Scope of Application

1.1 Disclosure policy

This document comprises the BNY Mellon Capital Markets EMEA Ltd (CaML or the Company) Pillar 3 disclosures on capital and risk management at 31 December 2016. These Pillar 3 disclosures are published in accordance with the requirements of the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD) referred to together as CRD IV, which came into effect on 1 January 2014. Pillar 3 disclosures have been prepared on this basis. CRD IV has the effect of implementing the international Basel III reforms of the Basel Committee on Banking Supervision within the European Union. The Pillar 3 disclosure requirements are contained in Part Eight of the CRR, in particular articles 431 to 455.

Historically CaML has reported its regulatory capital position under CRD IV on a solo basis. However, with effect from 31 December 2016 CaML commenced regulatory reporting on both solo and consolidated bases. Thus Pillar 3 disclosures are required both for the consolidated group and for CaML as a solo entity.

Information in this report has been prepared solely to meet Pillar 3 disclosure requirements of the entity noted, and to provide certain specified information about capital and other risks and details about the management of those risks, and for no other purpose. These disclosures do not constitute any form of financial statement of the business nor do they constitute any form of contemporary or forward looking record or opinion about the business.

Unless indicated otherwise, information contained within this document has not been subject to external audit.

1.2 The Basel III Framework

Basel III is the international banking accord intended to strengthen the measurement and monitoring of financial institutions' capital. The Basel III framework was implemented in the European Union through the Capital Requirements Directive (CRD) and establishes a more risk sensitive approach to capital management. It is comprised of three pillars:

Pillar 1 – Minimum capital requirement:

Establishes rules for the calculation of minimum capital for credit risk, counterparty credit risk, market risk and operational risk and capital resources requirements

Pillar 2 – Supervisory review process:

Requires firms and supervisors to undertake an internal capital adequacy assessment process to determine whether the financial institution needs to hold additional capital against risks not adequately covered in Pillar 1 and to take action accordingly

Pillar 3 – Market discipline:

Complements the other two pillars and effects market discipline through public disclosure showing an institution's risk management policies, approach to capital management, its capital resources and an analysis of its credit risk exposures

Wherever possible and relevant, the Board will ensure consistency between Pillar 3 disclosures, Pillar 1 reporting and Pillar 2 ICAAP content.

1.3 Purpose of Pillar 3

Pillar 3 requires the external publication of exposures and associated risk weighted assets and the approach to calculating capital requirements for the following risk and exposure types:

- Credit risk
- Counterparty credit risk
- Credit valuation adjustment
- Market risk
- Operational risk
- Interest rate risk

These Pillar 3 disclosures only focus on those risk and exposure types relevant to CaML.

CaML includes both quantitative and qualitative disclosures to show the relevant information and describe its approach to capital management, its capital resources and an analysis of its credit risk exposures. The disclosures also include, where appropriate, comparative figures for the prior year and an analysis of the more significant movements to provide greater insight into its approach to risk management.

1.4 Non-material, Proprietary or Confidential Information

In accordance with CRD IV, the Board may omit one or more disclosures if the information provided is not regarded as material. The criterion for materiality used in these disclosures is that CaML will regard as material any information where omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

Furthermore, the Board may omit one or more disclosures if the information provided is regarded as proprietary or confidential. Information is regarded as proprietary if disclosing it publicly would undermine the company’s competitive position. It may include information on products or systems which, if shared with competitors, would render an institution’s investment therein less valuable. In such circumstance, the Board will state in its disclosures the fact that specific items of information are not disclosed and the reason for non-disclosure. In addition it will publish more general information about the subject matter of the disclosure requirement except where these are to be classified as confidential.

CaML undertakes no obligation to revise or to update any forward looking or other statement contained within this report regardless of whether or not those statements are affected as a result of new information or future events.

1.5 Frequency and Means of Disclosure

Disclosure will be made annually based on calendar year end and will be published in conjunction with the preparation of the Annual Report and Financial Statements. CaML will reassess the need to publish some or all of the disclosures more frequently than annually in light of any significant change to the relevant characteristics of its business including disclosure about capital resources and adequacy, and information about risk exposure and other items prone to rapid change.

This policy will be periodically reassessed and updated in light of market developments associated with Pillar 3.

Disclosures are published on The Bank of New York Mellon Corporation group website (www.bnymellon.com/investorrelations/filings/index.html).

1.6 Board Approval

These disclosures were approved for publication by CaML's Board of Directors on 18 July 2017. The Board has verified that they are consistent with formal policies adopted regarding production and validation and are satisfied with the adequacy and effectiveness of the risk management arrangements.

1.7 Business and Future Developments

The Board of Directors periodically reviews the strategy of the Company and the associated products and services it provides to clients.

In relation to the assessment and monitoring of economic, political and regulatory risks, the Company is continuing to evaluate the impact of the outcome of the recent referendum in relation to the UK's membership of the EU on business strategy and business risks in the short, medium and long term. In the short term there is no significant impact expected on the Company's business activities, there will be no immediate change in business strategy, and it does not affect the going concern position of the Company. Over the course of the expected two year transition period following the notification of intention to leave the EU, the Company will continue to closely monitor developments and will make appropriate changes to the business strategy once the impact of the referendum result on the UK and European financial services industry is more certain.

1.8 Key Metrics

The following risk metrics reflect CaML's risk profile:

Table 1: Capital ratios

	Consolidated		Solo	
Own Funds	**2016**	**2015**	**2016**	**2015**
Available capital (£m)[1]				
Common Equity Tier 1 (CET1) capital	34	N/A	28	29
Tier 1 capital	34	N/A	28	29
Total capital	34	N/A	28	29
Risk-weighted assets (£m)[2]				
Total risk-weighted assets (RWA)	21	N/A	26	21
Risk-based capital ratios as a percentage of RWA				
CET1 ratio	166.8%	N/A	110.0%	136.5%
Tier 1 ratio	166.8%	N/A	110.0%	136.5%
Total capital ratio	166.8%	N/A	110.0%	136.5%
Additional CET1 buffers requirements as a percentage of RWA				
Capital conservation buffer requirement	0.62%	N/A	0.54%	N/A
CET1 available to meet buffers after meeting the bank's minimum capital requirements, and, if applicable, TLAC requirements	166.8%	N/A	84.2%	107.0%
Basel III leverage ratio				
Total Basel III leverage ratio exposure measure (£m)	61	N/A	53	90
Basel III leverage ratio	56.5%	N/A	52.8%	32.6%

[1] *2016 capital as stated is after the inclusion of audited profits for the year.*
[2] *2016 RWAs include the latest operational risk RWAs, updated in line with the audited results for the year.*

Thus the common equity tier 1, tier 1 and total capital ratios remain in excess of the minimum regulatory requirement of 4.5%, 6.0% and 8.0% respectively.

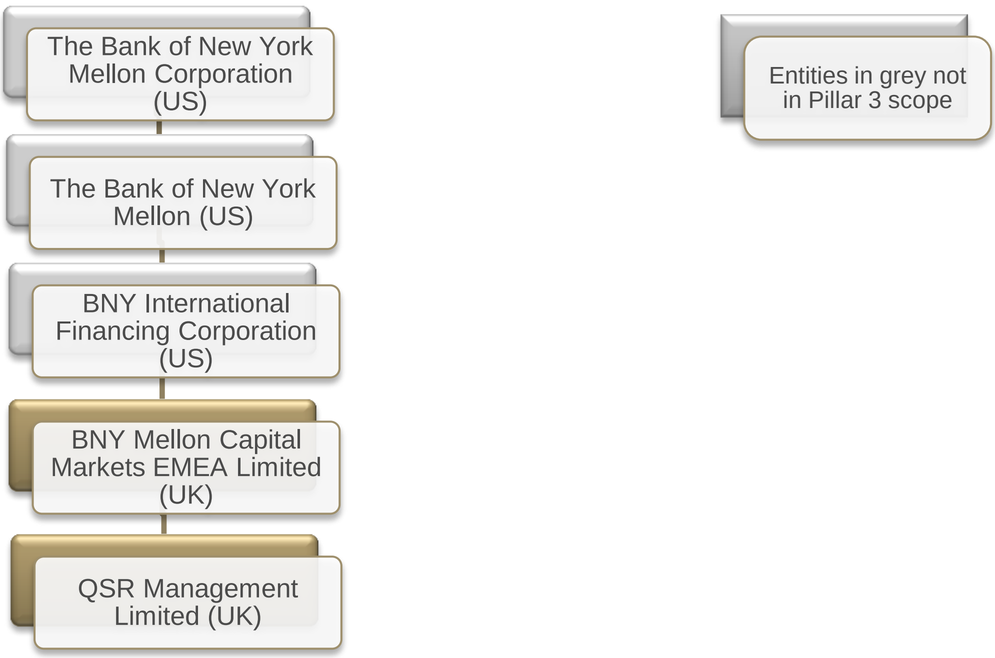
1.9 Company Description

BNY Mellon Group (BNY Mellon) is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As at 31 December 2016, BNY Mellon had $29.9 trillion in assets under custody and/or administration, and $1.6 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments.

CaML is a private limited company incorporated in the UK and is authorised and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). It is a wholly-owned subsidiary of BNY International Financing Corporation (BNYIFC), a holding company with investments in banking and non-banking entities. BNYIFC is a wholly-owned US-regulated subsidiary of The Bank of New York Mellon, the main banking entity of BNY Mellon.

In the UK, CaML operates as a broker-dealer operating under a 'restricted' Full Scope licence from the FCA (€730k Full Scope Firm). As part of this licence, CaML will not take positions (proprietary trading) or 'make markets', it primarily targets cross-selling opportunities within the BNY Mellon Group (primarily customers of Asset Servicing, Alternative Investment Services and Corporate Trust division) and other third party clients.

Figure 1: CaML corporate structure at 31 December 2016



1.10 Core Business Lines

CaML is a U.K.-based broker-dealer offering fixed income and equity trade execution for clients of BNY Mellon. CaML generates revenues through spreads on principal trading (Fixed Income) and commission for agency trading (both Equities and Fixed Income), as well as underwriting fees by participating as co-managing underwriter on debt offerings.

CaML is not permitted to carry overnight positions (no inventory) and all principal and agency trades are executed in the course of fulfilling client orders.

1.10.1 Fixed Income

CaML offers agency and principal trading brokerage services across fixed income securities, collaborating with BNYM LLC which holds an inventory of US Treasuries. CaML focusses on internal marketing and captures cross selling opportunities across the BNY Mellon franchise, expanding relationships and services, especially from the newly formed Markets division.

1.10.2 Equities

CaML is an active broker in equities/securities (both International and US) and Exchange Traded Funds (ETF). Whilst its equities offering is primarily agency based, the business also executes on a principal basis where required.

CaML's equities and fixed income desks also service external clients who wish to "outsource" or appoint a single broker for all their execution needs. If required, CaML can collaborate with other BNY Mellon Broker Dealers to offer a global service.

1.10.3 Underwriting

CaML acts as co-managing underwriter for selected new issuances of securities and may collaborate with BNYM LLC, which offers capital markets services, including acting as lead manager and distributor in the US. CaML attracts these deals through existing BNY Mellon client relationships particularly across the Markets business and Corporate Trust divisions.

2 Own Funds

Own funds comprise tier 1 and tier 2 capital less deductions. This section provides an overview of the regulatory balance sheet and composition of CaML's regulatory own funds. There are a number of differences between the balance sheet prepared in accordance with International Financial Reporting Standards (IFRS) and Pillar 3 disclosures published in accordance with prudential requirements.

CaML's regulatory capital is defined by CRD IV and includes:

Common equity tier 1 capital which is the highest quality form of regulatory capital under Basel III comprising common shares issued and related share premium, retained earnings and other reserves excluding the cash flow hedging reserve, less specified regulatory adjustments

Tier 2 capital which is a component of regulatory capital under Basel III, mainly comprising qualifying subordinated loan capital, and eligible collective impairment allowances

Table 2: Regulatory adjustments

These tables show a reconciliation of CaML's balance sheets on a consolidated and solo basis prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101: Reduced Disclosure Framework (FRS 101) and the regulatory balance sheet prepared under prudential rules. The regulatory balance sheet forms the basis for the calculation of regulatory capital requirements.

CaML (Consolidated) 31 December 2016 (£m)	Consolidated Balance Sheet	Regulatory adjustments	Regulatory Balance Sheet
Assets			
Cash at bank and in hand	60	0	60
Trade debtors	6	(6)	0
Other debtors	0	6	6
Amounts due from group undertakings	1	0	1
Other assets	0	0	0
Total assets	**67**	**0**	**67**
Liabilities			
Loans and Bank overdrafts	25	(24)	1
Trade creditors	6	0	6
Amounts due to group undertakings	1	24	25
Other liabilities	1	0	1
Total liabilities	**33**	**0**	**33**
Shareholders' equity			
Called up share capital	10	20	30
Additional paid in capital	20	(20)	0
Profit or loss account	3	0	3
Profit (loss) for the period	1	0	1
Capital and reserves	**34**	**0**	**34**
Total equity and liabilities	**67**	**0**	**67**

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CaML (Solo) 31 December 2016 (£m)	Solo Balance Sheet	Regulatory adjustments	Regulatory Balance Sheet
Assets			
Cash at bank and in hand	49	0	49
Investment in subsidiary	9	(6)	3
Trade debtors	6	(6)	0
Amounts due from group undertakings	1	0	1
Other assets	0	0	0
Total assets	**65**	**(12)**	**53**
Liabilities			
Loans and Bank overdrafts	24	0	24
Trade creditors	6	(6)	0
Amounts due to group undertakings	1	0	1
Total liabilities	**31**	**(6)**	**25**
Shareholders' equity			
Called up share capital	10	0	10
Additional paid in capital	20	0	20
Profit or loss account	5	0	5
Profit (loss) for the period	(1)	0	(1)
Deductions from capital	0	(6)	(6)
Capital and reserves	**34**	**(6)**	**28**
Total equity and liabilities	**65**	**(12)**	**53**

Table 3: Composition of regulatory capital

This table shows the composition of regulatory capital including all regulatory adjustments at 31 December 2016.

