

BNY Mellon Capital Markets EMEA Limited

PILLAR 3 DISCLOSURE

DECEMBER 31, 2014



BNY MELLON | **Invested**

BNY Mellon Capital Markets EMEA Limited

2014 PILLAR 3 DISCLOSURE

Pillar 3 Disclosure

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 agreement in the European Union. These disclosures will be published on The Bank of New York Mellon's website.

Policy and Approach

Pillar 3 disclosures are required for a consolidated group and for those parts of the group covered by the Basel II framework. Pending implementation of the Basel II framework by The Bank of New York Mellon Corporation (BNYMC), there is currently no comparable disclosure provided on a consolidated basis by BNY Mellon Capital Markets EMEA Limited's parent undertaking. As such, these disclosures have been prepared for BNY Mellon Capital Markets EMEA Limited (or CaML).

These disclosures have been approved by BNY Mellon Capital Markets EMEA Limited's Board of Directors who have verified that they are consistent with formal policies adopted regarding production and validation.

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

Wherever possible and relevant, the Board will ensure consistency between Pillar 3 disclosure, Pillar 1 reporting and Pillar 2 ICAAP content e.g. disclosure about risk management practices and capital resources at year end.

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

Disclosure will be made annually based on calendar year end and will be published as soon as possible after publication of the consolidated annual accounts. The company 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.

Disclosures will be published on The Bank of New York Mellon group website (www.bnymellon.com), see section Investor relations, Financial reports, other regulatory filings on the Company's website.

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 bank will regard as material any information where omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

The Board may omit one or more disclosures if the information provided is regarded as confidential. In this circumstance, the Board will state in its disclosures the fact that specific items of information are not disclosed and the reason for non-disclosure, and will publish more general information about the subject matter of the disclosure requirement except where these are to be classified as secret or confidential.

The Bank undertakes no obligation to revise or to update any forward looking or other statement contained within this paper regardless of whether or not those statements are affected as a result of new information or future events. This policy will be periodically reassessed and updated in light of market developments associated with Pillar 3.

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1 Introduction

The Bank of New York Mellon (BNY Mellon) is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As at December 31 2014, BNY Mellon had \$28.5 trillion in assets under custody and/or administration, and \$1.71 trillion in assets under management. These 2014 Basel II Pillar 3 disclosures relate to BNY Mellon Capital Markets Ltd (CaML) are published in accordance with the requirements of CRD IV. CaML uses the CRR Standardised Approach for calculating credit, market and operational risk.

This disclosure is for CaML and its subsidiary undertakings (together the 'group') as at 31 December, 2014

These disclosures were approved for publication by the CaML Board of Directors (hereafter the 'Board') on June 9th, 2015.

1.1 Purpose of Pillar 3

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

- **Pillar 1** establishes rules for the calculation of minimum capital for Credit, Market and Operational Risk capital resources requirements.
- **Pillar 2** requires firms and supervisors to take a view on whether a firm needs to hold additional capital against risks not adequately covered in Pillar 1 and to take action accordingly.
- **Pillar 3** complements the other pillars and effects market discipline through public disclosure. Expanded disclosure about capital and risk enables interested parties to gauge the capital adequacy of individual banks.

1.2 Highlights and Key Events

The following events took place in 2014 and are considered important events that impacted CaML:

During 2014, CaML has continued to strengthen its risk and control environment, particularly in the following areas:

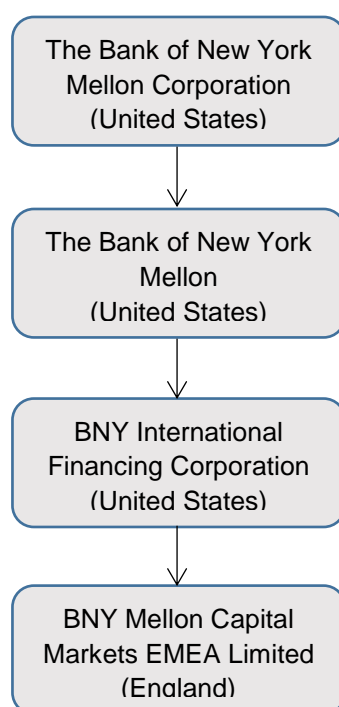
- Strategic recruitment to strengthen the risk function;
 - Legal Entity Risk Officers have been appointed;
 - Regional heads of Operational, Credit and Market Risk appointed;
- Governance structure within the Company has been enhanced, including a revision to the risk committee structure;
- Risk Registers have been developed for all legal entities across EMEA; and
- Additional CaML risk appetite statements have been created and signed off by the Board.

2 Scope and Application of Directive Requirements

CaML is wholly owned by The Bank of New York Mellon through its subsidiary, BNY International Financing Corporation.

The corporate structure of CaML illustrated in Figure 1.

Figure 1: CaML's corporate structure



3 Risk Management Objectives and Policies

3.1 Risk Management Framework

CaML approach to risk management is to ensure that all material risks are defined, understood and effectively managed according to well-designed policies and controls.

CAML's risk appetite requires the maintenance of an appropriate Risk Management Framework that promotes a risk aware and transparent culture and the identification, assessment, mitigation, measurement and escalation of risk and control issues.

CAML's risk appetite is aligned to the risk appetite of BNYMC which is to maintain a balance sheet that remains strong across market cycles to meet the expectations of its major stakeholders, including clients, shareholders, employees and regulators.

