



Pershing Holdings (UK) Limited

Pillar 3 Disclosure

December 31, 2019



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Executive summary



1 Article 431 CRR - Scope of disclosure requirements

1.1 Disclosure policy

This document comprises the Pershing Holdings (UK) Limited and its subsidiary undertakings (together the “PHUK Group” or “Pershing”) Pillar 3 disclosures on capital and risk management at 31 December 2019. 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. 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.

Pillar 3 disclosures are required for a consolidated group and for those parts of the group covered by CRD IV. When assessing the appropriateness of these disclosures in the application of Article 431(3) of the CRR, PHUK Group has ensured adherence to the following principles of:

Clarity

Meaningfulness

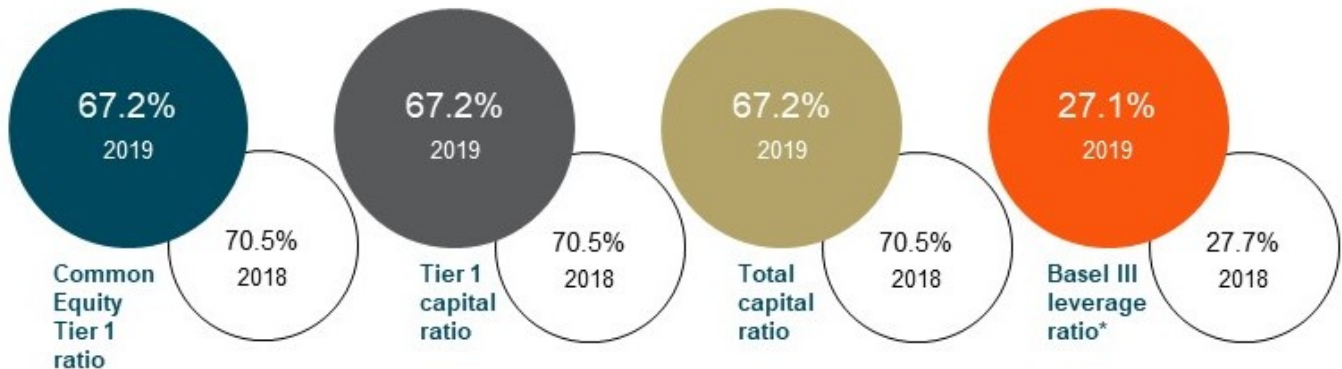
Consistency over
time

Comparability
across institutions

The Basel Committee on Banking Supervision ('BCBS') requires these disclosures to be published at the highest level of consolidation. PHUK Group has adopted this approach with information presented at a fully consolidated level.

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, risk 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.



* This ratio is for information only. PHUK Group is not subject to a binding leverage requirement.

CET1 ratio =	CET1 capital / Pillar 1 RWAs
Tier 1 ratio =	Tier 1 capital / Pillar 1 RWAs
Total capital ratio =	Total capital / Pillar 1 RWAs
Basel III leverage ratio =	Capital measure / Exposure measure

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, 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, capital resources and an analysis of its credit risk exposures.

Wherever possible and relevant, the Pershing Holdings (UK) Limited Board ("the Board") will ensure consistency between Pillar 3 disclosures, Pillar 1 reporting and Pillar 2 Internal Capital Adequacy Assessment Process ('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:



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

PHUK Group 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 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.

For completeness, other risks that PHUK Group is exposed to but are not covered above are discussed in Appendix 1.

1.4 Article 432 CRR - 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 the PHUK Group will regard 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 competitive position of a company. 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 this is classified as confidential.

PHUK Group 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 Article 433/434 CRR - 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. PHUK Group 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 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 which can be accessed using the link below:

[BNY Mellon Investor Relations - Pillar 3](#)

1.6 Governance: approval and publication

Pursuant to the BNY Mellon EMEA Pillar 3 disclosure policy, these disclosures were approved for publication by the Board on 20 May 2020. The Board approved the adequacy of PHUK Group's risk management arrangements, providing assurance that the risk management systems put in place are adequate with regard to PHUK Group's profile and strategy.

1.7 Key 2019 and subsequent events

The Company acts as a holding company and there are no plans to change the nature of activities in the future.

Brexit

The UK formally left the European Union ('EU') on 31 January 2020 and ceased to be an EU member state on that date. The departure is subject to a transition period, lasting until the end of 2020 and the UK's future relationship with the EU is subject to ongoing negotiation.

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 referendum in relation to the UK's membership of the EU on the Company's business strategy and business risks in the short, medium and long term. In the short term the Pershing Brexit Programme has determined that there is no significant impact expected on the Company's business activities, there will be no immediate change in business strategy, and we have therefore determined that the going concern position of the Company is not affected. The Company will continue to closely monitor developments and will make appropriate changes to the business strategy as the impact on the UK and European financial services industries becomes clearer.

COVID-19

Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and has led to an increased level of uncertainty among Companies and global financial markets. Management has concluded that the impact of COVID-19 is a non-adjusting post balance sheet event in respect of the financial statements for the year ended 31 December 2019. Below is a consideration of the impact of the uncertainty on the Company's financial statements and operational resilience.



Financial statement consideration

Particular focus has been on the Company's key areas of significant judgment and estimation uncertainty. These include impairment of non-derivative financial assets, investments in associates and provisions.

- The Company has investments in associates and subsidiaries. Management has performed an impairment review based on re-forecasted future cash flows and adjusted discount rate and has concluded that no impairment adjustment is required as at Q1 2020.
- As at Q1 2020, there has been a decrease in fee revenue based on AUA/AUC and a significant increase in transaction volumes processed. The Company could face a potential reduction in client activity over time, driven by possible risk averse customer behaviour leading to a reduction in new business and client assets held. These fluctuations have no impact on the balances held as at 31 December 2019 or the going concern assumption.
- The Company continues to closely monitor the impact of market volatility on its balance sheet. The Company currently has sufficient liquidity in excess of its regulatory requirement. The risk of Central Bank interest rate movements is also being monitored.
- No provisions have arisen as a result of management's actions in response to the pandemic Company's operational resilience.

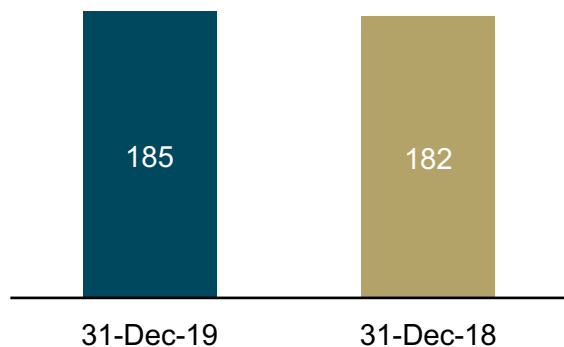
Management has assessed the impact of COVID-19 on the Company's existing operational processes and its potential impact on its key stakeholders.

- **Customers:** There has been no significant interruptions on customer related processes and activities. The Company has continued to administer services to its customers.
- **Suppliers:** Through the Company's proactive outreach programme to its third party providers, management has continued to assess and monitor its contractual risk resulting from the COVID-19 pandemic. No significant issues have been noted to-date.
- The Company is adequately financed and is able to utilise existing cash flows within the group in the event that additional capital is needed. As at Q1 2020, the Company had sufficient headroom above regulatory capital requirements.
- The Company's key information technology systems and infrastructure including those outsourced have not been significantly impacted as a result of COVID-19 and continue to operate as normal.

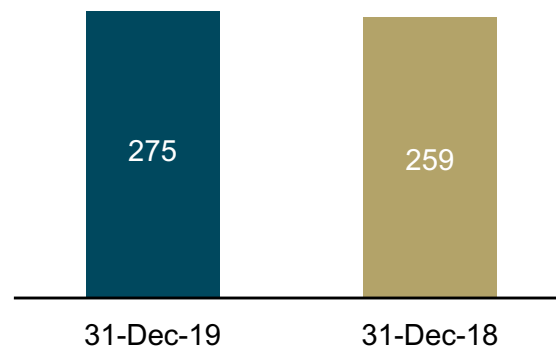
1.8 Key metrics

The following risk metrics reflect PHUK Group's risk profile:

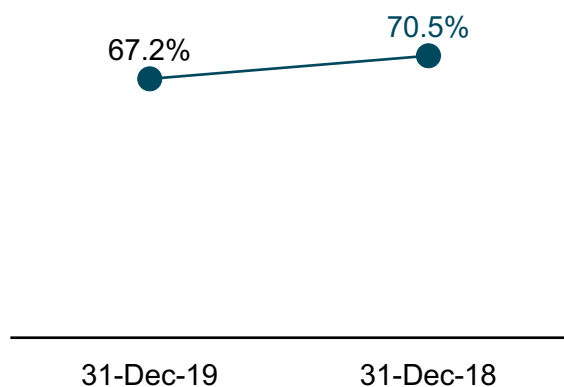
Regulatory capital (£m)



Risk-weighted assets (£m)



CET1 ratio



Basel III leverage ratio

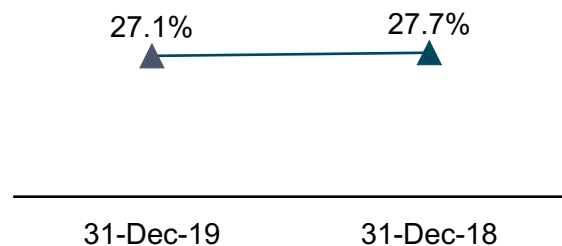


Table 1: KM1 - Key metrics

Own funds	31-Dec-19	31-Dec-18
Available capital (£m)		
Common Equity Tier 1 ('CET1') capital	184.7	182.4
Tier 1 capital	184.7	182.4
Total capital	184.7	182.4
Risk-weighted assets (£m)		
Total risk-weighted assets ('RWA')	274.9	258.6
Risk-based capital ratios as a percentage of RWA		
CET1 ratio	67.2%	70.5%

Own funds	31-Dec-19	31-Dec-18
Tier 1 ratio	67.2%	70.5%
Total capital ratio	67.2%	70.5%
Capital conservation buffer requirement	2.50%	2.50%
Total of CET1 specific buffer requirements	3.50%	3.50%
Basel III leverage ratio		
Total Basel III leverage ratio exposure measure (£m)	681.1	658.0
Basel III leverage ratio	27.1%	27.7%

1.9 Article 436 CRR - Scope of application

Pershing Holdings (UK) Limited is a holding company for a group of subsidiaries which provide a full range of execution, middle-office and post-trade services, investment administration, Self-Invested Personal Pension ('SIPP') operation services and related services. Pershing Holdings (UK) Limited is incorporated in the UK and is a operationally independent subsidiary of Pershing Group LLC which is, in turn a subsidiary of the Bank of New York Mellon Corporation ('BNY Mellon').

Pershing Group LLC is engaged in broadly the same business activity as PHUK Group. As at 31 December 2019, Pershing Group LLC had approximately \$2 trillion in assets under administration / custody.

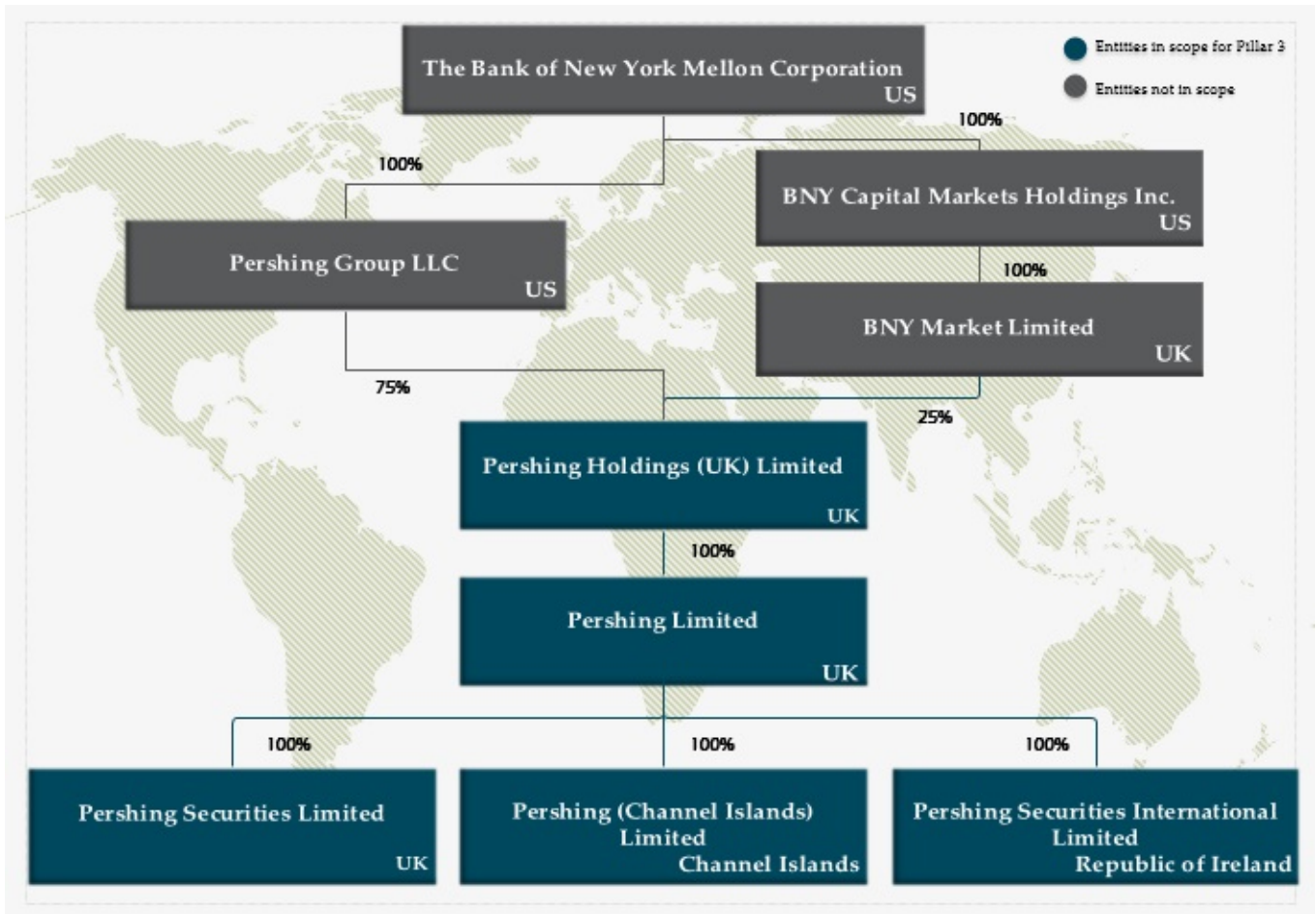
BNY Mellon Group ('BNY Mellon') is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As of 31 December 2019, BNY Mellon had \$37.1 trillion in assets under custody and/or administration, and \$1.9 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. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). Additional information is available on www.bnymellon.com. Follow us on Twitter [@BNYMellon](https://twitter.com/BNYMellon) or visit our newsroom at www.bnymellon.com/newsroom for the latest company news.