Own Funds (£m)	CaML (Consolidated)		CaML (Solo)	
	31 December 16	31 December 15	31 December 16	31 December 15
Common Equity Tier 1 (CET1)				
Capital Instruments	30	N/A	30	30
Retained Earnings	4	N/A	4	5
Other comprehensive income	0	N/A	0	0
Reserves and others	0	N/A	0	0
CET1 Adjustments	0	N/A	(6)	(6)
Total CET1	**34**	**N/A**	**28**	**29**
Capital Instruments	0	N/A	0	0
Others	0	N/A	0	0

Own Funds (£m) (continued)	CaML (Consolidated)		CaML (Solo)	
	31 December 16	31 December 15	31 December 16	31 December 15
AT1 Adjustments	0	N/A	0	0
Total AT1	**0**	**N/A**	**0**	**0**
Total Tier 1	**34**	**N/A**	**28**	**29**
Tier 2 Capital (T2)				
Capital Instruments and subordinated loans	0	N/A	0	0
Others	0	N/A	0	0
T2 Adjustments	0	N/A	0	0
Total T2 Capital	**0**	**N/A**	**0**	**0**
Total Own Funds	**34**	**N/A**	**28**	**29**

Table 4: Transitional own funds

The table below shows the transitional own funds disclosure at 31 December, 2016. There are no items subject to pre-CRR treatment or prescribed residual amount of CRR.

CaML (Consolidated) (£m) Equity Instruments, Reserves and Regulatory Adjustments	Amount at disclosure date
CET1 capital: Instruments and Reserves	
Capital instruments and the related share premium accounts	30
of which: ordinary shares	30
Retained earnings	4
CET1 capital before regulatory adjustments	**34**
CET1 capital: regulatory adjustments	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities	0
Total regulatory adjustments to CET1	**0**
CET1 capital	**34**
AT1 capital	**0**
Tier 1 capital	**34**
Tier 2 (T2) capital: Instruments and provisions	
Total regulatory adjustments to T2 capital	**0**
T2 capital	**0**
Total capital	**34**

CaML (Consolidated) (£m) Equity Instruments, Reserves and Regulatory Adjustments (continued)	Amount at disclosure date
Total risk weighted assets	**21**
Capital ratios and buffers	
CET1 (as a percentage of risk exposure amount)	166.8%
T1 (as a percentage of risk exposure amount)	166.8%
Total capital (as a percentage of risk exposure amount)	166.8%
of which: capital conservation buffer requirement	0.62%
CET1 available to meet buffers (as a percentage of risk exposure amount)	166.8%
Amounts below the thresholds for deduction (before risk weighting)	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	0

CaML (Solo) (£m) Equity Instruments, Reserves and Regulatory Adjustments	Amount at disclosure date
CET1 capital: Instruments and Reserves	
Capital instruments and the related share premium accounts	30
of which: ordinary shares	30
Retained earnings	4
CET1 capital before regulatory adjustments	**34**
CET1 capital: regulatory adjustments	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities	**(5)**
Losses for the current financial year	(1)
Total regulatory adjustments to CET1	**(6)**
CET1 capital	**28**
AT1 capital	**0**
Tier 1 capital	**28**
Tier 2 (T2) capital: Instruments and provisions	
Total regulatory adjustments to T2 capital	**0**
T2 capital	**0**
Total capital	**28**
Total risk weighted assets	**26**
Capital ratios and buffers	
CET1 (as a percentage of risk exposure amount)	110.0%
T1 (as a percentage of risk exposure amount)	110.0%
Total capital (as a percentage of risk exposure amount)	110.0%
of which: capital conservation buffer requirement	0.54%

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CaML (Solo) (£m) Equity Instruments, Reserves and Regulatory Adjustments (continued)	Amount at disclosure date
CET1 available to meet buffers (as a percentage of risk exposure amount)	110.0%
Amounts below the thresholds for deduction (before risk weighting)	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	3

Table 5: Common tier 1 and additional tier 1 instruments and tier 2 instruments

This table provides a description of the main features of regulatory instruments issued and included as either tier 1 or tier 2 capital in Table 2 at 31 December, 2016.

Capital instruments main features [1]	Ordinary Shares issue denominated in GBP	Ordinary Shares issue denominated in USD
Issuer	BNY Mellon Capital Markets EMEA Limited	BNY Mellon Capital Markets EMEA Limited
Governing law(s) of the instrument	Law of England and Wales	Law of England and Wales
Regulatory treatment		
Transitional CRR rules	Not applicable	Not applicable
Post-transitional CRR rules	Common Equity Tier 1	Common Equity Tier 1
Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Solo	Solo
Instrument type	Ordinary Shares	Ordinary Shares
Amount recognised in regulatory capital	£20 million	£10 million
Nominal amount of instrument	GBP 1	USD 1
Issue price	GBP 1	USD 1
Redemption price	Not applicable	Not applicable
Accounting classification	Shareholders' equity	Shareholders' equity
Original date of issuance	7-May-1999	20-March-2000
Perpetual or dated	No maturity	No maturity
Issuer call subject to prior supervisory approval	No	No
Coupons / dividends		
Fixed or floating dividend/coupon	Not applicable	Not applicable
Coupon rate and any related index	Not applicable	Not applicable
Existence of a dividend stopper	No	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
Existence of step up or other incentive to redeem	No	No
Write-down features	No	No
Non-compliant transitioned features	No	No

Note [1]: this table is based on Annex II of ITS Regulation (EU) No. 1423/2013. Some 'not applicable' lines have been omitted.

3 Capital Requirements

CaML produces an ICAAP document at least annually to present all relevant information necessary for the CaML senior management to make an informed decision on the appropriate level of capital to be held against the risks that the company is exposed to using a three year forecast.

The ICAAP document for CaML is prepared with input from Finance, Risk, Treasury and the Markets Business and is subject to Operating Committee and Board approval and submitted to the Financial Regulator.

CaML’s CRD IV minimum capital requirements, regulatory capital requirements and internal assessment are all compared in the ICAAP document. CaML’s CRD IV minimum requirements are outlined in the following section.

CaML’s ICAAP aims to ensure that an appropriate amount of capital is held to support its business model, allowing for growth and orderly contraction over the life cycle of the business, given a range of severe yet plausible stress scenarios. Potential capital shortfalls are identified over a 3 year period and the ICAAP adjusted accordingly. The ICAAP is reflective of CaML’s risk appetite, which details a commitment to a strong balance sheet characterised by strong liquidity, superior asset quality and a capital structure which supports the risk taking activities and has the ability to absorb losses.

Incorporating the projected earnings based on its business plan, CaML generates a 3 year forecast which forms the foundation for financial modelling and stress testing used as part of the ICAAP.

The ICAAP effectively incorporates a view of CaML’s current business model, the risks associated with that model, and an assessment of how those risks contribute to the amount of capital required, as per internal and external regulatory criteria.

The following capital and risk tables present CaML’s position on a solo basis. The consolidated capital requirement differs only in respect of the treatment of the subsidiary, QSR Ltd. The solo basis represents the higher of the two.

3.1 Calculating Capital Requirements

CRD IV allows for different approaches to the calculation of capital requirements. CaML uses the standardised approach where risk weights are based on the exposure class to which the exposure is assigned and its credit quality. These risk weights used to assess requirements against credit exposures are consistent across the industry. The standardised approach is used for calculating the risk weights assigned to each risk component including credit risk, counterparty credit risk, market risk and operational risk.

Table 6: Capital requirements

This table shows the risk weighted assets using the standardised approach and their respective capital requirements.

CaML (Solo) Type of Risk (£000s)	Risk Exposure Amount		Capital Requirements	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Credit risk SA*	19,011	17,576	1,521	1,406
Counterparty Credit Risk SA*	0	0	0	0
Settlement risk	49	605	4	48

CaML (Solo) Type of Risk (£000s) (continued)	Risk Exposure Amount		Capital Requirements	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Market risk SA*	132	151	11	12
of which: Foreign Exchange Position Risk	132	151	4	48
Operational risk	6,405	2,869	512	230
of which: Standardised Approach	6,405	2,869	512	230
Credit Valuation Adjustment - Standardised method	0	0	0	0
Total	**25,597**	**21,201**	**2,048**	**1,696**
Total Capital			**28,149**	**28,939**
Surplus Capital			26,101	27,243

** SA: Standardised Approach.*

CaML meets or exceeds the minimum capital ratios required to maintain a well-capitalised status and to ensure compliance with regulatory requirements at all times. CaML sets internal capital target levels higher than the minimum regulatory requirements to ensure there is a buffer which reflects balance sheet volatility. These ratios have been determined to be appropriate, sustainable and consistent with the capital objectives, business model, risk appetite and capital plan.

4 Risk Management Objectives and Policies

Given the critical role that BNY Mellon plays supporting clients and its status as a Global Systemically Important Financial Institution (G-SIFI), the financial stability of all of its constituent legal entities, throughout market cycles and especially during periods of market turbulence, is recognised at a Corporation level as an imperative. Clients and market participants need to have confidence that the Corporation's many legal entities will remain strong and continue to deliver operational excellence and maintain an uninterrupted service during periods of volatility. Therefore CaML and BNY Mellon Corporation as a whole, is committed to maintaining a strong balance sheet and as a strategic position assumes less risk than many financial services companies.

Whilst BNY Mellon assumes less balance sheet risk than most financial services companies, it does assume a significant amount of operational risk as a result of its business model. As a consequence, BNY Mellon has developed an enterprise risk management program that is designed to ensure that:

Risk appetites (limits) are in place to govern its risk-taking activities across all businesses and risk types

Risk appetite is incorporated into its strategic decision making processes

Monitoring and reporting of key risk metrics to senior management and the Board takes place

There is a capital planning process which incorporates both economic capital modelling and a stress testing programme

4.1 Risk Objectives

The identification, measurement, monitoring and management of risk are essential elements for the success of operations undertaken by CaML, specifically:

The Board recognises that defining a risk appetite must consider the views of a number of different stakeholders while accounting for business strategy and risk profile

The Board sees embedding the risk appetite into the business strategy as essential

The Board recognises that it cannot mitigate all risks. The risk framework includes standard risk management self-assessment tools that take into account loss history and stress testing to measure and monitor whether or not risk controls in place continue to remain effective

The Board will seek input from its own and group wide risk committees on a regular basis in its reassessment of appetite and sources of major risks

The Board adopts a prudent appetite to all elements of risk to which CaML is exposed.

4.2 Risk Governance

Risk oversight and management is structured to cover regional level, legal entity and lines of business (LOB). A formal governance hierarchy is in place to ensure that all areas of the business can effectively escalate issues through the regional and global structure.

4.2.1 Board of Directors

The main duty and responsibility of the Board is to approve the strategy and supervise the management of CaML. Whilst acting autonomously and in accordance with its legal and regulatory requirements, the Board aligns CaML's strategy to that of its primary shareholder. The Board has overall responsibility for the establishment and maintenance of CaML's risk appetite framework and for the approval of the risk appetite statement. The Board must ensure that strategic and business plans are consistent with the approved risk appetite. The Board also has responsibility for:

Holding management accountable for the integrity of the risk appetite framework

Seeking independent assessment, if deemed necessary, of the integrity and robustness of the risk appetite framework by reference to stakeholder expectations

Understanding how strategic decisions alter the risk profile, and whether the strategic change would cause the risk appetite to be exceeded

The Board meets at least quarterly and the directors who served during the year were:

Name	Position	Nationality	Number of directorships held	Role
J Edwards	Director	British	1	Chief Executive Officer, CaML
R J Gill*	Director	British	1	Head of Markets Group, EMEA
J M Johnston*	Director	British	9	Chief Risk Officer, EMEA
R Savchuk	Director	Canadian	2	International Treasurer

** RJ Gill resigned on 10 February 2017 and JM Johnston resigned on 31 March 2017.*

Note: D Watkins and J Tisdall were appointed to the Board on 6 July 2017.

All nominations to the Boards are based on merit, director's qualifications, and in accordance with the needs of the Boards at the time of the nomination with due regard to diversity and gender parity. In addition each appointment is made with a view on the nominee's skills and development requirements and with a line of sight to talent placements and succession planning for the broader organisation. This provides a route to both develop and mobilise key talent.

There is no specific policy on diversity of Board members however CaML is committed to providing equal employment opportunities to all employees and applicants by establishing employment practices, terms, conditions and privileges of employment regardless of race, disability, religion or belief or creed, colour, gender or sex, gender re-assignment, national origin, age, marriage or civil partnership, ancestry, citizenship, ethnic origin, sexual orientation, pregnancy or maternity or other factors prohibited by law. This policy approach has the full support and commitment of the Chief Executive Officer and CaML's Senior Management.

4.2.2 Key Committees

The Board leverages BNY Mellon's EMEA (Europe, Middle East, and Africa) Region and key EMEA oversight committees in addition to the BNY Mellon Group Global Risk Management Framework to discharge its responsibilities. These committees include:

EMEA Senior Risk Management Committee ("ESRMC") exercises responsibility and provides independent oversight for policies, processes and controls relating to all aspects of risk for the EMEA region. This includes the following EMEA sub-committees:

- EMEA Anti-Money Laundering Oversight Committee
- EMEA Asset and Liability Committee
- EMEA Controls Council
- EMEA Investment Management Risk and Compliance Committee

The ESRMC responsibilities include, but are not limited to, the following:

- Monitor and assess the impact of significant current & emerging risks including those associated with strategic initiatives at an EMEA level. Consider the impact on the risk profile of the region and provide further direction if appropriate
- Act as a point of convergence for regional risk reporting (providing a consolidated Legal Entity & Line of Business view) and sharing of risks and issues across Investment Management & Investment Services
- Escalate material issues and recommendations through common membership of the Chairman's Forum to the BNYM Senior Risk Management Committee (SRMC) and/or relevant Legal Entities

The ESRMC derives its authority from the BNYM Senior Risk Management Committee, but subject to constraints of corporate policy, legislation and regulation as appropriate.