The Board adopts a prudent appetite to all elements of risk to which CAML is exposed. CAML uses a variety of metrics to measure and monitor its risk taking activities relative to its risk appetite. Articulating risk appetite through its metrics aids important decision-making by determining actions such as pursuing new products and enterprises, exiting businesses, and aligning resources to maximise potential gains given acceptable levels of risk.

3.2 Scope and Nature of Risk Reporting Systems

CAML's risk profile is recorded through a number of risk assessment tools. The lines of business prepare and update their Top Risk Assessment which is reviewed and challenged by second line of defence risk managers. These are escalated and discussed at the CAML Risk Management Committees, namely CaML Operating Committee and the CAML Board.

The BNY Mellon 'Risk Universe' defines the risk types (current or potential) applicable to the business. Risk types are organised by categories according to industry standards to support the efficient classification and reporting of risks and risk events as they materialise.

3.2.1 Risk and Control Self-Assessment

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

3.2.2 Key Risk Indicators

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

3.2.3 Operational Risk Events

All operational losses and fortuitous gains exceeding \$10k are recorded in the Risk Management Platform, completeness being verified by reconciliation to the General Ledger. Risk events are categorised and reported to the RMCs on a monthly basis.

3.2.4 Risk Register

In 2015, CAML continues to develop a comprehensive Risk profile per legal entity. The Risk Register (RR) is a risk management tool used for the assessment and documentation of risks associated with a legal entity. It is best practice in financial services to maintain Risk Registers for legal entities and it has now become a regulatory necessity in many jurisdictions. Risk Registers are prepared and owned by the Legal entity risk officers. Key representatives from the LOB are consulted as part of the assessment process, as well as risk functions heads. Risk Registers are presented, for information, through the legal entity governance structures. The RR is a living document and is updated upon significant change, and formally approved annually by the Board.

3.2.5 Top Risks

Top Risks are identified according to the assessment of the inherent risk, quality of controls in place to mitigate risk and likelihood to identify residual risk. Top Risks are rated as 'High,' 'Moderate to High,' 'Moderate,' 'Moderate to Low' and 'Low' with direction anticipated. The Top Risk assessed form part of the Risk Management Committee and Board meetings reporting. Top risks are also consolidated into the EMEA Regional top risk reporting process for reporting to the EMEA level Risk Committees.

3.2.6 Stress Testing

The process reflects stressed scenarios that identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to the CAML risk profile. Stress testing is also undertaken on an ad hoc basis. Sources of risk information used to assist scenario development include Top Risk Reporting, financial sensitivity analysis, outputs from the risk assessment tools, operational risk trends, macro-economic data, financial news, client management information or general business statistics.

Scenarios are derived from current, emerging, and plausible future/emerging risks and strategy, and reviewed, discussed and agreed by the CAML's Capital and Stress Testing Committee (CSTC) and the Board.

The conclusion of the stress testing process is a statement of the potential future risk(s) the business faces, control improvements to mitigate the impact should the risk arise and where appropriate, a recommendation for the capital held against each risk type.

3.3 Risk Management Governance

CAML has established risk and stress testing governance to periodically review, challenge and approve risk and capital management processes.

CAML's Risk Management framework helps ensure that all material risks in each business line are defined, understood, and effectively managed using well-designed policies and controls. Risk Management complies with corporate policies on Risk Appetite and Managing Risk culture centred on the Three Lines of Defence (figure 2)

advocated by the BNYMC's Chief Risk Officer and described in the Risk Culture and Risk Management Overview Presentation. Within the EMEA region, the EMEA CRO oversees the management of risk and is supported in this role by Senior Risk Managers operating at business line and/or functional level.

Figure 2: Three Lines of Defence



CAML fully complies with the corporate culture of risk management as Risk is managed at:

- **First line of defence:** The Business Acceptance Committee, the Executive Committee and the Board of Directors;
- **Second line of defence:** Chief Risk Officer, Chief Compliance Officer, the Risk Management Committee (which has representation from Finance, Human Resources and Legal);
- **Third line of defence:** Internal Audit involved in the Risk Management Committee, the ICAAP Working Group, and audits the ICAAP Process.

The risk management framework is established via policies to allow comprehensive coverage of the Company's business structure. The first line of defence takes and owns the risks. The second line advise and challenge on risk management methodology, and appetite. The Bank's approach to Risk Management is to ensure that material risks in each business unit are effectively identified, assessed, monitored and controlled and any issue is escalated to senior management in a timely manner. CAML risk governance framework has been developed in conjunction with BNY Mellon requirements. Key elements of the framework are:

- Formal governance committees, with mandates and representative membership;
- Risk appetite statements for CaML are monitored and reported to the risk management committees on a monthly basis;
- Clear business as usual processes for identification, management and control of risks; • Regular reporting of risk issues; and
- Clearly defined escalation processes, both informally (management lines) and formally (governance committees, board, etc.).

At CAML, the Board is responsible for both the management and the oversight of risks together with the quality and effectiveness of internal controls but has delegated risk management oversight to the CaML Operating Committee. The Board is 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.

