



THE BANK OF NEW YORK MELLON
S.A./N.V.

Pillar 3 Disclosure

September 30, 2019

Executive summary

1	Article 431 CRR - Scope of disclosure requirements	5
1.1	Purpose of Pillar 3	6
1.2	Article 433/434 CRR - Frequency and means of disclosure	7
1.3	Article 432 CRR - Non-material, proprietary or confidential information	7
1.4	Disclosure approval	8
1.5	Article 436 CRR - Scope of application	8
1.6	Organisational structure	9
1.7	EMEA business operating model	11
1.8	Core business lines	12
1.9	Key metrics	13

Capital

2	Article 437 CRR - Own funds	17
3	Article 438 CRR - Capital requirements	20
3.1	Calculating capital requirements	21

Risk

4	Article 435 CRR - Risk management objectives and policies	23
4.1	Risk objectives	25
4.2	Risk governance	26
4.3	Risk management framework	31
4.4	High-level Assessment	33
4.5	Risk appetite	33
4.6	Risk assessment methodology and reporting systems	33
4.7	Escalation of risks and issues	36
4.8	Recovery and resolution planning ('RRP')	36
5	Article 451 CRR - Leverage	37

Index of tables

Table 1: KM1 - Key metrics	14
Table 2: CC1 - Composition of regulatory capital	18
Table 3: TLAC1 - Transitional own funds	18
Table 4: EU OV1 - Overview of RWAs	21
Table 5: LR1 - Leverage ratio summary	37
Table 6: LR2 - Leverage ratio common disclosure	38

Any discrepancies between the totals and sums of components within the tables and graphs within this report are as a result of roundings.



Appendices

Appendix 1 - Other risks	40
Liquidity risk	40
Restitution risk	40
Strategic risk	41
Group risk	41
Model risk	41
Appendix 2 - Glossary of terms	43
Appendix 3 - CRD IV reference	47



Executive summary



1 Article 431 CRR - Scope of disclosure requirements

These Pillar 3 disclosures are published for The Bank of New York Mellon SA/NV ('BNY Mellon SA/NV' or the 'Company'), in line with the disclosure principles of the National Bank of Belgium¹ ('NBB'), the Capital Requirements Directive² ('CRD IV') and the Capital Requirements Regulation³ ('CRR'), complementing the annual disclosures of the financial statements.

These disclosures cover The Bank of New York Mellon SA/NV, its subsidiary undertaking and branches as at 30 September 2019.

These disclosures were approved by the BNY Mellon SA/NV Executive Committee ('ExCo') on 19 December 2019.

¹ NBB Circular 2015_25: Orientations relatives à la publication d'informations (Pilier III, CRD IV), 3 September 2015.

² Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, 26 June 2013.

³ Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, 26 June 2013.

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



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

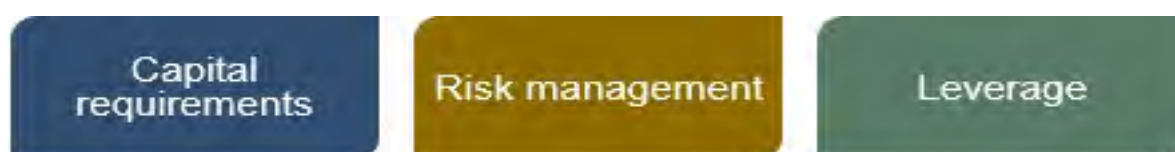
The following metrics present BNY Mellon SA/NV's key risk components as at 30 September 2019. Please see page 14 for the full comprehensive list of capital ratios.

<p>Common Equity Tier 1 ratio</p> <p><i>CET1 ratio = CET1 capital / Pillar 1 RWAs</i></p>	<p>64.8%</p> <p>30-Jun-19: 54.9%</p>	
<p>Tier 1 capital ratio</p> <p><i>Tier 1 ratio = Tier 1 capital / Pillar 1 RWAs</i></p>	<p>64.8%</p> <p>30-Jun-19: 54.9%</p>	
<p>Total capital ratio</p> <p><i>Total capital ratio = Total capital / Pillar 1 RWAs</i></p>	<p>72.1%</p> <p>30-Jun-19: 61.2%</p>	
<p>Basel III leverage ratio</p> <p><i>Leverage ratio = Capital measure / Exposure measure</i></p> <p><i>(This ratio is for information only. BNY Mellon SA/NV is not subject to a binding leverage requirement)</i></p>	<p>8.2%</p> <p>30-Jun-19: 7.8%</p>	

1.1 Purpose of Pillar 3

The aim of the Pillar 3 disclosures is to provide market participants with accurate and comprehensive information regarding the risk profile of BNY Mellon SA/NV, including key information around on the scope of application, capital, risk exposures, risk assessment processes, enabling users to better understand and compare its business, its risks and capital adequacy.

To that end, Pillar 3 principles require disclosure of risk management objectives and policies for each of the following categories of risk and relevant quantitative risk assessment disclosures on a quarterly basis:



These disclosures focus only on those risk categories that are relevant to BNY Mellon SA/NV.

Where appropriate, the disclosures also include comparatives for the prior period and an analysis of the more significant movements to provide greater insight into the risk management practices of BNY Mellon SA/NV and its risk profile.

1.2 Article 433/434 CRR - Frequency and means of disclosure

Pillar 3 disclosures for BNY Mellon SA/NV and its only subsidiary, BNY Mellon Service Kapitalanlage-Gesellschaft mbH ('BNY Mellon KAG'), are published at a fully consolidated level.

Pillar 3 disclosures are approved by The Bank of New York Mellon SA/NV's Executive Committee ('ExCo'), that has verified that they are consistent with formal policies adopted regarding production and validation.

Wherever possible and relevant, management will ensure consistency between Pillar 3 disclosures, Pillar 1 reporting and Pillar 2 ICAAP ('Internal Capital Adequacy Assessment Process') content, e.g. disclosure about risk management practices and capital resources at year-end. Unless indicated otherwise, information contained within the Pillar 3 disclosure has not been subject to external audit.

Disclosure will be made for each calendar quarter and will be published in conjunction with the date of publication of the financial statements. BNY Mellon SA/NV will reassess the need to publish some or all of the disclosures more frequently 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 are published on The Bank of New York Mellon corporate website which can be accessed using the below link:

BNY Mellon Investor Relations - Pillar 3

See section *investor relations, financial reports, other regulatory filings*.

Pillar 3 disclosures are prepared solely to meet Pillar 3 disclosure requirements 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.

1.3 Article 432 CRR - Non-material, proprietary or confidential information

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

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

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

1.4 Disclosure approval

These disclosures were approved for publication by the ExCo on 19 December 2019. The ExCo approved the adequacy of BNY Mellon SA/NV's risk management arrangements, providing assurance that the risk management systems put in place are adequate with regard to BNY Mellon SA/NV's profile and strategy.

1.5 Article 436 CRR - Scope of application

The Pillar 3 disclosures have been produced for BNY Mellon SA/NV on a consolidated basis, including its branches and (fully) consolidated subsidiary. BNY Mellon SA/NV is a credit institution incorporated in Belgium. It is a subsidiary of The Bank of New York Mellon, a New York banking corporation with trust powers, having its principal office in New York, which is itself a subsidiary of The Bank of New York Mellon Corporation ('BNY Mellon'), the ultimate parent company of the BNY Mellon Group.

BNY Mellon Group 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 Group delivers informed investment management and investment services in 35 countries. As of 30 September 2019, BNY Mellon Group had US\$35.8 trillion in assets under custody and/or administration, and US\$1.9 trillion in assets under management. BNY Mellon Group can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: 'BK'). Additional information is available on www.bnymellon.com. Follow us on Twitter @BNYMellon or visit our newsroom at www.bnymellon.com/newsroom for the latest company news.

BNY Mellon SA/NV is subject to dual supervision in Belgium: for market conduct matters, supervision is exercised by the Financial Services and Markets Authority (the 'FSMA') while for prudential matters, supervision is exercised by the European Central Bank (the 'ECB') together with the National Bank of Belgium (the 'NBB'), acting as National Competent Authority, as BNY Mellon SA/NV has been identified as a significant bank within the Single Supervisory Mechanism. BNY Mellon SA/NV also qualifies as a Belgian assimilated settlement institution and is directly supervised by the NBB in this respect. Its seven branches and consolidated subsidiary ('BNY Mellon KAG') are also subject to local supervision by the following national regulators:

Name	Type	Regulator
Amsterdam Branch	Branch	De Nederlandsche Bank ('DNB')
Dublin Branch	Branch	Central Bank of Ireland ('CBI')
Frankfurt Branch	Branch	Deutsche Bundesbank ('DB') & Federal Financial Supervisory Authority / Bundesanstalt für Finanzdienstleistungsaufsicht ('BaFin')
London Branch	Branch	Prudential Regulatory Authority ('PRA') Financial Conduct Authority ('FCA')
Luxembourg Branch	Branch	Commission de Surveillance du Secteur Financier ('CSSF')
Paris Branch	Branch	Autorité Du Contrôle Prudentiel ('ACPR'), Banque De France ('BD')
Milan Branch	Branch	Banca D'Italia ('BI')
BNY Mellon KAG	Subsidiary	Bundesanstalt für Finanzdienstleistungsaufsicht ('BaFin')

1.6 Organisational structure

BNY Mellon SA/NV is a corporation with a Banking License, recognized as an assimilated settlement institution. BNY Mellon SA/NV has its head quarter in Brussels and is a wholly owned subsidiary of The Bank of New York Mellon (99.9999% of share capital) and BNY International Financing Corporation (0.0001% of share capital).

BNY Mellon SA/NV provides services on a passported basis through its headquarters in Brussels and its branches in Amsterdam, Dublin, Frankfurt, London, Luxembourg, Milan and Paris. BNY Mellon SA/NV also has a subsidiary in Frankfurt, BNY Mellon KAG, and a representative office in Copenhagen. Pursuant to the EU single market directives, BNY Mellon SA/NV's operations are passported in the following 11 territories: Iceland, Finland, Sweden, Denmark, Norway, Spain, Greece, Cyprus, Austria, Portugal and Italy. Some of those countries apply restrictions to passporting rights, in accordance with the local transpositions of the EU directives. BNY Mellon SA/NV complies with these restrictions and adapts its operations accordingly.

BNY Mellon SA/NV was established in 2008 with the aim of becoming BNY Mellon's main banking subsidiary in Continental Europe. During 2009, part of the business of the Brussels Branch of BNY Mellon was integrated into BNY Mellon SA/NV, forming the current Brussels Head Office. As part of BNY Mellon's strategy to consolidate its legal entity structure in Europe, BNY Mellon SA/NV acquired branches in Amsterdam, London, Frankfurt and Luxembourg further to the merger with BNY Mellon GSS Acquisition Co. (Netherlands) BV on October 1, 2009. On June 1, 2011, further to the merger with The Bank of New York Mellon's acquired German subsidiary, BNY Mellon Asset Servicing GmbH, BNY Mellon SA/NV significantly expanded the activities of its Frankfurt branch and Frankfurter Service KapitalverwaltungsGesellschaft mbH became BNY Mellon SA/NV's fully owned subsidiary under the name of BNY Mellon Service Kapitalanlage-Gesellschaft mbH ('BNY Mellon KAG'). On December 1, 2011, BNY Mellon SA/NV opened a branch in Paris. On February 1, 2013, BNY Mellon SA/NV opened a new branch in Dublin as a result of the cross-border merger with The Bank of New York Mellon (Ireland) Limited. An additional branch in Milan was created on April 1, 2017 as a result of the merger of The Bank of New York Mellon (Luxembourg) S.A. into BNY Mellon SA/NV.