Markets EMEA Business Risk Committee is responsible for enhancing the transparency of the key risk and control issues facing the Markets business in EMEA and to provide a forum for raising, discussing, approving and escalating these issues.

EMEA Asset & Liability Committee ("EMEA ALCO") which has oversight responsibility for balance sheet liquidity management of branches and legal entities of BNY Mellon operating in the EMEA Region and is responsible for the efficient and effective functioning of local asset and liability committees or branch liquidity committees in the EMEA Region.

CaML Capital Stress Testing Committee (CSTC) is responsible for ensuring adequate governance and ownership for the processes and documentation pertaining to CaML's economic capital requirements, risk model methodologies and capital stress testing.

4.3 Risk Management Framework

CaML's risk management framework provides integrated forward-looking risk assessment, management information reporting, risk appetite and capital adequacy process consistency. The framework helps ensure that all material risks in each business line are defined, understood, and effectively managed using well-designed policies and controls. Suitable policies and procedures have been adopted by CaML in order to ensure an appropriate level of risk management is directed at the relevant element of the business.

Risk management complies with corporate policies on risk appetite and managing risk culture centered on a "Three Lines of Defence" model advocated by BNY Mellon. Within the EMEA region, the EMEA Chief Risk Officer oversees the management of risk and is supported in this role by Senior Risk Managers operating at business line and/or functional level.

CaML's risk management framework is designed to:

- Ensure that risks are identified, managed, mitigated, monitored and reported
- Define and communicate the types and amount of risks to take
- Ensure that risk-taking activities are consistent with the risk appetite
- Monitor emerging risks and ensure they are weighed against the risk appetite
- Promote a strong risk management culture that considers risk-adjusted performance

CaML has adopted a 'three lines of defence model as part of its risk management framework (see Figure 2). The First Line of Defence (1LOD) is the business and Business Partner Groups other than Risk, Compliance and Internal Audit. The First Line of Defense owns and is accountable for the identification, understanding and management of risk associated with its business, processes, services or function.

The Risk Management and Compliance functions form the Second Line of Defence (2LOD), who are principally responsible to oversee and challenge the first line's identification, assessment and management of risk.

The Third Line of Defence (3LOD) consists of Internal Audit. The 3LOD is organizationally independent from both the First and Second Lines of Defense. It is the third line's responsibility to examine and confirm the effectiveness of governance, risk management, and internal controls, including the manner by which the first and second lines meet their risk management responsibilities and objectives.

Figure 2: Managing Three Lines of Defence

3RD INTERNAL AUDIT

- Independent from first two lines of defence
- Conducts risk-based audits
- Reports on the company's effectiveness in identifying and controlling risks

2ND RISK AND COMPLIANCE

- Independent oversight and monitoring
- Consistent corporate level policies and standards
- Reliable and timely enterprise-wide reporting
- Issues escalated in a timely fashion
- Includes Corporate Security, Business Continuity, Financial Management and Analysis within Finance, HR and Legal

1ST BUSINESSES/LEGAL ENTITIES

- Own risks associated activities
- Each employee understands and manages the risks inherent in their jobs
- Controls and sound business level policies are in place
- Operate within their "Risk Appetite"
- Issues escalated in a timely manner
- Includes risks owned primarily by business partners

Business / Legal Entities

Embraces personal responsibility for identifying, monitoring and managing risk

Identifies, mitigates and manages risks by considering business drivers and strategy, markets and the regulatory environment, and through the use of forecasting and stress testing

Understands and manages risks inherent in their function, including those associated with products and clients

In collaboration with the 2LOD, creates relevant policies and procedures

Identifies and address known risks and emerging issues; and escalates as appropriate

Appropriately monitors systemically significant clients and products

Evaluates, assesses and approves new business/products/processes in collaboration with the 2LOD

Ensures a well-controlled environment that is proactively reassessed for appropriateness and completeness and is updated or modified as necessary to reflect either change in the business or to address emerging risks

With the exception of the Company Risk Appetite Statement which is the responsibility of the Chief Risk Officer, the 1LOD creates and maintains Risk Appetite Statements at the regional, country, legal entity or line of business level. Risk Appetite statements consider objectives and strategies, are forward looking, guide decision making, and are monitored through risk metrics

Risk and Compliance

Provides ongoing independent oversight and challenge of risk management by the 1LOD

Owns the risk framework including policies, processes, measures and limits

Identifies and anticipates known risks and emerging issues; and escalates as appropriate

Assists in developing processes and controls to manage risks

Monitors the adequacy and effectiveness of internal controls, accuracy and completeness of reports, compliance with laws and regulations, and timely remediation of deficiencies

Assists in forecasting and stress testing activities

Ensures robust monitoring and challenge of business and legal entity activities

In addition to CaML's Legal Entity Risk Officer, CaML benefits from the work of a number of other risk management staff at the BNY Mellon Regional and Group level. This is in accordance with the BNY Mellon regional model and recognises best market practice, encouraging a proactive culture of managing risks and ensuring that CaML's businesses develop in a well-controlled environment.

Through its on-going BAU processes, Risk Management is involved from the second line in the identification, measurement, management, monitoring and reporting of risks that could potentially result in CaML breaching its risk appetite.

Compliance ensures that CaML maintains appropriate processes to comply with all applicable laws, regulations, policies and ethics. Compliance is responsible for identifying new and updated regulatory requirements, developing and implementing applicable policies and procedures that CaML monitors as part of its overall risk management framework.

Internal Audit Function

- Maintains independence from First and Second Lines of Defense
- Conducts risk-based audits
- Performs independent validation to ensure that policies, procedures and standards have been observed
- Identifies opportunities for improvement in the First and Second Lines of Defense Reports on effectiveness in identifying and appropriately controlling risks
- Tracks and validates resolution of audit issues and escalates concerns as appropriate

4.4 Risk Register

The CaML Risk Register is a risk management tool used for the identification, assessment documentation and mitigation of the key risks associated with the legal entity.

The Risk Register is prepared and owned by the Legal Entity Risk Officer (LERO). Senior Risk Managers of each Line of Business (LOB RMs), Risk Management function heads (e.g. Credit Risk) and key representatives from the Lines of Business/Legal Entities contribute to the risk register sign off. The Risk Register is presented, for information, through the legal entity governance structures and is a living document and is updated regularly, at least annually or upon significant change.

The Risk Register covers the full enterprise of the risk spectrum e.g. credit, market, operational, liquidity, legal and other risks. The following are considered but are not limited to:

- A description of all relevant risks as a reference point)
- The probability of a loss event occurring (assessed on gross and residual basis taking account of mitigating controls)
- The impact should a loss event occur assessed on a gross and residual basis (measured in revenue terms)
- Risk scoring

4.5 Risk Appetite

CaML's Risk Appetite Statement is owned and approved by the Board. It describes the level of risk that the Board is willing to accept in its strategy and business activities, given its business objectives and obligations. The statement applies to all subsidiaries and is reviewed at least annually or when the Company's risk profile changes.

CaML uses a variety of metrics to measure and monitor its risk taking activities relative to its risk appetite. Articulating risk appetite through its metrics aids important decision-making by determining actions such as pursuing new products and enterprises, exiting businesses, and aligning resources to maximise potential gains given acceptable levels of risk. The metrics are actively monitored, managed and mitigated through the monthly Operating Committee (OpCom). Where residual risks remain (which are within risk appetite), CaML will allocate capital as a provision against any potential financial loss.

4.6 Risk and Control Self-Assessment

Risk and Control Self-Assessment (RCSA) is used by business lines to identify risks associated with their key business processes and to complete a detailed assessment of the risk and associated controls. RCSA control gaps and action plans form part of the standard risk management report to the OpCom which ensures that, although the RCSA process is owned by the line of business in conjunction with the business risk managers, the OpCom has oversight of risk to the business and of the key exception items relating to CaML on an on-going basis.

4.7 Key Risk Indicators

Key Risk Indicators (KRIs) are used by business lines to evaluate control effectiveness and residual risk within a business process. Material risks are monitored by appropriate KRIs. The business lines utilise the corporate-wide KRI process to monitor the extent to which the probability of high inherent risks materialising is changing and to ensure that appropriate actions are being taken. KRI reporting and monitoring is performed monthly at a minimum using a Red/Amber/Green rating.

4.8 Operational Risk Events

All operational losses and fortuitous gains exceeding $10,000 are recorded in the risk management platform, completeness being verified by reconciliation to the general ledger. Risk events are categorised and reported to the OpCom monthly.

4.9 Credit Risk

All counterparties (clients and banks) are assessed and allocated a borrower rating in accordance with BNY Mellon’s rating system. Monitoring and control is conducted via a number of real-time systems to ensure that approved exposure levels are not exceeded, or are pre-approved by a suitable credit officer in light of individual circumstances. Post-event monitoring is also conducted by both Client Services and the Credit function.

4.10 Market Risk

Market Risk Management Objectives and Policies - CaML has adopted the BNY Mellon Enterprise-wide Market Risk Management framework. The framework consists of policies that establish standards and definitions for the effective management of market risk and present required practices specific to one or more business units, regions or support functions that facilitate the effective implementation of these standards and practices. The Enterprise-wide Market Risk Management framework provides that any business unit, legal entity or employee entering into business generating market risk must be appropriately mandated or otherwise authorised to do so.

Market Risk Management Governance - Market Risk Management is independent of the business units it supports and is responsible for establishing, implementing, monitoring and reporting exposures relative to limit measures and related remediation and escalation practices.

Market risk limits are established in agreement between the Market Risk Management function and the business unit in line with business activities, products and strategies, and include all risk limits required by applicable laws and regulations.

The control framework elements addressing market risk limits include the following actions by the Market Risk Management function:

Monitoring of utilisation of market risk limits on a daily basis

Reporting of limit utilisation and limit breaches

Periodic limit reviews

A business unit or legal entity must report to its management and the Market Risk function when the entity's actual market risk exposures exceed currently approved limits. Market Risk also independently monitors limit breaches. Depending on the level and type of limit that is breached, escalation and notification is to the Executive Committee, Board Risk Committee, EMEA ALCO, or to Senior Risk Management and Business Management levels in the organizational hierarchy. In addition to timely notification of breaches to management (and where required by the escalation standard, the Board Risk Committee), breaches are reviewed periodically at respective Business Risk Committee meetings.

4.11 High Level Assessment

BNY Mellon's High Level Assessment (HLA) of the components of risk is performed quarterly and incorporates commentary on current risk and loss experience, emerging risks, business process changes, new product development, risk management initiatives and key risk indicators. HLA coverage includes operational, credit, market, strategic and reputation risk. The HLA incorporates ratings of inherent risk, quality of controls, residual risk and direction of risk.

4.12 Top Risks

Top risks are identified according to the assessment of the inherent risk, quality of controls in place to mitigate risk and ability to identify residual risk. Top risks are rated as 'High,' 'Moderate to High,' 'Moderate,' 'Moderate to Low' and 'Low' with direction anticipated. The top risks assessed form part of the OpCom and Board meeting reporting. Top risks are also consolidated into the EMEA regional top risk reporting process for reporting to the EMEA level Risk Committees. CaML's risk profile is recorded through a number of risk assessment tools and the risk management team prepares and updates the top risk assessment which is reviewed and approved by the OpCom monthly and by the Board quarterly.

4.13 Capital Stress Testing

Capital stress testing is undertaken at CaML to monitor and quantify risk and capital and ascertain that sufficient capital resources are held against risks on a forward-looking basis. The process reflects stressed scenarios that identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to CaML's risk profile. The stress testing process conclusion is a statement of the future risk(s) that the business faces, control improvements to mitigate the impact should the risk arise and where appropriate, a recommendation for capital to be held against each risk type.

Capital stress testing is undertaken to quantify capital requirements and ensure that sufficient capital resources are held against severe yet plausible events on a forward-looking basis. The capital stress scenarios identified include an appropriate range of adverse circumstances of varying nature, severity and duration relevant to CaML's risk profile and business model.

The capital stress scenarios are derived from current, emerging, and plausible future risks and strategy, and reviewed, discussed and agreed by CaML's CSTC.

The output of CaML's capital stress testing, including a statement of the future risk(s) that the business faces, control improvements to mitigate the impact should the risk arise and where appropriate, a recommendation for capital to be held against each risk type, is presented to the Board for approval.

4.14 Escalation of Risks and Issues

A robust framework exists for monitoring and escalation of issues and risks. If a material risk issue occurs, the EMEA Governance Guide for reporting and escalation of material issues and risks is followed. Business management is required to notify senior management, which includes CaML Board members, soon after determination. Risk management is responsible for supporting the business lines in achieving the following:

Identifying and documenting all material risks, assessing the effectiveness of control design, and ensuring that control gaps are closed

Developing and implementing standards and policies appropriate for the business that conform to the principles and guidelines established by Risk

Elevating, reporting and investigating operating errors, losses and near misses, identifying root causes and implementing corrective actions

Reviewing key indicators for coverage and effectiveness, identifying root causes for red and amber conditions and ensuring implementation of corrective actions

Approving the process to accept new business, including 'Request for Proposal' preparation, contract acceptance and compliance, and challenging whether CaML is being compensated appropriately for the assumption of risk

Reviewing the impact of changes in business processes on inherent risks and controls such as reorganisations, new products or processes, system conversions and acquisitions, etc.

Ensuring that processes, risks and controls are continually reassessed for appropriateness and completeness

Management information is used to monitor the performance of the transaction processing and support services including specific risk exposures (e.g. cash and securities reconciliation breaks) and red/amber/green ratings in respect of the health of the operational functions.