3.3.1 Business Unit Risk

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

Each Business has a Risk Partner(s) aligned to the business. These Business Risk Partners are independent of the business and oversee the adherence to Corporate Risk policies and governance requirements. The Risk Management organisation is based on a three tiered structure beginning with Corporate Risk which creates the corporate policies, Risk Management form the second tier, and the third tier is the operational unit which is considered to be the primary owner of all risk relating to the business activities. The operational units may have dedicated Embedded Control Management (ECM) resources who at the direction of the business or the Global Operational Control management team will conduct testing on the operational activities and support internal and external audit work.

3.3.2 EMEA Risk Management Framework

As a global organisation BNYMC has established governance structures to monitor and assess risks on an enterprise-wide basis. BNY Mellon is organised on a regional basis, where CAML forms part of the Europe, Middle East and Africa (EMEA) region. Oversight for EMEA is executed primarily through the following committees:

- EMEA Executive Committee
- EMEA Senior Risk Management Committee
- EMEA Investment Services Risk and Compliance Committee
- EMEA Asset Servicing Executive Committee
- EMEA Asset and Liability Committee
- EMEA AML Oversight Committee
- EMEA Controls Committee
- EMEA Stress Testing Oversight Committee

3.4 Risk Appetite

The BNYMC defines risk appetite as being the magnitude and type of risk the firm is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders.

The Chairman, President and CEO sets the tone for the company's risk appetite with the following overview as detailed in Corporate Policy I-G-005 (January 15, 2015):

“Risk-taking is a fundamental characteristic of providing financial services and arises in every transaction we undertake. Our risk appetite is driven by the fact our company is the global leader in providing services that enable the management and servicing of financial assets in more than 100 markets worldwide and has been designated by international regulators as one of the 29 Global Systemically Important Financial Institutions (G-SIFIs). This designation recognizes our fundamental importance to the health and operation of the global capital markets and carries with it a responsibility to maintain the highest standards of excellence. As a result, we are committed to maintaining a strong balance sheet throughout market cycles and to delivering operational excellence to meet the expectations of our major stakeholders, including our clients, shareholders, employees and regulators. The balance sheet will be characterized as liquid, with strong asset quality, ready access to external funding sources at competitive rates and a strong capital structure that supports our risk-taking activities and is adequate to absorb potential losses. These characteristics support our goal of having superior debt ratings among the best within our peer group, which comprises other trust and investment firms. To that end, the company's Risk Management Framework has been designed to:

- Ensure that appropriate risk tolerances (“limits”) are in place to govern our risk-taking activities across all businesses and risk types;
- Ensure that our risk appetite principles permeate the company's culture and are incorporated into our strategic decision-making processes;

- Ensure rigorous monitoring and reporting of key risk metrics to senior management and the Board of Directors;
- Ensure that there is an on-going, and forward looking, capital planning process to support our risktaking activities.”

The risk appetite statement is an integral part of the management of the business within CAML’s Risk Management Framework document and aligned to BNYMC’s risk appetite statements which are to commit to maintaining a balance sheet that remains strong and liquid throughout market cycles to meet the expectations of major stakeholders, clients, shareholders, employees and regulators.

The statement is owned and set by the CAML Board of Directors (Board). The Board has adopted a principally prudent appetite to all elements of risk to which CAML is exposed. All business activities will continue to be managed and controlled in a manner consistent with the Boards stated tolerances using defined quantitative and qualitative measurements.

The risk appetite is articulated through a comprehensive set of metrics; where capital represents one of the core elements of CAML’s risk appetite. Thresholds are established to measure the performance of the business against its risk appetite. These metrics are actively monitored, managed and mitigated through the monthly Risk Committees, to ensure that the performance of business activities remains within risk tolerance levels. Where residual risks remain (which are within CAML’s risk appetite), CAML allocates capital as provision against potential financial loss.

The Risk Appetite Statement was defined and is owned and approved by the Board. The last revision of the statement was approved in December 2014 and is due for a refresh in Q3 2015. The risk appetite metrics are actively monitored, managed and mitigated through the monthly Risk Committees, to ensure that the performance of business activities remains within risk tolerance levels. Where residual risks remain (which are within CAML’s risk appetite), CAML allocates capital as provision against potential financial loss.

3.5 Credit Risk

Credit risk is the risk of default from counterparties or clients for deposits, loans, commitments, securities and other assets where the realisation of the value of the asset is dependent on its ability to perform. Credit risk could also arise from off-balance sheet items including counterparty credit risk and securities lending indemnifications and letters of credit identifying exposures (balance sheet and non-balance sheet).

3.5.1 Credit Risk Exposure

Credit exposure is computed under the Standardised approach. This method for calculating credit risk capital requirement uses supervisory risk weights.

Except where stated, exposure is defined as **Exposure at Default (EAD) pre Credit Risk Mitigation (CRM)** i.e. a regulatory exposure value after the application of Credit Conversion Factors (CCF) for off balance sheet items (including undrawn commitments) and, after netting but before application of Credit Risk Mitigation factors (e.g. property, other physical collateral).

The calculation of EAD therefore takes into account both current exposure and potential drawings prior to default over a 12 month time horizon. As such, exposure in this context may differ from statutory GAAP accounting balance sheet carrying values.

The following credit risk exposure tables (1) to (4) summarise the credit exposure for CAML. Standardised gross Credit exposure (EAD pre CRM)¹²

¹ Standardised exposure classes are per CSSF definitions. Other items principally comprise trade and other debtors, interest and accounts receivable and prepayments. Average exposure is based on 2014 quarterly capital adequacy reporting.