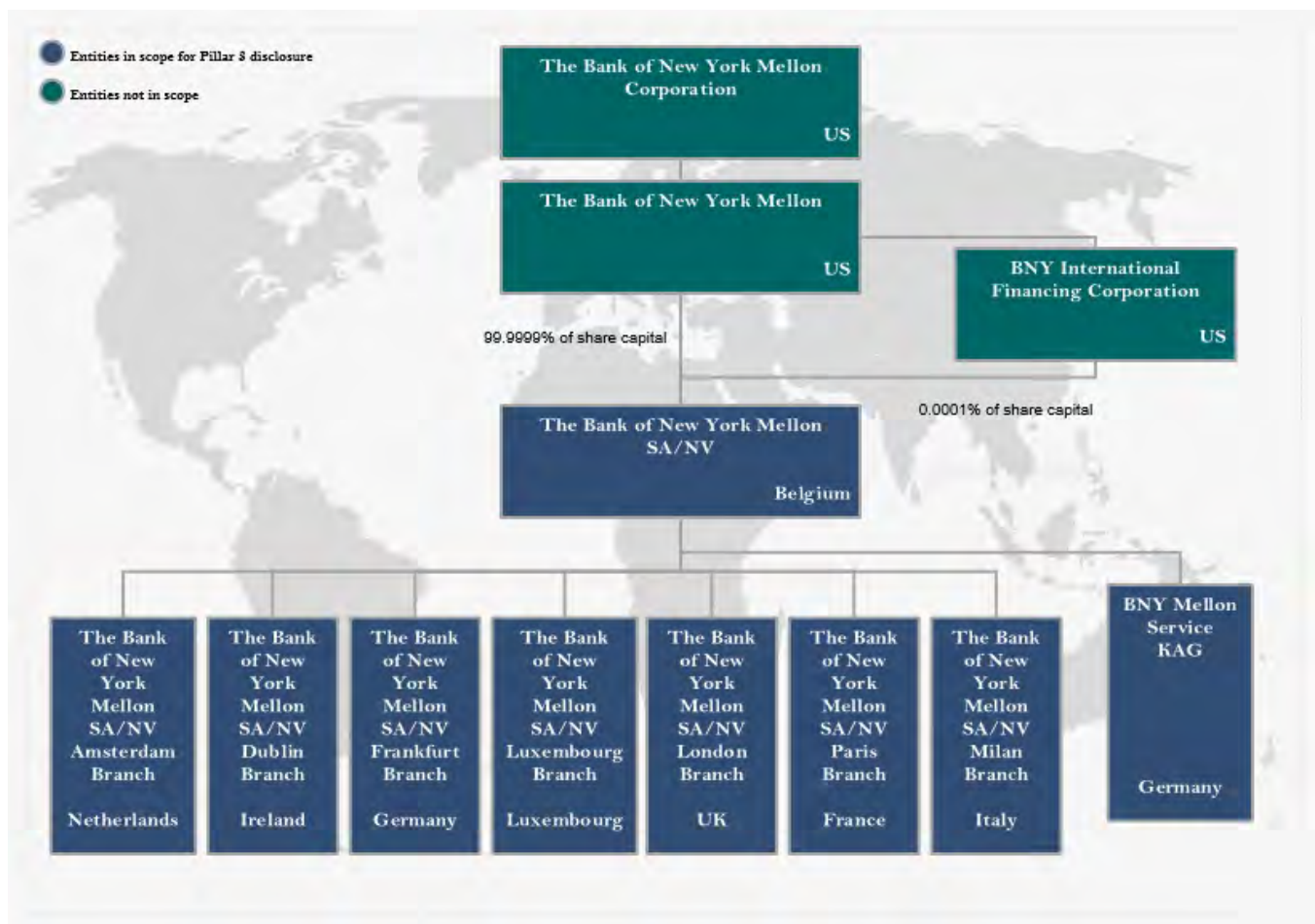
Effective November 4, 2014, the ECB as part of Single Supervisory Mechanism ('SSM') became the principal regulator for BNY Mellon SA/NV along with the NBB. BNY Mellon SA/NV is also supervised by the FSMA which is responsible for the integrity of the financial markets and fair treatment of financial consumers in Belgium pursuant to the Act of 2 August 2002 on the supervision of the financial sector and on financial services.

On November 20, 2015, BNY Mellon SA/NV was designated as a domestic systemically important institution (referred to in the CRD IV as an "other systemically important institution" or "O-SII") in Belgium.

The legal entity structure of BNY Mellon SA/NV is set out below.



Figure 1: BNY Mellon SA/NV legal entity structure at 30 September 2019



Basis of consolidation for Pillar 3 Disclosure

Entity name	Consolidation basis	Services provided
BNY Mellon SA/NV	N/A	Belgian credit institution and is also recognized as a Belgian assimilated settlement institution who's services include; Asset servicing, Issuer services, Clearing, Markets and Client Management
BNY Mellon KAG	Fully consolidated	A capital investment company BNY Mellon KAG is an independent provider of fund administration services

Subsidiaries are consolidated from the date on which control is transferred to BNY Mellon SA/NV until the date BNY Mellon SA/NV ceases to control the subsidiary. Control is achieved when BNY Mellon SA/NV is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, BNY Mellon SA/NV controls an investee if, and only if, BNY Mellon SA/NV has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; or
- the ability to use its power over the investee to affect its returns.



The existence and the effect of potential voting rights that are currently exercisable or convertible are considered when assessing the control of BNY Mellon SA/NV over another entity. BNY Mellon SA/NV reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

1.7 EMEA business operating model

Within BNY Mellon, BNY Mellon SA/NV is usually referred to as 'The European Bank' and remains strategically important for BNY Mellon as the primary contracting entity for Investment Servicing in Europe. BNY Mellon SA/NV is a global custodian for BNY Mellon. Assets are held worldwide on behalf of other BNY Mellon entities through relationships with third-party sub-custodians or with central securities depositories.

BNY Mellon SA/NV manages a network of approximately 100 sub-custodian relationships utilised by BNY Mellon and facilitates the expansion of BNY Mellon into other EU countries through the establishment of a network of branches or passporting of services.

To create a more efficient operating model and respond to increasing demands from regulators in the US, UK and EMEA, the BNY Mellon EMEA Business Operating Model is being re-aligned around Three Banking Entities. To facilitate this model, a new global booking principle and a Dual Custody model is being implemented within BNY Mellon. This rationalized, more efficient and simple structure will give BNY Mellon SA/NV flexibility for growth by freeing up capital, allowing greater capacity for new products and services and focusing its business on EU clients.

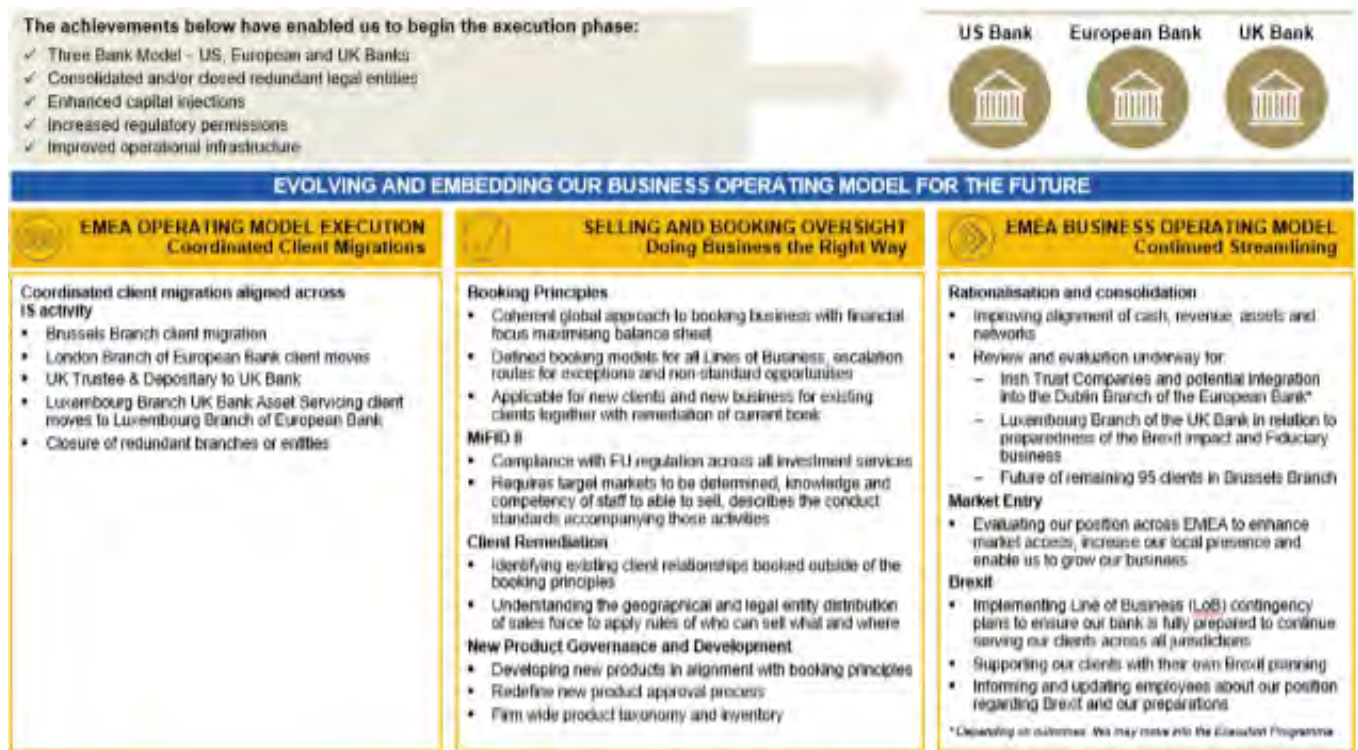
The **rationales** behind the EMEA Business Operating Model initiative include:

- reduction of complexity in Legal Entity structure as well as respective contractual framework;
- improvement of resolvability by removing duplication, potential conflicts and improving transparency on risks;
- viability of businesses with appropriate client base, operations / balance sheet size, capital and management;
- appropriate alignment to client needs and improvement of client experience through more efficient service delivery;
- delivery of shareholders value through more efficient use of resources, liquidity and capital and improved client growth and retention.

The **outcome** of the EMEA Business Operating Model is illustrated in figure 2 below:



Figure 2: EMEA Business Operating Model



1.8 Core business lines

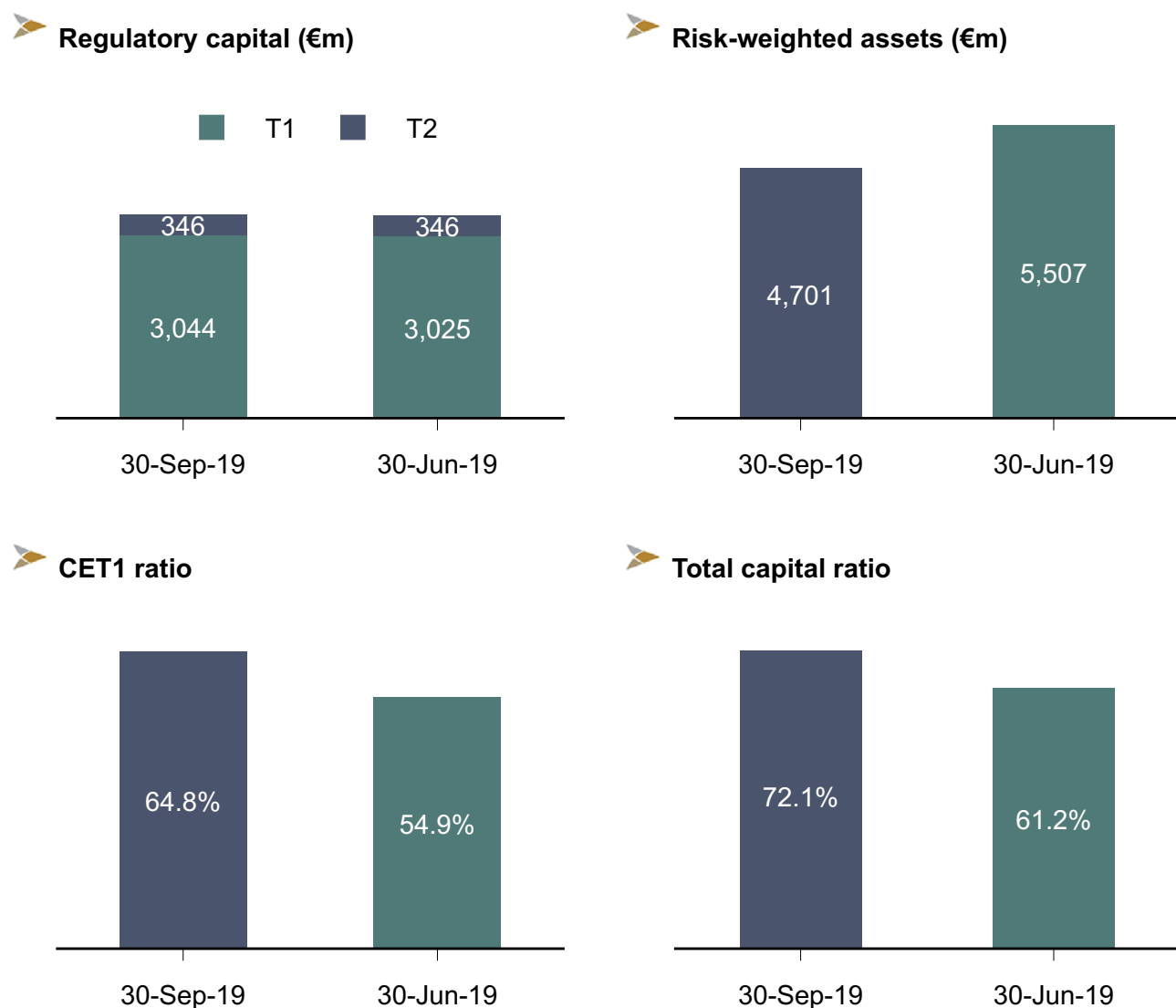
BNY Mellon SA/NV has a number of core business lines including Asset Servicing, Corporate Trust, Depository Receipt Services, Foreign Exchange, Collateral Management and Segregation, Liquidity Services and Segregation, Broker-Dealer Services and Securities Finance.