4.15 Internal Capital Adequacy Assessment Process (ICAAP)

The annual ICAAP document was historically produced for CaML on a solo basis. From 2017 the ICAAP will be prepared on a consolidated basis going forwards. The process and document is owned by the CaML Board and supported by the ICAAP and Stress Testing team. The purpose of the ICAAP is to:

Ensure the ongoing assessment and monitoring of the firm's risks and the approaches used to mitigate those risks, such that they remain within the risk appetite established by the Board of Directors of CaML

Determine the capital requirement for the residual risk exposure at the point when the assessment is made and also over the firm's five-year planning horizon, both under baseline and stressed conditions

Document the capital adequacy assessment process both for internal stakeholders and prudential supervisors

Provide the necessary information so that senior management, including the Board, can make decisions about the amount of capital that is required and what approach to risk management should be adopted

4.16 Recovery & Resolution Planning (RRP)

A first iteration resolution pack was prepared and submitted to the FCA on 30 March 2016. CaML submitted its second iteration recovery plan to the FCA on 22 December 2016, in accordance with the FCA Handbook. The recovery plan is designed to ensure that CaML has credible and executable options to meet the challenges that may arise from potential future financial crises. The resolution pack is designed to provide the FCA with sufficient information to identify an appropriate resolution strategy in the event of CaML's failure

5 Credit Risk

5.1 Definition and Identification

Credit risk is the risk of default arising from a borrower's failure to repay a loan or otherwise meet a contractual obligation or other counterparties defaulting on their contractual obligations.

On-balance sheet credit risk covers default risk for loans, commitments, securities, receivables and other assets where the realisation of the value of the asset is dependent on the counterparty's ability and willingness to perform its contractual obligations. Off-balance sheet credit risk includes counterparty credit risk, securities lending indemnifications and letters of credit, which represent unfunded commitments.

Credit risk for CaML is primarily generated on its bank placements/cash deposits; it does not undertake any client/third-party lending or offer credit facilities. Credit risk management of banks and corporates is undertaken by the BNY Mellon Group Credit Risk team and a Credit Risk Manager supports CaML.

5.2 Credit Risk Management Framework

At the outset of a new agent bank, trading counterparty or customer relationship, a review is undertaken by the business in partnership with Credit Risk to determine the client's suitability for the products offered and CaML's risk appetite for the name. Once it is agreed that the relationship can be entered into and suitable limits made available to accommodate the activity, the client can be mandated and moved through the Business Acceptance Committee process for formal approval by all relevant parties. The business, as the first line of defence, has primary responsibility to identify the nature and quantum of Credit Risk that may be incurred as a result of any business relationship. Credit Risk assists in that assessment as the second line of defence.

Credit Risk is an outsourced service provided under service level documents (SLDs) to the various global BNYM legal entities. Each legal entity Board of Directors will approve both an appropriate Risk Appetite Statement and a legal entity specific Credit Risk Policy which details the roles and responsibilities and levels of delegated authority for each type of activity.

5.3 Monitoring and Reporting

Credit risk is monitored and controlled in real time through the Global Funds Control Platform and its interaction with both the Global Securities Processing (GSP) system for securities settlement activity and the International Money Management System (IMMS), which is the bank's proprietary Demand Deposit Account platform.

Post-event monitoring is conducted by both the Client Service area and the Credit Risk function.

5.4 Governance

Governance of credit risk oversight as a second line of defence function is described and controlled through Credit Risk Policy and day-to-day procedures as follows:

Credit Risk Policy for each legal entity describes the outsourcing of credit risk tasks, defines roles and responsibilities and requires reporting to be carried out to each business line and entity that the policy applies to. Any deviation from approved policy requires either senior business or senior legal entity approval depending on the type of event

Approvals for excesses are controlled using a matrix of credit risk approval authorities held within the Credit Risk Policy – each Credit Risk Officer has their own individual approval authority granted by the Chief Credit Officer. He/she must act within those limits when making approvals. If an excess is beyond the Officer's approval limit, it is escalated to a more senior officer. The outsourcing of credit responsibility to Credit Risk Officers is through the Board approved Credit Risk Policy

5.5 Analysis of Credit Risk

Credit risk exposure is computed under the standardised approach, as defined in BIPRU 3.1.6 R, which uses external credit assessment institution ratings and supervisory risk weights supplied by external credit assessment agencies. The following credit risk exposure tables summarise the credit exposure for CaML in accordance with the CRD IV requirements.

The definitions below are used in the following tables:

Exposure at Default (EAD) is defined as the amount expected to be outstanding, after any Credit Risk Mitigation, if and when a counterparty defaults. Exposure reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures over a one-year time horizon. As such, exposure in this context may differ from statutory IFRS accounting balance sheet carrying values

Credit Conversion Factor (CCF) converts the amount of a free credit line and other off-balance-sheet transactions (with the exception of derivatives) to an EAD amount. This function is used to calculate the exposure at default

Credit Risk Mitigation (CRM) is defined as a technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection

Geographic area is based on the continental location for the counterparty

Residual maturity is defined as the period outstanding from the reporting date to the maturity or end date of an exposure

Table 7: Standardised credit exposure by exposure class

The following tables show the credit risk post CRM techniques using the standardised approach by exposure class at 31 December 2016.

CaML (Solo) Exposure Class (£m)	Net value at the end of the period	Average net value over the period
Central governments or central banks	0	0
Corporates	1	1
Institutions	49	45
Other items	0	0
Equity	3	3
Total	**53**	**49**

Table 8: Standardised credit exposure by country

This table shows the post CRM exposure by class and by geographic area of the counterparty.

CaML (Solo) 31 December 2016 (£m)	UK	US	Other	Total
Central governments or central banks	0	0	0	0
Corporates	1	0	0	1
Institutions	47	2	0	49
Other items	0	0	0	0
Equity	3	0	0	3
Total	**51**	**2**	**0**	**53**
CaML (Solo) 31 December 2015 (£m)	**UK**	**US**	**Other**	**Total**
Central governments or central banks	0	0	0	0
Covered Bonds	1	0	0	1
Institutions	42	0	0	42
Other items	0	0	0	0
Equity	3	0	0	3
Total	**46**	**0**	**0**	**46**

Table 9: Standardised post mitigated credit exposures by counterparty type

This table shows the credit exposure post CRM classified by class and by counterparty type.

CaML (Solo) 31 December 2016 (£m)	General governments	Credit institutions	Other financial corporations	Various balance sheet Items	Total
Central governments or central banks	0	0	0	0	0
Corporates	0	0	1	0	1
Institutions	0	49	0	0	49
Other items	0	0	0	0	0
Equity	0	3	0	0	3
Total	**0**	**52**	**1**	**0**	**53**

Table 10: Standardised credit exposure by residual maturity

This table shows the exposure post credit risk mitigation, classified by credit exposure class and residual maturity.

CaML (Solo) 31 December 2016 (£m)	On demand	Less than 1 year	Less then 5 years	No stated maturity	Total
Central governments or central banks	0	0	0	0	0
Corporates	0	0	0	1	1
Institutions	0	0	0	49	49
Other items	0	0	0	0	0
Equity	0	0	0	3	3
Total	**0**	**0**	**0**	**53**	**53**

5.6 Analysis of Past Due and Impaired Exposures

An aspect of credit risk management relates to problem debt management, which entails early problem identification through to litigation and recovery of cash where there is no realistic potential for rehabilitation.

The following tables provide an analysis of past due and impaired exposures using the following definitions:

Past due exposure is when a counterparty has failed to make a payment when contractually due

Impaired exposure is when the entity does not expect to collect all the contractual cash flows when they are due

As at 31 December 2016, CaML had no material impaired assets for which a specific or general provision was required. There were no material assets past due greater than 90 days. CaML did not incur any material write-offs of bad debts or make any recovery of amounts previously written off during the year.

Table 11: Credit quality of exposures by counterparty type

This table provides a comprehensive picture of the credit quality of on- and off-balance sheet exposures pre credit risk mitigation.

CaML (Solo) Counterparty type 31 December 2016 (£m)	Exposures		Credit Risk Adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
General governments	0	0	0	0	0	0	0
Credit institutions	0	52	0	0	0	0	52
Other financial corporations	0	1	0	0	0	0	1
Various Balance Sheet Items	0	0	0	0	0	0	0
Total	**0**	**53**	**0**	**0**	**0**	**0**	**53**

CaML (Solo) Counterparty type 31 December 2015 (£m)	Exposures		Credit Risk Adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
General governments	0	0	0	0	0	0	0
Credit institutions	0	46	0	0	0	0	46
Other financial corporations	0	44	44	0	0	44	0
Various Balance Sheet Items	0	0	0	0	0	0	0
Total	**0**	**90**	**44**	**0**	**0**	**44**	**46**

Table 12: Credit quality of exposures by industry

This table provides a comprehensive picture of the credit quality of on- and off-balance sheet exposures by industry.

CaML (Solo) Industry type 31 December 2016 (£m)	Exposures		Credit Risk Adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Other services	0	53	0	0	0	0	53
Total	**0**	**53**	**0**	**0**	**0**	**0**	**53**
Of which: Loans	0	0	0	0	0	0	0

CaML (Solo) Industry type 31 December 2015 (£m)	Exposures		Credit Risk Adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Other services	0	90	44	0	0	44	46
Total	**0**	**90**	**44**	**0**	**0**	**44**	**46**
Of which: Loans	0	0	0	0	0	0	0

Table 13: Credit quality of exposures by geographical breakdown

This table provides a comprehensive picture of the credit quality of on- and off-balance sheet exposures by country using the IFRS methodology.

CaML (Solo) Counterparty type 31 December 2016 (£m)	Exposures		Credit Risk Adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
UK	0	51	0	0	0	0	51
US	0	2	0	0	0	0	2
Other	0	0	0	0	0	0	0
Total	**0**	**53**	**0**	**0**	**0**	**0**	**53**

CaML (Solo) Counterparty type 31 December 2015 (£m)	Exposures		Credit Risk Adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
UK	0	90	44	0	0	44	46
US	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Total	**0**	**90**	**44**	**0**	**0**	**44**	**46**

6 Credit Risk Mitigation

CaML manages credit risk through a variety of credit risk mitigation strategies including collateral and master agreements and netting arrangements.

6.1 Netting

International Swaps and Derivatives Association (ISDA) Master Agreements and netting are used to mitigate counterparty credit risk. The ISDA Agreement incorporates schedules that allow the contracting parties to customise the terms and conditions to their mutual satisfaction to cover termination events, netting arrangements, security and other matters.

Netting may take two different forms, close-out netting and settlement netting. Close-out netting refers to an agreement between CaML and a counterparty that, in the event of a default, the non-defaulting party can require that:

All open derivative contracts be marked-to-market and summed

A single net payment will be made as final settlement to whichever party holds the overall profit from the contracts

Collateral be liquidated (if held)

Settlement netting requires that all foreign exchange obligations payable on the same settlement date, be netted to produce a single payment obligation for each currency traded.

6.2 Collateral Valuation and Management

CaML can receive collateral from a counterparty which can include guarantees, cash and both equity and debt securities, and has the ability to call on this collateral in the event of a default by the counterparty.

Collateral amounts are adjusted on a daily basis to reflect market activity to ensure they continue to achieve an appropriate mitigation of risk value. Securities are marked-to-market daily and haircuts are applied to protect CaML in the event of the value of the collateral suddenly reducing in value due to adverse market conditions. Customer agreements can include requirements for the provision of additional collateral should valuations decline.

6.3 Wrong-way Risk

CaML takes particular care to ensure that wrong-way risk between collateral and exposures does not exist. Wrong-way risk results when the exposure to the counterparty increases when the counterparty’s credit quality deteriorates.

6.4 Credit Risk Concentration

Credit risk concentration results from exposures to a single counterparty, borrower or group of connected counterparties or borrowers. Credit risk mitigation taken by CaML may result in increased exposure to this type of risk which includes on and off-balance sheet (i.e. guarantees) concentration risk.

The number of counterparties CAML is willing to place funds with is limited and hence, concentration risk can arise from cash balances placed with a relatively small number of counterparties. To mitigate this, exposures are only placed on a very short-term basis, generally overnight (maximum of 180 days), ensuring the ability to withdraw funds in a timely manner.

Table 14: Credit risk mitigation techniques – overview

This table shows the extent of credit risk mitigation techniques utilized.

CaML (Solo) 31 December 2016 (£m)	Exposures unsecured: carrying amount	Total Exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans	53	0	0	0	0
Total debt securities	0	0	0	0	0
Total exposures	**53**	**0**	**0**	**0**	**0**
Of which defaulted	0	0	0	0	0

Financial and other eligible collateral can include cash, debt securities or equities, and their values are taken into account for the purposes of calculating the risk weighted exposure amount of the underlying exposure.

There are no exposures covered by guarantees at 31 December 2016.

7 External Credit Assessment Institutions (ECAIs)

The standardised approach requires CaML to use risk assessments prepared by External Credit Assessment Institutions (ECAIs) to determine the risk weightings applied to rated counterparties. CaML uses S&P Global Ratings, Moody's and Fitch Ratings as its chosen ECAIs. There has been no change to these ECAIs during the year.

Table 15: Mapping of ECAIs credit assessments to credit quality steps

CaML uses Credit Quality Steps (CQS) to calculate the RWAs associated with credit risk exposures. Each CQS maps to the ECAIs' credit assessments.

This table shows the mapping of CaML's nominated ECAIs' credit assessments to the credit quality steps.

Credit quality steps	S&P Global Ratings	Moody's	Fitch Ratings
1	AAA to AA-	Aaa to Aa3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below

Table 16: Credit quality steps and risk weights

ECAI risk assessments are used for each exposure class except eligible retail exposures which are assigned a risk weight of 75%. In accordance with the regulations, institutions with a residual maturity of three months or less denominated and funded in the national currency of the borrower shall be assigned a risk weight different to institutions with a risk weight of more than three months. This distinction is shown in the table below.

This table shows the prescribed risk weights associated with the credit quality steps by exposure class.