Pershing Limited ('PL') and Pershing Securities Limited ('PSL') are significant subsidiaries of Pershing Holdings (UK) Limited. PL and PSL capital resources and requirements are disclosed in [Appendix 3](#).

Pershing (Channel Islands) Limited ('PCI') is regulated by the Jersey Financial Securities Commission. Pershing Securities International Limited ('PSIL') is regulated by the Central Bank of Ireland whose Pillar 3 disclosures are published separately.

The legal entity structure of PHUK Group is illustrated in Figure 1.

 Figure 1: PHUK Group legal entity structure at 31 December 2019



Basis of consolidation

Entity name	Consolidation basis	Services provided	Governing law (regulator)
Pershing Holdings (UK) limited ('PHUK')	Fully consolidated	Consolidated entity - PHUK is a holding company for a group of subsidiaries which provide a full range of execution, middle-office and post-trade services, investment administration, Self-Invested Personal Pension ('SIPP') operation services and related services.	England & Wales
Pershing Limited ('PL')	Fully consolidated	Subsidiary - PL provides a full range of execution, middle-office and post-trade services, investment administration, SIPP (Self-Invested Personal Pension) operation services and related services.	England & Wales ('FCA')
Pershing Securities Limited ('PSL')	Fully consolidated	Subsidiary - PSL provides a full range of execution, middle-office and post-trade services, investment administration, SIPP (Self-Invested Personal Pension) operation services and related services.	England & Wales ('FCA')
Pershing (Channel Islands) Limited ('PCI')	Fully consolidated	Subsidiary - PCI's principal activity is the provision of middle-office, post-trade services, investment administration and related services.	Channel Islands ('JFSC')

Entity name	Consolidation basis	Services provided	Governing law (regulator)
Pershing Securities International Limited ('PSIL')	Fully consolidated	Subsidiary - PSIL's principal activities are the provision of execution, middle-office and post-trade services, investment administration and related services.	Republic of Ireland ('CBI')

1.10 Core business lines

The principal activities of PHUK Group include the provision of an integrated range of execution, clearing and settlement, investment administration, safe custody and related services for a range of broker-dealers, wealth managers, intermediary firms and financial institutions. These are further described below:

Clearing and Settlement Services

PHUK Group provides clearing and settlement services of on-exchange and over-the-counter ('OTC') global equity, electronic funds transfer ('EFT'), fund, bond and fixed income trades across more than 40 markets.

Custody Services

PHUK Group offers non-disclosed and fully disclosed custody services both inside and outside the UK.

With a non-disclosed solution, PHUK Group is not disclosed to the investor and the client uses its own name and balance sheet to support transactions, with associated capital and liquidity requirements.

With a fully disclosed solution, PHUK Group is disclosed to the investor as the custodian of the investor's assets and trade and settlement risk, related regulatory obligations, capital and asset liquidity requirements and custody, transfer from the client to PHUK Group. PHUK Group also takes responsibility for custody operations (such as dividend entitlement and corporate event notification) and regulatory reporting. In addition to a custody service in the UK, PHUK Group also offers offshore custody through PCI. Custody in Europe, outside the UK, is provided through PSIL in Dublin.

Trading Services

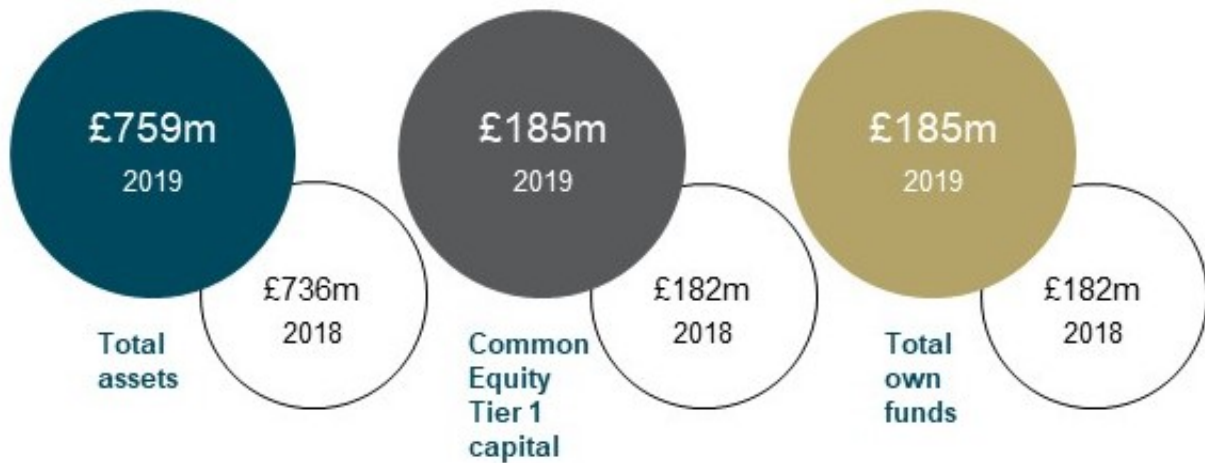
Pershing Trading Services is an agency only model available in the following asset classes: funds, global equities, ETFs, bonds, fixed income and currencies. The service includes electronic equities trading, advanced algorithmic technology and best of breed smart order routing technologies.

Investment and Platform Solutions

PHUK Group provides wealth managers and advisers with a wide range of services, tools and tax-efficient products.

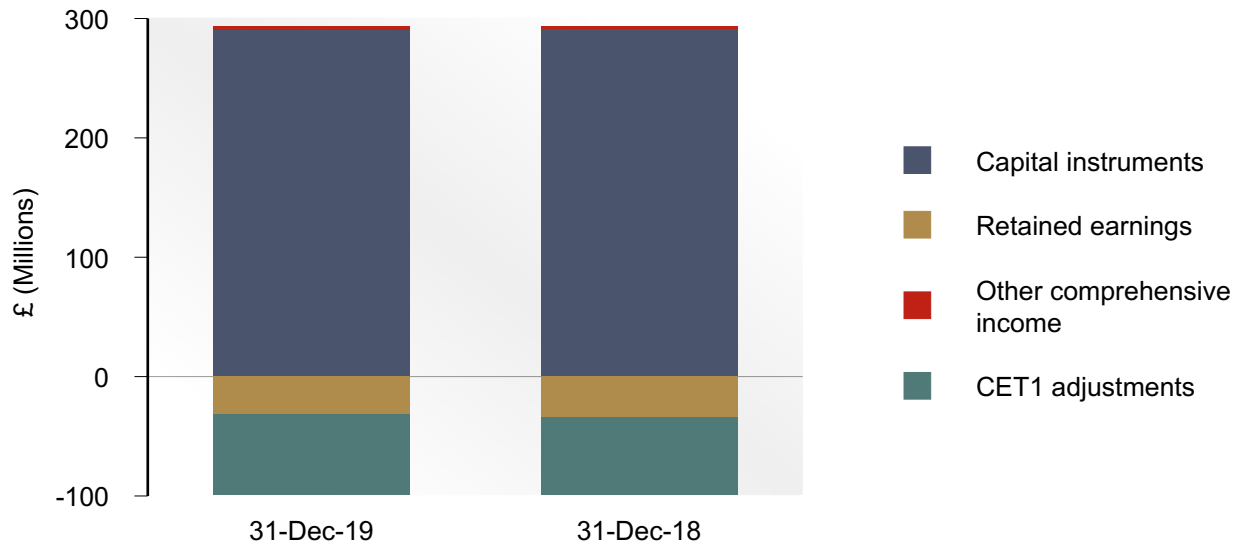


2 Article 437 CRR - Own funds




Composition of regulatory capital

This graph shows the composition of regulatory capital including all regulatory adjustments at 31 December 2019 (see Table 5: CC1 - Composition of regulatory capital).



This section provides an overview of the regulatory balance sheet and composition of PHUK Group's regulatory capital. 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.

Own funds comprise tier 1 and tier 2 capital less deductions.

- PHUK Group holds no Additional Tier 1 capital or Tier 2 capital. Accordingly the analysis of those line items has not been shown.

Similar tables for the significant subsidiaries PSL and PL are shown in [Appendix 3](#)


Table 2: CC2 - Reconciliation of regulatory capital

This table shows a reconciliation of PHUK Group's balance sheet 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.

At 31 December 2019 (£m)	Statutory accounts balance sheet	Regulatory adjustments	Regulatory balance sheet
Assets			
Cash at bank and in hand	190	—	190
Debtors	310	—	310
Debtors - Prepayments and accrued Income	17	—	17



At 31 December 2019 (£m)	Statutory accounts balance sheet	Regulatory adjustments	Regulatory balance sheet
Debtors - Other assets and taxation (inc. amounts due from group undertakings)	19	—	19
Current Asset Investments	132	—	132
Fixed Assets	13	—	13
Goodwill & Intangibles	78	(78)	—
Total assets	759	(78)	681
Liabilities			
Bank loans and overdrafts	6	—	6
Creditors - Third parties	230	—	230
Creditors - Other creditors including taxation	56	—	56
Creditors - Accruals and deferred income	12	—	12
Amounts due to group undertakings	187	—	187
Provisions for liabilities and charges	1	—	1
Total liabilities	492	—	492
Shareholders' equity			
Called up share capital	291	—	291
Profit and loss account	(31)	—	(31)
Other reserves	7	(4)	3
Deductions from Capital	—	(78)	(78)
Equity	267	(82)	185
Out of scope items	—	4	4
Total equity and liabilities	759	(78)	681

Table 3: EU LI1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

At 31 December 2019 (£m)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items					
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital	
Assets								
Cash at bank and in hand	190	190	190	—	—	—	190	—
Debtors	310	310	40	270	—	—	310	—
Debtors - Prepayments and accrued Income	132	132	132	—	—	—	132	—
Debtors - Other assets and taxation (inc. amounts due from group undertakings)	13	13	13	—	—	—	13	—
Current Asset Investments	17	17	17	—	—	—	17	—
Fixed Assets	19	19	19	—	—	—	19	—
Goodwill & Intangibles	78	78	—	—	—	—	—	78
Total assets	759	759	411	270	—	—	681	78
Liabilities								
Bank loans and overdrafts	6	6	—	—	—	—	6	—
Creditors - Third parties	230	230	—	—	—	—	230	—
Creditors - Other creditors including taxation	56	56	—	—	—	—	56	—
Creditors - Accruals and deferred income	12	12	—	—	—	—	12	—
Amounts due to group undertakings	187	187	—	—	—	—	187	—
Provisions for liabilities and charges	1	1	—	—	—	—	1	—
Total liabilities	493	493	—	—	—	—	493	—

**Table 4: EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements**

At 31 December 2019 (£m)	Items subject to				
	Total	Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation	759	411	270	—	681
Liabilities carrying value amount under the regulatory scope of consolidation	473	—	—	—	493
Total net amount under the regulatory scope of consolidation	759	411	270	—	189
Off-balance-sheet amounts	—	—	—	—	—
Differences in valuations	—	—	—	—	—
Differences due to different netting rules, other than those already included in row 2	—	—	—	—	—
Differences due to consideration of provisions	—	—	—	—	—
Differences due to prudential filters	—	—	—	—	—
Difference not subject to capital requirements or subject to deduction from capital	(78)	—	—	—	—
Exposure amounts considered for regulatory purposes	681	411	270	—	189

**Table 5: CC1 - Composition of regulatory capital**

This table shows the composition of PHUK Group's regulatory Own Funds, including all regulatory adjustments and a comparison to the prior year.

Regulatory capital (£m)	31-Dec-19	31-Dec-18
Common Equity Tier 1 ('CET1') capital		
Capital instruments	291.1	291.1
Retained earnings	(31.4)	(33.7)
Other comprehensive income	2.7	1.9
Reserves and others	—	—
CET1 adjustments	(77.7)	(76.9)
Total CET1 capital	184.7	182.4



Regulatory capital (£m)	31-Dec-19	31-Dec-18
Additional Tier 1 ('AT1') capital		
Total AT1 capital	—	—
Total Tier 1 capital	184.7	182.4
Tier 2 ('T2') capital		
Tier 2 ('T2') capital	—	—
Total T2 capital	—	—
Total own funds	184.7	182.4



Table 6: TLAC1 - Total loss absorbing capital

Equity instruments, reserves and regulatory adjustments at 31 December 2019 (£m)	Amount at disclosure date
CET1 capital: Instruments and reserves	
Capital instruments and the related share premium accounts	291.1
of which: ordinary shares	291.1
Retained earnings	(31.4)
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	2.7
CET1 capital before regulatory adjustments	262.4
CET1 capital: regulatory adjustments	
Prudential valuation adjustments	(0.1)
Intangible assets (net of related tax liability)	(77.6)
Total regulatory adjustments to CET1	(77.7)
CET1 capital	184.7
AT1 capital	—
T1 capital	184.7
T2 capital: Instruments and provisions	
Total regulatory adjustments to T2 capital	—
T2 capital	—
Total capital	184.7
Total risk-weighted assets	274.9
Capital ratios and buffers	

Equity instruments, reserves and regulatory adjustments at 31 December 2019 (£m)	Amount at disclosure date
CET1 (as a percentage of risk exposure amount)	67.2%
T1 (as a percentage of risk exposure amount)	67.2%
Total capital (as a percentage of risk exposure amount)	67.2%
of which: capital conservation buffer requirement	2.50%
CET1 available to meet buffers (as a percentage of risk exposure amount)	67.2%
Amounts below the thresholds for deduction (before risk-weighting)	
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	1.1

 **Table 7: CCA - Main features of regulatory capital instruments**

This table provides a description of the main features of regulatory instruments issued and included as tier 1 capital in Table 2.