² Standardised pre and post credit exposure by Credit Quality Step as per BIPRU 11.5.10.5

The following table summarises the standardised gross credit exposure by class as at 31 December 2014.

Table 1: Standardised gross credit exposure by exposure class

Standardised gross credit exposure by exposure class (£000s)	Exposure at Default (EAD) pre Credit Risk Mitigation		Average EAD pre CRM		Standardised Credit Risk Capital Requirement	
	2014	2013	2014	2013	2014	2013
Central Governments and Central Banks	0	0	0	0	0	0
Institutions	26,598	9,998	0	0	426	160
Corporates	525	2,124	0	0	42	170
Short term claims on Institutions and Corporates	0	0	0	0	0	0
Collective Investment Undertakings	0	0	0	0	0	0
Other	0	2,274	0	0	0	20
Total	27,124	14,396	0	0	468	350

i) Standardised gross Credit exposure (EAD pre CRM) by industry sector¹

The following table summarises the standardised gross credit exposure by industry sector as at 31 December 2014

Table 2: Standardised Pre and Post mitigated Credit Exposures by Credit Quality Step

Standardised Pre-mitigated Credit Exposures by Credit Quality Step (£000s)	Central Governments and Central Banks		Institutions: Maturity <= 3m		Corporates		Other		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1	0	0	0	0	0	0	0	0	0	0
2	0	0	26,598	9,998	0	0	0	0	26,598	9,998
3	0	0	0	0	0	0	0	0	0	0
4	0	0	0	0	525	2,124	0	2,274	525	4,398
5	0	0	0	0	0	0	0	0	0	0
6	0	0	0	0	0	0	0	0	0	0
Total	0	0	26,598	9,998	525	2,124	0	2,274	27,124	14,396

iii) Standardised gross Credit exposure (EAD pre CRM) by geographical area²

The following table summarises the standardised gross credit exposure by geographic area as at 31 December 2014

Table 3: Standardised gross Credit exposure by geographic area

¹ Geographic distribution is based on the domicile of the borrower or obligor. Europe, Middle East & Africa excludes Luxembourg (separately reported).

Standardised exposure classes (£000s)	Europe		Americas		Africa		Asia Pacific		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Central Governments and Central Banks	0	0	0	0	0	0	0	0	0	0
Institutions	26,598	9,998	0	0	0	0	0	0	26,598	9,998
Corporates	518	2,002	7	122	0	0	0	0	525	2,124
Short term claims on Institutions and Corporates	0	0	0	0	0	0	0	0	0	0
Collective Investment Undertakings	0	0	0	0	0	0	0	0	0	0
Other	0	2,274	0	0	0	0	0	0	0	2,274
Total	27,117	14,274	7	122	0	0	0	0	27,124	14,396

iv) Standardised gross Credit exposure (EAD pre CRM) by residual maturity

The following table summarises the standardised gross credit exposure by residual maturity as at 31 December 2014

Table 4: Standardised gross credit exposure by residual maturity

Standardised gross credit exposure by residual maturity (£000s)	Less than 3 months		3 months to 1 year		Over 1 year or undefined		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Central Governments and Central Banks	0	0	0	0	0	0	0	0
Institutions	26,598	9,998	0	0	0	0	26,598	9,998
Corporates	525	2,124	0	0	0	0	525	2,124
Short term claims on Institutions and Corporates	0	0	0	0	0	0	0	0
Collective Investment Undertakings	0	0	0	0	0	0	0	0
Other	0	2,274	0	0	0	0	0	2,274
Total	27,124	14,396	0	0	0	0	27,124	14,396

3.5.2 Impaired and Past-Due assets and Provisions

As at December 31, 2014, CAML has no material impaired assets for which a specific or general provision had been raised. There were no material assets past due greater than 90 days. CAML did not incur any material write-offs of bad debts or make any recovery of amounts previously written off during the year to December 31, 2014.

3.5.3 Capital Resource Requirement

CAML calculates Pillar 1 credit risk capital resource requirement using the Standardised Approach, as defined in BIPRU 3.1.6R. CAML does not use external credit assessments provided by Fitch, Moody's, and Standard and Poor's (ECAIs) to determine the risk weighting of exposures in its portfolios depending on counterparty type and coverage. In accordance with CSSF Circular 06/273 Part VII, and given that all cash balances with institutions are on call, these balances are allocated a 20% risk weighting. Client overdrafts are totally allocated a 100% risk weighting.

3.6 Counterparty Credit Risk

Counterparty credit risk is the risk that a counterparty to a contract recorded in either the trading book or non-trading book defaults before fulfilment of cash-flow obligations.

As at 31 December 2014, CAML did not have any trading book positions or derivative positions in its banking book and therefore had no counterparty credit risk.

3.7 Market Risk

Market risk is defined as the risk of adverse change to the economic condition of CAML due to variations in prices, rates, implied volatilities, or correlations of market risk factors (e.g., interest rates, FX prices, market liquidity).

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

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

3.7.1 Capital Resource Requirement

CAML calculates the Pillar 1 market risk capital resource requirement for FX on based on Standardised approach as defined in in BIPRU 7.5.

3.8 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). It may arise from transaction processing, execution, delivery and process management errors, internal or external fraud, damage to physical assets, business disruption due to systems failures, defective product designs and unprofessional practices, and potential legal or regulatory actions as a result of regulatory, ethical or contractual breach.