Credit quality steps and risk weights	CQS	CQS	CQS	CQS	CQS	CQS
Exposure class	1	2	3	4	5	6
Central governments and central banks	0%	20%	50%	100%	100%	150%
Institutions maturity <= 3 months	20%	20%	20%	50%	50%	150%
Institutions maturity > 3 months	20%	50%	50%	100%	100%	150%
Corporates	20%	50%	100%	100%	150%	150%
Collective investment undertakings	20%	50%	100%	100%	150%	150%
Unrated institutions	20%	50%	100%	100%	100%	150%

The risk systems maintain the credit quality step mappings to customers in their database. When calculating the risk weighted value of an exposure using the ECAI risk assessments, the system will identify the customer, the maturity of the transaction and the relevant credit quality step to determine the risk weight percentage.

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Table 17: Credit risk exposure and Credit Risk Mitigation (CRM) effects

This table shows the effect of the standardised approach on the calculation of capital requirements. Risk weighted exposure amount (RWA) density provides a synthetic metric on the riskiness of each portfolio.

CaML (Solo) Exposure classes (£m) 31 December 2016 (£m)	Exposures before CCF and CRM balance sheet amount		Exposures post CCF and CRM balance sheet amount		RWA	RWA density
	On-	Off-	On-	Off-		
Central governments and central banks	0	0	0	0	0	0%
Corporates	1	0	1	0	1	110%
Institutions	49	0	49	0	10	20%
Other items	0	0	0	0	0	0%
Public sector entities	0	0	0	0	0	0%
Equity	3	0	3	0	8	250%
Total	**53**	**0**	**53**	**0**	**19**	**36%**

Table 18: Credit risk exposure by asset class and risk weight post CCF and CRM

This table shows the breakdown of exposures after the application of both conversion factors and risk mitigation techniques.

CaML (Solo) Exposure Class 31 December 2016 (£m)	0%	20%	100%	150%	250%	Other	Total
Central governments or central banks	0	0	0	0	0	0	0
Corporates	0	0	1	0	0	0	1
Covered Bonds	0	0	0	0	0	0	0
Institutions	0	49	0	0	0	0	49
Multilateral Development Banks	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0
Equity	0	0	0	0	3	0	3
Total	**0**	**49**	**1**	**0**	**3**	**0**	**53**

CaML (Solo) Exposure Class 31 December 2015 (£m)	0%	20%	100%	150%	250%	Other	Total
Central governments or central banks	0	0	0	0	0	0	0
Corporates	0	0	1	0	0	0	1
Covered Bonds	0	0	0	0	0	0	0
Institutions	0	42	0	0	0	0	42
Multilateral Development Banks	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0
Equity	0	0	0	0	3	0	3
Total	**0**	**42**	**1**	**0**	**3**	**0**	**46**

8 Counterparty Credit Risk

Counterparty credit risk is the risk of a counterparty to a contract (recorded in either the trading book or non-trading book) defaulting before fulfilment of cash-flow obligations. The size of the potential loss could be reduced by the application of netting or collateral agreements with the counterparty.

The main source of counterparty credit risk for CaML arises from its business trading fixed income and equities on behalf of clients on a principal trading and agency basis. Risk arises to CaML upon a client default, or a lack of client performance under contract creating counterparty credit risk. This is known as pre-settlement risk and is the potential mark-to-market variation in the stock price that would need to be resold or repurchased elsewhere in the market. CaML transacts all business on a DVP (Delivery vs Payment) basis and, on this basis, settlement risk is reduced and limited to special circumstances where approval is granted for 'free delivery' of stock or cash and only occurs in the rare occasion that settlement activity is not DVP.

As at 31 December 2016 CaML did not have any trading book positions, with counterparty credit risk originating from banking book derivative positions.

8.1 Credit Valuation Adjustment

The credit valuation adjustment is the capital charge for potential mark-to-market losses resulting from the deterioration of counterparty's credit quality. The standardised approach uses the external credit rating of each counterparty and includes the effective maturity and exposure at default. As CaML did not have any counterparty credit risk as at 31 December 2016, the credit valuation adjustment was nil.

9 Asset Encumbrance

Table 19: Encumbered assets

CaML (Solo) 31 December 2016 (£000s)	Encumbered assets				Unencumbered assets			
	Carrying amount	of which issued by other entities of the group	Fair value	of which notionally eligible EHQLA and HQLA	Carrying amount	of which EHQLA and HQLA	Fair value	of which EHQLA and HQLA
Assets of the reporting institution	**250**	**250**			**95,425**	**0**		
Loans on demand	250	250			42,345	0		
Equity instruments	0	0	0	0	9,223	0	9,223	0
Other assets	0	0			43,857	0		

Note: HQLA (High Quality Liquid Assets) / EHQLA (Extremely High Quality Liquid Assets).

Table 20: Collateral encumbrance

CaML (Solo) 31 December 2016 (£000s)	Fair value of encumbered collateral received or own debt securities issued		Fair value of unencumbered collateral received or own debt securities issued available for encumbrance	
		of which issued by other entities of the group		of which EHQLA and HQLA
Collateral received by the reporting institution	0	0	0	0
Own covered bonds and asset-backed securities issued and not yet pledged			0	0
Total assets, collateral received and own debt securities issued	**250**	**250**		

Note: HQLA (High Quality Liquid Assets) / EHQLA (Extremely High Quality Liquid Assets)

Table 21: Sources of encumbrance

CaML (Solo) 31 December 2016 (£000s)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	**0**	**0**
Other sources of encumbrance	**0**	**250**
Other	0	250
Total sources of encumbrance	0	250

Note: ABS (Asset-Backed Securities).

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10 Market Risk

Market risk is the risk of adverse change to the economic condition of CaML resulting from variations in prices, rates, implied volatilities, or correlations of market risk factors. Market risk factors include but are not limited to interest rates, foreign exchange rates, equity prices, credit spreads, prepayment rates, and commodity prices.

CaML is only mandated and authorised to trade on behalf of clients on a matched principal basis and agency basis; as such there are no intended open positions (intra-day and overnight) that generate market risk.

CaML has limited foreign exchange risk from revenue flows in foreign (non-Sterling) currencies. This exposure is managed and mitigated in line with CaML's Foreign Exchange Hedging Policy.

Table 22: Market risk – risk weighted assets and capital required

This table shows the components of the capital requirements and risk weighted assets for market risk using the standardised approach.

CaML (Solo) Position risk components 31 December 2016 (£000s)	Risk Weighted Assets	Capital requirements
Foreign exchange risk	132	11
Total	**132**	**11**

11 Interest Rate Risk – Non-Trading Book

Interest rate risk is the risk associated with changes in interest rates that affect net interest income (NII) from interest-earning assets and interest-paying liabilities. For regulatory purposes, interest rate risk is monitored in the trading portfolio and non-trading book separately. Interest Rate Risk (IRR) exposure in the banking book arises from maturity or re-pricing mismatches and from products that include embedded optionality, the risk could crystallise with changes in interest rate risk/the shape of the yield curve.

CaML has no material assets and liabilities subject to interest rate risk. CaML's exposure to interest rate risk is principally related to term funding obtained from BNYM Mellon London Branch and the interest earnings on its own cash placements with third party financial institutions. CaML seeks to earn competitive interest rates on the cash balances held but adopts a very low risk approach (on call deposits only).

Table 23: Net interest income sensitivity by currency

This table shows the net interest income sensitivity by CaML's major transactional currencies.

CaML (Solo) Currency (000s)	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
	2016	**2016**	**2015**	**2015**
GBP	248	(248)	253	(253)
USD	242	(242)	169	(169)
EUR	1	(1)	0	0
Other currencies	0	0	0	0
Total	**491**	**(491)**	**422**	**(422)**
As percentage of net interest income	9%	(9%)	25%	(25%)

12 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events (including legal risk but excluding strategic and reputation risk).

Operational risk may arise from errors in transaction processing, breaches of internal control, systems and compliance requirements, internal or external fraud, damage to physical assets, and/or business disruption due to systems failures or other events. Operational risk can also arise from potential legal or regulatory actions as a consequence of non-compliance with regulatory requirements, prudent ethical standards or contractual obligations.

The following categories of operational risks are considered for CaML:

Business Disruption & Systems Failure
Clients, Products and Business Practices
Execution, Delivery & Process Management
External Fraud
Internal Fraud
Damage to Physical Assets

12.1 Operational Risk Management Framework

The Operational Risk Management Framework (ORMF) provides the processes and tools necessary to manage risk through a culture of risk awareness, a clear governance structure, well defined policies and procedures that are in place. There are suitable risk tools used for reporting and monitoring to which effectively identify, manage, mitigate, monitor and report the operational risks in an organised way to the appropriate governance bodies.

The ORMF defines roles and responsibilities through the global policies, using the three lines of defence model as its foundation. Thus, responsibility for the management of Operational Risk sits first and foremost within the first line of defence (1OD) business and functions.

The first line of defence is principally the businesses and business process owners, who are responsible for identifying and managing the risks inherent in the products, activities, processes and systems for which they are accountable throughout the course of their business activities.

The second line of defence includes an independent Risk Management function and is responsible for reviewing and challenging the risks identified, assessed, monitored and managed by the first line of defence. The Operational Risk Management Framework team is also responsible for building and maintaining the ORMF framework and partnering with the first line of defence in order for them to embed it with the business activities.

The third line of defence is Internal Audit (organisationally independent from both the first and second line of defence). A key responsibility of the third line as it pertains to the Operational Risk Management Framework is to challenge the adequacy of the framework and the governance processes.

Therefore, the monitoring and reporting of operational risks occurs within the business, entity and EMEA-region risk oversight functions as well as decision-making forums, such as its Business Risk Committee (BRC) and CaML's Operating Committee (OpCom).

In order to continually reduce the likelihood of adverse impacts from operational failures and to aid the continued identification, mitigation, monitoring and re-assessment of risks and controls, the activities defined in the ORMF policy are:

Identify and understand key business processes and risks

Design and document controls

Execute the controls

Monitor key risk indicators

Report key risk indicator performance, issues and actions to resolve

Elevate concerns

Strengthen controls

Re-assess and update when necessary

CaML's ORMF relies on a culture of risk awareness, a clear governance structure and Operational Risk policies and procedures. These policies and procedures complement each other to ensure that the operational risks of the business are effectively identified, mitigated (where possible), managed and reported to the appropriate governance committees on a monthly basis.

CaML uses the ORMF to capture, analyse and monitor its operational risks, including Operational Risk Events, Risk and Control Self-Assessments, Key Risk Indicators and Operational Risk Scenarios. Below is an explanation of how these tools are used to manage the operational risks of the business.

Operational Risk Events (OREs) are mapped to Basel II operational risk event categories. Information on operational risk event losses or gains exceeding $10,000 is entered into a central Risk Management Platform (RMP) database. Loss events are analysed to understand root cause and to identify improvements needed in order to reduce the recurrence and/or magnitude of future events and potential mitigating actions are reported to the OpCom monthly. CaML adheres to the corporate procedures on loss event analysis and reporting, that document clearly the risk event workflow process for analysing OREs, the approval process and the required escalation process, to senior management and its governance committees.

Risk and Control Self-Assessments (RCSAs) are used to identify and document inherent risks associated with business processes and perform an assessment of the current risk and control environment. Gaps and action plans are tracked to completion for all controls that are assessed as "Less than Satisfactory" or "Needs Improvement". The progress of open action plans are monitored and reported at the monthly governance committees, the OpCom and the BRC.

Key Risk Indicators (KRIs) are defined at the Line of Business level and they allow management to monitor essential/critical aspects of the business processes against their measurable thresholds. CaML's management is alerted when these risk levels exceed the risk agreed range. These excesses are escalated to the appropriate CaML governance committees.

Operational Risk Scenario Analysis (ORSA) is used by CaML to forecast the most significant operational risks by combining operational risk data with expert management judgement.

These activities are mandated through individual Operational Risk Policies. CaML uses the group wide system, the Risk Management Platform (RMP), to record and facilitate many of these processes.

Additionally CaML has, in line with the enterprise risk policy, a risk appetite statement and agreed thresholds which recognise the inherent risks of CaML's operational risks and the reliance on the ORMF to mitigate and monitor them.

CaML also maintains a risk register which captures its most material risks associated with the business undertaken and the risk mitigations currently in place. Operational risk is amongst CaML's most material risks and its risk register is updated annually or sooner if required.

Current issues, emerging and top risks, adverse KRI's and ORE's (greater than $10,000) are reported to the CaML's OpCom and BRC Committees. Regional committees such as the EMEA Senior Risk Management Committee also monitor and incorporate the material risks of CaML within its regional risk assessment.

Risk managers are responsible to oversee the risk management activities undertaken in the CaML business. In addition to the Operational Risk function, other internal functions also ensure that processes are in place to support the sound operational risk management of the business e.g. Information Risk Management and Business Continuity Planning.

12.2 Capital Resource Requirement

CaML calculates the Pillar 1 operational risk capital resource requirement under the Standardised Approach. CaML falls under the Agency Services Basel business line which mandates a 15% beta factor to determine capital from gross income.

13 Leverage

Although the BNY Mellon Corporation manages its leverage ratio in line with US regulatory limits, CaML itself is not subject to a leverage ratio requirement in the UK.

Nevertheless CaML monitors its leverage position and reports accordingly. The table below is reflective of the standard EBA reporting format, but CaML is mindful of the exclusion for Bank of England reserves from the leverage exposure value that has been prescribed by the PRA, which would dramatically reduce this value and hence increase the leverage ratio itself.

The leverage ratio is calculated by dividing tier 1 capital by a total exposure measure which is comprised of a defined sum of asset exposure values and off-balance sheet items.

Table 24: Leverage ratio summary

This table shows the summary reconciliation of accounting assets and leverage ratio exposures.

