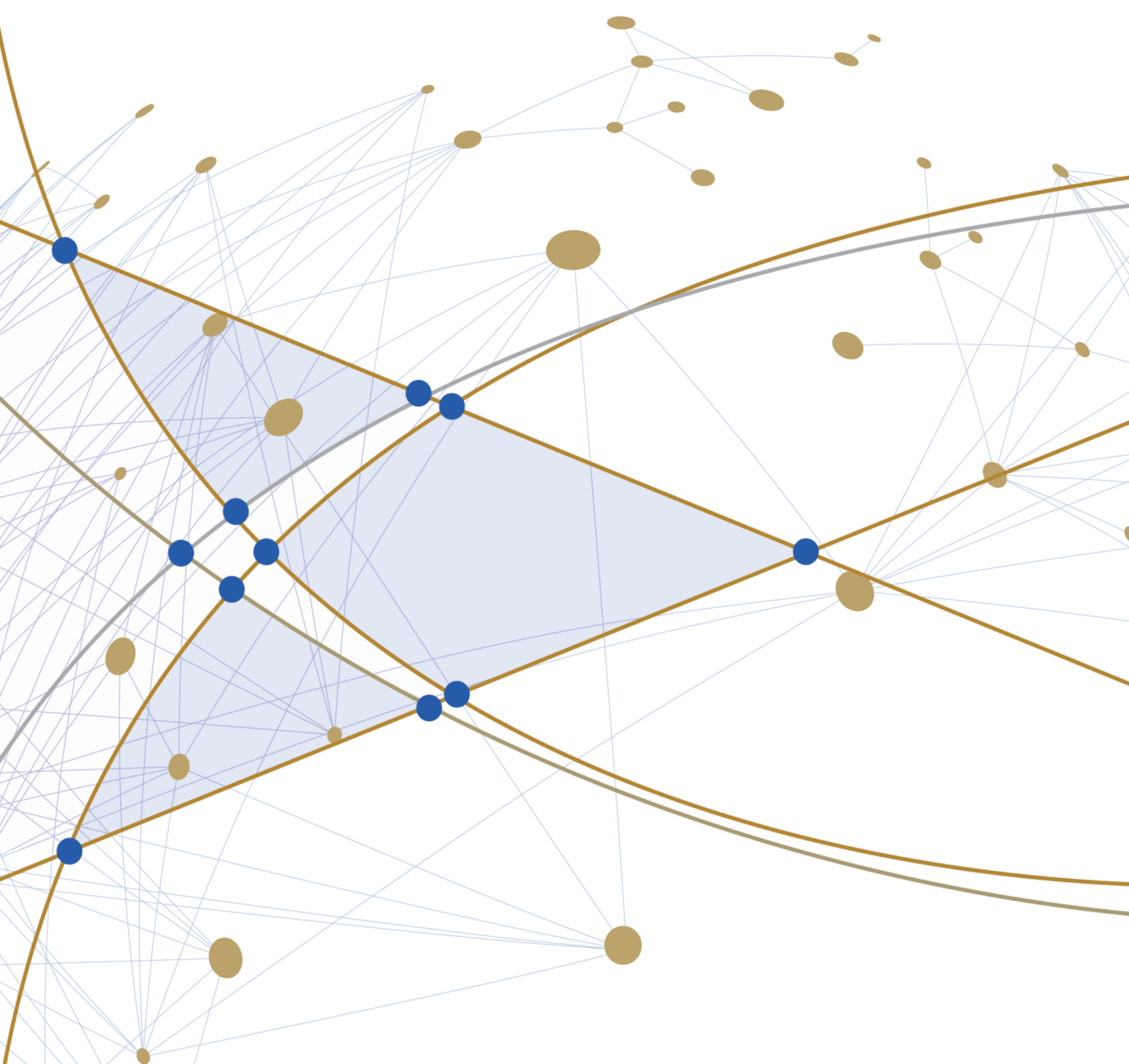


Pershing Holdings (UK) Limited

PILLAR 3 DISCLOSURE

DECEMBER 31, 2014

BNY MELLON | Invested

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 III framework. These disclosures have been prepared for Pershing Holdings (UK) Limited (or the "PHUK").

These disclosures have been approved by PHUK's Board of Directors which has 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 PHUK Board of Directors will ensure consistency between Pillar 3 disclosures, 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 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.

