

Institutional Accounting

June 2022

Welcome to an overview of institutional accounting, part of the BNY Mellon Learning Hub for asset owners. Pieter Strik and I are excited to share with you some of the services we provided. Pieter and I are the Institutional Accounting Product Managers within Asset Servicing targeting the needs of asset owners.

This session focuses on accounting services and how asset owner clients can utilize accounting to gain visibility into investment valuations such as, separately managed accounts, mutual funds, collective investments, hedge funds and private equity investments.

Our primary goals are to provide you with accurate and timely valuations, as well as offer downstream support functions such as performance and analytics. We will work with you to fully understand your structure and your needs. Through NEXEN, we can provide the reporting requirements you're looking for.

In the next 20 minutes, Pieter and I will outline the following: Inputs to accounting, our process, and the wide range of available outputs; summarize our accounting services model to help support your accounting needs; review an asset owner structure and the process we follow to ensure accuracy; outline some of the regulatory requirements that are available; demonstrate how we incorporate plan level accounting directly into the accounting platform; and summarize how accounting has been incorporated into the BNY Mellon core set of services and part of our digital solution.

BNY Mellon supports over 1,200 clients globally with over US\$7 trillion of assets under administration. Asset owners need greater oversight in their investment performance to make informed decisions.

Asset owners are demanding more frequent valuations and detailed analysis on increasingly complex investment strategies, such as hedge funds, overlay or long duration strategies.

Our services enable clients to get timely and accurate valuations for all investments held within scheme. Your accounting data can be used across supplemental services such as investment compliance, performance and analytics, and risk management.

On this slide, we have outlined the inputs and outputs surrounding your data. As your accounting book of record (ABOR), we will take in all transactions from your investment managers, hedge funds, and private investments. In addition to public market transactions, BNY Mellon will take in all mutual fund and commingled fund, derivatives and bank loan transactions as they have been communicated to us.

And they all will be included as part of your daily valuation. As part of our process, we will reconcile all assets to your third party investment managers, whether that be a separately managed account, hedge

fund, mutual fund or commingled fund investment to ensure that we are supplying a complete valuation for your structure.

The accounting system is trade date based and fully accrued. The valuations BNY Mellon produces can be used for performance and analytics, risk management, investment manager guideline compliance, investment manager invoice validation.

BNY Mellon reporting can be delivered through NEXEN as well. We are able to supply you with any general ledger feeds that you might require.

On this page we have outlined how we service our asset owner client base. Some of the key features that you can see on the slide. Our goal is to have a consultative approach with our clients.

We have service level agreements between all utility functions globally, allowing for consistency as well as flexibility in delivering our operational services.

BNY Mellon managers operational effectiveness, control and risk management. We have an embedded risk management structure supporting our operations. We have a digital team to assist with any NEXEN needs.

The team provides support to clients on customized reporting, geo interfaces, audit request and NEXEN training. We have a dedicated product management team that drives the strategic product roadmap by engaging with key industry associations and working with our clients to understand their needs.

From here, I will pass it over to Peter to take you through the remainder of the training. Thank you.

Thank you, Rich.

BNY Mellon is able to support a multitude of structures from monthly valuation with a basic plan structure to daily valuation with many layers within the plan structure. Any plan structure is part of the accounting platform which will allow you to see your plan structure in the said reporting format as the underlying investments.

A retirement plan may have different cohorts of people having varying investment and risk profiles. The sample on this page shows you how different cohorts may have exposure to different asset classes.

Here, we reflect what the result of an individual opting for a specific lifecycle strategy may look like. Member number three from a particular plan at the age of 35 has deliberately selected a neutral investment strategy, depicted as E. For this investment strategy, every \$100 of investments needs to be spread across the asset classes that are maintained by the plan as follows: 10% into private equity; 10% into real estate; 20% into equity global, etcetera, etcetera.

Each of the asset classes may have actual investments in the form of a custody mandate or via investments through mutual or commingled funds.

As part of our valuation process, BNY Mellon will reconcile all your investments to a third party. For example, custodied assets will be received by the BNY Mellon custody team, processed on our custody platform and will interface with accounting. Accounting and custody data are reconciled daily.

Positions not custodied with BNY Mellon, such as private equity, hedge funds, mutual funds, commingled fund investments are all sent to BNY Mellon from your third party managers. They are processed onto the accounting platform and valued based on the third party statement provided or based on the vendor that supports these positions.

For the third party separately managed accounts, we will work with your investment manager every month and have them supply holding, accruals, and cash balances, and we will reconcile our records with the information sent by your investment manager. This is to ensure that any material difference is reviewed and actioned with the investment manager prior to closing the BNY Mellon books for the month.

For bank loans and derivatives, these will be handled by functionalized professional teams due to their characteristics. Trade capture and life cycle events on derivatives are, for instance, handled by our dedicated derivative team with vast experience dealing with investment managers and brokers alike.

Apart from the provisioning of investment accounting records and ABOR, we also assist clients with their regulatory reporting duties in various domiciles around the globe. This does straddle from ERISA (Employee Retirement Income Security Act of 1974) and FASB (Financial Accounting Standards Board) reporting for US pension plans, Statistical Reporting in the UK, and Pension Fund Oversight reporting in The Netherlands, just to name a few.

Senior representatives from the operations and product teams do sit on regulator sponsored boards to keep abreast with local requirements and sometimes opine on foreseen changes in regulations. When we are not actively involved in the production of regulatory reports in support of our clients, we often work with clients on how best they can retrieve relevant information from our NEXEN portal on their own.

All investment accounting reporting is made available via our global reporting platform, NEXEN.

Our accounting offering can report on all asset types via the same platform. Transparency is central in all we report on, regardless of being a daily or monthly valued client, NEXEN will show you the transactions and positions throughout the month, on a daily basis. Once all the checks and controls have been performed and the valuation has taken place, your accounts will be marked as final.

BNY Mellon heavily invests in reporting technology for the benefit of our clients and the industry as a whole. This is for end reporting to clients but also supporting seamless data integration with third-party platforms.

Our various services all come together via our NEXEN delivery channels - custody, accounting, performance, analytics and so on. It is the same look and feel our clients get via a single sign-on. Apart from the rich set of standard reports, we are providing report writers as well.

In addition, we have created a series of accounting widgets at your disposal which will assist you with a

specific query or task at hand. APIs form the top end of our reporting tools for optimal access and creativity with your data at your fingertips.

We're one of the world's largest providers of the institutional accounting services.

Our total solution can help you take the administrative burden of managing complex assets off your plate.

Please visit our website or contact your BNY Mellon relationship manager to learn more about our capabilities.

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