CaML (Solo) at 31 December 16 (£m)	
Total assets as per published financial statements	**65**
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(12)
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429 (13) of Regulation (EU) No 575/2013 "CRR"	0
Adjustments for derivative financial instruments	0
Adjustments for securities financing transactions (SFTs)	0
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	0
Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	0
Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013	0
Other adjustments	0
Total leverage ratio exposure	**53**

Table 25: Leverage ratio common disclosure

CaML (Solo) regulatory leverage ratio exposures at 31 December 16 (£m)	
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	59
Asset amounts deducted in determining Tier 1 capital	(6)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**53**
Derivative exposures	
Replacement cost associated with derivatives transactions	0
Add-on amounts for PFE associated with derivatives transactions	0
Exposure determined under Original Exposure Method	0
Total derivative exposures	**0**

CaML (Solo) regulatory leverage ratio exposures at 31 December 16 (£m) (continued)	
Securities financing transaction exposures	
SFT exposure according to Article 220 of CRR	0
SFT exposure according to Article 222 of CRR	0
Total securities financing transaction exposures	**0**
Off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	0
Adjustments for conversion to credit equivalent amounts	0
Total off-balance sheet exposures	**0**
Capital and Total Exposures	
Tier 1 capital	32
Exposures of financial sector entities according to Article 429(4) 2nd of CRR	0
Leverage Ratios	
Total Exposures	**53**
End of quarter leverage ratio	59.7%
Leverage ratio (avg. of the monthly leverage ratios over the quarter)	59.7%
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	Fully phased-in
Amount of derecognised fiduciary items in accordance with Article 429(11) of CRR	0

Table 26: Composition of on-balance sheet exposures

This table shows the composition of on-balance sheet exposures excluding derivatives, SFTs and exempted exposures at 31 December 2016.

CaML (Solo) CRR leverage ratio exposures (£m)	
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**53**
Trading book exposures	0
Banking book exposures, of which:	53
Covered bonds	0
Exposures treated as sovereigns	0
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	0
Institutions	49
Secured by mortgages of immovable properties	0
Retail exposures	0
Corporate	1
Exposures in default	0
Other exposures	3

14 Remuneration Disclosure

14.1 Governance

The governance of remuneration matters for BNYM and its group entities, including Capital Markets Ltd ("CaML"), is overseen by four committees, each with separate responsibilities in respect of remuneration as summarised below:

Human Resources and Compensation Committee of BNYM ("HRCC") is responsible for overseeing BNYM's employee compensation and benefits policies and programmes globally. It reviews and is responsible for the compensation plans, policies and programs in which the senior officers participate and has general oversight for the other incentive, retirement, welfare and equity arrangements for all employees globally. The members of the HRCC are non-executive members of the BNYM's Board of Directors, acting on behalf of the BNYM Board of Directors.

Compensation Oversight Committee of BNYM ("COC") is responsible for providing formal input to the remuneration decision-making process (including through the review of remuneration policies for BNYM), which includes reviewing and approving both remuneration arrangements annually and any significant changes proposed to remuneration arrangements (including termination of any arrangement) and advising the HRCC of any remuneration-related issues. The members of the COC are members of management of BNYM, including the Chief Human Resources Officer, the Chief Risk Officer, the Chief Financial Officer and the Chief Enterprise Risk Officer.

EMEA Remuneration Governance Committee ("ERGC") is a regional governance committee that was established to ensure alignment of remuneration arrangements operated within BNYM EMEA with local laws and regulations impacting on remuneration. The ERGC is responsible for ensuring that local BNYM EMEA offices implement processes and practices that are consistent with the requirements of local regulators and also have oversight of the functioning and decisions taken by the Remuneration Committees of subsidiaries of BNYM (excluding IM), which are incorporated within the EMEA region, with the exclusion of oversight over individual award decisions.

Incentive Compensation Review Committee ("ICRC") is the coordinating body of senior executives responsible for the oversight of the process to evaluate and recommend compensation reductions for all employees. These decisions are based on feedback regarding risk, compliance, audit and legal outcomes as well as situations of an employee engaged in fraud or directly or indirectly to have contributed to a financial restatement or other irregularity. The ICRC is a management-level committee that reports its recommendations to the HRCC. Ex ante adjustments are recommended by the employee's management for review and approval by the committee and ex post adjustments are formulated by the committee. The Chief Human Resources Officer chairs the committee supported by the Global Head of Compensation and Benefits. Voting members include the Chief Executive Officer, Chief Risk Officer, Chief Compliance Officer, Chief Auditor, Chief Financial Officer and General Counsel.

BNYM undergoes an annual attestation process to ensure that its remuneration practices comply with all local laws and regulations as well as best market practice. The implementation of BNYM's remuneration policies is subject to an annual independent internal review by the internal audit function. External consultants, PwC, were in 2016 engaged in respect of, and provided, initial and high level advice on the remuneration policy developed by the firm.

14.2 Aligning Pay with Performance

BNY Mellon's compensation philosophy is to offer a total compensation opportunity that supports our values, client focus, integrity, teamwork and excellence. We pay for performance, both at the individual and corporate level. We value individual and team contributions and reward based on how both contribute to business results. In support of this philosophy, variable compensation is used as a means of recognising performance.

Through our compensation philosophy and principles, we align the interests of our employees and shareholders by encouraging actions that contribute to superior financial performance and long-term shareholder value; by rewarding success; and by ensuring that our incentive compensation arrangements do not encourage our employees to take unnecessary and excessive risks that threaten the value of BNY Mellon or benefit individual employees at the expense of shareholders or other stakeholders. Our compensation structure is comprised of an appropriate mix of fixed and variable compensation that is paid over time. We aim to ensure that both fixed and variable compensation are consistent with business and market practice, fixed compensation is sufficient to provide for a fully flexible variable compensation program, and variable compensation is in the form of annual and/or long-term incentives, and, where appropriate, granted over equity to align employee remuneration with that of shareholder growth.

14.3 Fixed Remuneration

Fixed remuneration is composed of (i) salary, (ii) any additional non-performance related amounts paid as a result of contractual obligations or applicable law, or as a result of market practice, including role-based allowances, and (iii) any benefits in kind which are awarded as a result of the responsibilities of the job rather than the performance within the job.

The fixed remuneration of an employee is determined by the job performed, its level of complexity and responsibility, and the remuneration paid in the market for that type of job. It is set, for all staff, at a rate to be at all times sufficient to provide for full flexibility with regards to any variable remuneration element, including zero variable remuneration.

Employees who are directors of other BNY Mellon group entities are not remunerated separately in their capacity as a director of those entities. Independent directors of BNY Mellon only receive fixed remuneration, as disclosed in our annual Proxy Statement to shareholders.

14.4 Ratio between Fixed and Variable Pay

In respect of remuneration to material risk takers as determined under the requirements of the PRA and FCA ("MRTs"), the shareholder of CaML, The Bank of New York Mellon Corporation, approved an increase in the maximum ratio of Variable to Fixed pay from 100% to 200%. This increase was confirmed by the HRCC on 27 January 2014 on the grounds that the increased ratio would not affect the firm's ability to maintain a sound capital base, and allows for appropriate incentivisation and reward in accordance with our Pay for Performance philosophy.

14.5 Variable Compensation Funding and Risk Adjustment

The employees of CaML are eligible to be awarded variable compensation but have no entitlement to such awards which are discretionary in nature.

In general, the incentive pools for the business lines are based on the profitability of each business line, with the potential for adjustment by the COC on the basis of a number of factors, including risk management.

Typically, the line of business incentive plans are determined primarily based on pre-tax income, which is a profit rather than revenue based measure. The plans are subject to discretionary adjustment by the business head, COC and HRCC based on factors in assessing the earnings including (but not limited to) significant non-recurring activity, market conditions, interest and currency rates.

The incentive pools for the business partner groups are based on a management approved fixed pool, adjusted for a number of factors, including corporate performance and risk management.

Variable compensation may consist of both cash and equity and both upfront and deferred components and is determined by the functional hierarchy of the business or business partner service to which the individual staff member belongs, and in accordance with the terms and conditions of the incentive compensation plan that is applicable for the business or business partner service.

For MRTs, the variable compensation portion of an award comprises four different parts: upfront cash, upfront equity, deferred cash and deferred equity, in order to comply with local regulations. The deferred compensation component awarded in the form of BNY Mellon restricted stock units aligns a portion of the variable compensation award with the management of longer-term business risk.

To ensure effective risk adjustment, BNY Mellon requires employees who receive variable remuneration awards (both upfront and deferred) to agree to forfeiture and clawback of such awards in the event of fraud, misconduct or actions contributing to the detriment of business interests, including competing with the business and soliciting employees or clients. Where required by regulations, awards to MRTs are subject to more stringent risk adjustment, including, but not limited to, forfeiture and clawback in the event of employee misbehaviour, material error, material downturn in business unit performance or a material failure of risk management

14.6 Deferral Policy and Vesting Criteria

For more senior-level employees, a portion of variable compensation will be deferred, under ordinary circumstances for a period of at least three years with vesting on an annual one-third basis (albeit such compensation may be deferred for longer periods and with a revised vesting schedule, and, for MRTs, in line with regulatory requirements), and will normally be subject to the employee remaining in employment until the deferred payment date (unless provided otherwise under national law). The deferred component of the variable compensation award is usually delivered as restricted stock units whose value is linked to BNY Mellon's share price. The percentage of the variable compensation award to be deferred depends on the level and responsibility of the individual's role (including if they are a MRT), regulatory requirements and the amount and value of the award.

14.7 Variable Remuneration of Control Function Staff

The variable compensation awarded to control function staff (for example: audit, compliance and risk) is dependent on performance that is assessed according to the achievement of objectives specific to their functional role that is independent of the activities they oversee. Remuneration is benchmarked against the market level and funded independently of individual business line results and adjusted based on BNY Mellon's overall annual financial performance.

14.8 Quantitative Disclosures

The tables below provide details of the aggregate remuneration of senior management and MRTs for CaML for the year ending 31 December 2016. The quantitative data for CaML Consolidated and Solo is the same and, therefore, has not been duplicated.

The figures illustrate two sets of combined data in:

- CaML as an entity
- QSR Management Ltd as CaML's subsidiary

For completeness, this group of staff is limited to those identified as MRTs. The remuneration amounts are presented on a gross basis, regardless of the time spent by BNY Mellon staff in respect of CaML to reflect the full reporting period.

Table 27: Aggregate remuneration expenditure by business

This table shows the aggregate remuneration expenditure for MRTs in 2016 by business.

(£000s)	Investment Services	Other[2]	Total
Total remuneration [1]	792	0	792

[1]Includes base salary and other cash allowances, plus any incentive awarded for full year 2016. Pension contribution is not included.

[2]Includes all support functions and general management positions.

Table 28: Aggregate remuneration expenditure by remuneration type

This table shows the aggregate remuneration expenditure for MRTs by remuneration type.

	Senior Management[3]	Other MRTs	Total
Number of beneficiaries	0	3	3
Fixed remuneration (£000s) [4]	0	405	405
Total variable remuneration (£000s)	0	387	387
Variable cash (£000s)	0	201	201
Variable shares (£000s)	0	186	186
Total deferred remuneration awarded during the financial year (£000s)	0	150	150
Total deferred remuneration paid out during the financial year (£000s)	0	0	0
Total deferred remuneration reduced through performance adjustments (£000s)	0	0	0

[3]Senior management is comprised of MRTs categorised as 'Senior Managers' who carry out a senior management function as determined by the relevant regulators.

[4]Fixed Remuneration includes base salary and any cash allowances. Pension contribution is not included.

Table 29: Deferred Variable Remuneration

This table shows the total deferred remuneration for MRTs outstanding from previous years.

	Senior Management	Other MRTs	Total
Number of beneficiaries	0	3	3
Total deferred variable remuneration outstanding from previous years (£000s)	0	62	62
Total vested (£000s)[5]	0	0	0
Total unvested (£000s)[6]	0	62	62

[5]*Includes total vested cash and equity. Equity portion is valued as at the date the award vested.*

[6]*Total unvested equity is valued as at 1st February, 2017.*

In regards to 2016 awards, CaML did not award any sign-on or severance payments. There were also no individuals remunerated EUR 1 million or more.

Appendix 1 Other Risks

Liquidity Risk

BNY Mellon defines liquidity as the ability to access funding, convert assets to cash quickly and efficiently, or to roll over or issue new debt, especially during periods of market stress, in order to meet its short-term (up to one year) obligations.

BNY Mellon defines Funding Liquidity Risk as the risk that it cannot meet its cash and collateral obligations at a reasonable cost for both expected and unexpected cash flow and collateral needs without affecting daily operations or financial conditions. Liquidity risks can arise from funding mismatches, market constraints from inability to convert assets to cash, inability to raise cash in the markets, deposit run-off, or contingent liquidity events. Changes in economic conditions or exposure to credit, market, operational, legal, and reputational risks also can affect BNY Mellon's liquidity risk profile and are considered in the liquidity risk management framework.

BNY Mellon defines Intraday Liquidity Risk as the risk that it cannot access funds during the business day to make payments or settle immediate obligations, usually in real time, primarily due to disruptions or failures. The BNY Mellon Intraday Liquidity Policy is specifically dedicated to managing these risks.

CaML generates cash from spreads and commissions on principal trading / agency basis. The cash generated is offset by variable costs arising from its outsourced clearing function and administrative overheads.

Business and Financial Risk

Legal Entity and Business Risk

Business Acceptance Workgroups are responsible for aligning new business to appropriate business lines and subsidiaries, assessing and approving the associated risks.

Each legal entity has a risk manager aligned to the business. Risk managers are independent of the business and oversee the adherence to corporate risk policies and governance requirements. The risk management organisation is based on a three tiered structure beginning with Corporate Risk which creates the corporate policies. Risk Management forms the second tier, and the third tier is the operational unit which is considered to be the primary owner of all risk relating to the business activities. Each operational unit has a dedicated Embedded Control Management (ECM) resource assigned to it. At the direction of the business or the Global Operational Control management team, the ECM resource will conduct testing of the operational activities to support internal and external audit work.

Regulatory and Compliance Risk

Compliance risk is the risk of sustaining loss arising from non-compliance with laws, regulations, directives, reporting standards and lack of adequately documented and understood processes.