Line of business ('LOB')	Description
Asset Servicing ('AS')	Asset Servicing primarily comprises Custody Services but also includes Depository Services, Institutional Accounting, Fund Accounting, Transfer Agency Services, Derivatives Service Delivery, Middle Office Operations Services and Alternative Investment Services.
Issuer Services	
Corporate Trust ('CT')	BNY Mellon SA/NV offers Corporate Trust Services, acting in a broad range of agency roles including, but not limited to: trustee, registrar, issuing and paying agent, common depository, exchange agent, custodian and collateral / portfolio administration.
Depository Receipt Services	BNY Mellon SA/NV Dublin Branch performs certain operational activities relating to Depository Receipts, predominantly issuance and cancellation. Depository Receipts facilitate cross-border investment solutions for companies and investors. They are negotiable financial securities issued by a bank to represent foreign companies' publicly traded securities, allowing them to have their stocks traded in foreign markets.
Clearing, Markets and Client Management	
Foreign Exchange ('FX')	BNY Mellon SA/NV provides Foreign Exchange Services that enable clients to achieve their investment, financing and cross-border objectives.

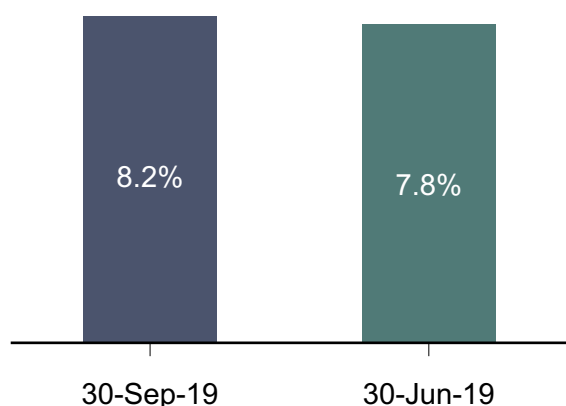
Line of business ('LOB')	Description
Collateral Management and Segregation	BNY Mellon SA/NV mainly acts as a servicing entity providing services contracted by BNY Mellon acting as tri-party agent for transactions related to securities lending and repurchase ("repo") agreements, or acting as an administrator, providing Segregation Services for any type of transaction requiring segregation of collateral. BNY Mellon SANV has also provided this range of services to its own client base since the end of Q1 2019.
Liquidity Services and Segregation	BNY Mellon SA/NV provides sales and client services enabling clients to view, transact and generate reporting for their daily liquidity activities via an on-line platform.
Broker-Dealer Services	Broker-Dealer Global Clearing provides Settlement and Custody Services for Fixed-income and Equity Securities.
Securities Finance	BNY Mellon SA/NV has provided Securities Lending Agent Services since end of Q1 2019. Securities Lending consists of temporary exchange of securities for acceptable collateral between a lender and an approved borrower.

1.9 Key metrics

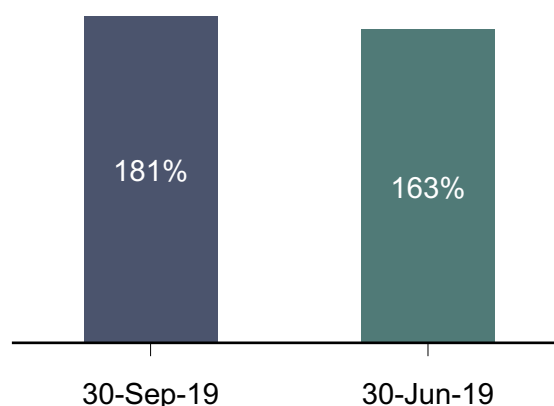
The following risk metrics reflect BNY Mellon SA/NV's risk profile:



 **Basel III leverage ratio**



 **Net stable funding ratio**



 **Table 1: KM1 - Key metrics**

Own funds	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18
Available capital (€m)					
Common Equity Tier 1 capital	3,044	3,025	2,999	2,954	2,721
Tier 1 capital	3,044	3,025	2,999	2,954	2,721
Tier 2 capital	346	346	346	346	346
Total capital	3,390	3,371	3,345	3,300	3,067
Risk-weighted assets (€m)					
Total risk-weighted assets ('RWA')	4,701	5,507	4,842	3,822	4,348
Risk-based capital ratios as a percentage of RWA					
CET1 ratio	64.8%	54.9%	61.9%	77.3%	62.6%
Tier 1 ratio	64.8%	54.9%	61.9%	77.3%	62.6%
Total capital ratio	72.1%	61.2%	69.1%	86.3%	70.5%
Additional CET1 buffers requirements as a percentage of RWA					
Capital conservation buffer requirement	2.500%	2.500%	2.500%	1.875%	1.875%
Countercyclical buffer requirement	0.154%	0.076%	0.093%	0.101%	0.073%
Other systemically important institution buffer	0.750%	0.750%	0.750%	0.750%	0.750%
Basel III leverage ratio					
Total Basel III leverage ratio exposure (€m)	36,975	38,712	38,128	27,802	34,297
Basel III leverage ratio	8.2%	7.8%	7.9%	10.6%	7.9%
Liquidity Coverage Ratio ('LCR')*					
Total high quality liquid assets (€m)	18,943	18,317	18,397	19,383	21,542



Own funds	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18
Total net cash outflow (€m)	12,436	11,880	11,599	11,728	13,278
LCR	153.6%	155.6%	159.5%	165.5%	163.1%
Net Stable Funding Ratio ('NSFR')					
Total available stable funding (€m)	9,905	9,507	9,585	8,828	9,254
Total required stable funding (€m)	5,462	5,847	6,050	5,264	5,700
NSFR	181.3%	162.6%	158.4%	167.7%	162.4%
Total loss-absorbing capacity ('TLAC') requirements					
Total risk exposure amount ('TREA') (€m)	677	793			
Leverage ratio exposure measure ('LREM') (€m)	2,218	2,323			
Own funds / TREA	500.7%	425.1%			
Own funds/ LREM	152.8%	145.1%			

Note: 31 December 2018 capital and leverage ratios include yearly P/L.

* LCR data has been restated using 12 month averages for periods shown in the table above.

Key highlights during Q3 2019

The following took place in the third quarter of 2019 and are considered as important events that impacted BNY Mellon SA/NV:

BNY Mellon SA/NV has increased its quarterly results before tax by €9 million (+13%) compared to the previous quarter. This result was mainly attributed to higher net fee and commission income resulting from new business driven by the execution of the Brexit Programme. In addition, salaries and compensation costs have decreased by 8% related to the release of the provision of restructuring costs.

At the end of September 2019 the spot Balance Sheet of BNY Mellon SA/NV stood at €34 billion down by €2 billion compared to June 2019 which was driven by lower third party deposits.

The increase in capital ratios resulted mainly from a decrease in risk-weighted assets, by €806 million, driven by a reduction of €729 million in credit risk of which on corporate exposures (€-598 million) which was impacted by failed trades (€-192 million), derivatives (€-234 million) and placements and nostros at credit institutions located in the third countries without equivalent prudential requirements in accordance with CRR Article 107 (3) (€-112 million). This was strengthened by an increase in own funds of €19 million mainly as a result of accumulated other comprehensive income on securities measured at fair value through the statement of other comprehensive income.

Institution specific countercyclical capital buffer ('CcyB') rate has increased from 0.076% in Q2 2019 to 0.154% in Q3 2019. This was largely driven by the change in rates for Ireland (0%=>1%), France (0%=>0.25%) and Denmark (0.5%=>1%) which increased the weighted-average CcyB rate by 0.054%.

The LCR increased +16% points from 139% to 155% resulting from a reduction in net outflows (-13% or €2.05 billion) offset by a decrease in liquid assets (3% or €0.73 billion). Net liquid outflow decreased (€2.05 billion) mainly as a result of a decrease in third party deposits (€1.7 billion) together with a decrease in intercompany deposits (€1.1 billion), offset by an increase in nostro borrowings (€0.5 billion).

NSFR ratio increased by 18% from 163% in Q2 2019 to 181% in Q3 2019. This increase resulted from higher available stable funding (€0.4 billion) driven by by an increase in the third party operational deposits

of €0.7 billion (@ 50%, impact of €0.37 billion). The required stable funding also decreased by €0.39 billion mainly driven by a decrease in:

- derivatives of €0.16 billion (@ 100%);
- unencumbered loans to third parties and intercompanies by €0.87 billion (@ 15%, impact of €0.13 billion on required stable funding); and
- other assets (mainly dividends receivables) by €0.09 billion (@ 100%).

Capital



2 Article 437 CRR - Own funds

The following metrics present BNY Mellon SA/NV's risk components as at 30 September 2019.

Common Equity Tier 1 capital	€3,044m 30-Jun-19: €3,025m	
Total own funds	€3,390m 30-Jun-19: €3,371m	
Total risk-weighted assets	€4,701m 30-Jun-19: €5,507m	

This section provides an overview of the balance sheet items used to calculate own funds and the composition of BNY Mellon SA/NV's regulatory capital. The scope of consolidation and the method for consolidation used for the balance sheet in accordance with International Financial Reporting Standards ('IFRS') are identical to the scope of consolidation and the method for consolidation used in the prudential framework. The major difference between the consolidated own funds as published in the financial statements and the regulatory own funds, comes from the regulatory adjustments required by the prudential Regulation No 575/2013 (CRR). The Pillar 3 disclosures are published in accordance with prudential requirements.

 **Table 2: CC1 - Composition of regulatory capital**

This table shows the composition of BNY Mellon SA/NV's regulatory capital including all regulatory adjustments.

Own funds (€m)	30-Sep-19	30-Jun-19
Common Equity Tier 1 ('CET1')		
Capital instruments	1,757	1,757
Retained earnings	1,205	1,205
Reserves and other comprehensive income	120	101
CET1 Adjustments	(38)	(38)
Total CET1 capital	3,044	3,025
Additional Tier 1 ('AT1') capital		
Total AT1 capital	—	—
Total Tier 1 capital	3,044	3,025
Tier 2 ('T2') capital		
Capital instruments and subordinated loans	346	346
Total T2 capital	346	346
Total own funds	3,390	3,371

 **Table 3: TLAC1 - Transitional own funds**

The table below shows the own funds disclosure at 30 September 2019.

Equity instruments, reserves and regulatory adjustments (€m)	Amount at disclosure date
CET1 capital: Instruments and reserves	
Capital instruments and the related share premium accounts	1,757
of which: ordinary shares	1,757

Equity instruments, reserves and regulatory adjustments (€m)	Amount at disclosure date
Retained earnings (including profit)	1,339
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	121
Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1	—
CET1 capital before regulatory adjustments	3,217
CET1 capital: regulatory adjustments	
Additional value adjustments (prudent valuation)	(12)
Intangible assets (net of related tax liability)	(26)
Year-end non eligible earning adjustments	(135)
Total regulatory adjustments to CET1	(173)
CET1 capital	3,044
AT1 capital	—
Tier 1 ('T1') capital	3,044
Tier 2 ('T2') capital: Instruments and provisions	
Total regulatory adjustments to T2 capital	—
T2 capital	346
Total capital	3,390
Total risk-weighted assets	4,701
Capital ratios and buffers	
CET1 (as a percentage of risk exposure amount)	64.8%
T1 (as a percentage of risk exposure amount)	64.8%
Total capital (as a percentage of risk exposure amount)	72.1%
Capital conservation buffer requirement	2.500%
Countercyclical capital buffer requirement	0.154%
Other Systemically Important Institution ('O-SII') buffer	0.750%
Amounts below the thresholds for deduction (before risk-weighting)	
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38(3) are met)	8

In accordance with article 48 and following the respect of all conditions laid down in this article, deferred tax assets arising from temporary differences that are equal to or less than 10% of the CET1 are exempted from deduction from CET1. BNY Mellon SA/NV deferred tax assets amount of €8 million is below the thresholds for deduction and is subject to 250% RW. Deferred tax assets arising from temporary differences are the only items exempted from own funds deduction at BNY Mellon SA/NV.



3 Article 438 CRR - Capital requirements

The following metrics present BNY Mellon SA/NV's risk components as at 30 September 2019.