Capital instruments main features ⁽¹⁾	At 31 December 2019
Issuer	Pershing Holdings (UK) Limited
Governing law(s) of the instrument	Law of England and Wales
Regulatory treatment	
Capital classification	Common Equity Tier 1
Level	Not applicable
Instrument type	Ordinary shares
Amount recognised in regulatory capital	£291.1m
Issue price	£1
Accounting classification	Shareholders' equity
Original date of issuance	1 April 2013
Perpetual or dated	No maturity
Coupons / dividends	
Fixed or floating dividend	Fully discretionary
Other pertinent information	None

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

Capital and reserves

	2019	2018
Allotted, called up and fully paid	£000	£000
291,135,619 ordinary shares of £1 each	291,136	291,136

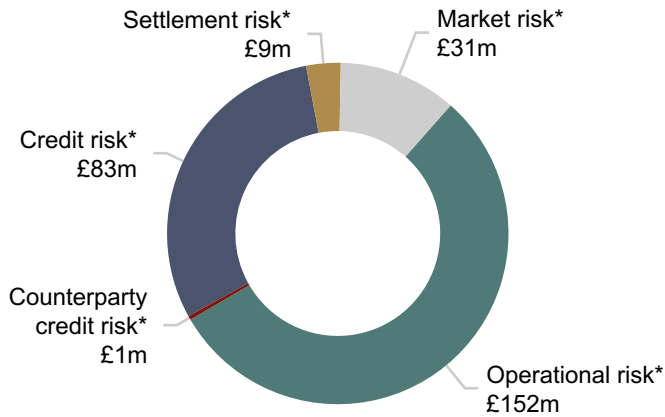
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.



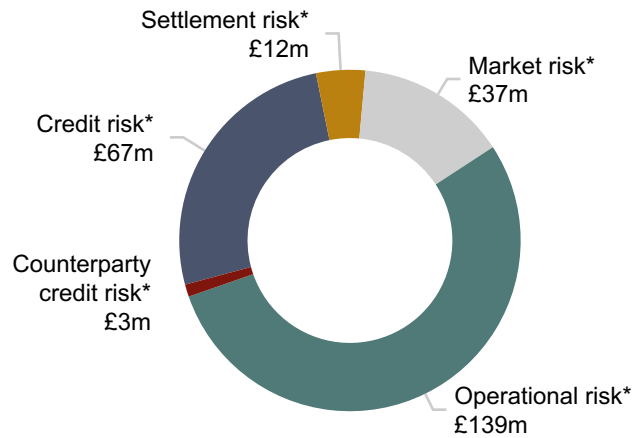
3 Article 438 CRR - Capital requirements



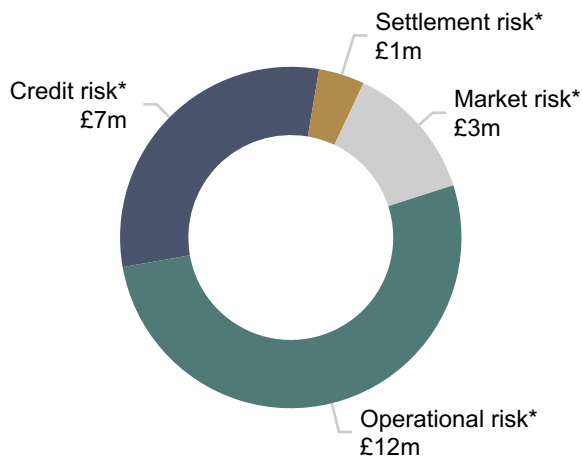
 Risk exposure by risk type at 31 December 2019



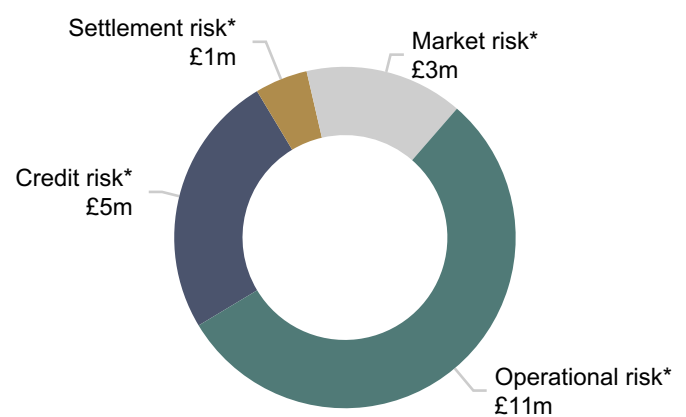
 Risk exposure by risk type at 31 December 2018



 Capital requirements by risk type at 31 December 2019



 Capital requirements by risk type at 31 December 2018



*Standardised approach



3.1 Calculating capital requirements

The PHUK Group has an Internal Capital Adequacy Assessment Process ('ICAAP') which defines the risks that the PHUK Group is exposed to, and sets out the associated capital plan which aims to ensure that the PHUK Group holds an appropriate amount of capital to support its business model, through the economic cycle and given a range of plausible but severe stress scenarios.

CRD IV allows for different approaches for calculating capital requirements. 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 8: EU OV1 - Overview of RWAs

This table shows the risk-weighted assets using the standardised approach and their respective capital requirements. Significant subsidiaries, PSL and PL, are shown in [Appendix 3](#).

Type of risk (£m)	Risk exposure amount		Capital requirements	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Credit risk*	82.6	67.3	6.6	5.4
Counterparty credit risk*	1.3	2.5	0.1	0.2
Settlement risk*	8.7	12.3	0.7	1.0
Market risk*	30.7	37.4	2.5	3.0
of which: Foreign exchange position risk	30.7	37.4	2.5	3.0
Operational risk*	151.6	139.2	12.1	11.1
of which: Standardised approach	151.6	139.2	12.1	11.1
Credit valuation adjustment*	—	—	—	—
Total	274.9	258.7	22.0	20.7
Total capital			184.7	182.4
Surplus capital			162.7	161.7

* Standardised approach

PHUK Group met or exceeded the minimum capital ratios required to maintain a well-capitalised status and to ensure compliance with regulatory requirements at all times. PHUK Group 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 Article 435 CRR - Risk management objectives and policies

Risk statement

Pershing adopts a prudent approach to all elements of risk to which it is exposed. It is risk averse by nature and manages its business activities in a manner consistent with the tolerances and limits defined within its risk appetite quantitative and qualitative measures.

Pershing seeks to manage risk through a collection of complementary processes and methodologies, designed to enable risks to be consistently identified, measured, managed and ultimately reported through its governance structure.

Clients and other market participants need to have confidence that PHUK Group and its subsidiaries will remain strong and continue to deliver operational excellence and minimise disruption throughout market cycles and especially during periods of market turbulence. PHUK Group is committed to maintaining a strong balance sheet and this philosophy is also consistent with Pershing Group LLC and BNY Mellon as a whole.



4.1 Board of Directors

The PHUK Group Board is the senior strategic and decision making body and consists of representatives of BNY Mellon and Senior PHUK Group Management. There are two independent non-executive directors on the Boards of Pershing Holdings (UK) Limited, PL and PSL, and one independent non-executive director on the Board of PSIL.

The Board has overall responsibility for the establishment and maintenance of PHUK Group's risk management framework and for the approval of the risk appetite statement. The Board ensures that strategic business plans are consistent with the approved risk appetite.

The Board is also responsible for both the management and the oversight of risks, together with the quality and effectiveness of internal controls, but delegates risk management oversight to the PHUK Group Executive Committee, supported by the risk management committees. It is also responsible for reviewing, challenging and approving all risk management processes including risk identification and assessment, stress testing and capital adequacy. The various control functions provide further support for the management of risk within the business.

The Board meets at least quarterly and the directors who served during 2019 were:

Board member	Function at PHUK Group	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with PHUK (Y/N)
E Canning	Chief Operating Officer, Pershing	Providence Row	United Kingdom	Social work activities, housing	N	Chair of the Trustees	N
L Dobson*	Chief Financial Officer, Pershing						
J Jack**	Group Non-executive Director	The St Giles Christian Mission	United Kingdom	Religious organisation	N	Director	N
J Johnstone***	Chief Administrative Officer, EMEA, Non-executive Director & Chair PL, PSL & PHUK Board						
		Teleperformance BPO UK Ltd	United Kingdom	Business process solutions	N	Director	N
M McPhail****	Independent Non-executive Director	Medical and Dental Defence Union of Scotland	United Kingdom	Professional indemnity and medical/dental legal advice	N	Non-Executive Director	N
		MDDUS Services Limited	United Kingdom	Professional indemnity and medical/dental legal advice	N	Non-Executive Director	N



Board member	Function at PHUK Group	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with PHUK (Y/N)
S O'Connor	Independent Non-Executive Director	Scottish Widows Group Limited	United Kingdom	Insurance (non-life) and financial services	Y	Director	N
		Scottish Widows Financial Services Holdings					
		Scottish Widows Limited					
		Scottish Widows Unit Trust Management Limited					
		Lloyds Bank General Insurance Holdings Limited					
		Lloyds Bank General Insurance Limited					
		BUPA Insurance Services Limited					
BUPA Insurance Limited	United Kingdom	Non-life insurance	Y	Director	N		
G Towers	Chief Executive Officer, Pershing	Chance to Shine Foundation Limited	United Kingdom	Charity, Cricket	N	Trustee	N

*Appointed to the Board of Pershing Holdings (UK) Limited on 27 March 2019.

**Appointed to the Board of Pershing Holdings (UK) Limited on 26 September 2019.

***Resigned from the Board of Pershing Holdings (UK) Limited on 5 June 2019.

**** Intelenet BPO UK Limited changed its name on 10 May 2019 to Teleperformance BPO UK Limited, following the acquisition of the Intelenet Group by Teleperformance. Appointed the Chair of Pershing Holdings (UK) Limited Board on 5 June 2019.

PHUK Group has established a Diversity Policy, which sets out its approach to promoting diversity on the PHUK Group Boards.

PHUK Group has a commitment to diversity and inclusion. This commitment is not only important to PHUK Group's culture and to each director as individuals, it is also critical to PHUK Group's ability to serve its clients and grow its business. PHUK Group recognises the benefits of having individuals with diverse backgrounds, experience and viewpoints on the Board for the different perspective and unique contributions they provide. Board appointments are based on an individual's knowledge, skills, experience, performance, and other valid role-related requirements.

The Nomination Committee (the 'Committee') is responsible for reviewing the structure, size and composition of the Boards of PHUK, PSL and PL, including their skills, knowledge, experience, and diversity, and making recommendations to these Boards with respect to any appointment. In identifying suitable candidates for a particular appointment, the Committee considers candidates on merit and against objective criteria and with due regard for the benefits of diversity on these Boards, including gender.





4.2 Risk committees

The PHUK Group Executive Committee delegates specific responsibilities to various committees and councils to provide an appropriate oversight and direction to various risk and regulatory processes and activities, including:

Pershing Risk Committee ('PRC') provides a senior management oversight to the overall risk framework and identified risk types that could potentially impact PHUK Group. The PRC reports to the PHUK Group Executive Committee and forms a central point for the oversight and management of risk and the escalation of significant risk issues and events to PHUK Group Senior Management, PHUK Group Executive Committee and the PHUK Group Boards. Subsidiary risk committees and councils report to the PRC to ensure a consistent and effective reporting of risks and these include the Credit and Market Risk Committee, the Business Acceptance Committee and Asset and Liability Committee. The PRC is chaired by the Chief Risk Officer.

Credit and Market Risk Committee oversees the review of all credit and market risk issues associated with and impacting on business undertaken by PHUK Group. The committee's principal credit risk responsibility is to achieve and maintain an acceptable credit exposure to PHUK Group's clients, as well as to market makers, custodians and banks. It is chaired by the Head of Credit and Market Risk.

Asset and Liability Committee ('ALCO') is responsible for overseeing the asset and liability management activities of the balance sheets of PHUK Group and for ensuring compliance with all treasury related regulatory requirements.

ALCO is also responsible for ensuring that the policy and guidance set through the BNY Mellon's Global ALCO and EMEA ALCO is understood and executed locally. This includes the strategy related to the investment portfolio, placements, interest rate risk, capital management and liquidity risk. It is chaired by the Chief Financial Officer.

Business Acceptance Committee ('BAC') is an integral part of the new business process and is responsible for the review and approval of all new clients, products/services and material changes to existing processes before they are executed or implemented and includes responsibility for the pricing of new and existing client activity, products and services. The BAC was chaired by the Chief Executive Officer for part of 2019 during which time responsibility passed to the Chief Information Officer and includes representatives of all of the risk and control functions, as well as line support functions.

Irish Compliance, Risk and Oversight Committee oversees the adherence of Pershing Securities International Limited to applicable Irish laws, guidelines and notices effecting its operations and to fulfill the requirements of the Standards for Stockbrokers, as issued by the Central Bank of Ireland ('CBI').

Jersey Compliance and Oversight Council oversees the adherence of Pershing (Channel Islands) Limited to applicable Jersey laws, guidelines and notices effecting its operations and to fulfil the requirements of the investment firms, as issued by the Jersey Financial Services Commission ('JFSC').

4.3 Risk management framework

Suitable policies and procedures have been adopted by PHUK Group in order to ensure an appropriate level of risk management is directed at the relevant element of the business. In line with global policy, PHUK Group has adopted the 'Three Lines of Defence' model in deploying its risk management framework (figure 2 below).

 Figure 2: Managing Three Lines of Defense



4.4 Risk appetite

Risk is inherent in all of PHUK Group business activities and it is important that the Board establishes an acceptable risk profile and set limits on the level and nature of the risk that PHUK Group is willing to assume in achieving its strategic objectives and business plans. The Risk Appetite Statement serves this purpose and guides decision making processes, including the manner by which PHUK Group pursues its business strategy and the method by which it manages risk and determines whether its risk position is within the risk appetite.

4.5 Stress testing

Capital Stress testing is undertaken at PHUK Group to monitor and quantify risk exposures and capital requirements to ascertain whether or not there are sufficient capital resources on a forward-looking basis. The process involves developing stressed scenarios that identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to PHUK Group's risk profile and business



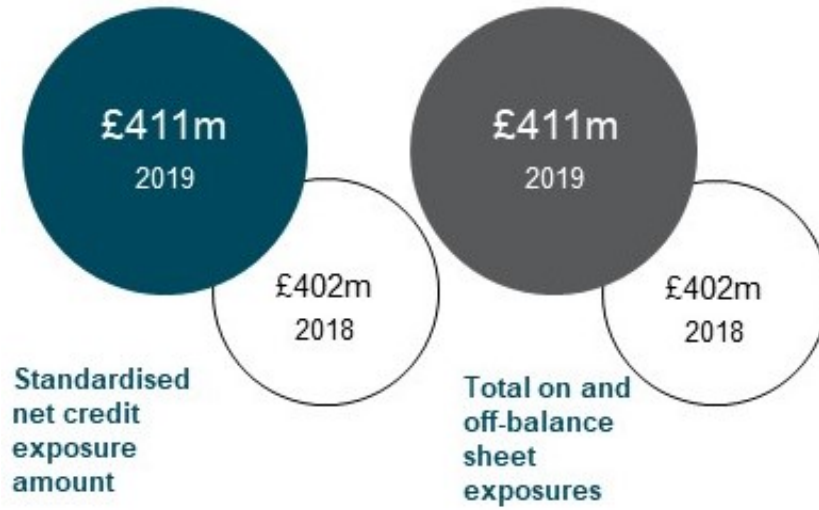
activities. Scenarios are derived from current, emerging, and plausible future risks and strategy, and reviewed, discussed and agreed by PHUK Group PRC, Executive Committee and the Board.