CaML aims to comply with applicable laws, regulations, policies, procedures and BNY Mellon's Code of Conduct. Existing and new directives and regulations are monitored and reviewed by Compliance and Risk Management and findings are reported to senior management and the Board. Strategies and preparations to comply with regulations are put in place when necessary.

The Compliance function is structure as follows:

EMEA Compliance Advisory provides technical advice on regulatory compliance issues and represents compliance in entity governance forums and business-led meetings (e.g. business acceptance, risk committees and boards/executive committees) and provides compliance input

EMEA Compliance Monitoring develops and executes a risk-based compliance monitoring programme designed to identify regulatory gaps and irregularities in the operations of CaML

EMEA Financial Crime Team leads on all aspects of AML/KYC, economic sanctions and data protection compliance

To date, CaML has not suffered from a sanction event where the regulator has imposed a fine.

Reputation Risk

Reputation risk is the risk to the BNYM's brand and relationships which does not arise out of any error. It can arise from all aspects of business activities, including but not limited to operational failures in business practices, legal or regulatory sanctions, joint ventures with outside firms, engagements with third party vendors, or off-balance sheet activities.

BNY Mellon relies heavily on its reputation and standing in the market place to retain and attract clients. Through analysis of other risks, potential reputational impacts have been identified as follows:

Group default or reputational event could lead to loss of confidence in the brand

Legal or operational event leading to publicised failure could lead to loss of confidence in the brand

Inability to provide products and services that fulfil local and/or international law, compliance directives or regulations. This may also result in regulatory penalties and subsequent loss of business

CaML identifies and assesses the impact of reputation risk through its risk management processes and by using scenario analysis.

Legal Risk

Legal Risk is the risk of inadequate legal advice, inadequate contractual arrangements and failing to take appropriate legal measures to protect rights or changes in laws or regulations. Legal Risk could crystallise through:

Receipt or provision of wrong or inadequate legal advice

Failure to manage litigation or disputes effectively

Failure to identify and implement changes in legislation or law

Failure to appropriately make notifications required as a result of legal requirements

Failure to ensure adequate contractual arrangements (excluding outsourcing arrangements)

Failure to manage and/or protect the infringement of rights arising outside of contracts

CaML mitigates its legal risk through strict policies and procedures designed to ensure contractual obligations are fulfilled, and to minimise the risk of legal action; and through dedicated internal counsel and the use of external counsel. The legal risk associated with Corporate, Client and Supplier legal risk are considered low, based on historical and current experience and this is not envisaged to change on a business as usual basis.

Settlement Risk

Settlement risk is the risk of loss arising from the failure of a counterparty to settle its side of a transaction whilst CaML has settled its commitment.

CaML is subject to settlement risk on trades. The credit risk policy for securities settlement amounts receivable is to monitor the level of past due receivables on a daily basis. Provisions are raised where the recovery of a debt is considered to be unlikely. All clients with whom the Company deals are subject to detailed credit analysis and a high level assessment of market counterparties is carried out prior to allowing clients to trade.

Non-Trading Book Exposures in Equities

CaML did not have any non-trading book exposures in equities as at 31 December 2016 or during the reporting period.

Securitisation Risk

Securitisation risk is the risk that the capital resources held in respect of assets that CaML has securitised is insufficient to cover associated liabilities. As at 31 December 2016 and during the reporting period CaML did not have any securitisation risk-weighted exposure.

Outsourcing Risk

Outsourcing risk is the risk that failure in respect of the provision of services by third party provider(s) could potentially damage CaML's operations, or if contracts with any of the third party providers are terminated, that CaML may not be able to find alternative providers on a timely basis or on equivalent terms.

CaML relies on internal and external outsourcing entities within and outside of the BNY Mellon group to perform its core business activities. To date, CaML has only outsourced critical tasks to BNY Mellon group entities that hold the required permissions in their jurisdiction to carry out the respective delegated tasks. Currently there are no critical tasks outsourced to external third parties.

CaML's outsourcing policy describes minimum standards that should be adopted when considering or dealing with a service and/or activity that is outsourced to another legal entity, either within the BNY Mellon group or to an external provider and establishes a framework for evaluating and analysing outsourcing projects.

Business Risk

Business risk is the risk of loss that the business environment poses to CaML's profitability. It normally consists of items such as changes in the external macro environment or client behaviour, inappropriate management actions and performance of competitors. The list is not exhaustive.

As business risk is difficult to assess, it has been defined as the residual risks that confront CaML after taking all known and quantifiable risks into consideration. Regular monitoring of assets under custody, revenue and profitability is a key control used to mitigate the risk.

Concentration Risk

Concentration risk is the risk of loss arising from significant interrelated asset or liability exposures, which in cases of distress associated with markets, sectors, countries, or areas of activity, may threaten the stability of the institution.

Traditionally analysed in relation to credit activities, concentration risk arises from exposures that may arise within or across different risk types, including intra-risk concentration where exposure concentration exists within a single risk type, and inter-risk concentration arising from interactions between different risk exposures across different risk categories connected by a common risk factor (e.g. counterparties, vendor, economic sector, geographic region, and/or financial instrument/product type).

CaML manages concentration risk as part of its credit, market, operational and liquidity management policies.

Group Risk

Group risk is the risk that the financial position of CaML may be adversely affected by its relationships (financial and non-financial) with other entities within BNY Mellon or by risks which may affect the financial position of the whole Group, for example reputational contagion or Group default.

As part of a large complex and interconnected company, CaML has a number of dependencies on BNY Mellon. These include business leadership, dependency on certain IT systems and support services provided by central functions.

CaML management has considered several possible scenarios where these services may be affected. These include IT services outage and other business continuity issues. Although these will cause operational issues they are not expected to have a significant cost impact and are therefore not modelled, but are included in the scenarios as part of operational risk assessment and in the liquidity stress testing. This risk is mitigated through service level agreements (SLA's) with key dependencies and regular monitoring of performance by the Operating Committee.

Model Risk

Model risk refers to the possibility of unintended business outcomes arising from the design, implementation or use of models. Model risk includes the potential risk that management makes incorrect decisions based either upon incorrect model results, or incorrect understanding and use of model results.

Model risk can result in material financial loss, inaccurate financial or regulatory reporting, misaligned business strategies or damage to the reputation of CaML or BNY Mellon as a whole. CaML uses models in its risk management framework. All models have been assessed in line with the relevant corporate policies and model risk management framework wherein the individual model is categorised into one of three tiers based on materiality, complexity, and level of reliance. The tiers determine the controls applicable to the model classes. The Enterprise Model Risk Committee oversees model risk management at the enterprise level and approves the overall framework and standards, which are applicable across the organisation. The Model Risk Management Group, based in the US, retain ultimate responsibility for overall model governance.

Model Risk Management Governance has responsibility for the governance of inventory and provides a mechanism to report on models to key stakeholders.

Models that impact the capital assessment process are categorised as Tier 1 models and the execution of the validation of Tier 1 models is performed by a designated independent model validation function. Tier 1 models are required to be validated or reviewed, as per the validation standards, at least annually.

BNY Mellon Internal Audit provides independent reviews of compliance with the corporate model validation policy.

Strategic Risk

Strategic risk is defined as the risk of direct or indirect loss arising from the adverse effects or the improper implementation of business decisions. It is a function of the compatibility of an organisation's strategic goals, the business strategies developed, the resources deployed to achieve those goals and the quality of implementation. It can result from either a misalignment between strategic decisions taken at the Asset Servicing and Alternative Investment Services business level which impact CaML, or failure to deliver business value through new strategic initiatives.

Country Risk

Country risk is the risk of unfavourable evolution of operating profits or losses, and/or value of assets brought about by changes in the business environment resulting from political or macroeconomic factors.

Pension Obligation Risk

Pension Obligation Risk arises from contractual liabilities or legal obligations to a company's employee pension schemes. BNY Mellon in EMEA operates a number of defined contribution and defined benefits pension arrangements where contributions are paid into separate arrangements, typically to an insurer or trust. CaML is not exposed to Pension Obligation risk, however.

Appendix 2 Glossary of Terms

The following terms are used in this document:

- **ALCO:** Asset and Liability Committee
- **Basel III:** The capital reforms and introduction of a global liquidity standard proposed by the Basel Committee on Banking Supervision in 2010
- **BNY Mellon:** The Bank of New York Mellon Corporation
- **CRD IV:** On 27 June 2013, the European Commission published, through the Official Journal of the European Union, its legislation for a Capital Requirements Directive (CRD) and Capital Requirements Regulation (CRR), which together form the CRD IV package. Amendments published on 30 November 2013 were made to the Regulation. The package implements the Basel III reforms in addition to the inclusion of new proposals on sanctions for non-compliance with prudential rules, corporate governance and remuneration. CRD IV rules apply from 1 January 2014 onwards, with certain requirements set to be phased in
- **Capital Requirements Directive (CRD):** A capital adequacy legislative package issued by the European Commission and adopted by EU member states
- **Capital Requirements Regulation (CRR):** Regulation that is directly applicable to anyone in the European Union and is not transposed into national law
- **Common Equity Tier 1 capital:** The highest quality form of regulatory capital under Basel III comprising common shares issued and related share premium, retained earnings and other reserves excluding the cash flow hedging reserve, less specified regulatory adjustments
- **Core Tier 1 capital:** Called-up share capital and eligible reserves plus equity non-controlling interests, less intangible assets and other regulatory deductions
- **Credit risk mitigation (CRM):** A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection
- **Derivatives:** A derivative is a financial instrument that derives its value from one or more underlying assets, for example bonds or currencies
- **EMEA:** Europe, Middle-East and Africa region
- **Exposure:** A claim, contingent claim or position which carries a risk of financial loss
- **Exposure at default (EAD):** The amount expected to be outstanding, after any credit risk mitigation, if and when a counterparty defaults. EAD reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures over a one-year time horizon
- **Financial Conduct Authority (FCA):** The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well

- **High Level Assessment (HLA):** An assessment of the quality of controls in place to mitigate risk and residual risk. Residual risk is assessed as high, moderate to high, moderate, moderate to low and low with direction anticipated

- **Institutions:** Under the Standardised Approach, institutions are classified as credit institutions or investment firms

- **Internal Capital Adequacy Assessment Process (ICAAP):** The group's own assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints

- **ISDA Master Agreement:** A document that outlines the terms applied to a derivatives transaction between two parties. Once the two parties have agreed to the standard terms, they do not have to renegotiate each time a new transaction is entered into

- **Key Risk Indicator (KRI):** Key Risk Indicators are used by business lines to evaluate control effectiveness and residual risk within a business process

- **Master Netting Agreement:** An agreement between two counterparties that have multiple contracts with each other that provides for the net settlement of all contracts through a single payment in the event of default or termination of any one contract

- **Pillar 3:** The part of Basel III that sets out information banks must disclose about their risks, the amount of capital required to absorb them and their approach to risk management. The aim is to encourage market discipline and improve the information made available to the market

- **Prudential Regulation Authority (PRA):** The statutory body responsible for the prudential supervision of banks, building societies, credit unions, insurers and major investment firms in the UK. The PRA is a subsidiary of the Bank of England

- **Residual maturity:** The period outstanding from the reporting date to the maturity or end date of an exposure

- **Risk appetite:** A definition of the types and quantum of risks to which the firm wishes to be exposed

- **Risk and Control Self-Assessment (RCSA):** Risk and Control Self-Assessment is used by business lines to identify risks associated with their key business processes and to complete a detailed assessment of the risk and associated controls

- **Risk Governance Framework:** CaML's risk governance framework has been developed in conjunction with BNY Mellon requirements. Key elements of the framework are:

    - Formal governance committees, with mandates and defined attendees

    - Clearly defined escalation processes, both informally (management lines) and formally (governance committees, board, etc.)

    - A clear business as usual process for identification, management and control of risks

    - Regular reporting of risk issues

- **Risk Management Committee (RMC):** A committee which meets on a monthly basis to provide governance on risk related items arising from the business of the group

- **Risk Weighted Assets (RWA):** Assets that are adjusted for their associated risks using weightings established in accordance with CRD IV requirements

- **Standardised Approach:** Method used to calculate credit risk capital requirements using the Basel III, CRD IV, CRR model supplied by the BCBS. All financial institutions must opt to either use the Standardised Approach (SA) specified by the regulator, or develop and use their own Internal Ratings Model (IRM). The SA model uses external credit assessment institution ratings and supervisory risk weights supplied by external credit assessment agencies

- **Tier 2 capital:** A component of regulatory capital under Basel III, mainly comprising qualifying subordinated loan capital, related non-controlling interests and eligible collective impairment allowances

- **Value-at-Risk (VaR):** A measure of the potential loss at a specified confidence level from adverse market movements in an ordinary market environment

Appendix 3 CRD IV Reference

CRR ref.	Requirement summary	Compliance ref.	Page ref.
Scope of disclosure requirements			
431 (1)	Institutions shall publish Pillar 3 disclosures	BNY Mellon publishes Pillar 3 disclosures	N/A
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information	N/A	N/A
431 (3)	Institutions shall adopt a formal policy to comply with the disclosure requirements	BNY Mellon has a dedicated Pillar 3 policy	N/A
431 (4)	Explanation of ratings decision upon request	N/A	N/A
Non-material, proprietary or confidential information			
432 (1)	Institutions may omit disclosures if the information is not regarded as material (except Articles 435(2)(c), 437 and 450)	Refer to Pillar 3 policy	N/A
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected	Refer to Pillar 3 policy	N/A
432 (3)	Where 432 (1) and (2) apply this must be stated in the disclosures, and more general information must be disclosed	N/A	N/A
432 (4)	Paragraphs 1, 2 & 3 are without prejudice to the scope of the liability for failure to disclose material information		
Frequency of disclosure			
433	Institutions shall publish the disclosures required at least on an annual basis, in conjunction with the date of the publication of the financial statements	Refer to Pillar 3 policy	N/A
Means of disclosure			
434 (1)	Institutions may determine the appropriate medium, location and means of verification to comply effectively	Single Pillar 3 disclosure	N/A
434 (2)	Disclosures made under other requirements (e.g. accounting) can be used to satisfy Pillar 3 if appropriate	Any cross-references to accounting or other disclosures are clearly signposted in this document	N/A
Risk management objectives and policies			
435 (1)	Institutions shall disclose their risk management objectives and policies	Section 4 Risk Management Objectives and Policy	18-27
435 (1) (a)	Strategies and processes to manage those risks	Section 4.1 Risk Objectives	18
435 (1) (b)	Structure and organisation of the risk management function	Section 4.2 Risk Governance	18-19
435 (1) (c)	Scope and nature of risk reporting and measurement systems	Section 4 Risk Management Objectives and Policy	18-27
435 (1) (d)	Policies for hedging and mitigating risk	Section 4.3 - 4.16	20-27
435 (1) (e)	Approved declaration on the adequacy of risk management arrangements	Section 4 Risk Management Objectives and Policy	18-27
435 (1) (f)	Approved risk statement describing the overall risk profile associated with business strategy	Section 4 Risk Management Objectives and Policy	18-27
435 (2) (a)	Number of directorships held by directors	Section 4.2.1 Board of Directors	18
435 (2) (b)	Recruitment policy of Board members, their experience and expertise	Section 4.2.1 Board of Directors	18