The following categories of operational risks are considered for CAML:

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

3.8.1 Operational Risk Coverage

Operational risk is managed within CAML risk appetite which states that CAML will ensure adequate people, processes and technology are allocated to manage operational risk. Operational Risk is also managed under the Risk Governance Framework described in Section 3.3 of this Disclosure. CAML Board monitors operational risks and the appropriateness of controls through the Executive Committee and independent reporting from risk managers. This requires CAML to update regularly its Risk and Control Self Assessment's (RCSA), as well as monthly Key Risk Indicators (KRI) and prompt reporting of any significant financial impacts as a result of errors.

All internal risks are reviewed at least on a quarterly basis in partnership with the appropriate department heads of CAML and focus on the risks faced and the controls in place to manage or mitigate any crystallisation of risks. In parallel, Risk Management performs monitoring appropriate to the business and identified risks, which includes KRI reporting, significant event analysis and ad hoc reviews. Moreover the key elements of the RCSA, internal control environment, monitoring and governance arrangements are routinely reviewed and challenged by the Risk Committee.

3.8.2 Capital Resource Requirement

CAML calculates the Pillar 1 operational risk capital resource requirement under the Basel II Standardised Approach; it has been determined that CAML falls under the Agency Services Basel business line. The standard indicator approach for operational risks sets out a 15% risk rate for a single indicator that is determined by the sum of net interest income and net non-interest income. The operational risk is based on a 5 year projection.

3.9 Liquidity Risk

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

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

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

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

3.10 Compliance Risk

Compliance risk is comprised of:

- Regulatory Risk: Risk of loss arising from non-compliance with laws and regulations, and lack of adequate documentation to demonstrate compliance.
- Monitoring & Reporting Risk: Risk of loss arising from failure to comply with financial reporting standards, agreements or regulatory requirements, including risks resulting from action taken by stockholders, potential stockholders, regulators and the general investing public who may have been harmed by incomplete, inaccurate or untimely reporting of financial performance and including risk caused by senior management's inability to respond to economic opportunities available to the Corporation because of incomplete, inaccurate or untimely reporting.

CAML aims to fully comply with the applicable laws, regulations, policies, procedures and CAML's Code of Conduct. Emerging regulations are monitored by Compliance and Risk management and reported to senior management and the Board of Directors. Strategies and preparations to comply with regulations are put in place where necessary.

Regulatory risk is covered by Stress Tests on an ad-hoc basis where necessary, before a new regulation enters into force.

There are currently several regulatory initiatives or existing regulations that would largely impact CAML's business:

- Alternative Investment Fund Managers Directive (AIFMD)
- Single European Payment Area (SEPA)
- European Market Infrastructure Regulation (EMIR)
- US Foreign Account Tax Compliance Act (FATCA)
- UCITS V
- Basel III Implementation

Evidence in the Bank's history of losses indicates that this level of risk is very low. CAML has never suffered from a sanction event where the regulator has imposed a fine.

3.11 Business Risk

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

The principal business risk for the Bank is within the Asset Servicing and Alternative Investment Services sector as this is mainly driven by the fact that fees are significantly based on the client's Net Asset Value (NAV) for Fund Accounting and Custody. As business risk is difficult to assess, it has been defined as the residual risks that confront the Bank, after taking all known and quantifiable risks into consideration.

Regular monitoring of Assets under Custody, revenue and profitability is a key control used to mitigate the risk.

CAML has continually applied a successful client focused philosophy. This approach has resulted in long term client relationships. Clients' Key Performance Indicators are monitored on a regular basis. Clear lines of communication either via conference calls or face to face meetings are established.

3.12 Outsourcing Risk

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

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

CAML's Outsourcing Policy details certain minimum standards that should be adopted when considering or dealing with a service and/or activity that is outsourced to another legal entity, either within the Group or to an external provider and establishes a framework for evaluating and analysing outsourcing projects.

3.13 Concentration Risk

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

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

CAML manages the following types of concentration risks:

- Credit
- Client
- Operational
- Market
- Liquidity

3.13.1 Credit Concentration Risk

Credit concentration risk results from concentration of exposures to a single counterparty, borrower or group of connected counterparties or borrowers. This includes on and off-balance sheet exposures.

CAML is exposed to credit concentration risk through its overnight depositing of its cash balances with two banks, namely Barclays Bank and Lloyds Bank. These banks are subject to on-going credit risk assessment by the BNYM Mellon Group Bank Credit Risk team who will advise CaML of any adverse credit rating changes.

3.13.2 Client Concentration Risk

CAML is exposed to client concentration risk. Client concentration risk remains stable compared to 2013. The business would also be willing to diversify products and activities, increase the number of new client take-ons, review the pricing, possibly cease relationship with unprofitable clients and would be seeking to increase productivity.

3.13.3 Operational Concentration Risk

Concentration risk in operations can arise from a number of operational risk factors, including external suppliers providing key products and services, external market counterparties, and the geographic concentration of operations.

CAML has a number of operational dependencies on the BNY Mellon Group, for instance intra-group outsourcing.

3.13.4 Market Concentration Risk

Market or product concentration risk is an exposure that relates to the potential for settlement or operational failures and may arise within or across traded product categories throughout CaML with the potential to produce losses large enough to threaten CaML's health or ability to maintain its core operations. A failed trade and as a consequence the subsequent sell-off or buy-in of the transaction or position may result in a financial loss for CaML, in particular if the size of the transaction or position is too concentrated compared to the liquidity in the market or if the traded product itself is of an illiquid nature.