The PHUK Board of Directors 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 PHUK Board of Directors may omit one or more disclosures if the information provided is regarded as confidential. In this circumstance, the PHUK Board of Directors 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 company undertakes no obligation to revise or to update any forward looking or other statement contained within this document 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.

Table of Contents

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 of 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 III Pillar 3 disclosures relate to Pershing Holdings (UK) Limited group and are published in accordance with the requirements of CRD IV. PHUK uses the CRR Standardised Approach for calculating credit, market and operational risk.

This disclosure is for Pershing Holdings (UK) Limited and its subsidiary undertakings (together the ‘group’) as at December 31, 2014.

These disclosures were approved for publication by the PHUK Board of Directors (hereafter the ‘Board’) on June 30, 2015.

1.1 Purpose of Pillar 3

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 (EU) through the Capital Requirements Directive (CRD). The Basel III 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 requirements for Credit, Market and Operational Risk.
- **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 and risk profile of individual firms and to make comparisons.

1.2 Highlights and Key Events

- The new business pipeline is strong in both the institutional and wealth and advisor segment. Further, it is recognised that considerable potential growth exists within the existing client base, due to market developments, further cross-selling and the organic growth of certain key clients. The PHUK Executive Committee realises that due to the changing business and regulatory environment, the current business model needs to adapt and change to maintain and improve upon PHUK’s financial and revenue position going forward.
- The strategy to diversify and develop the business has been finalised and a number of initiatives are in the process of being developed and implemented. They include:
  - Pricing structures
  - Leverage group relationship with BNY Mellon
  - Expand the range of solutions to support more asset classes
  - Improving client on-boarding process
- The organisational framework within Pershing has been further enhanced by:
- Continuing the global location strategy and lowering the cost base through the relocation of the headcount from high to medium and lower cost locations;
- PHUK has integrated its Institutional Business Development team with the Broker Dealer Services (BDS) business line at BNY Mellon under PHUK’s business management

- Focusing on service excellence, including solution developments and operating efficiencies, client experience, employee engagement and talent management. These are considered key strategies to help execute the growth plans.

2 Scope and Application of Directive Requirements

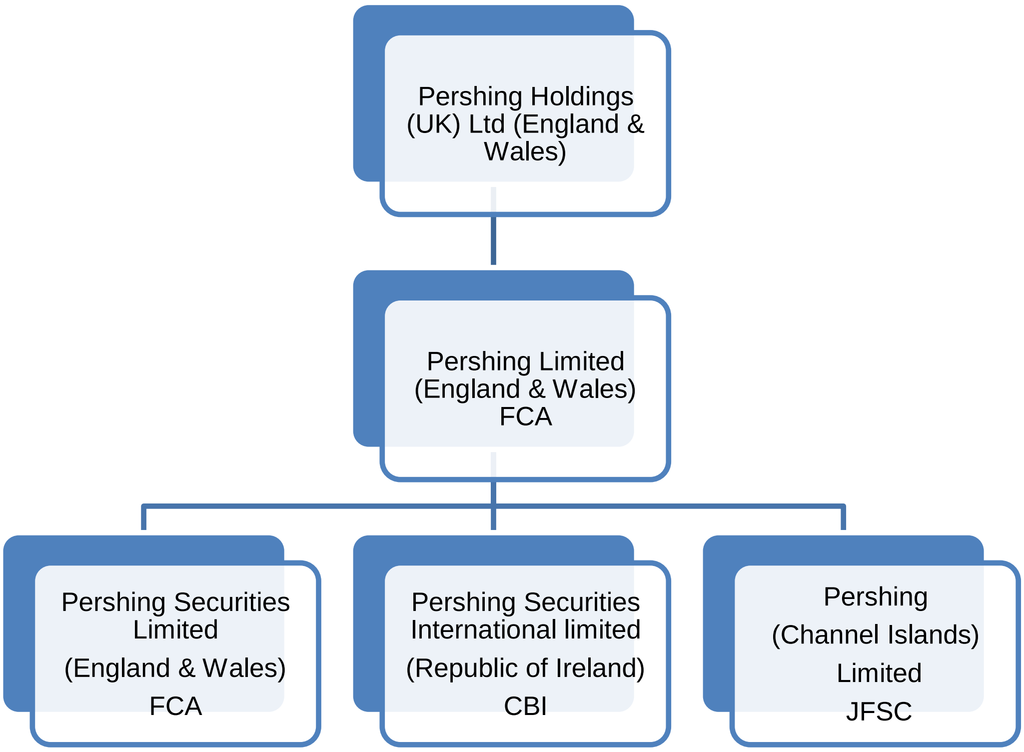
Pershing Holdings (UK) Limited is the UK based, wholly owned and operationally independent subsidiary of Pershing Group LLC which is, in turn, a subsidiary of the Bank of New York Mellon Corporation (BNYMC).