4.6 Recovery and resolution planning ('RRP')

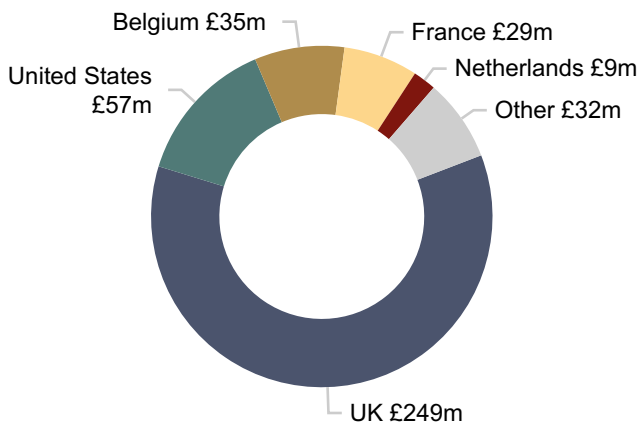
PHUK Group updates its recovery plan annually, in accordance with regulatory guidance. The recovery plan is designed to ensure that the PHUK Group has credible and executable options to meet the challenges that may arise from potential future financial and/or operational crises. PHUK Group also submits its resolution information to the regulator every two years, as prescribed by supervisory policy.



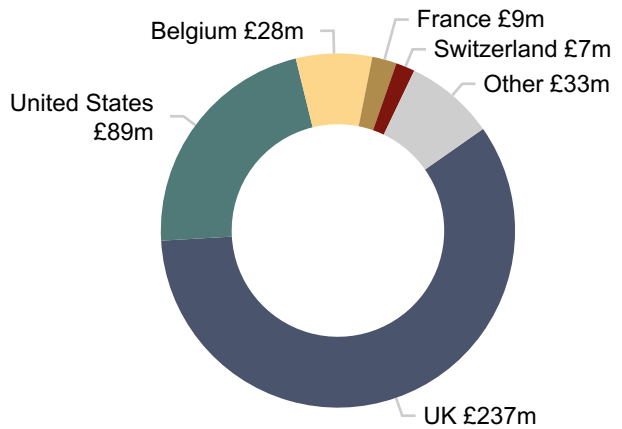
5 Article 442 CRR - Credit risk adjustments



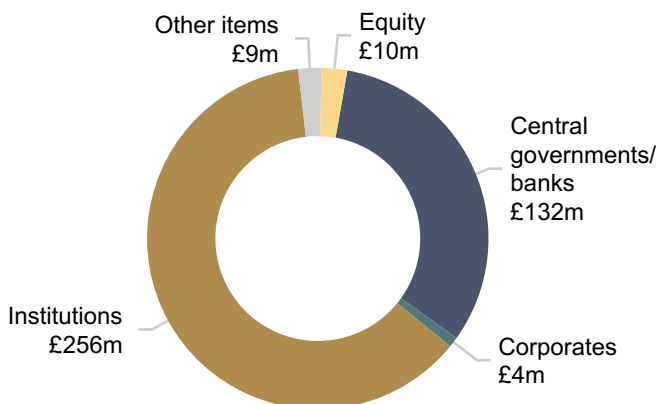
Standardised net credit exposure by country at 31 December 2019



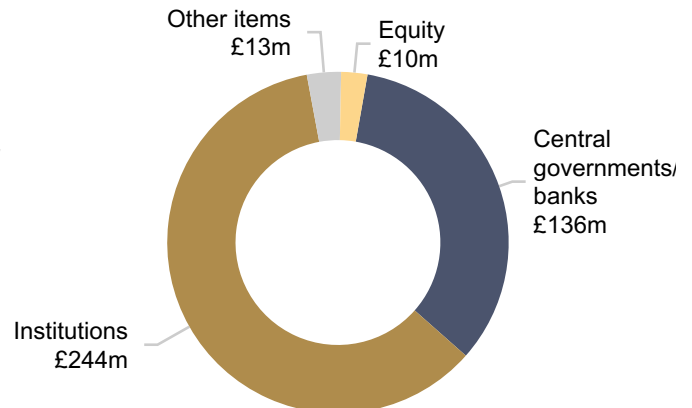
Standardised net credit exposure by country at 31 December 2018



Standardised net credit exposure by counterparty at 31 December 2019



Standardised net credit exposure by counterparty at 31 December 2018





5.1 Definition and identification

Credit risk is the risk of loss in the event that a client, underlying investor or counterparty fails to meet its contractual obligations to the PHUK Group.

Due to the nature of PHUK Group's business as a provider of clearing and settlement services, credit risk mainly arises from the risk of loss in the event that a client, underlying investor or market counterparty fails to meet its contractual obligations to pay for a trade, or to deliver securities for sale.

5.2 Management of credit risk

PHUK Group manages credit risk exposure as follows:

1. Setting minimum thresholds for the type of client acceptable to PHUK Group in terms of net worth and business profile, including:
 - the type of business to be conducted through PHUK Group (e.g. retail vs. institutional; agency/matched principal vs. proprietary trading / market-making);
 - markets and financial instruments in which the client can trade; and
 - any special conditions clients are subject to (e.g. cash on account).

Obtaining credit approval for a particular client is the primary responsibility of the business as the first line of defence alongside guidance and oversight from Credit Risk as the second line. Any new relationship requires approval from the Business Acceptance Committee.

2. Monitoring all exposures (both pre- and post-settlement) on a daily basis against various limits for its clients, as follows:
 - trade limit (set per client following analysis of the financial strength, management expertise, nature of business and expected - or historical - peak and average exposure levels);
 - gross exposure limit (calculated with reference to the security deposit and net worth of the client and utilised as the higher of total purchases or total sales); and
 - negative mark-to-market exposures.

Breaches are reported to senior management which may lead to management action such as requesting additional collateral, or requiring the client to inject additional capital into the business.

5.3 Analysis of credit risk

PHUK Group's minimum credit risk capital requirement is calculated using the standardised approach and is expressed as 8% of risk-weighted exposures. Where available, issuer ratings from External Credit Ratings Assessment Institutions ('ECAI') are used in the determination of the relevant risk-weighting across all exposure classes. Where ECAI ratings differ, the more conservative rating is applied.

A breakdown of PHUK Group's credit risk exposures as at 31 December 2019 is provided below.

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 country location for the counterparty; and
- **Residual maturity** is defined as the period outstanding from the reporting date to the maturity or end date of an exposure.



Table 9: EU CRB-B - Total and average net amount of exposures

The following tables show the credit risk pre-CRM techniques using the standardised approach by exposure class.

At 31 December 2019 (£m)	Net value of exposures at the end of the period	Average net exposures over the period
Central governments/banks	132.3	134.1
Corporates	3.5	1.9
Institutions	256.4	264.9
Other items	8.7	12.1
Public sector entities	—	—
Retail	—	—
Equity	10.1	9.7
Total	411.0	422.7



Table 10: EU CRB-C - Geographical breakdown of exposures

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

At 31 December 2019 (£m)	UK	United States	Belgium	France	Netherlands	Other	Total
Central governments/banks	112.7	19.6	—	—	—	—	132.3
Corporates	3.5	—	—	—	—	—	3.5
Institutions	114.8	37.7	35.0	29.3	9.3	30.3	256.4
Other items	7.4	—	—	—	—	1.3	8.7
Public sector entities	—	—	—	—	—	—	—
Retail	—	—	—	—	—	—	—
Equity	10.1	—	—	—	—	—	10.1



At 31 December 2019 (£m)	UK	United States	Belgium	France	Netherlands	Other	Total
Total	248.5	57.3	35.0	29.3	9.3	31.6	411.0

**Table 11: EU CRB-D - Concentration of exposures by counterparty types**

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

At 31 December 2019 (£m)	General governments	Credit institutions	Other financial corporations	Various balance sheet items	Total
Central governments/banks	132.3	—	—	—	132.3
Corporates	—	—	3.5	—	3.5
Institutions	—	256.4	—	—	256.4
Other items	—	—	—	8.7	8.7
Public sector entities	—	—	—	—	—
Retail	—	—	—	—	—
Equity	—	—	—	10.1	10.1
Total	132.3	256.4	3.5	18.8	411.0

**Table 12: EU CRB-E - Maturity of exposures**

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

At 31 December 2019 (£m)	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Central governments/banks	—	132.3	—	—	—	132.3
Corporates	—	3.5	—	—	—	3.5
Institutions	256.4	—	—	—	—	256.4
Other items	—	—	—	—	8.7	8.7
Public sector entities	—	—	—	—	—	—
Retail	—	—	—	—	—	—
Equity	—	—	—	—	10.1	10.1
Total	256.4	135.8	—	—	18.8	411.0

5.4 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; and
- **impaired exposure** is when the entity does not expect to collect all the contractual cash flows when they are due.

As at 31 December 2019, PHUK Group 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. PHUK Group did not incur any material write-offs of bad debts or make any recovery of amounts previously written off during the year.



Table 13: EU CR1-A - Credit quality of exposures by exposure class and instrument

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

At 31 December 2019 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
General governments	—	132.3	—	—	—	—	132.3
Corporates	—	3.5	—	—	—	—	3.5
Credit institutions	—	256.4	—	31.3	—	31.3	225.1
Other financial corporations	—	8.7	—	—	—	—	8.7
Various balance sheet items	—	10.1	—	—	—	—	10.1
Total	—	411.0	—	31.3	—	31.3	379.7

At 31 December 2018 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
General governments	—	135.8	—	—	—	—	135.8
Credit institutions	—	243.6	—	32.7	—	32.7	210.9
Other financial corporations	—	—	—	—	—	—	—
Various balance sheet items	—	22.7	—	—	—	—	22.7
Total	—	402.1	—	32.7	—	32.7	369.4



Table 14: EU CR1-B - 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.

At 31 December 2019 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Financial and insurance activities	—	407.5	—	31.3	—	31.3	376.2
Other services	—	3.5	—	—	—	—	3.5
Total	—	411.0	—	31.3	—	31.3	379.7
Of which: Loans	—	—	—	—	—	—	—

At 31 December 2018 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
Financial and insurance activities	—	402.1	—	32.7	—	32.7	369.4
Other services	—	—	—	—	—	—	—
Total	—	402.1	—	32.7	—	32.7	369.4
Of which: Loans	—	—	—	—	—	—	—

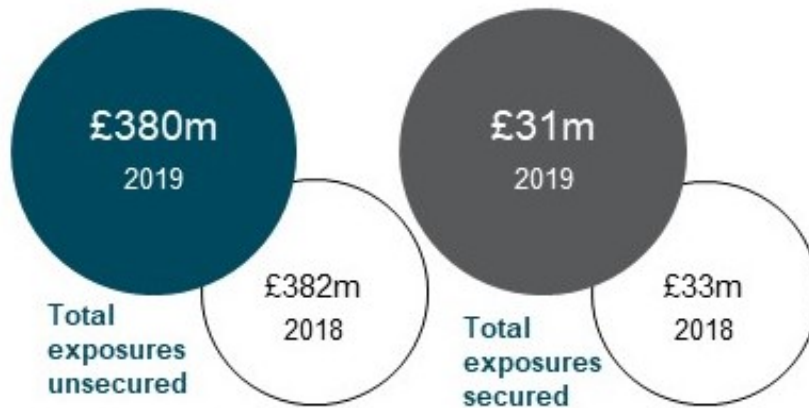
Table 15: EU CR1-C - Credit quality of exposures by geography

This table shows an analysis of past due, impaired exposures and allowances by country using the IFRS methodology.

At 31 December 2019 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
United Kingdom	—	248.5	—	31.3	—	31.3	217.2
United States	—	57.3	—	—	—	—	57.3
Belgium	—	35.0	—	—	—	—	35.0
France	—	29.3	—	—	—	—	29.3
Netherlands	—	9.3	—	—	—	—	9.3
Other	—	31.6	—	—	—	—	31.6
Total	—	411.0	—	31.3	—	31.3	379.7

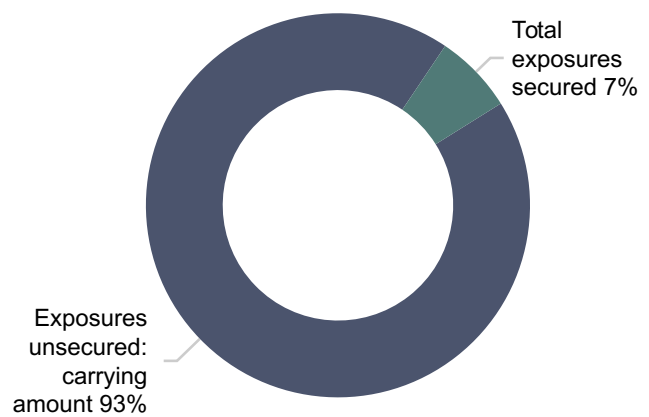
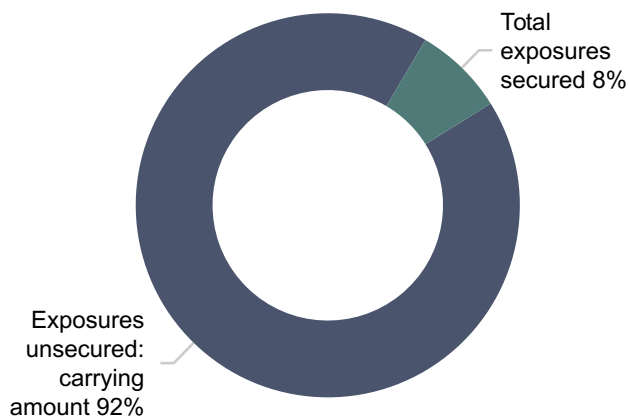


6 Article 453 CRR - Credit risk mitigation



 Credit risk mitigation at 31 December 2019

 Credit risk mitigation at 31 December 2018



PHUK Group mitigates credit risk through a variety of strategies including obtaining collateral, and indemnities from clients.

6.1 ISDA master agreements and netting

The International Swaps and Derivatives Association ('ISDA') Master 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. Whilst PHUK does not currently offer Foreign Exchange ('FX') Forward business, PHUK Group does adhere to the ISDA dispute resolution Stay Protocol whereby adopting institutions agree to obey resolution-related regulatory stays (up to 48 hours) imposed by any of 6 major jurisdictions with respect to other adopting institutions.



6.2 Collateral valuation and management

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 or credit derivatives at 31 December 2019. Using guarantees has the effect of replacing the risk-weight of the underlying exposure with that of the institution providing the credit protection. Guarantors are primarily rated as investment grade.