Total risk exposure amount

€4,701m



30-Jun-19: €5,507m

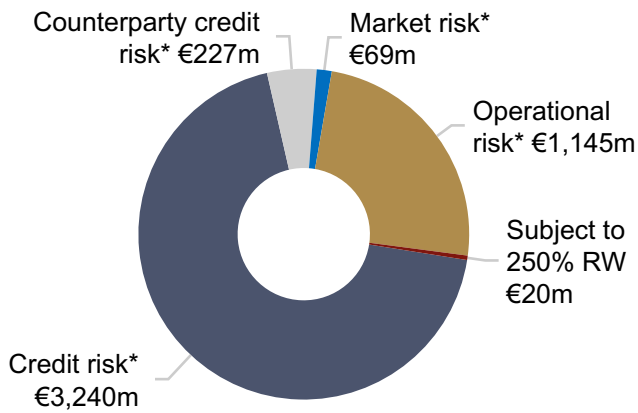
Total capital requirement

€377m

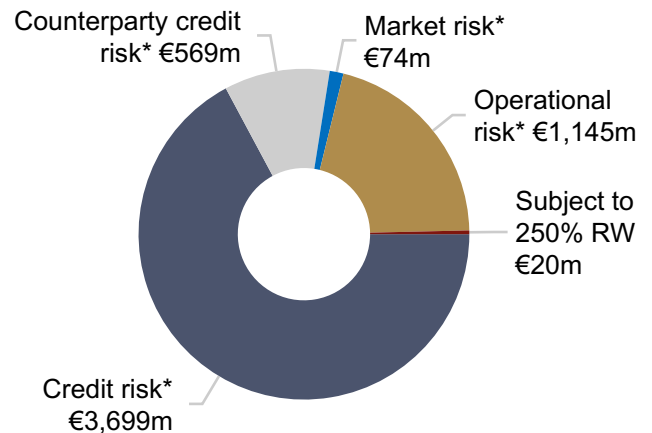


30-Jun-19: €442m

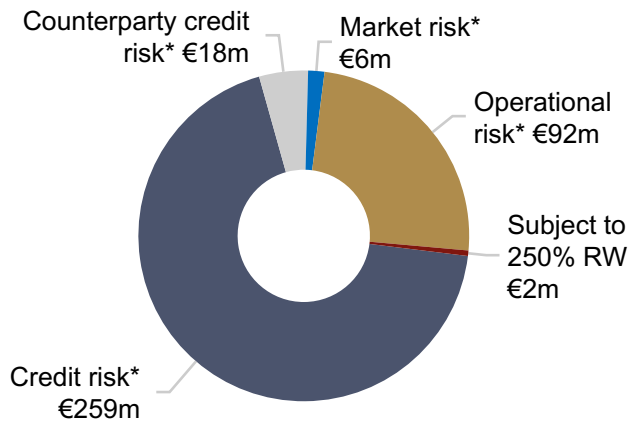
Risk exposure by risk type at 30 September 2019



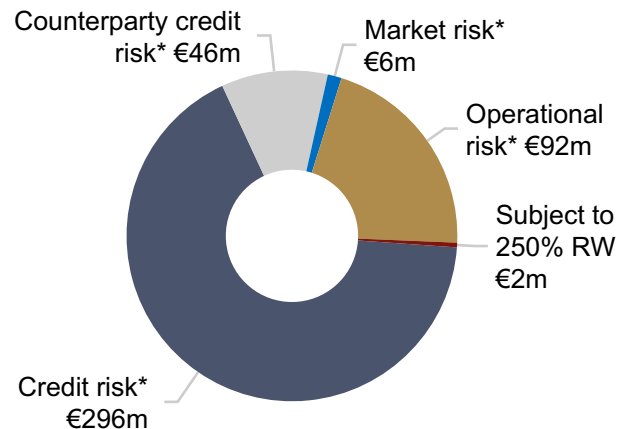
Risk exposure by risk type at 30 June 2019



Capital requirements by risk type at 30 September 2019



Capital requirements by risk type at 30 June 2019



*Standardised approach

BNY Mellon SA/NV's capital plan aims to ensure that it holds an appropriate amount of capital to support its business model, allowing for prudent management of the business, given a range of plausible but severe stress scenarios. Potential capital shortfalls are identified over a three year period and capital plans adjusted accordingly. The plan is reflective of BNY Mellon SA/NV's risk appetite, which details a commitment to a strong balance sheet characterised by strong liquidity, superior asset quality and a capital structure which supports the risk taking activities and has the ability to absorb losses.

The plan is developed with input from Finance, Risk, Treasury and the business lines. Incorporating the projected earnings based on its business plan, BNY Mellon SA/NV generates a three year forecast which forms the base foundation for financial modelling and stress testing used as part of the ICAAP process.

The capital plan effectively incorporates a view of BNY Mellon SA/NV's current business model, the risks associated with that model, and an assessment of how those risks contribute to the amount of capital required, as per internal and external regulatory criteria. The capital plan is subject to Executive Committee ('ExCo') and Board approval (upon recommendation of the Risk Committee of the Board) and the performance metrics are reviewed by the Belgium Asset and Liability Committee ('Belgium ALCO').

3.1 Calculating capital requirements

CRD IV allows for different approaches for calculating capital requirements. BNY Mellon SA/NV applies the standardised approach under Pillar 1 where risk-weights are based on the exposure class to which the exposure is assigned and its credit quality. These risk-weights are used to assess the requirements against credit exposures are consistent across the industry. The standardised approach is used for calculating the risk-weights assigned to each risk component including credit risk, counterparty credit risk, market risk and operational risk.

 **Table 4: EU OV1 - Overview of RWAs**

Table 4: EU OV1 shows the risk-weighted assets calculated using the standardised approach and their respective capital requirements.

Type of risk (€m)	Risk exposure amount		Capital requirements	
	30-Sep-19	30-Jun-19	30-Sep-19	30-Jun-19
Credit risk*	3,240	3,699	259	296
Counterparty credit risk*	227	569	18	46
of which: Mark-to-market*	179	450	14	36
of which: Credit valuation adjustment*	48	120	4	10
Market risk*	69	74	6	6
of which: Foreign exchange position risk*	69	74	6	6
Operational risk*	1,145	1,145	92	92
of which: Standardised approach	1,145	1,145	92	92
Amounts below the thresholds for deduction (subject to 250% risk-weight)	20	20	2	2
Total	4,701	5,507	377	442
Total capital			3,390	3,370
Surplus capital			3,013	2,928

*Standardised approach

Risk exposure amount has decreased by €806 million in Q3 2019 compared to Q2 2019 mainly resulting from:

- a reduction in Credit risk (including Counterparty Credit risk: Mark-to-market) of €729 million which was driven by a reduction in risk-weighted assets on Corporates by €568 million following decreases in failed trades (€192 million) and derivatives (€234 million). There was also a decrease in Institutions of €115 million driven by a decrease in placements and nostro (€51 million);
- a reduction in Counterparty Credit risk: Credit Valuation Adjustment by €72 million in Q3 2019 vs Q2 2019 following the decrease of the exposure value of €419 million;
- a reduction in Market risk by €5 million mainly driven by the change of the net position in the following currencies:
 - USD from Long (€+48 million) in Q2 2019 to Long (€+53 million) in Q3 2019; and
 - other currencies from Long (€+21 million) in Q2 2019 to Long (€+9 million) in Q3 2019.

Risk-weighted assets for Operational risk was stable during the quarter.

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



4 Article 435 CRR - Risk management objectives and policies

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

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

- risk tolerances (limits) are in place to govern its risk-taking activities across all businesses and risk types;
- risk appetite principles are incorporated into its strategic decision making processes;
- monitoring and reporting of key risk metrics to senior management and the board takes place; and

- there is a capital planning process which incorporates both economic capital modelling and a stress testing programme.

The Board has adopted for BNY Mellon SA/NV a conservative risk appetite to maintain a strong capital position and balance sheet throughout all market cycles with strong liquidity, superior asset quality, readily available access to external funding sources at competitive rates, and a strong capital structure whilst delivering operational excellence to meet stakeholders' expectations.

Risk statement

In accordance with the Committee for Systemic Risks and System-relevant Financial Institutions ('CSRFSI') circular 2010-1¹ (NBB circular to SIFIs 26 October 2010), BNY Mellon SA/NV has been identified as a Systemically Important Financial Institution ('SIFI') in Belgium, making it a high priority to manage risks appropriately to reflect its significant status.

BNY Mellon SA/NV has adopted a conservative capital risk appetite to maintain a strong capital position and balance sheet throughout all market cycles with strong liquidity, superior asset quality, ready access to external funding sources at competitive rates and a strong capital structure whilst delivering operational excellence to meet stakeholders' expectations. Any changes to the risk profile are typically a result of new business and growth with risks mitigated through the internal governance, controls and risk management practices.

BNY Mellon SA/NV is mainly exposed to credit, market and operational risks from its investment servicing and custodian services as well as its investment portfolio. These risks are managed through a risk management framework, consistent with the BNY Mellon Group framework, through BNY Mellon SA/NV's own risk management function, organization and governance. Any capital requirements allocated for these risks have been assessed through modeling, stress testing and sensitivity analysis or through qualitative assessment.

BNY Mellon SA/NV monitors its capital adequacy in accordance with Basel Framework on the basis of Pillar 1 as well as Pillar 2 (Economic Capital) requirements. Both concepts are subject to risk appetite metrics.

Pillar 1 capital requirement is calculated according to the Basel standardized approach for credit, market, operational risks and for credit value adjustment. The standard formula is based on weighting factors applied to the balance sheet and profit and loss components. Pillar 1 capital requirement is compared to the own funds and in particular the CET1, Tier 1 and Total Capital, and monitored (daily) against regulatory thresholds triggered by the Supervisory Review and Evaluation Process ('SREP') and risk appetite. BNY Mellon SA/NV ensures it maintains sufficient capital to cover Capital requirements and all necessary buffers. The risk appetite establishes a 20% buffer on top of the regulatory requirements.

The Economic Capital uses BNY Mellon SA/NV methodologies (most being BNY Mellon methodologies) which follow an approval process including yearly independent validation by BNY Mellon's Model Risk Management Group ('MRMG'). These methodologies are presented to and approved by BNY Mellon SA/NV Capital and Stress Testing Committee ('CSTC'), a committee assisting the Executive Committee with Economic Capital Adequacy related subjects. The Economic Capital is calculated for all material risks, which are summed (to form the total Economic Capital) and added to the applicable Pillar 1 regulatory buffers.

¹ Committee for Systemic Risks and System-relevant Financial Institutions (NBB), Circular to SIFIs, CSRFSI, 26 October 2010

Materiality is based on both quantitative and qualitative criteria. The qualitative criteria relies on a number of factors to which the risk register plays a key role. The risk register is a management tool that provides a high-level view of an entity's risk landscape. It is instrumental in forming the risk strategy of the entity and defining risk appetite in the context of the broader organization. Applied to BNY Mellon SA/NV, the risk register enables management to focus on the key risks to which the brand is exposed. The materiality and significance of risks in the risk register are based on an assessment of expected frequency and impact magnitude for each risk, both from an inherent (before controls) and a residual (after controls) perspective. The materiality and significance of risks in the ICAAP on the other hand is based on tail losses.

Given the capital adequacy ratios and capital surplus, BNY Mellon SA/NV concludes that its capital was sufficient at 30 September 2019 to face the risks of the entity. At 30 September 2019:

- The Pillar 1 capital requirement was €377 million, CET1 was €3,044 million; as a result, the CET1 ratio was 64.8%.

As a comparison, at 30 June 2019, the Pillar 2 capital requirement was €1,601 million, Available Financial Resources was €3,017 million; as a result, the Pillar 2 ratio was 15.1%.

Internal capital adequacy is calculated quarterly and approximations are applied in order to estimate the capital needs on a monthly basis. The three-year base case financial forecast is then used in order to project the capital requirements. The base case financial forecast includes projections of the balance sheet and profit and loss elements. The evolution of the balances and profitability, combined with a macro-economic assessment of the evolution of the risk profile were used in order to determine the evolution of the capital ratios. The macroeconomic assessment was performed in baseline and stressed conditions, whereby the impact on the accounting elements (balances and profitability) were deducted and combined with the deterioration of the risk profile.

BNY Mellon SA/NV internal capital assessment covers risks to its current business as well as known planned activities. The strategic initiatives are included in the financial plan, and so, assessed by capital assessment and stress testing.

BNY Mellon SA/NV conducts stress tests and capital planning analysis. This provides an avenue for macro-economic scenarios, new activities or strategic plans to be assessed. The stress tests results show the resilience of BNY Mellon SA/NV to macro- and micro-economic adverse circumstances. Available mitigant actions were activated to prove the resilience of BNY Mellon SA/NV to severe stress scenarios combining different shocks, including a strategic risk.