CAML mitigates market (product) concentration risk through the use of product concentration risk limits in its daily client-brokerage operations. Adherence to the limits is monitored by the Market Risk function. Any breaches are reported to the Operating Committee and the Board of Directors.

3.13.5 Liquidity Concentration Risk

Liquidity is provided by ordinary share capital and retained income. The Firm has no external borrowings apart from a term loan from a Group affiliate to improve the term structure of the balance sheet. Liquidity is held in the form of internal accounts with Group affiliates and with third party UK banks. The Firm does not maintain positions or investments nor have any exposures to derivatives or any other off-balance sheet liquidity risks.

3.14 Group Risk

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

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

CAML management have considered several possible scenarios where these services may be affected, these include IT services outage and other business continuity issues. Although these will cause operational issues they are not expected to have a significant cost impact and are therefore not modelled, but are included in the scenarios as part of operational risk assessment and in the liquidity stress testing.

3.15 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. For regulatory purposes, interest rate risk is monitored in the trading portfolio and non-trading book separately. IRR exposure in the banking book arises from maturity or repricing mismatches and from products that include embedded optionality, the risk could crystallise with changes in interest rate risk/the shape of the yield curve.

CAML has no material assets and liabilities subject to interest rate risk. CAML's exposure to interest rate risk is principally related to interest earnings on its own cash deposits. CAML seeks to earn competitive interest rates on the cash balances held but adopts a very low risk approach (on call deposits only).

The IRR is monitored against set limits by the Market Risk function. Any breaches are reported to the Operating Committee and the Board of Directors.

3.16 Legal Risk

Legal risk is the risk of loss arising from claims, lawsuits (including both costs of defence and adverse judgments), and inability to enforce contracts as expected.

CAML's legal risks fall into the following four categories:

1. Corporate
2. Client
3. Employee
4. Suppliers

The legal risks here are associated with non-payment / non-performance. They are mitigated by the formal documents that lay out the responsibilities of both parties and the procedures for resolving disputes. The legal risk associated with Corporate, Client and Supplier legal risk are considered low, based on historical and current experience. Given the five year strategy, this is not envisaged to change on a business as usual basis. The legal risk relating to Employees is included in the operational risk.

3.17 Model Risk

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

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

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

Models that impact the capital assessment process are categorised as Tier 1 models and the execution of the validation of Tier 1 models is done by a designated Independent Model Validation function. Tier 1 models are required to be validated or reviewed, as per the Validation Standards, on at least an annual basis.

BNY Mellon Internal Audit provides independent reviews of compliance with the corporate Model Validation Policy.

3.18 Pension Obligation Risk

Pension Obligation Risk is caused by contractual liabilities or legal obligation to a company's staff pension schemes. BNY Mellon in EMEA operates a number of defined contribution and defined benefits pension arrangements where contributions are paid into separate arrangements, typically to an insurer or trusts. CAML is not exposed to the Pension Obligation risk.

3.19 Reputation Risk

Reputation risk covers the current or prospective risk to earnings and capital arising from adverse perception of the image of the financial institution on the part of the customers, counterparties, shareholders, investors and regulators.

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

- Group default or reputational event could lead to loss of confidence in CAML
- Legal or operational event leading to publicised failure which impacts CAML reputation. Regulatory change with particular regards to recent AIFMD and UCITS regulation. Key reputation risk for CAML is risk of not being able to present a full service in the line with the AIFMD /UCITS requirements and the impact it could have on future strategy within the UK. The risk of not being able to provide such service and the reputational damage that could be incurred is driven by the risks that the service operating model, primarily the new technology platforms that would capture cash monitoring, investment restrictions, and record keeping, not being ready on time for on-boarding and/or migration of clients, and by the secondary risk of correct resourcing for such activity.

3.20 Strategic and Country Risk

3.20.1 Strategic Risk

Strategic risk is defined as the risk of earnings reduction and capital loss arising from changes in the business environment and from adverse business decisions or improper implementation of decisions. Strategic risk can result from either a misalignment of business line decisions which impact the group, or failure to deliver business value through new strategic initiatives. M&A integration, the choice of business model, wrong product and poor due diligence have been identified as the most critical sub-risks within the strategic risk category. Strategic risk is based on management assessment.

3.20.2 Country Risk

Country Risk is the risk of unfavourable evolution of operating profits and/or value of assets due to changes in the business environment resulting from political or macroeconomic factors. Country risk is a stabilising risk due to exposure to Italy and (to a lesser degree) to Russia. Italy, along with other Eurozone countries, is not currently experiencing the severe trials that impacted it in 2012 and that brought questioning around a sovereign debt crisis.

3.21 Settlement Risk

Settlement risk is the probability of loss arising from the failure of one counterparty to settle its side of a transaction, thus preventing other counterparties from settling their commitments. It arises usually when payments are not exchanged simultaneously.

It has been concluded that CAML was not subject to settlement risk as it held no securities, or commodities commitments to settle. CAML has no trading book.

The bank undertakes only FX trades since January 2014 for banking book purposes with intra group entities and trades are settled within a day. To date, the bank has not experienced any unsettled FX transactions.