Pershing Holdings (UK) Limited group is required to comply with the Basel III rules, which includes this disclosure. The entities in the organisation chart below make up the group and are considered in this disclosure. Pershing Limited ("PL") and Pershing Securities Limited ("PSL") are significant subsidiaries. They are both full scope IFPRU investment firms and are both authorised and regulated by the FCA. PL and PSL capital resources and requirements are disclosed in Sections 4 and 5.

Pershing (Channel Islands) Limited is regulated by the Jersey Financial Securities Commission. Additionally, Pershing Securities International Limited is regulated by the Central Bank of Ireland whose Pillar 3 disclosures are published separately (www.pershing.i.e).

The corporate structure of PHUK is illustrated in Figure 1.

Figure 1: PHUK corporate structure



The principal activities of PHUK 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 located largely in the UK and Ireland.

3 Risk Management Objectives and Policies

3.1 Risk Management Framework

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

PHUK'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.

PHUK'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 PHUK is exposed. PHUK 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

PHUK's risk profile is managed through a number of risk assessment tools and processes. The risk management team prepares and updates the main risk facing the business and this is reviewed and considered by the Pershing Risk Committee (PRC) monthly and the Board quarterly.

The BNY Mellon 'Risk Universe' defines the risk types (current or future) 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 Risk Management Committee (RMC). This ensures that although the RCSA process is owned by the line of business in conjunction with the business risk managers, the RMC has oversight of the key exception items relating to PHUK 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 are monitored by appropriate KRIs. The Lines of Business utilise the corporatewide 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 risk events resulting in losses, near misses and fortuitous gains, irrespective of financial impact are reported as part of the risk management framework and their completeness is verified by reconciliation to the General Ledger. All significant risk events are categorised and reported to the PRC on a monthly basis.

3.2.4 Risk Register

In 2015, PHUK continues to develop a comprehensive Risk profile per business line. 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 Head of Operational Risk. 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 will be updated on a regular basis, and at least annually. The PHUK risk register is currently in draft phase and its final implementation is targeted for 2015.

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 risks assessment forms part of the Pershing Risk Committee and Board meetings reporting. Top risks are also consolidated into the EMEA Regional 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 frequency to the PHUK risk profile. Stress testing is also undertaken on an ad hoc basis. Sources of risk information used to assist scenario development include top risks, financial sensitivity analysis, and output from the risk assessment tools, operational risk trends, macro-economic data, financial news, client management information or general business statistics.

Scenarios are also derived from current, emerging, and plausible future risks and strategy, and reviewed, discussed and agreed by PRC and the Board.

The conclusion of the stress testing process is a statement of the 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

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

PHUK'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 centered on the Three Lines of Defence (figure 2) advocated by the BNYMC's Chief Risk Officer. 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

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

- **First line of defence**: All managers and employees, the Business Acceptance Committee, the Executive Committee and the Board
- **Second line of defence**: Chief Risk Officer, Chief Compliance Officer and the Pershing Risk Committee
- **Third line of defence**: Internal Audit provides an independent assurance upon the identification and management of risk and the implementation of BNY Mellon policies and regulatory requirements.

The risk management framework is established via policies to allow comprehensive coverage of the Company's business structure. BNY Mellon's policy is to manage risk at the business units and business process level. These policies and procedures have been adapted to comply with local regulation. The company'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.

PHUK 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
- Clear business as usual processes for identification, management and control of risks
- Regular reporting of risk issues
- Clearly defined escalation processes, both informally (management lines) and formally (governance committees, Board, etc.)

At PHUK, 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 Pershing Executive Committee, supported by Pershing Risk 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*

The Business Acceptance Committee is responsible for aligning new business to appropriate business lines and subsidiaries and assessing and approving the associated risks.