BNY Mellon SA/NV's business model implies that its revenues are mainly driven by the fees and commissions it perceives, and less on the net interest income, and this ensures more stability in case of a macro-economic event. In addition, BNY Mellon SA/NV is usually perceived as a safe haven which will limit the deposits outflow and as such keep the balance sheet liquid. The strategy has a favorable impact on the capital adequacy by its effect on reducing the balance sheet, including the securities portfolio.

4.1 Risk objectives

The identification, measurement, monitoring and management of risks are all essential elements for the success of operations undertaken by BNY Mellon SA/NV, specifically:

- the Board recognises that in defining a risk appetite it must consider the views of a number of different stakeholders while accounting for business strategy and risk profile;
- the Board sees embedding risk appetite into the business strategy as essential;
- the Board recognises that it cannot fully mitigate all risks. The risk framework includes standard risk management self-assessment tools that take into account loss history and stress testing to measure and monitor whether or not risk controls in place continue to remain effective; and

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

The Board adopts a prudent appetite to all elements of risk to which BNY Mellon SA/NV is exposed.

4.2 Risk governance

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

4.2.1 Board of Directors

The Board is composed of a majority of non-executive directors, some of whom are representatives of The Bank of New York Mellon senior management. At least two of the non-executive directors are independent directors (as defined in the Belgian Companies Code). All members of the ExCo also sit on the Board in compliance with Article 24 of the Banking Act. All directors are natural persons.

The Board meets formally once a quarter or more frequently if deemed appropriate. Board meetings can be called whenever the specific needs of the business require it.

The principal responsibilities of the Board, as defined in the Terms of Reference for the Board of Directors include, but are not limited to:

- defining the general business strategy, objectives and values of the Company in line with those of The Bank of New York Mellon;
- planning and monitoring the implementation of the general business strategy, objectives and values within the Company;
- fixing the Company's risk tolerance level and regularly reviewing and approving the strategies and policies relating to the taking, management, follow-up and mitigation of risks;
- supervising the management of the Company's significant risks and ensuring adequate resources are allocated to it;
- approving the capital adequacy position and ensuring changes in the Company consider capital impacts;
- approving the recovery plan;
- approving the liquidity recovery plan;
- supervising effectively the Executive Committee and the decisions taken by the Executive Committee;
- drawing up annual and interim reports and accounts;
- assessing regularly (at least once per year) the efficiency of the internal organization and system of internal control of the Company and its compliance with applicable laws and regulations;
- assessing the proper functioning of the Company's independent control functions (risk, internal audit and compliance); ensuring the integrity of the accounting and financial reporting systems and assessing regularly (at least once per year) the efficiency of the internal control structure, in particular regarding the financial reporting process;

- ensuring that the Company's internal governance - as translated into its Internal Governance Memorandum - is appropriate to its business, size and organization;
- approving the Internal Governance Memorandum and ensuring it is kept up-to-date and submitted to the supervisory authority;
- approving and reviewing regularly (at least once per year) the Company's remuneration policy and supervising its implementation;
- selecting and evaluating the members of the Executive Committee and reviewing the process for the selection, evaluation, and development of other key managers (in particular the Chief Risk Officer, Chief Compliance Officer, Chief Internal Auditor);
- ensuring the succession planning for key managers;
- reviewing the Company's processes for protecting the Company's assets and reputation;
- approving policies and procedures as may be required by law or otherwise appropriate;
- reviewing the Company's processes for compliance with applicable laws, regulations and the internal policies including the Code of Conduct; and
- overseeing the process of external disclosure and communications.

The table below shows the members of the Board, membership of internal committees and external mandates as at 18 November 2019.

Board member	Function at BNY Mellon SA/NV	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with SA/NV (Y/N)
Non-Executive Directors							
Olivier Lefebvre	Independent Chair of the Board of Directors,	Climact sa	Belgium	Environmental consultancy	N	Chairman of the Board	N
	Independent Member of the Audit Committee,	Ginkgo Management sarl	Luxembourg	Real Estate Fund Management	N	Independent Director	N
	Independent Chair of the Remuneration and Nomination Committees	Ginkgo Management sarl II					
Marie-Hélène Cretu	Independent Chair of the Audit Committee,	Spri Perma-Project	Belgium	Support to starters in Permaculture	N	Director	N
	Independent Member of the Remuneration and Risk Committees	CoDiese & GRC & PREF-X SAS	France	Finance consultancy	N	Director	N
		Montpensier Finance	France	Assets Management Company	N	Independent Director	N
Carol Sergeant	Independent Chair of the Risk Committee,	Danske Bank A/S	Denmark	Financial services	Y	Vice Chairman	N
	Independent Member of the Audit and Nomination Committees	Threadneedle Solutions Limited	United Kingdom	Private Company	N	Director	N
		Belmont Green Finance Ltd	United Kingdom	Financial services	N	Sr. Non-Executive Director	N
Thomas (Todd) Gibbons	Member of the Nomination and Audit* Committees						

Board member	Function at BNY Mellon SA/NV	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with SA/NV (Y/N)
Hani Kablawi	Member of the Remuneration and Risk* Committees	Arab Bankers Association London, UK	United Kingdom	Financial services	N	Vice Chairman and Board Member	N
Susan Revell*	Non-Executive Director						
Executive Directors							
Leonique van Houwelingen	Chief Executive Officer and Chair of the Executive Committee	Foreign Bankers' Association (FBA)	The Netherlands	Trade association	N	Non-Executive Chair	N
		American Chamber of Commerce	Belgium	Trade association	N	Board Member	N
Hedi Ben Mahmoud	Chief Risk Officer and Member of the Executive Committee						
Annik Bosschaerts	Chief Operations Officer and Member of the Executive Committee						
Eric Pulinx	Chief Financial Officer, Deputy Chief Executive Officer and Member of the Executive Committee	Delen Private Bank and FinAx	Belgium	Credit institution	N	Independent Director	N

* The appointments of Susan Revell as Member of the Board of Directors, Todd Gibbons as Member of the Audit Committee and Hani Kablawi as Member of the Risk Committee are subject to regulatory approval.

No director has declared a personal conflict of interest that would give rise to the application of article 523 of the Belgian Companies Act.

BNY Mellon SA/NV is committed to diversity and inclusion. This commitment is not only important to BNY Mellon SA/NV's culture and to each director as individuals, it is also critical to BNY Mellon SA/NV's ability to serve its clients and grow its business. BNY Mellon SA/NV recognises the benefits of having individuals with diverse backgrounds, experience and viewpoints on the Board for the different perspective and unique contributions they provide. Board appointments are based on an individual's skill, ability, experience, training, performance, and other valid role-related requirements. The Terms of Reference of the Board state that at least one third of each gender shall be represented on the Board and on the ExCo and that such distribution should be reached by 2020. As long as this target is not reached, female candidates with proven qualifications shall be preferred over male candidates for any new appointment on the Board.

The Nomination Committee (the "NoCo") is responsible for reviewing the structure, size and composition of the Board (including its skills, knowledge, experience and diversity) and making recommendations to the Board with respect to any Board member's appointment. In identifying suitable candidates for a particular appointment, the NoCo considers candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

4.2.2 Legal Entity Risk Management

The ExCo has been established by the Board in accordance with Article 24 of the Banking Act and Article 524bis of the Belgian Companies Code and has been entrusted with the general management of BNY Mellon SA/NV with the exception of (i) the determination of the strategy and general policy of BNY Mellon SA/NV and (ii) the powers reserved to the Board by law or the articles of association. The ExCo meets formally at least once a month and reports to the Board.

The ExCo is responsible for running the general management of BNY Mellon SA/NV within the strategy and the general policy, as defined by the Board, and for ensuring that the culture across BNY Mellon SA/NV facilitates the performance of business activities with integrity, efficiency and effectiveness.

The ExCo reviews corporate initiatives including strategic initiatives, financial performance, new business initiatives, policy changes, controls and organisational development. The ExCo has responsibility across all Lines of Business conducted by or impacting BNY Mellon SA/NV, its branches or subsidiary.

As described in detail in the ExCo Terms of Reference, the responsibilities of the ExCo in carrying out the general management of the Company mainly relate to corporate responsibilities, control environment, regulatory issues, stress testing and ICAAP.

The ExCo reports its activities, advises, and makes recommendations to the Board regularly. At least annually, the ExCo assesses the efficiency of the Company's internal organisation and internal controls together with the measures taken to remediate to any identified deficiencies, and reports the same to the Board, the NBB and the external auditor.

The ExCo has established the following committees to assist it in the performance of its duties:

- the Risk Management Committee;
- the Asset and Liability Committee;
- the Capital and Stress Test Committee; and
- the Credit Risk Oversight Committee.

The ExCo has established the following committees to assist in the performance of its duties.

Risk Management Committee ('RMC')

The key purpose of the BNY Mellon SA/NV Risk Management Committee is to provide oversight of the risk management process for the underlying businesses, subsidiary and branches, to ensure that risks are identified, monitored and reported and to ensure that appropriate actions and activities are in place to manage the identified risks. The RMC also plays a central role in ensuring that material change that has the potential to affect the BNY Mellon SA/NV is identified in a timely manner and managed in an appropriate fashion.

The aim of the RMC is to establish and maintain a capable and effective forward-looking risk organization that is well placed to identify and manage emerging risks for the legal entity including its branches and subsidiary. The RMC provides risk-based challenge to the Business (first line of defense) establishes and maintains a risk culture, advises the ExCo as second line of defense on risk matters. The Committee is responsible for ensuring that risk and compliance activities undertaken by BNY Mellon SA/NV, its underlying branches, subsidiary and businesses are executed in accordance with internal policies and all relevant regulations.

Asset and Liability Committee ('ALCO')

The Belgium ALCO is responsible for overseeing the asset and liability management activities on the balance sheet of BNY Mellon SA/NV, its branches and subsidiary, and for ensuring compliance with all liquidity, interest rate risk and capital related regulatory requirements.

Capital and Stress Testing Committee ('CSTC')

The purpose of the CSTC is to ensure adequate governance and understanding of, and ownership for the processes and documentation pertaining to, BNY Mellon SA/NV's capital requirements (economic, regulatory, adequacy and allocation), the risk economic capital model methodologies and stress testing. This is achieved in accordance, where applicable, with the ICAAP governance, BNY Mellon SA/NV Stress Testing policies and framework whilst taking into consideration the Group's over-arching capital, profit and strategic plans.

The CSTC is an empowered decision making body under authority delegated by BNY Mellon SA/NV ExCo and subject to corporate policy, legislation and external regulation.

Credit Risk Oversight Committee ('CROC')

The key purpose of the CROC is to oversee all forms of credit risk, to oversee controls of credit risk associated with BNY Mellon SA/NV banking business and to ensure compliance with BNY Mellon SA/NV credit policies. The activities of the CROC are reported to the ExCo as well as to the RMC where relevant.

Business Acceptance Committees ('BACs')

The BACs are responsible for the acceptance, oversight and guidance of new and existing businesses and clients for each of the following business lines for all BNY Mellon legal entities across EMEA: Asset Servicing and Alternative Investment Strategies, Corporate Trust, Depositary Receipt, Markets, and Broker-Dealer and Advisory Services.

BNY Mellon SA/NV representatives, selected by the ExCo for their expertise, sit at BACs when BNY Mellon SA/NV deals have to be approved.

Councils assisting the ExCo

In addition to the above committees, the ExCo has mandated two councils to assist them:

- the Technology and Information Risk Council ('TIRC') derives its authority and mandate from the ExCo through the RMC. The purpose of the TIRC is to provide a detailed review of all key Client Technology Solutions ('CTS') services and emerging risks for reporting to the RMC; and
- the Belgium Management Council ('BEMCo'), with the purpose to provide leadership for BNY Mellon employees in Belgium, regardless of legal entity, functional, or business affiliation. The BEMCo is responsible for overseeing, informing, supporting and involving other local bodies, as well as ensuring employee engagement within the Brussels location and the company in Belgium. It shall also decide or escalate matters discussed with the employee relations bodies.

4.2.3 Business unit risk management

The oversight of risk management within business units at a regional level is governed via two risk management committees, namely:

EMEA Asset Servicing Business Acceptance Committee which is responsible for channeling new/renewal business into lines of business and subsequently legal entities, including BNY Mellon SA/NV, approving all new clients prior to commencing a relationship with them and approving new business arrangements with existing clients. Risk is assessed and reviewed as part of the approval process.

EMEA Asset Servicing Business Risk Committee which is responsible for ensuring that the risk profile of EMEA Asset Servicing is well understood and effectively managed. This is achieved by carrying out the review of current and emerging key risk and control issues and related initiatives, escalation of material risks and issues to the Head of BNY Mellon Asset Servicing and other regional committees and boards as appropriate, approval of new or materially modified products, review of potential off-boarding of non-systemically significant products and review of significant regulatory requirements.