3.22 Non-trading book exposures in equities

CAML did not have any non-trading book exposures in equities as at December 31, 2014.

3.23 Securitization Risk

Securitisation risk is the risk that the capital resources held in respect of assets which it has securitized is not adequate.

As at December 31, 2014, CAML did not have any securitisation risk-weighted exposure.

4 Capital Resources

4.1 Available Capital Resources

The following table summarises the capital resources for CAML, as at 31 December 2014. The summary Pillar 1 capital requirements are presented by exposure class, and the associated capital surplus and capital adequacy ratio.

Table 5: Capital resources

Capital Resources As at 31 December (£000s)	CaML	
	2014	2013
Tier 1 Capital		
Called up Share Capital	30,273	10,228
Capital Retained Earnings and other Reserves	4,911	2,308
Total Tier 1 Capital	35,184	12,536
Deductions from Tier 1 Capital		
Intangible Assets		
Material Holdings	(9,223)	
Total Tier 1 Capital after deductions	25,961	12,536
Tier 2 Capital		
Lower Tier 2 Capital		
Dated subordinated debt		
Total Tier 2 Capital	0	0
Deductions from total of tiers 1 and 2 capital		
Connected lending of a capital nature		
Total Deductions from total of tiers 1 and 2 capital	0	0
Total Capital Resources	25,961	12,536

4.2 Risk Weighted Assets

The following table summarises the Risk Weighted Assets (RWAs) for CAML by risk type.

Table 6: Risk Weighted Assets by risk type

As at 31 December Risk Weighted Assets (RWAs) by risk type (£000s)	CaML	
	2014	2013
Credit Risk	5,845	4,375
Settlement/Delivery Risk	108	0
Operational Risk	3,093	6,000
Market Risk	244	50
Total RWAs	9,291	10,425

5 Capital Requirements and Adequacy

The following table details the Pillar 1 capital requirements by exposure class for CAML as at 31 December 2014.

Table 7: Capital requirements by risk type

Capital Requirements and Adequacy As at 31 December (£000s)	CaML	
	2014	2013
Credit Risk Standardised Approach		
Central Governments and Central Banks	0	0
Institutions	426	160
Corporates	42	170
Short term claims on Institutions and Corporates	0	0
Collective Investment Undertakings	0	0
Other	0	0
Total Credit Risk capital requirement	468	350
Settlement/Delivery Risk		
Settlement/Delivery Risk Requirement	9	0
Total Settlement/Delivery Risk capital requirement	9	0
Operational Risk – standardised approach	247	480
Market Risk		
Foreign currency Position Risk Requirement	20	4
Total Market Risk capital requirement	20	4
Total Pillar 1 Capital Requirements	743	834
Total Capital Resources	25,961	12,536
Capital surplus	25,218	11,702
Total Capital Resources/Total Pillar 1 Capital Requirement	3493%	1503%

6 Remuneration Disclosure

6.1 Governance

Subject to its charter, The Human Resources and Compensation Committee (HRCC) of The Bank of New York Mellon Corporation (BNY Mellon) oversees BNY Mellon's enterprise-wide employee compensation and benefit policies and programs. It reviews and is responsible for other compensation plans, policies and programs in which the executive officers participate and the incentive, retirement, welfare and equity plans in which all employees participate. During 2014, the HRCC met 8 times.

The members of the HRCC are non-executive board members, delegated by BNY Mellon's Board of Directors to act on behalf of the Board on remuneration matters.

With respect to employees broadly, the company's compensation plans are also monitored by a management-level compensation oversight committee (COC). The members of the COC are members of BNY Mellon's senior management and include the Chief Human Resources Officer, the Chief Risk Officer, the Chief Financial Officer and the Risk Management and Compliance Chief Administrative Officer. An important responsibility of the COC is to advise the HRCC on any remuneration risk-related issues.

To ensure alignment with local regulations in BNY Mellon's EMEA (Europe, Middle-East and Africa) region, the EMEA Remuneration Governance Committee (ERGC) was set-up as a regional governance committee that reviews and ensures compliance with local regulations affecting BNY Mellon's EMEA businesses, including BNY Mellon Capital Markets EMEA Limited (CaML). Remuneration policy decisions of CaML rest with the HRCC, which also approves the year-end compensation awards of its regulated staff members.

6.2 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 regularly used as a means of recognising performance.

By implementing 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, where appropriate.

6.3 Remuneration components: 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 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 in the variable remuneration, including a zero variable remuneration.

Employees who have accepted to be a director of another of BNY Mellon's legal entities are not remunerated in their capacity as a director. Independent directors of BNY Mellon only receive fixed remuneration, as disclosed in our annual Proxy Statement to shareholders.

6.4 Variable compensation funding and risk adjustment

The staff of CaML are eligible to be awarded variable compensation. Such variable compensation consists of both cash 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. The incentive pool funding is based upon the risk adjusted performance of the business line, entity or company as appropriate.

The deferred component is intended to align a portion of the variable compensation award with the management of longer term business risk. The deferred compensation component is generally awarded in the form of BNY Mellon restricted stock units.

Furthermore, BNY Mellon requires employees who receive awards to agree to clawback and/or forfeiture provisions on such awards in the event of fraud, misconduct or actions contributing to financial restatement or other irregularities. Where required by regulations, awards to Material Risk Takers are subject to more stringent risk adjustment, potentially including forfeiture and / or clawback in the case of misbehaviour, material error, material downturn in business unit performance or a material failure of risk management.