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 PHUK 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
- Investment Services Committee
- EMEA Asset and Liability Committee
- EMEA Operating Committee
- PHUK risk management framework includes, inter alia, the following committees: Executive Committee, Risk Committee, Audit Oversight Committee, Asset and Liability Committee, The
- Business Acceptance Committee, Client Assets Committee, Irish Compliance & Oversight, Jersey Compliance & Oversight

3.4 Risk Appetite

The Bank of New York Mellon Corporation defines risk appetite as being the level and type of risk a firm is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders.

The Chairman 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;

- Ensure that there is an on-going, and forward looking, capital planning process to support our risk-taking activities."

The risk appetite statement is an integral part of the management of the business within PHUK'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, including our clients, shareholder, employees and regulators.

The statement is owned and set by the Board. The Board has adopted a principally prudent appetite to all elements of risk to which PHUK 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 PHUK'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 Committee, to ensure that the performance of business activities remains within risk tolerance levels. Where residual risks remain (which are within PHUK's risk appetite), PHUK 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 March 2015. The risk appetite metrics are actively monitored, managed and mitigated through the monthly Risk Committee, to ensure that the performance of business activities remains within risk tolerance levels. Where residual risks remain (which are within PHUK's risk appetite), PHUK allocates capital as provision against potential financial loss.

The PHUK risk appetite is defined as being the amount and type of risk that PHUK regards as appropriate to accept in order to execute its business strategy. The PHUK risk appetite comprises of both quantitative measures (e.g. limits) and qualitative measures (e.g. policies, procedures and the overall governance structure). It is aligned with the Risk Appetite of BNY Mellon.

Various tolerances of risk are recognised within the Firm's overall risk appetite statement to ensure that the level of risk is managed within the Board's overall appetite to risk and does not pose a threat to achieving PHUK's business strategy and objectives. Various management actions are embedded in the business processes and initiated as a result of the defined thresholds within the risk appetite being exceeded or breached. These are designed to escalate identification of emerging or increasing levels of risk, focus management attention and invoke related contingency plans and responses.

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.

PHUK does not engage in proprietary trading, commercial lending, or high risk or structured banking activities and generally acts upon a matched principal trading basis to facilitate client activity. The delivery of its operational services in a carefully managed, risk averse manner is its primary objective in order to meet its commercial and contractual obligations to its client base.

The main source of credit risk exists in the Model B relationship between PHUK and its clients, whereby PHUK takes on the client's settlement obligations. The main credit risk is, therefore, that the client cannot meet its obligations to PHUK. The credit risk of such a failure would devolve to a market risk, as the exposure would then be against any on-going movement in the price of the underlying stock until a replacement sale or purchase is arranged to satisfy PHUK's obligations to the market counterparty.

In the case of a failure to deliver cash, PHUK would sell the stock or collateral at current market prices. Risk appetite limits are therefore set with respect to

- the total level of mark to market risk against PHUK and
- the level of mark to market exposure against each client.

The risk is further mitigated through individual client limits, retained commission and collateral. There is no single point of failure that could lead to a major credit loss. Settlement risk also exists between PHUK and Central Counterparty Clearing House (CCP), the counterparty or its settlement agent. It should be noted that over the past seven years PHUK has not suffered a credit related loss arising from the failure of a client or underlying client as exposure is mitigated by adequate collateral and the fact that PHUK's clients effectively provide an indemnity against any underlying client failure.

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 (5) summarise the credit exposure for PHUK.

i) Standardised gross Credit exposure (EAD pre CRM)[1]

The following table summarises the standardised gross credit exposure by class as at December 31, 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	134,370	1,909	132,151	753	-	4
Institutions	301,523	166,330	227,798	266,950	3,192	3,983
Corporates	5,676	17,177	10,910	7,672	287	15
Retail	14,326	15,787	23,161	16,742	1	-
Past due items	-	1,149	-	1,046	-	92
Other	5,369	6,420	6,460	68,105	407	514
Total	461,264	208,772	400,480	361,268	3,887	4,608

ii) Standardised gross Credit exposure (EAD pre CRM) by credit quality step[1]