Markets APAC/EMEA Business Acceptance Committee provides governance over new and modified direct business relationships for Markets. The committee is focused on reviewing and approving nonstandard relationships.

Broker-Dealer Services Global Business Acceptance Committee ('BDS Global BAC') is responsible for performing due diligence when accepting, on-boarding, monitoring and off-boarding client relationships and business. BDS Global BAC members will review and approve new and incremental business opportunities. BNY Mellon SA/NV ExCo has delegated authority for business acceptance to the "BNY Mellon SA/NV Business Acceptance Committee ('BAC') Delegates" (members of the BNY Mellon SA/NV Executive Committee and Branch Managers). A BNY Mellon SA/NV BAC delegate must approve each BNY Mellon SA/NV client acceptance and each business opportunity BAC proposal which is to be booked to the Company. A BNY Mellon SA/NV Compliance representative will attend all BDS Global BAC meetings and will be accountable to the Company's Compliance Officer in respect of all BNY Mellon SA/NV business opportunity acceptances.

Broker-Dealer Services Business Risk Committee ('BDSBRC') meetings are the point of review and approval for all new or materially modified products or process changes and services as well as the venue for review and approval of all potential off-boarding of products and services as well as status updates of any major project initiative including touch-points to BNY Mellon SA/NV. The BDSBRC shall consider a variety of issues including: potential or actual conflicts of interest or sensitive business practices, errors and service delivery failures, especially with impact to clients and/or to legal and regulatory obligations; client communications and disclosure; financial losses; unsubstantiated gains; and potential reputation damage. BDSBRC meetings are designed to enhance transparency of the key risk and control issues facing the business and to provide a forum for escalation and discussion of these issues. Impact to BNY Mellon SA/NV will be escalated to its Risk Committee for review and approval, as appropriate.

4.3 Risk management framework

As a systemically important financial institution, BNY Mellon SA/NV holds itself to an industry leading standard of risk management. Effective management of risk is at the core of everything BNY Mellon SA/NV does.

From the perspective of BNY Mellon SA/NV, as with other regulated banking entities, a strong risk governance and robust risk culture are achieved through close and continuous co-operation between business lines, Risk and Compliance teams and Internal Audit. Taken together these enable BNY Mellon SA/NV to effectively identify, assess, manage and report the risks that are inherent to operating its business.

BNY Mellon SA/NV Risk Management Framework is organized around the 'Three Lines of Defense' and BNY Mellon SA/NV has, in accordance with the Banking Act requirements, put in place the following independent control functions: Internal Audit, Compliance and Risk Management.

The ExCo is responsible for the implementation of these independent control functions. Annually, it reports to the NBB, the statutory auditor and the Board on the compliance with this requirement and on the measures taken in this respect. These functions are considered as independent as they operate independently from the other business functions.

The heads of the independent control functions must be fit and proper for carrying out such a role and approved by the NBB.

BNY Mellon SA/NV has adopted a 'Three Lines of Defense' model as part of the risk management framework. The First Line of Defense ('1LOD') consists of managers and employees at the business or, in some cases, business partner level. They own the risk associated with the business activities and they manage the risks and the related control processes and procedures on an operational basis. The Risk Management and Compliance functions are the Second Line of Defense ('2LOD'); and own the enterprise-wide risk management framework and provide independent oversight of the 1LOD. This also includes Corporate Security, Business Continuity, Financial Management and Analysis within Finance. The Third Line of Defense ('3LOD') is Internal Audit, which independently provides the Board and senior management with the assurance that the governance structures, risk management and internal controls in place are effective.

➤ **Figure 3: Three Lines of Defense**



BNY Mellon Risk and Compliance policies and guidelines provide the framework for BNY Mellon SA/NV's internal controls, risk identification, monitoring, reporting and escalation. Risks are managed within specialist risk teams (e.g. credit, liquidity) or via line of business risk teams (operational, market).

4.4 High-level Assessment

The High-level Assessment is a management tool that provides a high-level view of an entity's risk landscape. It is instrumental in forming the risk strategy of the entity and defining risk appetite in the context of the broader organization. Applied to BNY Mellon SA/NV, the High-level Assessment enables management to focus on the key risks to which BNY Mellon SA/NV is exposed. The BNY Mellon SA/NV High-level Assessment, which is governed by the Policy "Legal Entity Risk Register", should be read in conjunction with, and be complementary to, BNY Mellon SA/NV ICAAP and ILAAP ('Internal Liquidity Adequacy Assessment Process'), the business-level risk and control self-assessments ('RCSA's) and other Risk MI including the specific BNY Mellon SA/ NV Risk Dashboard.

The BNY Mellon SA/NV High-level Assessment is coordinated by Risk Management. Senior Risk Officers of each Line of Business ('LOB SROs'), Risk function heads (e.g. credit risk) and key representatives from the Lines of Business/Legal Entities will be consulted as part of the assessment process. The High-level Assessment, which is approved by the ExCo, is a living document and will be updated regularly as needed.

4.5 Risk appetite

BNY Mellon defines Risk Appetite as "the level of risk it is normally willing to accept while pursuing the interests of our major stakeholders, including our clients, shareholders, employees and regulators". The Risk Appetite Statement ('RAS') defines metrics and controls to measure and monitor risks relative to the risk appetite. These metrics establish risk thresholds through qualitative and quantitative expressions of risk appetite to monitor risk-taking activities.

The Risk Appetite of BNY Mellon SA/NV constitutes the risk limiting perimeter within which the head office, branches and subsidiary must operate.

The Board owns and defines the RAS, is responsible for annually reviewing it and approves any amendment. The Risk Appetite Metrics Report is actively monitored and managed by the BNY Mellon SA/NV ExCo through a defined governance and set of delegated controls to ensure that the performance of business activities remains within risk appetite levels. The Risk Appetite is reviewed if the risk profile changes or, at least, annually. It is governed by a Group Policy.

The Board adopts a prudent appetite to all elements of risk to which it is exposed. Business activities are managed and controlled in a manner consistent with the Board's stated tolerances using defined quantitative and qualitative measurements. The Board has sought to establish a clear set of tolerances for its business and has articulated it's appetite through a series of statements and metrics.

4.6 Risk assessment methodology and reporting systems

Risk identification and monitoring occurs in the business (operational areas) and within focused risk departments. Several processes are in place in order to ensure that risks are correctly and timely identified and monitored. Monitoring and controlling risk is primarily performed based on limits established by BNY Mellon SA/NV. These limits reflect the business strategy and market environment of BNY Mellon SA/NV as well as the level of risk that BNY Mellon SA/NV is willing to accept. In addition, BNY Mellon SA/NV's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all business areas is examined and processed in order to analyze, control and identify risks on a timely basis. This information is presented and explained to the Risk Management Committee ('RMC'), the ExCo and the Board.

Risk identification and reporting is made using a series of tools and information systems. Each risk type is assessed and reported by risk experts to BNY Mellon SA/NV RMC.

BNY Mellon SA/NV benefits from multiple data gathering, risk monitoring and escalation flows. BNY Mellon SA/NV generally does not build its own risk infrastructure, data aggregation or reporting tools. In that sense, all the tools used by the risk experts are corporate tools, of which the building and maintenance is framed by policies and service level agreements. One notable exception is the large exposure tool (Concentration Risk System - CRS). This tool was developed by and is tailored to the needs of BNY Mellon SA/NV.

Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP')

BNY Mellon SA/NV monitors its capital adequacy in accordance with Basel Framework on the basis of Pillar 1 and Pillar 2 (Economic Capital) requirements.

Pillar 1 capital requirement is calculated according to the Basel standardized approach for credit, market and operational risks, and for credit value adjustment. The standard formula is based on weighting factors applied to the balance sheet and profit and loss components. Pillar 2 capital requirement is based on an internal risk assessment of the components of the balance sheet and of the business activities; it uses BNY Mellon SA/NV methodologies (most being BNY Mellon methodologies) which follow an approval process including independent validation by BNY Mellon's model validation team. These methodologies are approved by BNY Mellon SA/NV Capital and Stress Testing Committee and by BNY Mellon SA/NV Board as part of the annual ICAAP approval. BNY Mellon SA/NV also conducts stress tests in order to assess the resilience of the capital base in the future. This provides an avenue for micro- and macro-economic scenarios, new activities or strategic plans to be assessed from a capital perspective.

The ILAAP process reflects a strong liquidity risk management culture and efficient governance regime in place within the firm. Throughout the ILAAP preparation cycle the content, findings and conclusions set out in this process have been reviewed and challenged by the relevant stakeholders and governance committees.

The ILAAP is a living document updated on a regular basis and no less frequently than annually. It includes liquidity stress testing proving the resilience of the firm in case of market or idiosyncratic liquidity events.

New and modified businesses / products assessment process

New or modified products or businesses need to be reviewed and approved by the corresponding Business Acceptance Committee ('BAC'). In addition to the BAC acceptance and in order to ensure full compliance towards Legal Entity specific concerns, the RMC must approve the business or product.

Significant new client process

Significant new clients are reviewed and approved by the corresponding BAC (Line of Business).

The BAC uses a checklist in order to assess the potential impact the new client will have on the Pillar 2 capital requirement. If the impact is deemed potentially material, the BNY Mellon SA/NV BAC delegate will be responsible for contacting BNY Mellon SA/NV Risk Management in order to obtain a Pillar 2 assessment.

Risk and Control Self-Assessment

The Risk and Control Self-Assessment ('RCSA') is a tool used by the business to identify risks associated with their key processes. High or Moderate to high residual risks form part of a regular risk management report to the 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 BNY Mellon SA/NV on an ongoing basis.

Operational risk events

All operational losses and fortuitous gains exceeding US\$10k are captured in the Risk Management platform with completeness being verified by reconciliation to the General Ledger. Risk events are categorized by

causal category. Operational Loss Events reporting forms part of the standard risk management report to the RMC.

Credit risk monitoring process

All counterparties leading to credit risk exposures are assessed and allocated a borrower rating in accordance with the BNY Mellon's credit rating system. Monitoring and control is conducted via a number of real-time systems to ensure that approved exposure levels are not exceeded, or are pre-approved by a suitable credit officer in the light of individual circumstances. Post event monitoring is also conducted by both Client Service areas and the Credit function as well as the Large Exposure function. Issues arising from these are reported to the RMC and the CROC.

Large exposure process

Compliance with the large exposure (including Shadow Banking) regulatory requirements is controlled daily by the Large Exposure function in BNY Mellon SA/NV. Mitigants are applied as needed.

Market risk monitoring process

The FX and FX derivative positions are monitored against a limit discussed at the Belgium ALCO.

Interest rate risk monitoring process

The interest rate sensitivities (DV01) are monitored against the risk appetite limit, as well as the compliance with the investment guidelines.

Liquidity risk management process

BNY Mellon SA/NV's overall approach to liquidity management is to ensure that sources of liquidity are sufficient in amount and diversity, such that changes in funding requirements can be accommodated routinely without a material adverse impact on earnings, daily operations, or on the financial condition of BNY Mellon SA/NV. In this context, BNY Mellon SA/NV has set certain practices, metrics, and limits to measure and manage liquidity risk. Through these measures, it seeks to ensure that the overall liquidity risk undertaken stays within its risk tolerance.

Top risk process

The RMC maintains the list of top risks for BNY Mellon SA/NV. The RMC also receives the list of top risks from EMEA and Group level. The RMC holds monthly meeting to discuss the top risks for BNY Mellon SA/NV, which are reviewed on a quarterly basis, and discusses progress to mitigate them.

Risk dashboard

The BNY Mellon SA/NV Risk dashboard aims to provide a high-level view on the risk appetite metrics and their evolution over a given period and also a high-level view over a given period on the evolution and status, at consolidated level, of the main risk categories. It is produced on a monthly basis.

Key Risk Indicators

Key Risk Indicators ('KRIs') are used by business lines to evaluate control effectiveness and residual risk within a business process. Material risks are monitored by appropriate KRIs. The business lines utilise the corporate-wide KRI process to monitor the extent to which the probability of 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 system.

Stress testing

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

business activities. BNY Mellon SA/NV's stress testing programme assesses the capital strength and enhances the resilience to external shocks. It also helps senior management understand and mitigate risks, and informs decision about capital levels. The stress testing programme is overseen by the Capital and Stress Testing Group with results reported, where appropriate, to the ExCo and the Board.

4.7 Escalation of risks and issues

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

- identifying and documenting all material risks, assessing the effectiveness of control design and ensuring that control gaps are closed;
- developing and implementing standards and policies appropriate for the business that conform to the principles and guidelines established by the Risk function;
- elevating, reporting and investigating operating errors, losses and near misses, identifying the root causes and implementing corrective actions;
- reviewing key indicators for coverage and effectiveness, identifying root causes for red and amber conditions and ensuring implementation of corrective actions;
- approving the process to accept new business, including 'Request for Proposal' preparation, contract acceptance and compliance, and challenging whether BNY Mellon SA/NV is being compensated appropriately for the assumption of risk;
- reviewing the impact of changes in business processes on inherent risks and controls such as reorganisations, new products or processes, system conversions and acquisitions, etc.; and
- ensuring that process risks and controls are continually reassessed for appropriateness and completeness.