435 (2) (c)	Policy on diversity of Board membership and results against targets	Section 4.2.1 Board of Directors	18
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year	Section 4.2.2 Key Committees	18-19
435 (2) (e)	Description of information flow on risk to Board	Section 4.2.2 Key Committees	18-19
Scope of application			
436 (a)	The name of the institution to which the requirements of this Regulation apply	Section 1 Scope of Application	6-10
436 (b) 436 (b) (i) 436 (b) (ii) 436 (b) (iii) 436 (b) (iv)	Outline the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are: fully consolidated; proportionally consolidated; deducted from own funds; neither consolidated nor deducted	Section 1 Scope of Application	6-10
436 (c)	Current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries	N/A	N/A
436 (d)	Aggregate amount by which the actual Own Funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries	N/A - Entities outside the scope of consolidation are appropriately capitalised	N/A
436 (e)	If applicable, the circumstance of making use of the provisions laid down in Articles 7 & 9	N/A	N/A
Own funds			
437 (1)	Requirements regarding capital resources table	Section 2 Own Funds	11-15
437 (1) (a)	Full reconciliation of Common Equity Tier 1 (CET1) items	Table 2: Regulatory adjustments	11
437 (1) (b)	Description of the main features of the CET1 and Additional Tier 1 and Tier 2 instruments	Table 3: Composition of regulatory capital	12
437 (1) (c)	Full terms and conditions of all CET1, Additional Tier 1 and Tier 2 instruments	Table 3: Composition of regulatory capital	12
437 (1) (d) (i) 437 (1) (d) (ii) 437 (1) (d) (iii)	Each prudent filter applied Each deduction made Items not deducted	Table 2: Regulatory adjustments	11
437 (1) (e)	Description of all restrictions applied to the calculation of Own Funds	N/A - no restrictions apply	N/A
437 (1) (f)	Explanation of the basis of calculating capital ratios using elements of Own Funds	N/A - Capital ratios calculated on basis stipulated in the Regulations	N/A
437 (2)	EBA to publish implementation standards for points above	BNYM follows the implementation standards	N/A
Capital requirements			
438 (a)	Summary of institution's approach to assessing adequacy of capital levels	Section 3 Capital Requirements	16-17
438 (b)	Result of ICAAP on demand from authorities	N/A	N/A
438 (c)	Capital requirement amounts for credit risk for each Standardised Approach exposure class	Table 7: Standardised credit exposure by exposure class	29
438 (d) 438 (d) (i) 438 (d) (ii) 438 (d) (iii) 438 (d) (iv)	Capital requirements amounts for credit risk for each Internal Ratings Based Approach exposure class	N/A – internal ratings based approach is not used	N/A

438 (e)	Own funds requirements for market risk or settlement risk, or large exposures where they exceed limits	Table 6: Capital requirements and Section 10: Market Risk	16 & 40
438 (f)	Own funds amounts for operational risk, separately for the basic indicator approach, the standardised approach, and the advanced measurement approaches as applicable	Table 6: Capital requirements and Section 12: Operational Risk	16 & 42-44
438 (endnote)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach	Table 6: Capital requirements	16
Exposure to counterparty credit risk (CCR)			
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures	Section 8 Counterparty Credit Risk	38
439 (b)	Discussion of process to secure collateral and establishing reserves	Section 8 Counterparty Credit Risk	38
439 (c)	Discussion of management of wrong-way exposures	Section 8 Counterparty Credit Risk	38
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade	N/A – a credit ratings downgrade is managed at the BNYM Corp level	N/A
439 (e)	Derivation of net derivative credit exposure	Section 8 Counterparty Credit Risk	38
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods	Section 8 Counterparty Credit Risk	38
439 (g)	Notional value of credit derivative hedges and current credit exposure by type of exposure	N/A – BNYM does not have credit derivative transactions	N/A
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type	N/A – BNYM does not have credit derivative transactions	N/A
439 (i)	Estimate of alpha, if applicable	N/A	N/A
Capital buffers			
440 (1) (a)	Geographical distribution of relevant credit exposures	N/A	N/A
440 (1) (b)	Amount of the institution specific countercyclical capital buffer	N/A	N/A
440 (2)	EBA will issue technical implementation standards related to 440 (1)	N/A	N/A
Indicators of global systemic importance			
441 (1)	Disclosure of the indicators of global systemic importance	N/A	N/A
441 (2)	EBA will issue technical implementation standards related to 441 (1)	N/A	N/A
Credit risk adjustments			
442 (a)	Disclosure of bank's definitions of past due and impaired	Section 5.6 Analysis of Past Due and Impaired Exposures	31-33
442 (b)	Approaches for calculating credit risk adjustments	Section 5.6 Analysis of Past Due and Impaired Exposures	31-33
442 (c)	Disclosure of pre-CRM EAD by exposure class	Section 5.5 Table 7: Standardised credit exposure by exposure class	29
442 (d)	Disclosures of pre-CRM EAD by geography and exposure class	Section 5.5 Table 8: Standardised credit exposure by country	30
442 (e)	Disclosures of pre-CRM EAD by industry and exposure class	Section 5.5 Table 9: Standardised post mitigated credit exposures by counterparty type	30

442 (f)	Disclosures of pre-CRM EAD by residual maturity and exposure class	Section 5.5 Table 10: Standardised credit exposure by residual maturity	31
442 (g) 442 (g) (i) 442 (g) (ii) 442 (g) (iii)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type	Section 5.6 Table 11: Credit quality of exposures by counterparty type	31
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography	Section 5.6 Table 13: Credit quality of exposures by geographical breakdown	32
442 (i) 442 (i) (i) 442 (i) (ii) 442 (i) (iii) 442 (i) (iv) 442 (i) (v)	Reconciliation of changes in specific and general credit risk adjustments	Section 5.6 Analysis of Past Due and Impaired Exposures	31-33
442 endnote	Specific credit risk adjustments recorded to income statement are disclosed separately	Section 5.6 Analysis of Past Due and Impaired Exposures	31-33
Unencumbered assets			
443	Disclosures on unencumbered assets	Section 9 Asset Encumbrance	39
Use of ECAIs			
444 (a)	Names of the ECAIs used in the calculation of Standardised Approach RWAs, and reasons for any changes	Section 7 External Credit Assessment Institutions (ECAIs)	36-37
444 (b)	Exposure classes associated with each ECAI	Section 7 Table 15: Mapping of ECAIs credit assessments to credit quality steps	36
444 (c)	Explanation of the process for translating external ratings into credit quality steps	Section 7 Table 16: Credit quality steps and risk weights	36
444 (d)	Mapping of external rating to credit quality steps	Section 7 External Credit Assessment Institutions (ECAIs)	36-37
444 (e)	Exposure value pre and post-credit risk mitigation, by credit quality step	Section 7 Table 15-18: External Credit Assessment Institutions (ECAIs)	36-37
Exposure to market risk			
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk	Section 10 Market Risk	40
Operational risk			
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered	Section 12 Operational Risk	42-44
Exposure in equities not included in the trading book			
447 (a)	Differentiation of exposures based on objectives	Appendix 1 Settlement Risk: no non-trading book exposure in equities	52-56
447 (b)	Recorded and fair value, and actual prices of exchange traded equity where it differs from fair value	Appendix 1 Settlement Risk: no non-trading book exposure in equities	52-56
447 (c)	Types, nature and amounts of the relevant classes of equity exposures	Appendix 1 Settlement Risk: no non-trading book exposure in equities	52-56
447 (d)	Realised cumulative gains and losses on sales over the period	Appendix 1 Settlement Risk: no non-trading book exposure in equities	52-56
447 (e)	Total unrealised gains/losses, latent revaluation gains/losses, and amounts included within Tier 1 capital	Appendix 1 Settlement Risk: no non-trading book exposure in equities	52-56

Exposure to interest rate risk on positions not included in the trading book			
448 (a)	Nature of risk and key assumptions in measurement models	Section 10: The Investments Company has no significant Balance Sheet Interest Rate Risk because no maturity mismatch exists between client cash deposits and Bank's cash holdings. In addition, interest rates applicable to clients' cash deposits are market driven	40
448 (b)	Variation in earnings or economic value, or other measures used by the bank from upward and downward shocks to interest rates, by currency	Section 11 Table 23: Net interest income sensitivity by currency	41
Exposure to securitisation positions			
449	Exposure to securitisations positions	Appendix 1 Settlement Risk: no non-trading book exposure in equities	52-56
Remuneration disclosures			
450	Remuneration disclosure regarding remuneration policy and practices	Section 14 Remuneration Disclosure	47-50
450 (1) (a)	Information concerning the decision-making process used for determining the remuneration policy	Section 14.1 Governance	47
450 (1) (b)	Information on link between pay and performance	Section 14.2 Aligning Pay with Performance	48
450 (1) (c)	Important design characteristics of the remuneration system	Section 14 Remuneration Disclosure	47-50
450 (1) (d)	Ratios between fixed and variable remuneration	Section 14.4 Ratio between Fixed and Variable Pay	48
450 (1) (e)	Information on the performance criteria on which the entitlement to shares, options and variable components of remuneration is based	Section 14.6 Deferral Policy and Vesting Criteria	49
450 (1) (f)	Main parameters and rationale for any variable component scheme and any other non-cash benefits	Section 14.7 Variable Remuneration of Control Function Staff	49
450 (1) (g)	Aggregate quantitative information on remuneration by business area	Section 14.8 Table 27: Aggregate Remuneration Expenditure by Business	50
450 (1) (h) 450 (1) (h) (i) 450 (1) (h) (ii) 450 (1) (h) (iii) 450 (1) (h) (iv) 450 (1) (h) (v) 450 (1) (h) (vi)	Aggregate quantitative information on remuneration, broken down by senior staff management and members of staff whose actions have a material impact on the risk profile	Section 14.8 Table 28: Aggregate Remuneration Expenditure by Remuneration Type	50
450 (1) (i)	Number of individuals being remunerated £1 million or more per financial year	Section 14.8	50
450 (1) (j)	Total remuneration for each member of the management body upon demand from the Member State or competent authority	N/A	N/A
450 (2)	For institutions that are significant in terms of their size, internal organisation and the nature, scope and the complexity of their activities, the quantitative information above shall be made available to the public at the level of members of the management body of the institution	N/A	N/A
Leverage			
451 (1) (a)	Leverage ratio	Section 13 Leverage Ratio	45-46

451 (1) (b)	Breakdown of total exposure measure	Section 13 Table 25: Leverage ratio common disclosure	45
451 (1) (c)	Derecognised fiduciary items	N/A	N/A
451 (1) (d)	Description of the process used to manage the risk of excessive leverage	N/A	N/A
451 (1) (e)	Description of the factors that had an impact on the leverage ratio	Section 13 Leverage Ratio	45-46
451 (2)	EBA to publish implementation standards for points above	BNYM follows the implementation standards	N/A
Use of the IRB approach to credit risk			
452	Risk-weighted exposure under the IRB approach	N/A	N/A
Use of credit risk mitigation techniques			
453 (a)	Use of on- and off-balance sheet netting	Section 6.1 Netting	34
453 (b)	How collateral valuation is managed	Section 6.2 Collateral Valuation and Management	34
453 (c)	Description of types of collateral used	N/A	N/A
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness	N/A - BNYM's EMEA entities do not enter into credit derivative transactions	N/A
453 (e)	Disclosure of market or credit risk concentrations within risk mitigation exposures	Section 6.4 Credit Risk Concentration	34
453 (f)	For exposures under either the Standardised or Foundation IRB approach, disclose the exposure value covered by eligible collateral	N/A	N/A
453 (g)	Exposures covered by guarantees or credit derivatives	Section 6.4 Table 14: Credit risk mitigation techniques – overview	35
Use of the Advanced Measurement Approaches to operational risk			
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk	N/A - Pillar 1 : standardized approach, Pillar 2 : self-assessment approach	N/A
Use of internal market risk models			
455	Institutions calculating their capital requirements using internal market risk models	N/A	N/A
Commission Implementing Regulation (EU) No 1423/2013			
Article 1	Specifies uniform templates for the purposes of disclosure	N/A	N/A
Article 2	Full reconciliation of own funds items to audited financial statements	Section 2 Own Funds	11-15
Article 3	Description of the main features of CET1, AT1 and Tier 2 instruments issued (Annex II and III)	Table 5: Common tier 1 and additional tier 1 instruments and tier 2 instruments	15
Article 4	Disclosure of nature and amounts of specific items on own funds (Annex IV and V)	Table 4: Transitional own funds	13
Article 5	Disclosure of nature and amounts of specific items on own funds during transitional period (Annex VI and VII)	Table 4: Transitional own funds	13
Article 6	Entry into force from 31 March 2014	N/A	N/A

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