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

Table 2: Standardised pre-mitigated credit exposures by Credit Quality Step

Standardised Pre-mitigated Credit Exposures by Credit Quality Step	Central Governments and Central Banks		Institutions: Total Maturity <= 3m		Corporates		Other		Total	
(£000s)	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1	134,370	1,782	-	1,186	180	17,177	-	-	134,550	20,145
2	-	104	141,007	142,366	-	-	348	-	141,355	142,470
3	-	-	-	-	-	-	-	-	-	-
4	-	24	247	1,929	4,985	-	-	-	5,232	1,953
5	-	-	160,269	20,677	511	-	-	-	160,780	20,677
6	-	-	-	172	-	-	-	23,356	-	23,528
Unrated	-	-	-	-	-	-	19,347	-	19,347	-
Total	**134,370**	**1,910**	**301,523**	**166,330**	**5,676**	**17,177**	**19,695**	**23,356**	**461,264**	**208,773**

Table 3: Standardised post-mitigated credit exposures by Credit Quality Step

Standardised Pre-mitigated Credit Exposures by Credit Quality Step	Central Governments and Central Banks		Institutions: Total Maturity <= 3m		Corporates		Other		Total	
(£000s)	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1	134,370	1,782	-	1,186	180	-	-	-	134,550	2,968
2	-	104	119,998	125,712	-	-	348	-	120,346	125,816
3	-	-	0	-	-	183	-	-	-	183
4	-	24	247	1,926	3,556	-	-	-	3,803	1,950
5	-	-	15,777	18,321	-	-	-	-	15,777	18,321
6	-	-	-	172	-	-	-	7,191	-	7,363
Unrated	-	-	-	-	-	-	5,028	-	5,028	-
Total	**134,370**	**1,910**	**136,022**	**147,317**	**3,736**	**183**	**5,376**	**7,191**	**279,504**	**156,601**

[1] Average exposure is based on 2014 quarterly capital adequacy reporting.

iii) Standardised gross Credit exposure (EAD pre CRM) by geographical area[2]

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

Table 4: Standardised gross credit exposure by geographic area

Standardised gross credit exposure by exposure class (£000s)	Europe		Americas		Africa		Asia Pacific		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Central Governments and Central Banks	134,370	1,909	-	-	-	-	-	-	134,370	1,909
Institutions	162,787	155,538	132,225	10,792	1,783	-	4,728	-	301,523	166,330
Corporates	5,562	17,177	95	-	16	-	2	-	5,675	17,177
Retail	14,191	15,787	9	-	91	-	36	-	14,327	15,787
Past due items	-	1,149	-	-	-	-	-	-	-	1,149
Other	5,369	6,420	-	-	-	-	-	-	5,369	6,420
Total	322,279	197,980	132,329	10,792	1,890	-	4,766	-	461,264	208,772

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 December 31, 2014.

Table 5: Standardised gross credit exposure by residual maturity

Standardised gross credit exposure by residual maturity (€000s)	Less than 3months		3 months to 1 year		Over 1 year or undefined		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Central Governments and Central Banks	3,029,012	706,063	-	-	1,001	4,166	3,030,013	710,229
Institutions	908,206	2,701,536	-	-	-	-	908,206	2,701,536
Corporates	28,836	14,046	-	-	-	-	28,836	14,046
Short term claims on Institutions and Corporates	-	-	-	-	-	-	-	-
Collective Investment Undertakings	-	-	-	-	-	-	-	-
Other	18,514	11,784	32	59	55	93	18,601	11,936
Total	**3,984,569**	**3,433,429**	**32**	**59**	**1,056**	**4,259**	**3,985,657**	**3,437,747**

3.5.2 Capital Resource Requirement

PHUK calculates Pillar 1 credit risk capital resource requirement using the Standardised Approach, as defined in Capital Requirements Directive.

3.6 Counterparty Credit Risk and Credit Value Adjustment

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.

PHUK seeks to minimise market counterparty risk by only allowing clients to trade with approved counterparties that have been reviewed by PHUK. Counterparty credit risk arises mainly in the Model B settlement business in which PHUK interposes itself between a client and a market counterparty as principal to a transaction or series of transactions.

In the event that a client fails to deliver securities, PHUK is required to honour the failed trade, and in the event of client default may be required to settle the trade by closing out in the open market. PHUK also incurs credit risk in

[2] Geographic distribution is based on the domicile of the borrower or obligor

such situations, although in some OTC markets this is limited to the impact of adverse price movements on failed trades in the event that PHUK's client defaults and a market counterparty has to settle the trade elsewhere.