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

4.8 Recovery and resolution planning ('RRP')

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



5 Article 451 CRR - Leverage

The following metrics present BNY Mellon SA/NV's risk components as at 30 September 2019.

Total leverage ratio exposure	€36,975m	
	30-Jun-19: €38,712m	
Basel III leverage ratio	8.2%	
	30-Jun-19: 7.8%	

The leverage ratio is defined as the capital measure (the numerator) divided by the total exposure measure (the denominator), with this ratio expressed as a percentage:

$$\text{Leverage ratio} = \frac{\text{Capital measure}}{\text{Exposure measure}}$$

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

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

Although the BNY Mellon Corporation manages its leverage ratio in line with US regulatory limits, BNY Mellon SA/NV itself is not subject to a leverage ratio requirement. Nevertheless BNY Mellon SA/NV monitors its leverage position and reports accordingly.

Leverage ratio calculation for BNY Mellon SA/NV as of 30 September 2019 is presented below:

Table 5: LR1 - Leverage ratio summary

This table shows BNY Mellon SA/NV summary reconciliation of accounting assets and leverage ratio exposures.

Leverage ratio summary (€m)	30-Sep-19
Total assets as per published financial statements	33,942

Leverage ratio summary (€m)	30-Sep-19
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	—
(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	—
Adjustments for derivative financial instruments	193
Adjustments for securities financing transactions	—
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	28
(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	—
(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	—
Other adjustments	2,812
Total leverage ratio exposure	36,975

➤ **Table 6: LR2 - Leverage ratio common disclosure**

Regulatory leverage ratio exposures (€m)	30-Sep-19
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	36,652
Asset amounts deducted in determining Tier 1 capital	(38)
Total on-balance sheet exposures (excluding derivatives and SFTs)	36,614
Derivative exposures	
Replacement cost associated with derivatives transactions	140
Add-on amounts for Potential Future Exposure ('PFE') associated with derivatives transactions	193
Exposure determined under Original Exposure Method	—
Total derivative exposures	333
Securities financing transaction exposures	
SFT exposure according to Article 220 of CRR	—
SFT exposure according to Article 222 of CRR	—
Total securities financing transaction exposures	—
Off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	138

Regulatory leverage ratio exposures (€m)	30-Sep-19
Adjustments for conversion to credit equivalent amounts	(110)
Total off-balance sheet exposures	28
Capital and total exposures	
Tier 1 capital	3,044
Exposures of financial sector entities according to Article 429(4) 2nd of CRR	—
Leverage ratios	
Total exposures	36,975
End of quarter leverage ratio	8.2%
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	Fully phased-in
Amount of derecognised fiduciary items in accordance with Article 429(11) of CRR	—

Appendix 1 - Other risks

Liquidity risk

BNY Mellon SA/NV defines liquidity risk as the risk arising from an inability to access funding, convert assets to cash quickly and efficiently, or to roll over or issue new debt, especially during periods of market stress. Liquidity risk includes the inability to access funding sources or manage fluctuations in funding levels.

BNY Mellon SA/NV's overall approach to liquidity management is to ensure that sources of liquidity are sufficient in amount and diversity such that changes in funding requirements can be accommodated routinely without material adverse impact on earnings, capital, daily operations, or the financial condition of the Firm.

BNY Mellon SA/NV seeks to ensure that the overall liquidity risk that it undertakes stays within its risk appetite. In managing the balance sheet, appropriate consideration is given to balancing the competing needs of maintaining sufficient levels of liquidity and complying with applicable regulations and supervisory expectations while optimizing the balance sheet. The balance sheet is characterized by strong liquidity, superior 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.

BNY Mellon SA/NV has a strong liquidity risk management culture and liquidity risk management is demonstrably embedded in its policies and processes.

The goal of BNY Mellon SA/NV's liquidity management is to ensure that all liquidity risks are defined, understood, and effectively managed through well-designed policies and controls. In this context, BNY Mellon SA/NV has established a robust liquidity risk management framework that is fully integrated into its risk management processes.

The liquidity risk management framework, is prepared in accordance with the guidelines set forth by the regulators, corporate standards, and encompasses the unique structure and characteristics of BNY Mellon SA/NV.

Restitution risk

Restitution risk is the risk of loss related to the restitution requirements as defined in the **AIFMD** and **UCITS V** directives.

Restitution risk is the risk that we are willing to take because it is directly related to the business we want to offer to our clients. The risk is governed by limits through exclusion of some sub-custodian. There is room to move beyond this where there is a parental guarantee for the sub-custodian to provide for insolvency at the sub-custodian.

AIFMD is an EU directive ensuring that investors in alternative structures / products will have proper recourse to their assets. The AIFMD was published in the Official Journal of the European Union on July 1, 2011 and transposed into national law on July 22, 2013.

UCITS V came into effect on March 18, 2016. The directive amended the regulatory framework for UCITS including changes to depositary function, which brought the standards in line with AIFMD. UCITS V however, provides for a strict liability in the context of financial instruments held in custody.

Strategic risk

Strategic risk is defined as the risk arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to changes in the financial industry and operating environment. Strategic and/or business risks may also arise from the acceptance of new businesses, the introduction or modification of products, strategic finance and risk management decisions, business process changes, complex transactions, acquisitions/ divestitures/ joint ventures and major capital expenditures/ investments.

BNY Mellon SA/NV has a moderate appetite for Strategic risk. By its nature, our business model creates client concentration within the financial services industry and exposure to capital markets performance, globally. We understand and have an appetite to assume these risks. However, we seek to ensure that our industry concentration and capital markets exposure is prudent and directly relates to supporting our business activity and strategy.

The Board is committed to ensuring that strategic initiatives giving rise to significant change in the business organization or operations must be effectively managed, using corporate standard project management methodology.

Group risk

Group risk is the risk that the financial position of BNY Mellon SA/NV may be adversely affected by its relationships (financial and non-financial) with other entities within BNY Mellon or by risks that may affect the whole of BNY Mellon.

BNY Mellon SA/NV, as a member of the BNY Mellon Group, operates in alignment with the Group's business interests, while at the same time maintaining its independence, particularly with respect to operating within a governance framework which protects the interests of the entity's clients.

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

Model risk

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

Model risk can result in material financial loss, inaccurate financial or regulatory reporting, misaligned business strategies or damage to the reputation of BNY Mellon SA/NV or BNY Mellon as a whole.

BNY Mellon SA/NV 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, at least annually.

BNY Mellon internal audit provides independent reviews of compliance with the corporate model validation policy.

Appendix 2 - Glossary of terms

The following acronyms may be used in this document:

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

Acronym	Description	Acronym	Description
EHQLA	Extremely High Quality Liquid Assets	IRRBB	Interest Rate Risk on Banking Book
EMEA	Europe, Middle East and Africa	IMMS	International Money Management System
ERGC	EMEA Remuneration Governance Committee	ISDA	International Swaps and Derivatives Association
ESRMC	EMEA Senior Risk Management Committee	ISM	Investment Services and Markets
EU	European Union	IT	Information Technology
EUR	Euro	KRI	Key Risk Indicator
EWI	Early Warning Indicators	KYC	Know your customer
ExCo	Executive Committee	LCR	Liquidity Coverage Ratio
FCA	Financial Conduct Authority	LERO	Legal Entity Risk Officer
FMUs	Financial market utilities	LOB	Line of Business
FRS	Financial Reporting Standard	LOD	Line of Defense
FSMA	Financial Services and Markets Authority	MiFID II	Markets in Financial Instruments Directive II
FX	Foreign Exchange	MNA	Master Netting Agreements
G-SIFI	Global Systemically Important Financial Institution	MRMG	Model Risk Management Group
GCA	Global Custody Agreement	MRT	Material Risk Taker
GSP	Global Securities Processing	NAV	Net Asset Value
HLA	High-level Assessment	NBB	National Bank of Belgium
HQLA	High Quality Liquid Assets	NoCo	Nomination Committee
HRCC	Human Resources Compensation Committee	NSFR	Net Stable Funding Ratio
IAS	International Accounting Standards	O-SII	Other systemically important institution
IASB	International Accounting Standards Board	OCI	Other Comprehensive Income
ICA	Internal Capital Assessment	OEICs	Open-ended Investment Companies
ICAAP	Internal Capital Adequacy Assessment Process	ORMF	Operational Risk Management Framework
ICRC	Incentive Compensation Review Committee	ORSA	Operational Risk Scenario Analysis
IFRS	International Financial Reporting Standards	P/L	Profit and Loss
ILAAP	Internal Liquidity Adequacy Assessment Process	PFE	Potential Future Exposure
ILG	Individual Liquidity Guidance	PRA	Prudential Regulatory Authority
		RCoB	Risk Committee of the Board
		RCSA	Risk and Control Self-Assessment
		RM	Risk Manager
		RMC	Risk Management Committee

Acronym	Description	Acronym	Description
RMP	Risk Management Platform	T&D	Trust & Depositary
RRP	Recovery and Resolution Planning	T1 / T2	Tier 1 / Tier 2
RW	Risk-weight	TCR	Total Capital Requirements
RWA	Risk Weighted Assets	TIRC	Technology and Information Risk Council
SA	Standardised Approach	TLAC	Total Loss-Absorbing Capacity
SFT	Security Financing Transaction	UCITS	Undertakings for Collective Investment in Transferable Securities
SLD	Service Level Description	VaR	Value-at-Risk
SREP	Supervisory review and evaluation process		
SRO	Senior Risk Officer		

The following terms may be used in this document:

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

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

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

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

CRD IV: On 27 June 2013, the European Commission published, through the Official Journal of the European Union, its legislation for a Capital Requirements Directive ('CRD') and Capital Requirements Regulation ('CRR'), which together form the CRD IV package. Amendments published on 30 November 2013 were made to the Regulation. The package implements the Basel III reforms in addition to the inclusion of new proposals on sanctions for non-compliance with prudential rules, corporate governance and remuneration. CRD IV rules apply from 1 January 2014 onwards, with certain requirements set to be phased in

Capital Requirements Directive ('CRD'): A capital adequacy legislative package issued by the European Commission and adopted by EU member states

Capital Requirements Regulation ('CRR'): Regulation that is directly applicable to anyone in the European Union and is not transposed into national law

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

Core Tier 1 capital: Called-up share capital and eligible reserves plus equity non-controlling interests, less intangible assets and other regulatory deductions

Credit risk mitigation ('CRM'): A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection

Derivatives: A derivative is a financial instrument that derives its value from one or more underlying assets, for example bonds or currencies

Exposure: A claim, contingent claim or position which carries a risk of financial loss

Exposure at default ('EAD'): The amount expected to be outstanding, after any credit risk mitigation, if and when a counterparty defaults. EAD reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures over a one-year time horizon

Financial Conduct Authority ('FCA'): The Financial Conduct Authority regulates the conduct of financial firms and, for certain firms, prudential standards in the UK. It has a strategic objective to ensure that the relevant markets function well

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

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

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

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

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

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

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

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

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

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

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

Risk Governance Framework: The risk governance framework has been developed in conjunction with BNY Mellon requirements. Key elements of the framework are:

- Formal governance committees, with mandates and defined attendees
- Clearly defined escalation processes, both informally (management lines) and formally (governance committees, board, etc.)
- A clear business as usual process for identification, management and control of risks
- Regular reporting of risk issues

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

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

Standardised Approach ('SA'): Method used to calculate credit risk capital requirements using the Basel III, CRD IV, CRR model supplied by the BCBS. The SA model uses external credit assessment institution ratings and supervisory risk weights supplied by external credit assessment agencies