6.3 Wrong-way risk

PHUK Group 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 client or market counterparty increases when the counterparty's credit quality deteriorates.

6.4 Credit concentration risk

PHUK Group is exposed to credit concentration risk through exchanges and central counterparties, correspondent banks and issuers of securities. These risks are managed and mitigated through the establishment of various limits, on-going monitoring of exposure, collateral and contractual obligations upon the client, including margin calls.

Ongoing assessments of credit concentration risk are performed as part of the Pillar 2 risk assessment process.

The number of counterparties PHUK Group 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 ability to withdraw funds in a timely manner.



Table 16: EU CR3 - Credit risk mitigation techniques - overview

This table shows the extent of credit risk mitigation techniques utilised by PHUK Group.

At 31 December 2019 (£m)	Exposures unsecured: carrying amount	Total exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Central governments/banks	132.3	—	—	—	—
Corporates	3.5	—	—	—	—
Institutions	225.1	31.3	31.3	—	—
Other items	8.7	—	—	—	—
Public sector entities	—	—	—	—	—
Retail	—	—	—	—	—
Equity	10.1	—	—	—	—





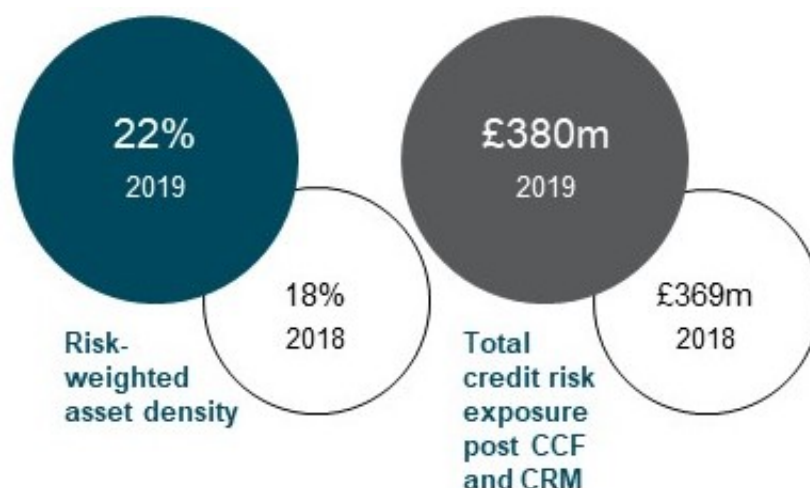
At 31 December 2019 (£m)	Exposures unsecured: carrying amount	Total exposures secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total exposures	379.7	31.3	31.3	—	—
Of which defaulted	—	—	—	—	—

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 or credit derivatives at 31 December 2019. Using guarantees has the effect of replacing the risk-weight of the underlying exposure with that of the institution providing the credit protection. Guarantors are primarily rated as investment grade.



7 Article 444 CRR - External credit rating assessment institutions



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

Table 17: Mapping of ECAs credit assessments to credit quality steps

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

This table shows the mapping of PHUK Group's nominated ECAs' 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 18: 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.

Exposure class	CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6
Central governments and central banks	0%	20%	50%	100%	100%	150%
Public sector entities	20%	50%	100%	100%	100%	150%
Institutions	20%	50%	50%	100%	100%	150%
Institutions up to 3 months residual risk	20%	20%	20%	50%	50%	150%
Unrated institutions	20%	50%	100%	100%	100%	150%
Corporates	20%	50%	100%	100%	150%	150%
Securitisation	20%	50%	100%	350%	1250%	1250%
Institutions and corporates with short-term credit assessment	20%	50%	100%	150%	150%	150%
Collective investment undertakings ('CIUs')	20%	50%	100%	100%	150%	150%
Covered bonds	10%	20%	20%	50%	50%	100%

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.

Table 19: EU CR4 - Credit risk exposure and credit risk mitigation ('CRM') effects

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

At 31 December 2019 (£m)	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA	RWA density
	Balance sheet amount		Balance sheet amount			
	On-	Off-	On-	Off-		
Central governments/banks	132.3	—	132.3	—	—	—%
Corporates	3.5	—	3.5	—	5.2	150%
Institutions	256.4	6.4	225.1	6.4	58.1	25%
Other items	8.7	—	8.7	—	10.4	127%
Public sector entities	—	—	—	—	—	—%
Retail	—	—	—	—	—	—%
Equity	10.1	—	10.1	—	10.1	100%
Total	411.0	6.4	379.7	6.4	83.8	22%


Table 20: EU CR5 - Credit risk exposure by risk-weight post CCF and CRM

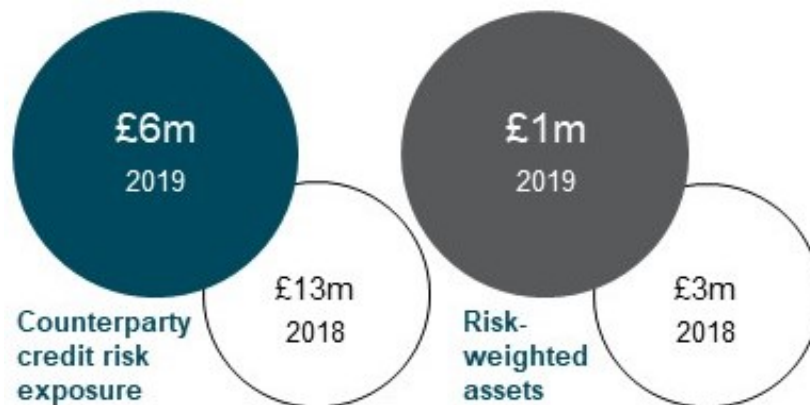
This table shows the breakdown of exposures for after the application of both conversion factors and risk mitigation techniques.

At 31 December 2019 (£m)	—%	20%	50%	75%	100%	150%	250%	1,250%	Total
Central governments/ banks	132.3	—	—	—	—	—	—	—	132.3
Corporates	—	—	—	—	—	3.5	—	—	3.5
Institutions	0.5	219.0	4.4	—	0.4	—	—	0.8	225.1
Other items	—	—	—	—	7.6	—	1.1	—	8.7
Public sector entities	—	—	—	—	—	—	—	—	—
Retail	—	—	—	—	—	—	—	—	—
Equity	—	—	—	—	10.1	—	—	—	10.1
Total	132.8	219.0	4.4	—	18.1	3.5	1.1	0.8	379.7

At 31 December 2018 (£m)	—%	20%	50%	75%	100%	150%	250%	1,250%	Total
Central governments/ banks	135.8	—	—	—	—	—	—	—	135.8
Corporates	—	—	—	—	—	—	—	—	—
Institutions	0.5	208.0	1.7	—	0.7	—	—	—	210.9
Other items	0.3	—	—	—	11.5	—	1.2	—	13.0
Public sector entities	—	—	—	—	—	—	—	—	—
Retail	—	—	—	—	—	—	—	—	—
Equity	—	—	—	—	9.7	—	—	—	9.7
Total	136.6	208.0	1.7	—	21.9	—	1.2	—	369.4



8 Article 439 CRR - Exposure to counterparty credit risk



Counterparty credit risk arises in limited circumstances when PHUK Group approves a client or counterparty to deliver a security against payment, or vice versa, at a settlement or delivery date that is later than the market standard for this particular type of transaction or five business days after the date on which the parties enter into the transaction, whichever is earlier.

 **Table 21: EU CCR1 - Analysis of the counterparty credit risk ('CCR') exposure by approach**

This table shows a comprehensive view of the methods used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method.

Counterparty credit risk (£m)		
Long settlement transactions - mark-to-market method	31 December 2019	31 December 2018
Gross positive fair value of contracts	—	—
Potential future credit exposure	—	—
Netting benefits	—	—
Net current credit exposure	6.4	12.7
Collateral held notional value	—	—
Exposure and collateral adjustments	—	—
Net credit exposure	6.4	12.7
Risk-weighted assets	1.3	2.5
SFT - under financial collateral comprehensive method	31 December 2019	31 December 2018
Net current credit exposure	—	—
Net SFT credit exposure	—	—
Risk-weighted assets	—	—
Counterparty credit risk exposure	6.4	12.7

Note: SFT (Securities Financing Transactions)



8.1 Credit valuation adjustment

The credit valuation adjustment is the capital charge for potential mark-to-market losses due to the credit quality deterioration of a counterparty. The standardised approach uses the external credit rating of each counterparty and includes the effective maturity and exposure at default.

As at 31 December 2019 PHUK Group has no exposure subject to the credit valuation adjustment capital charge.



Table 22: EU CCR3 - CCR exposures by regulatory portfolio and risk

This table shows the breakdown of counterparty credit risk exposures by exposure class and risk-weight attributed according to the standardised approach.

At 31 December 2019 (£m)	—%	20%	75%	1,250%	Other	Total
Central governments/banks	—	—	—	—	—	—
Corporates	—	—	—	—	—	—
Institutions	—	6.4	—	—	—	6.4
Other items	—	—	—	—	—	—
Public sector entities	—	—	—	—	—	—
Retail	—	—	—	—	—	—
Equity	—	—	—	—	—	—
Total	—	6.4	—	—	—	6.4

At 31 December 2018 (£m)	—%	20%	75%	100%	Other	Total
Central governments/banks	—	—	—	—	—	—
Corporates	—	—	—	—	—	—
Institutions	—	12.7	—	—	—	12.7
Other items	—	—	—	—	—	—
Public sector entities	—	—	—	—	—	—
Retail	—	—	—	—	—	—
Equity	—	—	—	—	—	—
Total	—	12.7	—	—	—	12.7

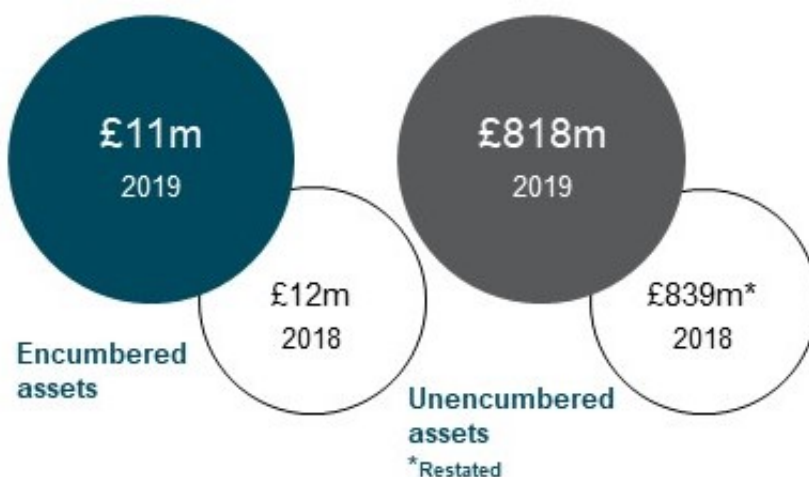
Table 23: EU CCR5-A - Impact of netting and collateral held on exposure values

This table provides an overview of the collateral held on exposures.

31 December 2019 (£m)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Long settlement transactions	6.4	—	6.4	—	6.4
Securities financing transactions	—	—	—	—	—
Cross-product netting	—	—	—	—	—
Total	6.4	—	6.4	—	6.4



9 Article 443 CRR - Asset encumbrance



 **Table 24: AE-A - Encumbered assets**

The carrying and fair value of encumbered assets by type, based on median values in 2019, are as follows:

At 31 December 2019 (£m)	Encumbered assets				Unencumbered assets			
	Carrying amount	of which notionally eligible EHQLA and HQLA	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	10.6	—	—	—	817.6	—	—	—
Equity instruments	—	—	—	—	9.6	—	—	—
Debt securities	—	—	—	—	133.5	—	132.4	—
of which: issued by general governments	—	—	—	—	133.5	—	132.4	—
Other assets	10.6	—	—	—	674.5	—	—	—

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


Table 25: AE-B - Collateral

The reportable encumbered collateral received, or available for encumbrance are presented below:

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
			Fair value of collateral received or own debt securities issued available for encumbrance	
At 31 December 2019 (£m)		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Collateral received by the reporting institution	—	—	60.7	—
Equity instruments	—	—	12.5	—
Debt securities	—	—	—	—
of which: issued by general governments	—	—	—	—
Other collateral received	—	—	48.2	—
Total assets, collateral received & own debt securities issued	10.6	—	—	—

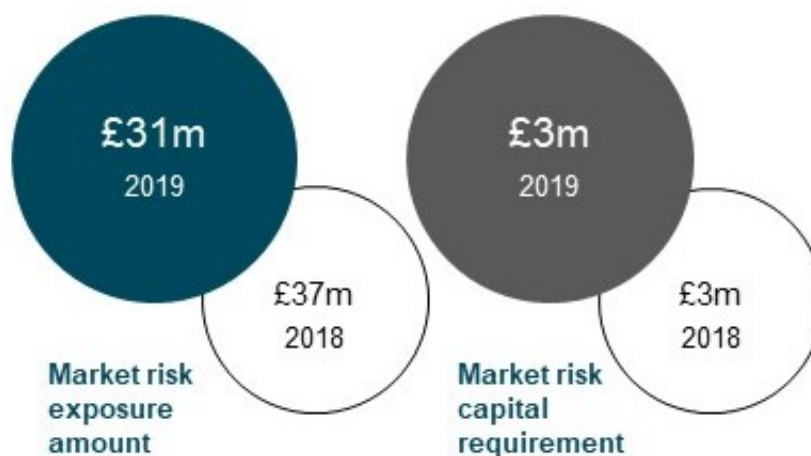

Table 26: AE-C - Sources of encumbrance

At 31 December 2019 (£m)	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	10.6	10.6
Deposits	10.6	10.6
Collateralised deposits other than repurchase agreements	10.6	10.6
Total sources of encumbrance	10.6	10.6

Note: ABS ('Asset-Backed Securities')



10 Article 445 CRR - Exposure to market risk



Market risk is the risk of adverse change to the economic condition of PHUK Group 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. All open positions are closely monitored.