Although PHUK regularly reviews credit exposure to clients, underlying clients and market counterparties to address credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee.

3.7 Market Risk

Market risk is the risk to a firm's financial condition arising as a result of adverse movements in the markets, such as foreign currency exchange rates, interest rates, equity and commodity prices

3.7.1 *Market Risk Exposure*

For PHUK, market risk arises principally from fluctuations in the value of assets, interest or exchange rates and hence is exposed to two types of market risk:

a) Foreign currency risk: Pershing's foreign exchange exposure is limited to residual balances resulting from non-marketable amounts within specific intra-day and overnight limits on both an individual currency and overall book basis. Volumes and ticket sizes are thus immaterial.

   PHUK calculates the Pillar 1 market risk capital resource requirement for FX based on Standardised approach as defined in Capital Requirements Directive.

b) Interest rate risk: Interest rate risk at Pershing is also considered minimal as it only arises on interest rate movements that depress the value of securities held as collateral in mitigation of exposures. Pershing holds UK gilts to comply with the FCA's liquid asset buffer requirements and interest rate position risk is calculated thereon as per FCA rules.

3.7.2 *Capital Resource Requirement*

PHUK calculates the Pillar 1 market risk capital resource requirement for FX based on Standardised approach and Interest rate risk based on Maturity approach as defined in Capital Requirements Directive.

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 PHUK:

- 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 PHUK risk appetite which states that PHUK 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. The Board monitors operational risks and the appropriateness of controls through the Executive Committee and independent reporting from risk managers. This requires PHUK 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 PHUK 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

PHUK calculates the Pillar 1 operational risk capital resource requirement under the CRR Standardised Approach; it has been determined that PHUK falls under the Agency Services, Retail Brokerage and Trading and Sales Basel business lines. The standard indicator approach for operational risks for these business lines sets out a 15%, 12% and 18% risk rate that is determined by the sum of net interest income and net non-interest income. The operational risk is based on a 3 year average.

3.9 Liquidity Risk

Liquidity Risk is the risk that PHUK 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 risks can arise from funding mismatches, market constraints from inability to convert assets to cash, inability to raise cash from its banking relationships, or contingent liquidity events. Changes in economic conditions or exposure to credit, market, and operational, legal, and reputational risks also can affect PHUK's liquidity risk profile and are considered in the liquidity risk framework.

Intra-day Liquidity Risk is the risk that PHUK cannot fund and /or settle its obligations or clients' securities servicing obligations throughout the day, primarily due to disruptions or failures.

PHUK maintains liquidity resources which are adequate both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met in full as they fall due.

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.

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

The impact of Regulatory risk events on regulatory capital is covered by operational risk event scenarios on an ad hoc basis, where necessary and before a new regulation enters into force. The executive committee reviews all new regulatory change projects to ensure they are given priority.

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

- Markets in Financial Instruments Directive II / Markets in Financial Instruments Regulation
- Fourth Money Laundering Directive
- Market Abuse Directive/Regulation
- Common Reporting Standards
- Recovery and Resolution Directive (RRD)

3.11 Business Risk

Business risk is the risk of loss that the business environment poses to PHUK'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.

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

PHUK 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.

PHUK 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, PHUK 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.

PHUK'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).

PHUK is exposed to the following types of concentration risk:

- Credit
- Client
- Operational
- Market

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.

PHUK is exposed to credit concentration risk through exchanges and central counterparties, correspondent banks and issuers of securities. The settlement and receipt of securities and related cashflows to and from these entities represents a fundamental inherent risk within PHUK's business model. 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.

3.13.2 *Client Concentration Risk*

PHUK is exposed to client concentration risk. Client concentration risk remains stable compared to 2013. The group 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.

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

3.13.4 *Market Concentration Risk*

PHUK's business model is to facilitate client trading and settlement activity for financial services firms mainly within the UK and Ireland, therefore a natural concentration exists as regards a geographical and industry sector concentration within its business. However, there is a diversity within the industry sector in that there is a fairly even split between Institutional Broker Dealer business as against the Wealth and Advisor Solutions business. In addition, many of these businesses are owned by international or global firms which further mitigate the risk of the local firm failing.

3.14 Group Risk

Group risk is the risk that the financial position of PHUK 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, PHUK has a number of dependencies on BNYMC. These range from business leadership, dependency on certain IT systems and support services provided by central functions.