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

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

Appendix 3 - CRD IV reference

CRR ref.	Requirement summary	Compliance ref.	Page ref.
<i>Scope of disclosure requirements</i>			
431 (1)	Institutions shall publish Pillar 3 disclosures	Pillar 3 disclosures published on company's internet site	N/A
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information	N/A	N/A
431 (3)	Institution shall adopt a formal policy to comply with the disclosure requirements	see Pillar 3 policy	N/A
431 (4)	Explanation of ratings decision upon request	N/A	N/A
<i>Non-material, proprietary or confidential information</i>			
432 (1)	Institutions may omit disclosures if the information is not regarded as material (except Articles 435(2)(c), 437 and 450)	see Pillar 3 policy	N/A
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected.	see Pillar 3 policy	N/A
432 (3)	Where 432 (1) and (2) apply this must be stated in the disclosures, and more general information must be disclosed	N/A	N/A
432 (4)	Paragraphs 1, 2 & 3 are without prejudice to the scope of the liability for failure to disclose material information		
<i>Frequency of disclosure</i>			
433	Institutions shall publish the disclosures required at least on an annual basis, in conjunction with the date of the publication of the financial statements	see Pillar 3 policy	N/A
<i>Means of disclosure</i>			
434 (1)	Institutions may determine the appropriate medium, location and means of verification to comply effectively	Single Pillar 3 disclosure	N/A
434 (2)	Disclosures made under other requirements (e.g. accounting) can be used to satisfy Pillar 3 if appropriate	Any cross-references to accounting or other disclosures are clearly signposted in this document	N/A
<i>Risk management objectives and policies</i>			
435 (1)	Institutions shall disclose their risk management objectives and policies	4 Article 435 CRR - Risk management objectives and policies	23
435 (1) (a)	Strategies and processes to manage those risks	4.1 Risk objectives	25
435 (1) (b)	Structure and organisation of the risk management function	4.2 Risk governance	26
435 (1) (c)	Scope and nature of risk reporting and measurement systems	4 Article 435 CRR - Risk management objectives and policies	23
435 (1) (d)	Policies for hedging and mitigating risk	4 Article 435 CRR - Risk management objectives and policies	23

435 (1) (e)	Approved declaration on the adequacy of risk management arrangements	4	Article 435 CRR - Risk management objectives and policies	23
435 (1) (f)	Approved risk statement describing the overall risk profile associated with business strategy	4	Article 435 CRR - Risk management objectives and policies	23
435 (2) (a)	Number of directorships held by directors	4.2	Risk governance	26
435 (2) (b)	Recruitment policy of Board members, their experience and expertise	4.2	Risk governance	26
435 (2) (c)	Policy on diversity of Board membership and results against targets	4.2	Risk governance	26
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year	4.2	Risk governance	26
435 (2) (e)	Description of information flow on risk to Board	4.2	Risk governance	26

Scope of application

436 (a)	The name of the institution to which the requirements of this Regulation apply	1	Article 431 CRR - Scope of disclosure requirements	5
436 (b)	Outline the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are:	1	Article 431 CRR - Scope of disclosure requirements	5
436 (b) (i)	fully consolidated;			
436 (b) (ii)	proportionally consolidated;			
436 (b) (iii)	deducted from own funds;			
436 (b) (iv)	neither consolidated nor deducted			
436 (c)	Current or foreseen material practical or legal impediment to the prompt transfer of Own Funds or repayment of liabilities among the parent undertaking and its subsidiaries	N/A		N/A
436 (d)	Aggregate amount by which the actual Own Funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries	N/A	Entities outside the scope of consolidation are appropriately capitalised	N/A
436 (e)	If applicable, the circumstance of making use of the provisions laid down in Articles 7 & 9	N/A		N/A

Own funds

437 (1)	Requirements regarding capital resources table	2	Article 437 CRR - Own funds	17
437 (1) (a)	Full reconciliation of Common Equity Tier 1 (CET1) items	N/A		N/A
437 (1) (b)	Description of the main features of the CET1 and Additional Tier 1 and Tier 2 instruments		Table 3: TLAC1 - Transitional own funds	18
437 (1) (c)	Full terms and conditions of all CET1, Additional Tier 1 and Tier 2 instruments		Table 3: TLAC1 - Transitional own funds	18
437 (1) (d) (i)	Each prudent filter applied	N/A		N/A
437 (1) (d) (ii)	Each deduction made			
437 (1) (d) (iii)	Items not deduction			
437 (1) (e)	Description of all restrictions applied to the calculation of Own Funds	N/A	no restrictions apply	N/A
437 (1) (f)	Explanation of the basis of calculating capital ratios using elements of Own Funds	N/A	Capital ratios calculated on basis stipulated in the Regulations	N/A
437 (2)	EBA to publish implementation standards for points above		BNY Mellon follows the implementation standards	N/A

Capital requirements

438 (a)	Summary of institution's approach to assessing adequacy of capital levels	3 Article 438 CRR - Capital requirements	20
438 (b)	Result of ICAAP on demand from authorities	N/A	N/A
438 (c)	Capital requirement amounts for credit risk for each Standardised Approach exposure class	N/A	N/A
438 (d) 438 (d) (i) 438 (d) (ii) 438 (d) (iii) 438 (d) (iv)	Capital requirements amounts for credit risk for each Internal Ratings Based Approach exposure class	N/A - internal ratings based approach is not used	N/A
438 (e)	Own funds requirements for market risk or settlement risk, or large exposures where they exceed limits	N/A	N/A
438 (f)	Own funds amounts for operational risk, separately for the basic indicator approach, the standardised approach, and the advanced measurement approaches as applicable	Table 4: EU OV1 - Overview of RWAs	21
438 (endnote)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach	Table 4: EU OV1 - Overview of RWAs	21

Exposure to counterparty credit risk (CCR)

439 (a)	Description of process to assign internal capital and credit limits to CCR exposures	N/A	N/A
439 (b)	Discussion of process to secure collateral and establishing reserves	N/A	N/A
439 (c)	Discussion of management of wrong-way exposures	N/A	N/A
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade	N/A - a credit ratings downgrade is managed at the BNY Mellon Corp level	N/A
439 (e)	Derivation of net derivative credit exposure	N/A	N/A
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods	N/A	N/A
439 (g)	Notional value of credit derivative hedges and current credit exposure by type of exposure	N/A - BNY Mellon does not have credit derivative transactions	N/A
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type	N/A - BNY Mellon does not have credit derivative transactions	N/A
439 (i)	Estimate of alpha, if applicable	N/A	N/A

Capital buffers

440 (1) (a)	Geographical distribution of relevant credit exposures	N/A	N/A
440 (1) (b)	Amount of the institution specific countercyclical capital buffer	N/A	N/A
440 (2)	EBA will issue technical implementation standards related to 440 (1)	N/A	N/A

Indicators of global systemic importance

441 (1)	Disclosure of the indicators of global systemic importance	N/A	N/A
441 (2)	EBA will issue technical implementation standards related to 441 (1)	N/A	N/A

Credit risk adjustments

442 (a)	Disclosure of bank's definitions of past due and impaired	N/A	N/A
442 (b)	Approaches for calculating credit risk adjustments	N/A	N/A
442 (c)	Disclosure of pre-CRM EAD by exposure class	N/A	N/A
442 (d)	Disclosures of pre-CRM EAD by geography and exposure class	N/A	N/A
442 (e)	Disclosures of pre-CRM EAD by industry and exposure class	N/A	N/A
442 (f)	Disclosures of pre-CRM EAD by residual maturity and exposure class	N/A	N/A
442 (g) 442 (g) (i) 442 (g) (ii) 442 (g) (iii)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type	N/A	N/A
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography	N/A	N/A
442 (i) 442 (i) (i) 442 (i) (ii) 442 (i) (iii) 442 (i) (iv) 442 (i) (v)	Reconciliation of changes in specific and general credit risk adjustments	N/A	N/A
442 endnote	Specific credit risk adjustments recorded to income statement are disclosed separately	N/A	N/A

Unencumbered assets

443	Disclosures on unencumbered assets	N/A	N/A
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Use of ECAIs

444 (a)	Names of the ECAIs used in the calculation of Standardised Approach RWAs, and reasons for any changes	N/A	N/A
444 (b)	Exposure classes associated with each ECAI	N/A	N/A
444 (c)	Explanation of the process for translating external ratings into credit quality steps	N/A	N/A
444 (d)	Mapping of external rating to credit quality steps	N/A	N/A
444 (e)	Exposure value pre and post-credit risk mitigation, by credit quality step	N/A	N/A

Exposure to market risk

445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk	N/A	N/A
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<i>Operational risk</i>			
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered	N/A	N/A
<i>Exposure in equities not included in the trading book</i>			
447 (a)	Differentiation of exposures based on objectives	No non-trading book exposure in equities	N/A
447 (b)	Recorded and fair value, and actual prices of exchange traded equity where it differs from fair value	No non-trading book exposure in equities	N/A
447 (c)	Types, nature and amounts of the relevant classes of equity exposures	No non-trading book exposure in equities	N/A
447 (d)	Realised cumulative gains and losses on sales over the period	No non-trading book exposure in equities	N/A
447 (e)	Total unrealised gains/losses, latent revaluation gains/losses, and amounts included within Tier 1 capital	No non-trading book exposure in equities	N/A
<i>Exposure to interest rate risk on positions not included in the trading book</i>			
448 (a)	Nature of risk and key assumptions in measurement models	N/A	N/A
448 (b)	Variation in earnings or economic value, or other measures used by the bank from upward and downward shocks to interest rates, by currency	N/A	N/A
<i>Exposure to securitisation positions</i>			
449	Exposure to securitisations positions	N/A	N/A
<i>Remuneration disclosures</i>			
450	Remuneration disclosure regarding remuneration policy and practices	N/A	N/A
450 (1) (a)	Information concerning the decision-making process used for determining the remuneration policy	N/A	N/A
450 (1) (b)	Information on link between pay and performance	N/A	N/A
450 (1) (c)	Important design characteristics of the remuneration system	N/A	N/A
450 (1) (d)	Ratios between fixed and variable remuneration	N/A	N/A
450 (1) (e)	Information on the performance criteria on which the entitlement to shares, options and variable components of remuneration is based	N/A	N/A
450 (1) (f)	Main parameters and rationale for any variable component scheme and any other non-cash benefits	N/A	N/A
450 (1) (g)	Aggregate quantitative information on remuneration by business area	N/A	N/A
450 (1) (h)	Aggregate quantitative information on remuneration, broken down by senior staff management and members of staff whose actions have a material impact on the risk profile	N/A	N/A
450 (1) (h) (i)			
450 (1) (h) (ii)			
450 (1) (h) (iii)			
450 (1) (h) (iv)			
450 (1) (h) (v)			
450 (1) (h) (vi)			

450 (1) (i)	Number of individuals being remunerated EUR 1 million or more per financial year	N/A	N/A
450 (1) (j)	Total remuneration for each member of the management body upon demand from the Member State or competent authority	N/A	N/A
450 (2)	For institutions that are significant in terms of their size, internal organisation and the nature, scope and the complexity of their activities, the quantitative information above shall be made available to the public	N/A	N/A
<i>Leverage</i>			
451 (1) (a)	Leverage ratio	5 Article 451 CRR - Leverage	37
451 (1) (b)	Breakdown of total exposure measure	Table 6: LR2 - Leverage ratio common disclosure	38
451 (1) (c)	Derecognised fiduciary items	N/A	N/A
451 (1) (d)	Description of the process used to manage the risk of excessive leverage	N/A	N/A
451 (1) (e)	Description of the factors that had an impact on the leverage ratio	5 Article 451 CRR - Leverage	37
451 (2)	EBA to publish implementation standards for points above	BNY Mellon follows the implementation standards	N/A
<i>Use of the IRB approach to credit risk</i>			
452	Risk-weighted exposure under the IRB approach	N/A	N/A
<i>Use of credit risk mitigation techniques</i>			
453 (a)	Use of on- and off-balance sheet netting	N/A	N/A
453 (b)	How collateral valuation is managed	N/A	N/A
453 (c)	Description of types of collateral used	N/A	N/A
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness	N/A - BNY Mellon's EMEA entities do not enter into credit derivative transactions	N/A
453 (e)	Disclosure of market or credit risk concentrations within risk mitigation exposures	N/A	N/A
453 (f)	For exposures under either the Standardised or Foundation IRB approach, disclose the exposure value covered by eligible collateral	N/A	N/A
453 (g)	Exposures covered by guarantees or credit derivatives	N/A	N/A
<i>Use of the Advanced Measurement Approaches to operational risk</i>			
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk	N/A - Pillar 1 : standardized approach, Pillar 2 : self-assessment approach	N/A
<i>Use of internal market risk models</i>			
455	Institutions calculating their capital requirements using internal market risk models	N/A	N/A
<i>Commission Implementing Regulation (EU) No 1423/2013</i>			
Article 1	Specifies uniform templates for the purposes of disclosure	N/A	N/A
Article 2	Full reconciliation of own funds items to audited financial statements	2 Article 437 CRR - Own funds	17

Article 3	Description of the main features of CET1, AT1 and Tier 2 instruments issued (Annex II and III)	Table 5: LR1 - Leverage ratio summary	37
Article 4	Disclosure of nature and amounts of specific items on own funds (Annex IV and V)	Table 4: EU OV1 - Overview of RWAs	18
Article 5	Disclosure of nature and amounts of specific items on own funds during transitional period (Annex VI and VII)	Table 4: EU OV1 - Overview of RWAs	18
Article 6	Entry into force from 31 March 2014	N/A	N/A



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