 **Table 27: EU MR1 - Market risk**

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

At 31 December 2019 (£m)	Risk-weighted assets	Capital requirements
Foreign exchange risk	30.7	2.5
Total	30.7	2.5



11 Article 448 CRR - Interest rate risk in the banking book

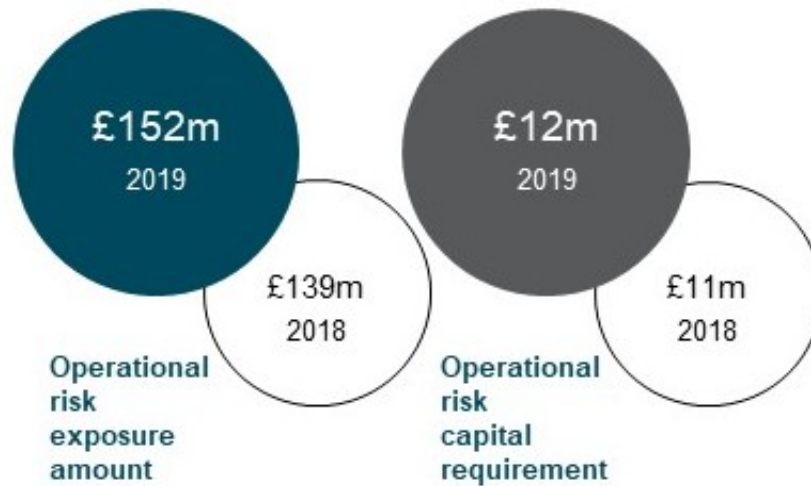
Interest rate risk ('IRR') is the risk associated with changes in interest rates that affect net interest income ('NII') from interest-earning assets and interest-paying liabilities. IRR exposure in the non-trading book arises from on and off-balance sheet assets and liabilities and changes with movements in domestic and foreign interest rates.

PHUK Group does not have any material exposure to interest rate risk in its non-trading book.





12 Article 446 CRR - 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.

Operational risk includes any operational risk to achieving the business objectives of PHUK Group and causing financial loss, regulatory action or reputational damage to the standing of PHUK Group.

12.1 Operational risk management framework

PHUK Group seeks to manage the inherent risk within its operational processes through an Operational Risk Management Framework ('ORMF').

The ORMF provides consistent capture, management and governance of operational risks. It is aligned around the elements of the risk management cycle (Identify, Measure, Manage and Report) and includes the requirements of good governance and capital planning as key elements.

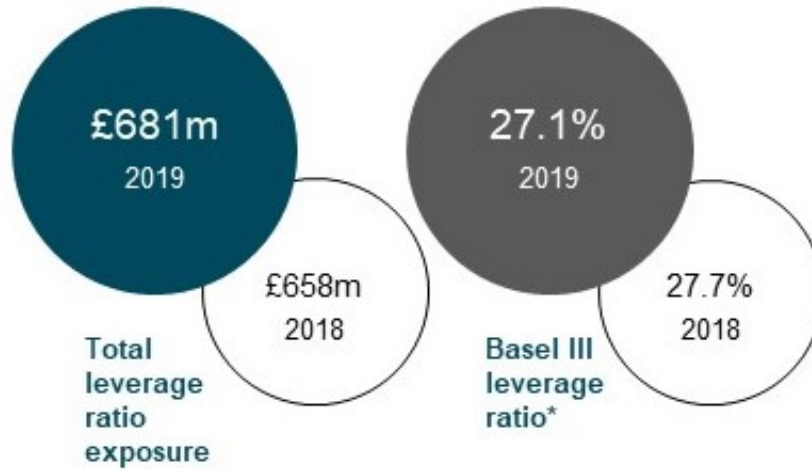
12.2 Operational risk capital resource requirement

PHUK Group calculates the Pillar 1 operational risk capital resource requirement under the standardised approach. Pershing has three applicable business lines as below with their beta factor.

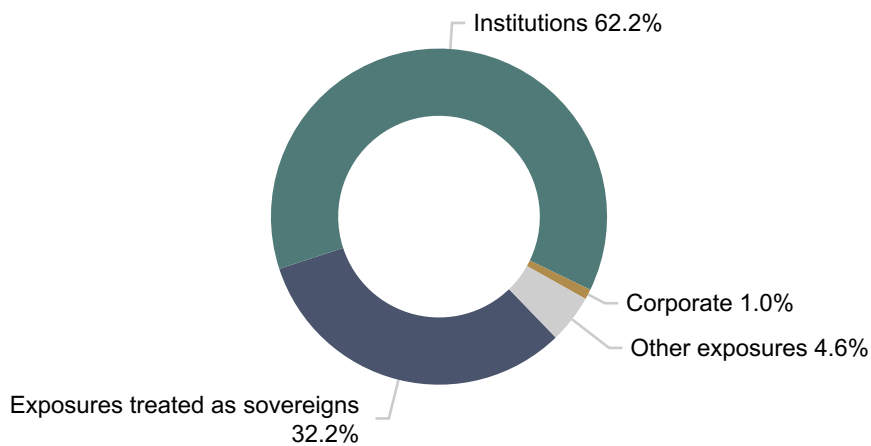
Category	Beta
Trading and sales	18%
Agency services	15%
Retail brokerage	12%



13 Article 451 CRR - Leverage



CRR banking book leverage ratio exposures



PHUK Group is not subject to a leverage ratio requirement in the UK and the ratio is provided for information purposes only.

In accordance with article 499 (2) and (3) of the CRR the leverage ratio is calculated based on Tier 1 capital and is calculated using the end-of-quarter leverage ratio as per the EBA implementing technical standards ('ITS') on the disclosure of the leverage ratio under Article 451(2) of Regulation (EU) No 575/2013 (CRR). The capital measure for the leverage ratio is the Tier 1 capital of the risk-based capital framework, taking into account transitional arrangements. Total exposure measure is the sum of the following exposures:

- on-balance sheet exposures;
- derivate exposures;
- security financing transaction ('SFT') exposures; and
- off-balance sheet items.

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



Nevertheless the PHUK Group monitors its leverage position and reports accordingly. The table below is reflective of the standard EBA reporting format, but the PHUK Group 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.



Table 28: LR1 - Leverage ratio summary

This table shows PHUK Group's summary reconciliation of accounting assets and leverage ratio exposures.

At 31 December 2019 (£m)

Total assets as per published financial statements	758.8
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	—
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"	—
Adjustments for derivative financial instruments	—
Adjustments for securities financing transactions (SFTs)	—
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	—
Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	—
Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013	—
Other adjustments	(77.6)
Total leverage ratio exposure	681.2



Table 29: LR2 - Leverage ratio common disclosure

This table shows the calculation of the leverage ratio and total exposures.

Regulatory leverage ratio exposures at 31 December 2019 (£m)

On-balance sheet exposures (excluding derivatives and SFTs)

On-balance sheet items (excluding derivatives and SFTs, but including collateral)	758.8
Asset amounts deducted in determining Tier 1 capital	(77.6)
Total on-balance sheet exposures (excluding derivatives and SFTs)	681.2

Derivative exposures

Replacement cost associated with derivatives transactions	—
Add-on amounts for PFE associated with derivatives transactions	—
Exposure determined under Original Exposure Method	—
Total derivative exposures	—

Securities financing transaction exposures

**Regulatory leverage ratio exposures at 31 December 2019 (£m)**

SFT exposure according to Article 220 of CRR	—
SFT exposure according to Article 222 of CRR	—
Total securities financing transaction exposures	—

Off-balance sheet exposures

Off-balance sheet exposures at gross notional amount	—
Adjustments for conversion to credit equivalent amounts	—
Total off-balance sheet exposures	—

Capital and total exposures

Tier 1 capital	184.7
Exposures of financial sector entities according to Article 429(4) 2nd of CRR	—

Leverage ratios

Total exposures	681.2
Leverage ratio - using a transitional definition of Tier 1 capital	27.1%

Choice on transitional arrangements and amount of derecognised fiduciary items

Choice on transitional arrangements for the definition of the capital measure	Transitional
Amount of derecognised fiduciary items in accordance with Article 429(11) of CRR	—

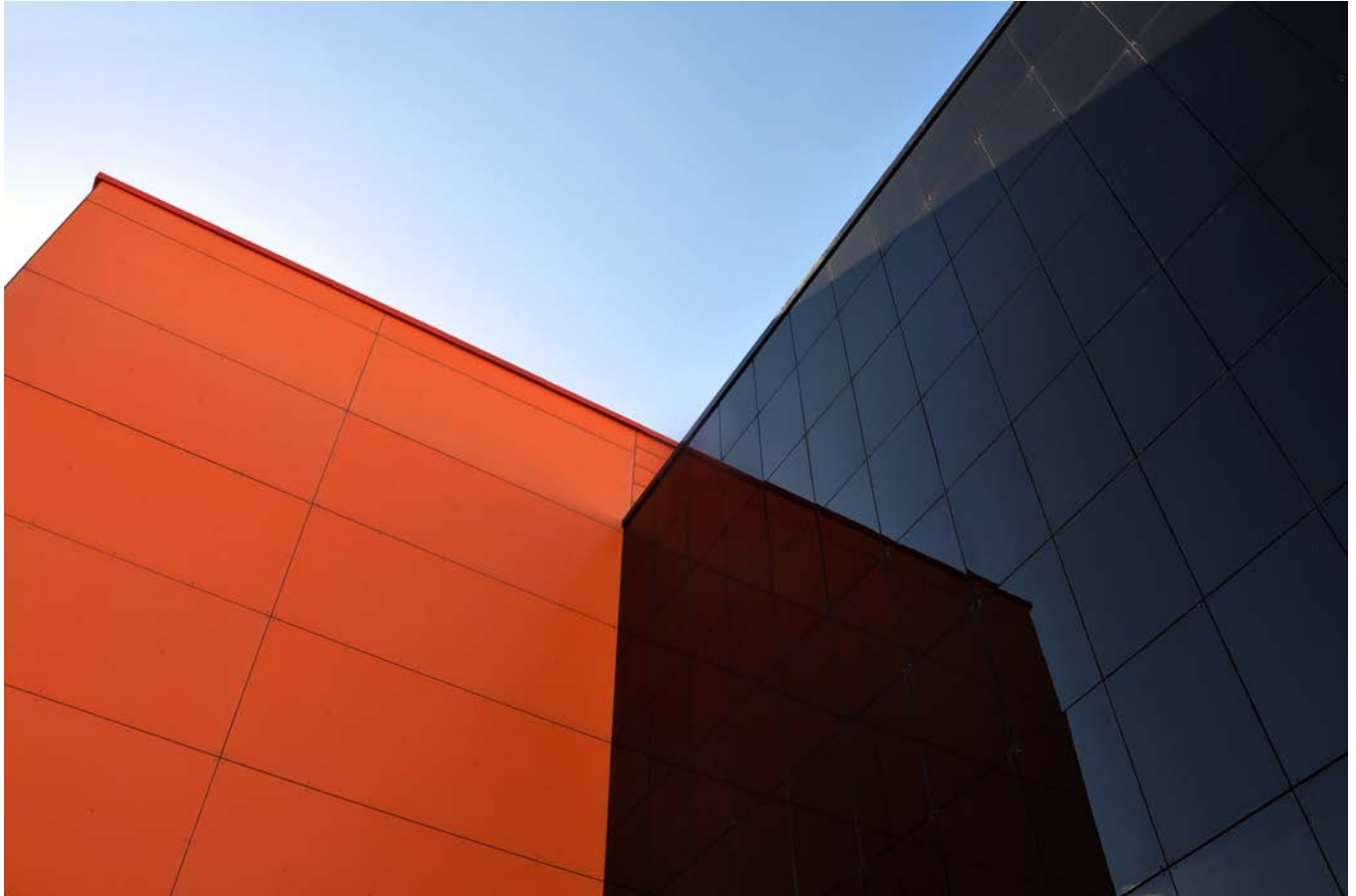
**Table 30: LR3 - Composition of on-balance sheet exposures**

This table shows the composition of on-balance sheet exposures excluding derivatives, SFTs and exempted exposures at 31 December 2019.

CRR leverage ratio exposures (£m)

Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	681.2
Trading book exposures	272.0
Banking book exposures, of which:	409.2
Covered bonds	—
Exposures treated as sovereigns	132.3
Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	—
Institutions	254.6
Retail exposures	—
Corporate	3.5
Exposures in default	—
Other exposures	18.8

Human resources



14 Article 450 CRR - Remuneration policy





14.1 Governance

The governance of remuneration matters for BNY Mellon and its group entities, including Pershing, is overseen by four committees, each with separate responsibilities in respect of remuneration as summarised below:

Human Resources and Compensation Committee of BNY Mellon ('HRCC') is responsible for overseeing BNY Mellon'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 BNY Mellon's Board, acting on behalf of the BNY Mellon Board.

Compensation Oversight Committee of BNY Mellon ('COC') is responsible for ensuring compensation plans are based on sound risk management. It provides governance and risk oversight and advises the "HRCC on any compensation risk issues. The members of the COC are senior members of BNY Mellon management, including the Chief Human Resources Officer, the Chief Risk Officer, the Chief Financial Officer ('CFO') and the Head of Compensation & Benefits. The Chief Executive Officer ('CEO') is responsible for the funding and design of incentive plans. All new material incentive plans, material changes to existing incentive/sales plans and funding accrual decisions are subject to the review and approval of the CEO and CFO prior to the oversight by the HRCC.

EMEA Remuneration Governance Committee ('ERGC') is a regional governance committee that was established to ensure alignment of remuneration arrangements operated within BNY Mellon EMEA with local laws and regulations impacting on remuneration. The ERGC is responsible for ensuring that local BNY Mellon 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 BNY Mellon (excluding Investment Management), 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 and Ethics Officer, Chief Auditor, Chief Financial Officer and General Counsel.

BNY Mellon 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 BNY Mellon's remuneration policies is subject to an annual independent internal review by the internal audit function.

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 Pershing, 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 Pershing 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.

Variable compensation is determined by the business performance as outlined above and an individual's performance as measured against feedback on the following aspects:

- corporate goals;
- individual results-based performance;
- individual behaviours (including alignment to BNY Mellon's global competencies and values; adherence to risk, compliance and ethical obligations/competencies; and goals related to diversity and inclusion); and
- regulatory fitness and propriety assessment (applicable to MRTs).

MRTs are subject to an additional layer of performance assessment, referred to as the Risk Culture Summary Scorecard ("RCSS"). The RCSS score for each individual is based on separate ratings of five risk factor areas:

- compliance;
- reputation;
- operational Risk;
- risk Exposures; and
- audit.

14.6 Deferral policy and vesting criteria

Corporate Policy (General): Awards are delivered to employees entirely in cash (payable shortly after the date of award), except where the employee's total incentive award exceeds a particular threshold (or where they are of a particular level of role. (This is set out in the table below). In this case, a portion of the annual incentive award is deferred over a period of at least four years - this portion vests in equal portions on the first, second, third and fourth anniversary of the date of award (subject to the employee remaining in employment on each of these dates).