PHUK 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 Non-trading 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 non-trading book arises from on- and off-balance sheet assets and liabilities, and changes with movements in domestic and foreign interest rates.

PHUK does not have any material exposure to interest rate risk in non- trading book other than those stated above in section 3.7 Market Risk.

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.

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

- Corporate
- Client
- Employee
- 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 Employee is included in the operational risk.

3.17 Model Risk

Model risk is defined as the error in estimation or measurement resulting from the inherent limitations in the financial models used in assessing and managing risk.

PHUK uses models in its risk management framework. All models are subject to the BNY Mellon Model Risk Management Policy under the Model Risk Management Group who maintains the model inventory and overseas model review and validation.

3.18 Pension Obligation Risk

Pension Obligation Risk is caused by contractual liabilities or legal obligation to a company's staff pension scheme. 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. PHUK is not a participating employer nor sponsoring employer of the Mellon Retirement Benefit Plan (MRBP), a defined benefit final salary plan. PHUK recognises payments to the staff pension schemes in the profit and loss account on the basis of a deferred compensation scheme.

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 PHUK
- Legal or operational event leading to publicised failure which impacts PHUK reputation

3.20 Strategic 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., The choice of business model, wrong product, project delivery issues 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.

4 Capital Resources

4.1 Available Capital Resources

The following table summarises the capital resources for PHUK and its significant subsidiaries, 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 6: Capital resources & requirements

Capital Resources	PHUK		PSL		PL	
As at 31 December (£000s)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Tier 1Capital						
Called up Share Capital	291,136	291,136	113,390	113,390	151,335	151,335
Capital Retained Earnings and other Reserves	-2,621	-13,478	21,317	21,858	4,731	5,224
Total Tier 1 Capital	288,515	277,658	134,707	135,248	156,066	156,559
Deductions from Tier 1 Capital						
Intangible Assets	(102,759)	(93,829)	-	-	(7,397)	(7,136)
Total Tier 1 Capital after deductions	-	185,756	183,829	134,707	135,248	148,669
Tier 2 Capital						
Lower Tier 2 Capital						
Dated subordinated debt	-	-	-	-	-	-
Total Tier 2 Capital	**-**	**-**	**-**	**-**	**-**	**-**
Deductions from total of tiers 1 and 2 capital						
Material holdings	-	-	-	-	(117,087)	(117,087)
Connected lending of a capital nature	-	-	-	-	-	-
Total Deductions from total of tiers 1 and 2 capital	**-**	**-**	**-**	**-**	(117,087)	(117,087)
Total Capital Resources	**185,756**	**183,829**	**134,707**	**135,248**	**31,582**	**32,336**

4.2 Description of the main features of own funds

The following table summarises the main features of own funds for PHUK.

Table 7: Main features of own funds

As at 31 December	Issuer	Identifier	Governing Law	Classification	Level	Type	Capital amount	Nominal amount	Issue price	Etc.
Share capital	Pershing Holdings UK Limited	Reg. No. 04659431	English Law	Common Equity Tier 1	Allotted, called up and fully paid	Ordinary shares	£291,136,000	£291,136,000	£1	Shares issued to Pershing Group LLC, registered in the United States of America.

4.3 Risk Weighted Assets

The following table summarises the Risk Weighted Assets (RWAs) for PHUK and its significant subsidiaries by risk type.

Table 8: Risk Weighted Assets by risk type

As at 31 December Risk Weighted Assets (RWAs) by risk type	**PHUK**		**PSL**		**PL**	
(£000s)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Credit Risk	48,588	52,488	30,150	26,540	12,850	14,885
Settlement/Delivery Risk	10,775	-	10,763	-	1	-
Operational Risk	115,288	145,588	97,025	100,675	7,225	8,100
Market Risk	57,875	35,823	23,825	19,820	15,963	15,563
Total RWAs	**232,525**	**233,899**	**161,763**	**147,035**	**36,039**	**38,548**

5 Capital Requirements and Adequacy

The following table details the Pillar 1 capital requirements by exposure class for PHUK and its significant subsidiaries as at 31 December 2014.