6.5 Ratio between fixed and variable pay

The HRCC approved an increase in the maximum ratio of Variable to Fixed pay ("Bonus Cap") from 100% to 200% on 27 January 2014 on the basis that the increased cap would not affect the firm's ability to maintain a sound capital base, and allows for the appropriate incentivisation and reward in accordance with our Pay for Performance philosophy. The Board of Directors of BNY International Financing Corporation (IFC), the sole shareholder of CaML, approved an increase of the bonus cap to 200% on 29 July 2014.

6.6 Deferral policy and vesting criteria

For more senior-level employees, a portion of variable compensation will be deferred, under ordinary circumstances for a period of at least three years (albeit such compensation may be deferred on a pro rata basis for alternative periods), and will be subject to the performance of either (or both) the company or the respective business. The deferred component of the variable compensation award is generally delivered as restricted stock units whose value is tied to BNY Mellon's share price. The percentage of the variable compensation award to be deferred depends on the level of the position, regulatory requirements and the amount of the award. For regulated staff, the variable compensation portion of an award is broken out in four different parts: upfront cash, upfront equity, deferred cash and deferred equity, in order to comply with local regulations. All such deferred awards are subject to terms and conditions that provide for forfeiture or clawback in certain circumstances.

6.7 Variable remuneration of control function staff

The variable compensation awarded to control function staff (e.g. audit, legal and risk) is dependent on performance which is assessed according to the achievement of objectives specific to their functional role which is independent of the activities they oversee. This 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.

6.8 Quantitative Remuneration Disclosure

The tables below provide details of the aggregate remuneration of Material Risk Takers for CaML for the year ending 31 December 2014.

For completeness, this group of staff is limited to those considered to be primarily regulated due to their activities under CaML. The remuneration amounts are presented on a gross basis, regardless of the time spent by BNY Mellon staff in respect of CaML, to reflect the full reporting period.

Table 8: Aggregate remuneration expenditure for Material Risk Takers in 2014 by business (£000s)

	CaML		
	Investment Services	Other ^(*)	Total
Total Remuneration ^(**)	1,001	399	1,400

(*) Includes all support functions and general management positions.

(**) Includes base salary and other cash allowances, plus any cash incentive and the total of any deferred awards made in BNY Mellon shares, valued at the date of grant, or deferred cash.

Table 9: Aggregate remuneration expenditure for Material Risk Takers relating to 2014 by remuneration type

	CaML		
	Senior Management ^{(*)(**)}	Other Material Risk Takers	Total
Number of beneficiaries	-	7	7
	£000s	£000s	£000s
Fixed Remuneration ^(***)	-	1,009	1,009
Variable Remuneration	-	391	391

(*) Senior Management is comprised of MRTs identified under Article 3.3 of the EBA RTS for identifying MRTs. Consisting of Directors, other Significant Influence Functions and those holding the corporate title of Executive Vice President.

(**) Due to data confidentiality reasons, the information for Senior Management is disclosed on an aggregate basis within the Other Material Risk Takers category.

(***) Fixed Remuneration includes base salary and any cash allowances.

Other employees who could be considered to be Material Risk Takers for 2014 for some of their activities under CaML, but who are primarily regulated in respect of a different entity have been excluded from the data displayed in the tables above. These remuneration expenditures are included on an aggregate basis in the Pillar 3 remuneration disclosures for the respective BNY Mellon legal entities

7 Glossary of Terms

The following terms are used in this document:

- **ALCO:** Asset and Liability Committee
- **AMA Scenarios:** Advanced Measurement Approach under the Basel II Operational risk
- **Basel II:** The June 2006 capital adequacy framework issued by the Basel Committee on Banking Supervision in the form of the 'International Convergence of Capital Measurement and Capital Standards'. ▪ **BNY Mellon:** The Bank of New York Mellon
- **BNYMC:** The Bank of New York Mellon Corporation
- **CCR:** Counterparty Credit Risk
- **CRD:** Capital Requirements Directive
- **Credit and Operational Risk Management Committee (CORMC):** CORMC approves the credit and operational risk methodologies and assumptions that do not require review by the Risk Quantification Committee.
- **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.
- **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.
- **Key Risk Indicator (KRI):** Key Risk Indicator are used by business lines to evaluate control effectiveness and residual risk within a business process.
- **Legal Entity Risk Officer:** Senior risk manager with responsibility of second line oversight and challenge of the legal entity risk taking and management.
- **MRT:** Material Risk Taker as defined by the European Banking Authority Final Regulatory Technical Standards on criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile under Article 94(2) of Directive 2013/36/EU ("CRD IV").
- **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 CAML risk governance framework has been developed in conjunction with BNYMC requirements. Key elements of the framework are:
 - Formal governance committees, with mandates and attendees defined
 - Clearly defined escalation processes, both informally (management lines) and formally (governance committees, board, etc)
 - A clear BAU process for identification, management and control of risks
 - Regular reporting of risk issues
- **RMC:** Risk Management Committee which meets on a monthly basis to provide governance on risk related items arising from the business of the group.
- **Risk Register:** Risk profile of the legal entity.
- **Standardised approach:** In relation to credit risk, a method for calculating credit risk capital requirements using external credit assessment institution ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.

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BNY MELLON

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