Level	Total incentive award (US\$000)				
	< 50.0	50.0 to 149.9	150 to 249.9	250 to 499.9	>= 500.0
J, K and L	—	15.0%	20.0%	25.0%	30.0%
M	—	25.0%	30.0%	35.0%	40.0%
S	—	32.5%	40.0%	45.0%	50.0%

Regulatory Policy : For identified MRTs, in receipt of total remuneration of £500,000 or more, and variable remuneration greater than 33% of total remuneration, the Corporate Deferral Rules are superseded by the Regulatory Deferral Rules as follows:

- a) At least 40% of variable remuneration is deferred unless the MRT is a Director (CF1) or where variable remuneration exceeds £500,000, in which case 60% of variable remuneration is deferred
- b) Variable remuneration is deferred for the following periods:



- i. seven years for individuals performing a PRA/FCA Senior Management Function (“Senior Managers”);
 - ii. three years for other identified MRTs.
- c) At least 50% of variable remuneration (upfront and deferred) is delivered in shares or equivalent instruments.
- d) Each tranche of deferred vested equity is subject to a retention period post vesting before it may be sold, six months for Risk Managers and twelve months for Senior Managers and other MRTs.

40% Deferral Table			60% Deferral Table		
	Upfront	Deferred		Upfront	Deferred
Cash	30.0%	20.0%	Cash	20.0%	30.0%
Equity	30.0%	20.0%	Equity	20.0%	30.0%

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 Pershing for the year ending 31 December 2019.

The figures illustrate figures from three Pershing financial legal entities:

- Pershing Ltd;
- Pershing Securities International Limited; and
- Pershing (Channel Islands) Limited.

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 Pershing to reflect the full reporting period.

The tables below show the combined remuneration data for one Senior Manager MRT and fifteen Other MRTs. The data has been combined in order to keep the remuneration data for the Senior Manager MRT anonymised.

MRTs categorised as ‘Senior Managers’ carry out a senior management function as determined by the relevant regulators.



Table 31: REM1 - Aggregate remuneration expenditure by business

This table shows the aggregate remuneration expenditure for MRTs in 2019 by business.

	Total
Total remuneration (£000s) ¹	3,883

¹ Includes base salary and other cash allowances, plus any incentive awarded for full year 2018. Pension contribution is not included.



Table 32: REM2 - Aggregate remuneration expenditure by remuneration type

This table shows the aggregate remuneration expenditure for MRTs by remuneration type in 2019.

Identified staff	Total MRTs
Number of beneficiaries	16
Fixed remuneration (£000s) ²	2,736
Total variable remuneration (£000s)	1,148
Variable cash (£000s)	646
Variable shares (£000s)	502
Total deferred remuneration awarded during the financial year (£000s)	547
Total deferred remuneration paid out during the financial year (£000s)	421
Total deferred remuneration reduced through performance adjustments (£000s)	—

² Fixed remuneration includes base salary and any cash allowances. Pension contribution is not included.



Table 33: REM3 - Deferred variable remuneration

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

Identified staff	Total MRTs
Number of beneficiaries	8
Total deferred variable remuneration outstanding from previous years (£000s)	1,311
Total vested (£000s) ³	421
Total unvested (£000s) ⁴	890

³ Includes total vested cash and equity. Equity portion is valued as at the date the award vested.

⁴ Includes total unvested cash and equity. Equity portion is valued as at 1 January 2020.

In regards to the 2019 awards, PHUK Group 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

PHUK Group defines Liquidity risk as the inability to access funding, convert assets to cash quickly and efficiently, or to roll over or issue new debt, especially during periods of market stress, at a reasonable cost in order to meet its short-term (up to one year) obligations.

Liquidity risk can arise from funding mismatches, market constraints from the inability to convert assets to cash, meet Client Free Money withdrawals, or contingent liquidity events. Changes in economic conditions or exposure to credit, market, legal, operational and reputational risks also can affect PHUK Group's liquidity risk profile and are considered in the liquidity risk framework.

The Board has established the PHUK Group's liquidity risk appetite and tolerances that are appropriate for the its business strategy and reflect the financial condition and funding capacity. In this context, ALCO and the Board consider PHUK Group to be risk adverse due to the nature of its main business; i.e. clearing and settlement services.

Recognising the fact that PHUK Group business is driven not by balance sheet size, but is transaction based by nature, the ALCO has set overall liquidity risk appetite measures and thresholds, which have been approved by the Board, to ensure that PHUK Group maintains strong liquidity at all times.

A mix of metrics and limits are a quantitative and qualitative reflection of PHUK Group's liquidity risk tolerance. PHUK Group seeks to ensure that the overall liquidity risk that it undertakes stays within its risk appetite.

Group risk

Group risk is the risk that the financial position of PHUK Group may be adversely affected by its relationships and arrangements (financial and non-financial) with other entities in the BNY Mellon group or by risks that may affect the whole group.

PHUK Group maintains appropriate oversight and ownership of all processes and activities outsourced to other group entities. Because group risk typically arises as a consequence of another risk event and, as such, PHUK Group considers group impact as part of its overall risk management process.

Business and financial risk

Business risk

Business risk is the risk to PHUK Group arising from changes in its business including the acute risk to earnings posed by falling or volatile income; and the broader risk of PHUK Group's business model or strategy proving inappropriate due to macroeconomic, geopolitical, industry, regulatory or other factors; or its remuneration policy.

The PHUK Group business model has been clearly defined, in place for a number of years, is relatively transparent and contained within its business sector. This is not envisaged to change.

Non-trading book exposures in equities

As at 31 December 2019 PHUK Group had £10.1 million of non-trading book exposures in equities. All equity investments are unquoted.



Residual risk

Residual risk may arise from the partial performance or failure of credit risk mitigation techniques for reasons, such as ineffective documentation, a delay in payment or the inability to realise collateral held by the underlying client in a timely manner.

Given the nature of PHUK Group's business, residual risk occurs only in respect of the right to use securities as collateral and the Credit and Market risk capital calculation, therefore, includes the potential impact of residual risk.

Any shortfall remaining after the application of the collateral may be covered by:

- legal recourse to pursue either PHUK Group's client or the underlying investor, while also retaining the right to proceed against the other party in respect of any shortfall in the amount recovered;
- ultimately, PHUK Group retains the right to restrict or terminate a relationship that presents an unacceptable risk to its business; and
- insurance claim under PHUK Group's own Professional Indemnity cover or against third parties.



Appendix 2 Glossary of terms

The following acronyms may be used in this document:

Acronym	Description	Acronym	Description
ABS	Asset-Backed Securities	CEO	Chief Executive Officer
ACPR	Autorite de Controle Prudentiel et de Resolution	CEF	Critical Economic Function
AFR	Available Financial Resources	CET1	Common Equity Tier 1
AIF	Alternative Investment Fund	CGB	CASS Governance Body
ALCO	Asset and Liability Committee	CIS	Collective Investment Scheme
AML	Anti-Money Laundering	COC	Compensation Oversight Committee
AS	Asset Servicing	COOC	CASS Operational Oversight Committee
AT1	Additional Tier 1	COREP	Common Reporting
AUC	Assets Under Custody	CQS	Credit Quality Steps
BAC	Business Acceptance Committee	CRD	Capital Requirements Directive
BAU	Business as usual	CRM	Credit Risk Mitigation
BaFin	Federal Financial Supervisory Authority / Bundesanstalt für Finanzdienstleistungsaufsicht	CRO	Chief Risk Officer
BDAS	Broker-Dealer and Advisory Services	CROC	Credit Risk Oversight Committee
BDF	Banque De France	CRR	Capital Requirements Regulation
BEMCO	Belgium Management Council	CSD	Client Service Delivery
BI	Banca D'Italia	CSRSFI	Committee for Systemic Risks and System-relevant Financial Institutions
BNY Mellon	The Bank of New York Mellon Corporation	CSSF	Commission de Surveillance du Secteur Financier
BNY Mellon SA/NV	The Bank of New York Mellon SA/NV	CSTC	Capital and Stress Testing Committee
BNY Mellon TDUKL	BNY Mellon Trust & Depositary (UK) Limited	CT	Corporate Trust
BNYIFC	BNY International Financing Corporation	CTS	Client Technology Solutions
BNY Mellon KG	BNY Mellon Service Kapitalanlage-Gesellschaft mbH	DB	Deutsche Bank
BRC	Business Risk Committee	DNB	De Nederlandsche Bank
CASS	Client Asset Sourcebook Rules	DVP	Delivery versus Payment
CBI	Central Bank of Ireland	EAD	Exposure at default
CCF	Credit Conversion Factor	EC	European Commission
		ECL	Expected Credit Losses
		ECAP	Economic Capital
		ECB	European Central Bank
		ECM	Embedded Control Management





Acronym	Description	Acronym	Description
EEC	EMEA Executive Committee	ILAAP	Internal Liquidity Adequacy Assessment Process
EHQLA	Extremely High Quality Liquid Assets	ILG	Individual Liquidity Guidance
EMEA	Europe, Middle East and Africa	IRRBB	Interest Rate Risk on Banking Book
ERGC	EMEA Remuneration Governance Committee	IMMS	International Money Management System
ESRMC	EMEA Senior Risk Management Committee	ISDA	International Swaps and Derivatives Association
EU	European Union	ISM	Investment Services and Markets
EUR	Euro	ILG	Individual Liquidity Guidance
EWI	Early Warning Indicators	IRRBB	Interest Rate Risk on Banking Book
ExCo	Executive Committee	IMMS	International Money Management System
FCA	Financial Conduct Authority	ISDA	International Swaps and Derivatives Association
FMUs	Financial market utilities	ISM	Investment Services and Markets
FoP	Free of payment	IT	Information Technology
FRS	Financial Reporting Standard	IWG	ICAAP working group
FSMA	Financial Services and Markets Authority	JFSC	Jersey Financial Services Commission
FX	Foreign Exchange	KRI	Key Risk Indicator
G-SIFI	Global Systemically Important Financial Institution	KYC	Know your customer
GCA	Global Custody Agreement	LAB	Liquidity Asset Buffer
GSP	Global Securities Processing	LCR	Liquidity Coverage Ratio
HLA	High-level Assessment	LERO	Legal Entity Risk Officer
HQLA	High Quality Liquid Assets	LOB	Line of Business
HRCC	Human Resources Compensation Committee	LOD	Line of Defense
IAS	International Accounting Standards	MiFID II	Markets in Financial Instruments Directive II
IASB	International Accounting Standards Board	MNA	Master Netting Agreements
ICA	Internal Capital Assessment	MRMG	Model Risk Management Group
ICAAP	Internal Capital Adequacy Assessment Process	MRT	Material Risk Taker
ICRC	Incentive Compensation Review Committee	MtM	Mark-to-market
IFRS	International Financial Reporting Standards	NAV	Net Asset Value
		NBB	National Bank of Belgium
		NoCo	Nomination Committee
		NSFR	Net Stable Funding Ratio



Acronym	Description	Acronym	Description
O-SII	Other systemically important institution	RW	Risk-weight
OCI	Other Comprehensive Income	RWA	Risk Weighted Assets
OEICs	Open-ended Investment Companies	SA	Standardised Approach
ORE	Operational risk event	SFT	Security Financing Transaction
ORMF	Operational Risk Management Framework	SLD	Service Level Description
ORSA	Operational Risk Scenario Analysis	SREP	Supervisory review and evaluation process
OTC	Over the counter	SRO	Senior Risk Officer
P/L	Profit and Loss	T&D	Trust & Depositary
PFE	Potential Future Exposure	T1 / T2	Tier 1 / Tier 2
PRA	Prudential Regulatory Authority	TCR	Total Capital Requirements
RCoB	Risk Committee of the Board	TIRC	Technology and Information Risk Council
RCSA	Risk and Control Self-Assessment	TLAC	Total Loss-Absorbing Capacity
RM	Risk Manager	UCITS	Undertakings for Collective Investment in Transferable Securities
RMC	Risk Management Committee	VaR	Value-at-Risk
RMP	Risk Management Platform		
RRP	Recovery and Resolution Planning		

The following terms may be used in this document:

Ad valorem: Method for charging fees according to the value of goods and services, instead of by a fixed rate, or by weight or quantity. Latin for, [according] to the value

Basel III: The capital reforms and introduction of a global liquidity standard proposed by the Basel Committee on Banking Supervision ('BCBS') in 2010

BIPRU: Prudential sourcebook for banks, building societies and investment firms

Brexit: The United Kingdom's referendum decision to leave the EU

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

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: The 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 monthly 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 ('SA'): Method used to calculate credit risk capital requirements using the Basel III, CRD IV, CRR model supplied by the BCBS. 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 Supplementary tables

CC2 - Reconciliation of regulatory capital for the significant subsidiary PSL

At 31 December 2019 (£m)	Statutory accounts balance sheet	Regulatory adjustments	Regulatory balance sheet
Assets			
Cash at bank and in hand	133.5	—	133.5
Debtors	308.2	—	308.2
Debtors - Prepayments and accrued Income	11.3	—	11.3
Debtors - Other assets and taxation (inc. amounts due from group undertakings)	14.0	—	14.0
Current Asset Investments	131.6	—	131.6
Fixed Assets	10.1	—	10.1
Total assets	608.7	—	608.7
Liabilities			
Bank loans and overdrafts	4.7	—	4.7
Creditors - Third parties	222.4	—	222.4
Creditors - Other creditors including taxation	52.7	—	52.7
Creditors - Accruals and deferred income	4.6	—	4.6
Amounts due to group undertakings	199.0	—	199.0
Total liabilities	483.4	—	483.4
Shareholders' equity			
Share capital	113.4	—	113.4
Profit and loss account	11.8	—	11.8
Other reserves	0.1	—	0.1
Deductions from Capital	—	(0.1)	(0.1)
Equity	125.3	(0.1)	125.2
Out of scope items	—	0.1	0.1
Total equity and liabilities	608.7	—	608.7

CC2 - Reconciliation of regulatory capital for the significant subsidiary PL

At 31 December 2019 (£m)	Statutory accounts balance sheet	Regulatory adjustments	Regulatory balance sheet
Assets			
Cash at bank and in hand	24.3	—	24.3
Debtors	1.0	—	1.0

At 31 December 2019 (£m)	Statutory accounts balance sheet	Regulatory adjustments	Regulatory balance sheet
Debtors - Prepayments and accrued Income	4.6	—	4.6
Debtors - Other assets and taxation (inc. amounts due from group undertakings)	8.4	(0.8)	7.6
Current Asset Investments	—	—	—
Fixed Assets	118.9	(111.9)	7.0
Goodwill & Intangibles	12.2	(12.2)	—
Total assets	169.4	(124.9)	44.5
Liabilities			
Creditors - Third parties	1.0	—	1.0
Creditors - Other creditors including taxation	0.8	—	0.8
Creditors - Accruals and deferred income	6.1	—	6.1
Amounts due to group undertakings	1.8	—	1.8
Provisions for liabilities and charges	0.9	—	0.9
Total liabilities	10.6	—	10.6
Shareholders' equity			
Share capital	127.1	—	127.1
Share premium	24.2	—	24.2
Profit and loss account	3.7	—	3.7
Other reserves	3.8	(3.8)	—
Deductions from Capital	—	(124.9)	(124.9)
Equity	158.8	(128.7)	30.1
Out of scope items	—	3.8	3.8
Total equity and liabilities	169.4	(124.9)	44.5