Table 9: Capital requirements by risk type

Capital Requirements and Adequacy	**PHUK**		**PSL**		**PL**	
As at 31 December (£000s)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Credit Risk Standardised Approach						
Central Governments and Central Banks	-	4	-	-	-	2
Institutions	3,192	3,983	2,385	2,438	390	687
Corporates	287	15	24	-	245	-
Retail	1	-	-	-	-	-
Past due items	-	92	-	92	-	-
Other	407	514	3	-	393	503
Total Credit Risk capital requirement	**3,887**	**4,608**	**2,412**	**2,530**	**1,028**	**1,192**
Settlement/Delivery Risk						
Settlement/Delivery Risk Requirement	862	-	861	-	-	-
Total Settlement/Delivery Risk capital requirement	**862**	**-**	**861**	**-**	**-**	**-**
Operational Risk – standardised approach	**9,223**	**9,550**	**7,762**	**8,054**	**578**	**648**
Market Risk						
Foreign currency Position Risk Requirement	2,959	2,866	235	1,586	1,277	1,245
Traded debt instruments Position Risk Requirement	1,662	-	1,662	-	-	-
Credit value Adjustment	9	-	9	-	-	-
Total Market Risk capital requirement	**4,630**	**2,866**	**1,906**	**1,586**	**1,277**	**1,245**
Total Pillar 1 Capital Requirements	**18,602**	**17,024**	**12,941**	**12,170**	**2,883**	**3,085**
Total Capital Resources	**185,756**	**183,829**	**134,707**	**135,248**	**31,582**	**32,336**
Capital surplus	**167,154**	**166,805**	**121,766**	**123,078**	**28,699**	**29,251**
Total Capital Resources/Total Pillar 1 Capital Requirement	**999%**	**1080%**	**1041%**	**1111%**	**1095%**	**1048%**

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) oversee 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 Pershing Holdings (UK) Limited ("Pershing"). Remuneration policy decisions of Pershing 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 Pershing 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, the sole shareholder of Pershing Limited ("PL") and in turn, the sole shareholder of Pershing Securities Limited ("PSL"), approved an increase of the bonus cap to 200% on 21 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 Pershing 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 Pershing. 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.

Table 1: Aggregate remuneration expenditure for Material Risk Takers in 2014 by business (£000s)

	Pershing		
	Investment Services	Other(*)(**)	Total
Total Remuneration(***)	8,994	-	8,994

(*) Includes all support functions and executive positions.

(**)Due to data confidentiality reasons, the information for Other Services is disclosed on an aggregate basis within the Investment Services category.

(***) 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 2: Aggregate remuneration expenditure for Material Risk Takers relating to 2014 by remuneration type

	Pershing		
	Senior Management(*)	Other Material Risk Takers	Total
Number of beneficiaries	18	21	39
	£000s	£000s	£000s
Fixed Remuneration(**)	3,566	1,832	5,398
Variable Remuneration	3,358	238	3,596

(*) 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.

(**) 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 Pershing, 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
- **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
- **Compensation Oversight Committee (COC):** COC is responsible for reviewing each incentive compensation plan annually. COC approval is also required in connection with any amendment to or termination of any incentive compensation plan.
- **CRD:** Capital Requirements Directive
- **CRR:** Capital Requirements Regulation
- **Credit risk mitigation (CRM):** A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection.
- **Derivatives:** A derivative is a financial instrument that derives its value from one or more underlying assets, for example bonds or currencies.
- **EMEA Remuneration Governance Committee (ERGC):** ERGC is a regional governance committee that reviews the compensation plans and their implementation in the different businesses and entities of the Company in Europe, the Middle East and Africa (EMEA) (including, but not limited to, the EU Member States), in order to ensure their compliance with the laws and regulations on remuneration issued by the relevant states and regulatory authorities.
- **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.
- **Human Resources and Compensation Committee (HRCC):** HRCC oversees the compensation plans, policies and programs in which the executive officers of the Bank participate and the other incentive, retirement, welfare and equity plans in which all employees of the Bank participate.
- **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.
- **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").
- **PRC:** Pershing Risk Committee which meets on a monthly basis to provide governance on risk related items arising from the business of the group
- **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 PHUK 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
- **Risk Management:** includes line of business Risk Managers, EMEA Risk Architecture and respective business line Embedded Control Managers.
- **Risk Management Committee (RMC):** Risk Management Committee which meets a minimum of ten times per calendar year (according to the Terms of Reference) to provide governance on risk related items arising from the business of the group.
- **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.

8 Contacts

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