TLAC1 - Transitional own funds disclosure for the significant subsidiary PSL

Equity instruments, reserves and regulatory adjustments (£m)	Amount at disclosure date
CET1 capital: Instruments and reserves	
Capital instruments and the related share premium accounts	113.4
of which: ordinary shares	113.4
Retained earnings	11.8
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	0.1



Equity instruments, reserves and regulatory adjustments (£m)	Amount at disclosure date
CET1 capital before regulatory adjustments	125.3
CET1 capital: regulatory adjustments	
Additional value adjustments	(0.1)
Total regulatory adjustments to CET1	—
CET1 capital	125.2
AT1 capital	—
Tier 1 capital	125.2
T2 capital: Instruments and provisions	—
Total regulatory adjustments to T2 capital	
T2 capital	—
Total capital	125.2
Total risk-weighted assets	197.8
Capital ratios and buffers	
CET1 (as a percentage of risk exposure amount)	63.3%
T1 (as a percentage of risk exposure amount)	63.3%
Total capital (as a percentage of risk exposure amount)	63.3%
Amounts below the thresholds for deduction (before risk-weighting)	
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	—

TLAC1 - Transitional own funds disclosure for the significant subsidiary PL

Equity instruments, reserves and regulatory adjustments (£m)	Amount at disclosure date
CET1 capital: Instruments and reserves	
Capital instruments and the related share premium accounts	151.3
of which: ordinary shares	151.3
Retained earnings	3.7
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	—
CET1 capital before regulatory adjustments	155.0
CET1 capital: regulatory adjustments	
Intangible assets (net of related tax liability)	(12.2)



	Amount at disclosure date
Equity instruments, reserves and regulatory adjustments (£m)	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	(111.9)
Deferred tax assets arising from temporary differences	(0.8)
Total regulatory adjustments to CET1	(124.9)
CET1 capital	30.1
AT1 capital	—
Tier 1 capital	30.1
T2 capital: Instruments and provisions	
Total regulatory adjustments to T2 capital	—
T2 capital	—
Total capital	30.1
Total risk-weighted assets	36.3
Capital ratios and buffers	
CET1 (as a percentage of risk exposure amount)	82.9%
T1 (as a percentage of risk exposure amount)	82.9%
Total capital (as a percentage of risk exposure amount)	82.9%
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 (amount below 10% threshold and net of eligible short positions)	14.3
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	1.1

EU OV1 - Overview of RWAs for the significant subsidiary PSL

Type of risk (£m)	Risk exposure amount		Capital requirements	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Credit risk*	55.0	42.6	4.4	3.4
Counterparty credit risk*	1.3	2.5	0.1	0.2
Settlement risk*	8.5	12.2	0.7	1.0
Market risk*	6.1	9.3	0.5	0.7
of which: Foreign exchange position risk	6.1	9.3	0.5	0.7
Operational risk*	126.9	108.4	10.2	8.7
of which: Standardised approach	126.9	108.4	10.2	8.7



Type of risk (£m)	Risk exposure amount		Capital requirements	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Credit valuation adjustment*	—	—	—	—
Total	197.8	175.0	15.9	14.0
Total capital			125.2	124.6
Surplus capital			109.3	110.6

*Standardised approach

EU OV1 - Overview of RWAs for the significant subsidiary PL

Type of risk (£m)	Risk exposure amount		Capital requirements	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Credit risk*	27.9	29.5	2.2	2.4
Counterparty credit risk*	—	—	—	—
Settlement risk*	—	—	—	—
Market risk*	1.5	2.8	0.1	0.2
of which: Foreign exchange position risk	1.5	2.8	0.1	0.2
Operational risk*	6.9	5.9	0.6	0.5
of which: Standardised approach	6.9	5.9	0.6	0.5
Credit valuation adjustment*	—	—	—	—
Total	36.3	38.2	2.9	3.1
Total capital			30.1	32.7
Surplus capital			27.2	29.6

*Standardised approach

Appendix 4 CRD IV Reference

CRR ref.	Requirement summary	Compliance ref.	Page ref.
<i>Scope of disclosure requirements</i>			
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
<i>Non-material, proprietary or confidential information</i>			
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		
<i>Frequency of disclosure</i>			
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
<i>Means of disclosure</i>			
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
<i>Risk management objectives and policies</i>			
435 (1)	Institutions shall disclose their risk management objectives and policies	Section 4 Article 435 CRR - Risk management objectives and policies	25
435 (1) (a)	Strategies and processes to manage those risks	Section 4 Article 435 CRR - Risk management objectives and policies	25
435 (1) (b)	Structure and organisation of the risk management function	Section 4 Article 435 CRR - Risk management objectives and policies	25
435 (1) (c)	Scope and nature of risk reporting and measurement systems	Section 4 Article 435 CRR - Risk management objectives and policies	25
435 (1) (d)	Policies for hedging and mitigating risk	Section 4 Article 435 CRR - Risk management objectives and policies	25
435 (1) (e)	Approved declaration on the adequacy of risk management arrangements	Section 4 Article 435 CRR - Risk management objectives and policies	25
435 (1) (f)	Approved risk statement describing the overall risk profile associated with business strategy	Section 4 Article 435 CRR - Risk management objectives and policies	25
435 (2) (a)	Number of directorships held by directors	Section 4.1 Board of Directors	26



435 (2) (b)	Recruitment policy of Board members, their experience and expertise	Section 4.1 Board of Directors	26
435 (2) (c)	Policy on diversity of Board membership and results against targets	Section 4.1 Board of Directors	26
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year	Section 4.2 Risk committees	28
435 (2) (e)	Description of information flow on risk to Board	Section 4.2 Risk committees	28
<i>Scope of application</i>			
436 (a)	The name of the institution to which the requirements of this Regulation apply	Section 1 Article 431 CRR - Scope of disclosure requirements	6
436 (b)	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:	Section 1.9 Article 436 CRR - Scope of application	6
436 (b) (i)	fully consolidated;		
436 (b) (ii)	proportionally consolidated;		
436 (b) (iii)	deducted from own funds;		
436 (b) (iv)	neither consolidated nor deducted		
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
<i>Own funds</i>			
437 (1)	Requirements regarding capital resources table	Section 2 Article 437 CRR -Own Funds	15
437 (1) (a)	Full reconciliation of Common Equity Tier 1 (CET1) items	Table 2: CC2 Reconciliation of regulatory own funds	16
437 (1) (b)	Description of the main features of the CET1 and Additional Tier 1 and Tier 2 instruments	Table 5: CC1 Composition of regulatory capital	19
437 (1) (c)	Full terms and conditions of all CET1, Additional Tier 1 and Tier 2 instruments	Table 5: CC1 Composition of regulatory capital	19
437 (1) (d) (i)	Each prudent filter applied	Table 2: CC2 Reconciliation of regulatory own funds	16
437 (1) (d) (ii)	Each deduction made		
437 (1) (d) (iii)	Items not deducted		
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	BNY Mellon follows the implementation standards	N/A
<i>Capital requirements</i>			
438 (a)	Summary of institution's approach to assessing adequacy of capital levels	Section 3 Article 438 CRR - Capital requirements	23
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 11: CRB-D Concentration of exposures by counterparty types	33
438 (d)	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 (d) (i)			
438 (d) (ii)			
438 (d) (iii)			
438 (d) (iv)			



438 (e)	Own funds requirements for market risk or settlement risk, or large exposures where they exceed limits	Table 8: EU OV1 Overview of RWAs and Section 10 Article 445 CRR - Exposure to market risk	24 & 48
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 8: EU OV1 Overview of RWAs and Section 12 Article 446 CRR - Operational risk	24 & 50
438 (endnote)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach	Table 8: EU OV1 Overview of RWAs	24
<i>Exposure to counterparty credit risk ('CCR')</i>			
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures	Section 8 Article 49 CRR - Exposure to counterparty credit risk	43
439 (b)	Discussion of process to secure collateral and establishing reserves	Section 8 Article 49 CRR - Exposure to counterparty credit risk	43
439 (c)	Discussion of management of wrong-way exposures	Section 8 Article 49 CRR - Exposure to counterparty credit risk	43
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade	N/A - Credit ratings downgrade is managed at the BNY Mellon Corp level	N/A
439 (e)	Derivation of net derivative credit exposure	Section 8 Article 49 CRR - Exposure to counterparty credit risk	43
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods	Section 8 Article 49 CRR - Exposure to counterparty credit risk	43
439 (g)	Notional value of credit derivative hedges and current credit exposure by type of exposure	N/A - BNY Mellon 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 - BNY Mellon does not have credit derivative transactions	N/A
439 (i)	Estimate of alpha, if applicable	N/A	N/A
<i>Capital buffers</i>			
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
<i>Indicators of global systemic importance</i>			
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
<i>Credit risk adjustments</i>			
442 (a)	Disclosure of bank's definitions of past due and impaired	Section 5.4: Analysis of past due and impaired exposures	34
442 (b)	Approaches for calculating credit risk adjustments	Section 5.4: Analysis of past due and impaired exposures	34
442 (c)	Disclosure of pre-CRM EAD by exposure class	Table 9: EU CRB-B Total and average net amount of exposures	33
442 (d)	Disclosures of pre-CRM EAD by geography and exposure class	Table 10: EU CRB-C Geographical breakdown of exposures	33
442 (e)	Disclosures of pre-CRM EAD by industry and exposure class	Table 11: EU CRB-D Concentration of exposures by counterparty types	34

442 (f)	Disclosures of pre-CRM EAD by residual maturity and exposure class	Table 12: EU CRB-E Maturity of exposures	34
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	Table 13: EU CR1-A Credit quality of exposures by exposure class and instrument	35
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography	Table 15: EU CR1-C Credit quality of exposures by geography	36
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 5.4: Analysis of past due and impaired exposures	34
442 endnote	Specific credit risk adjustments recorded to income statement are disclosed separately	Section 5.4: Analysis of past due and impaired exposures	34
<i>Unencumbered assets</i>			
443	Disclosures on unencumbered assets	Section 9 Article 443 CRR - Asset encumbrance	46
<i>Use of ECAIs</i>			
444 (a)	Names of the ECAIs used in the calculation of Standardised Approach RWAs, and reasons for any changes	Section 7 Article 444 CRR - External credit rating assessment institutions	40
444 (b)	Exposure classes associated with each ECAI	Table 17: Mapping of ECAIs credit assessments to credit quality steps	40
444 (c)	Explanation of the process for translating external ratings into credit quality steps	Table 18: Credit quality steps and risk-weights	40
444 (d)	Mapping of external rating to credit quality steps	Section 7 Article 444 CRR - External credit rating assessment institutions	40
444 (e)	Exposure value pre and post-credit risk mitigation, by credit quality step	Tables 17-20: External credit rating assessment institutions	40
<i>Exposure to market risk</i>			
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk	Section 10 Article 445 CRR - Exposure to market risk	48
<i>Operational risk</i>			
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered	Section 12 Article 446 CRR - Operational risk	50
<i>Exposure in equities not included in the trading book</i>			
447 (a)	Differentiation of exposures based on objectives	N/A	N/A
447 (b)	Recorded and fair value, and actual prices of exchange traded equity where it differs from fair value	N/A	N/A
447 (c)	Types, nature and amounts of the relevant classes of equity exposures	N/A	N/A
447 (d)	Realised cumulative gains and losses on sales over the period	N/A	N/A
447 (e)	Total unrealised gains/losses, latent revaluation gains/losses, and amounts included within Tier 1 capital	N/A	N/A
<i>Exposure to interest rate risk on positions not included in the trading book</i>			



448 (a)	Nature of risk and key assumptions in measurement models	Section 11: The Bank 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	49
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	N/A	N/A
<i>Exposure to securitisation positions</i>			
449	Exposure to securitisations positions	N/A	N/A
<i>Remuneration disclosures</i>			
450	Remuneration disclosure regarding remuneration policy and practices	Section 14 Article 450 CRR - Remuneration policy	54
450 (1) (a)	Information concerning the decision-making process used for determining the remuneration policy	Section 14.1: Governance	55
450 (1) (b)	Information on link between pay and performance	Section 14.2: Aligning pay with performance	55
450 (1) (c)	Important design characteristics of the remuneration system	Section 14: Remuneration policy	54
450 (1) (d)	Ratios between fixed and variable remuneration	Section 14.4: Ratio between fixed and variable pay	56
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	57
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	58
450 (1) (g)	Aggregate quantitative information on remuneration by business area	Table 31: REM1 Aggregate remuneration expenditure by business	59
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	Table 32: Aggregate remuneration expenditure by remuneration type	59
450 (1) (i)	Number of individuals being remunerated £1 million or more per financial year	Section 14.8: Qualitative disclosures	58
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
<i>Leverage</i>			
451 (1) (a)	Leverage ratio	Section 13 Article 451 CRR - Leverage	51



451 (1) (b)	Breakdown of total exposure measure	Table 29: LR2 Leverage ratio common disclosure	52
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 Article 451 CRR - Leverage	51
451 (2)	EBA to publish implementation standards for points above	BNY Mellon follows the implementation standards	N/A
<i>Use of the IRB approach to credit risk</i>			
452	Risk-weighted exposure under the IRB approach	N/A	N/A
<i>Use of credit risk mitigation techniques</i>			
453 (a)	Use of on- and off-balance sheet netting	Section 6.1: ISDA master agreements and netting	37
453 (b)	How collateral valuation is managed	Section 6.2: Collateral valuation and management	38
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 - BNY Mellon'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 concentration risk	38
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	Table 16: EU CR3 Credit risk mitigation techniques - overview	38
<i>Use of the Advanced Measurement Approaches to operational risk</i>			
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk	N/A - Pillar 1: standardised approach, Pillar 2: self-assessment approach	N/A
<i>Use of internal market risk models</i>			
455	Institutions calculating their capital requirements using internal market risk models	N/A	N/A
<i>Commission Implementing Regulation (EU) No 1423/2013</i>			
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	Table 2: CC2 Reconciliation of regulatory capital	16
Article 3	Description of the main features of CET1, AT1 and Tier 2 instruments issued (Annex II and III)	Table 7: CCA Main features of regulatory capital instruments	21
Article 4	Disclosure of nature and amounts of specific items on own funds (Annex IV and V)	Table 6: TLAC1 Transitional own funds	20
Article 5	Disclosure of nature and amounts of specific items on own funds during transitional period (Annex VI and VII)	N/A	N/A
Article 6	Entry into force from 31 March 2014	Implemented	N/A



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