PILLAR 3 DISCLOSURE

As of December 31, 2015

BNY Mellon Holdings (UK) Limited

BNY MELLON | Invested

Pillar 3 Disclosure Report

December 31, 2015

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1 Introduction

1.1 Disclosure policy

This document presents the BNY Mellon Holdings (UK) Limited (BNYMH) Pillar 3 disclosures on capital and risk management at 31 December 2015. These Pillar 3 disclosures are published in accordance with the requirements of the *Capital Requirements Regulation* (CRR) and the *Capital Requirements Directive* (CRD), referred to together as CRD IV, which came into effect on 1 January 2014. CRD IV has the effect of implementing the international Basel III reforms of the Basel Committee on Banking Supervision within the European Union. The Pillar 3 disclosure requirements are contained in Part Eight of the CRR, in particular articles 431 to 455.

Pillar 3 disclosures are required for a consolidated group and for those parts of the group covered by CRD IV.

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

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

1.2 The Basel III Framework

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

- **Pillar 1 – Minimum capital requirement:** establishes rules for the calculation of minimum capital for credit risk, counterparty credit risk, market risk, operational risk and capital resources requirements.
- **Pillar 2 – Supervisory review process:** requires firms to undertake an internal capital adequacy assessment (ICAAP) process to determine whether additional capital needs to be held against risks not adequately covered in Pillar 1 and to take action accordingly.
- **Pillar 3 – Market discipline:** complements the other two pillars and effects market discipline through public disclosure showing an institution's risk management policies, approach to capital management, capital resources and analysis of credit risk exposures.

Wherever possible and relevant, the Board of Directors will ensure consistency between Pillar 3 disclosures, Pillar 1 reporting and Pillar 2 ICAAP content.

1.3 Purpose of Pillar 3

Pillar 3 requires the external publication of exposures and associated risk weighted assets and the approach to calculating capital requirements for the following risk and exposure types:

- Credit risk
- Counterparty credit risk
- Market risk
- Credit valuation adjustment

- Securitisations
- Operational risk

Not all of the above risk and exposure types are relevant to BNYMH. These Pillar 3 disclosures only focus on those risk and exposure types relevant to BNYMH.

BNYMH includes both quantitative and qualitative disclosures to show the relevant information and describe its approach to capital management, its capital resources and analysis of its credit risk exposures. The disclosures also include, where appropriate, comparative figures for the prior year and an analysis of the more significant movements to provide greater insight into the approach to risk management.

1.4 Non-material, proprietary or confidential information

In accordance with CRD IV, the Board may omit one or more disclosures if the information is not regarded as material. The assessment of materiality considers whether the omission or misstatement of information could change or influence the 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 its public disclosure would undermine the company's competitive position. It may include information on products or systems which, if shared with competitors, would render an institution's investment therein less valuable. In such circumstance, the Board will state in its disclosures the fact that specific items of information are not disclosed and the reason for non-disclosure. In addition it will publish more general information about the subject matter of the disclosure requirement except where this is to be classified as confidential.

BNYMH undertakes no obligation to revise or update any forward looking or other statements contained within this report regardless of whether or not those statements are affected as a result of new information or future events.

1.5 Frequency and means of disclosure

Disclosure will be made annually based on calendar year end and will be published in conjunction with the preparation of the Annual Report and Financial Statements. BNYMH 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.

This policy will be periodically reassessed and updated in light of market developments associated with Pillar 3.

Disclosures will be published on The Bank of New York Mellon Corporation group website (www.bnymellon.com), in the section Investor Relations, Financial Reports, Other Regulatory.

1.6 Board Approval

These disclosures were approved for publication by BNYMH's Board of Directors on 7 September 2016. The Board has verified that they are consistent with formal policies adopted regarding production and validation and are satisfied with the adequacy and effectiveness of the risk management arrangements.

1.7 Post Year-end Events

In relation to the assessment and monitoring of economic, political and regulatory risks, BNYMH's is continuing to evaluate the impact of the outcome of the recent referendum in relation to the UK's membership of the EU on the company's business strategy and business risks in the short, medium and long term. In the short term there is no significant impact expected on the BNYMH's business activities, there will be no immediate change in business strategy, and it does not affect the going concern position of the company. Over the course of the expected two year transition period following a notification of intention to leave the EU, the BNYMH's will continue to closely monitor developments and will make appropriate changes to the business strategy once the outcome of the referendum result and its impact on the UK and European financial services industry is more certain.

2 Key Metrics

The table below shows the key capital ratios for BNYMH and BNYMIL.

Metrics	BNYMH				BNYMIL			
	2015		2014		2015		2014	
	£m	Ratio	£m	Ratio	£m	Ratio	£m	Ratio
Common equity tier 1 capital	389	30.2%	332	30.0%	142	20.8%	141	21.1%
Total tier 1 capital	389	30.2%	332	30.0%	142	20.8%	141	21.1%
Total capital	504	39.2%	447	40.4%	217	31.9%	216	32.4%
Risk weighted assets	1,288		1,106		680		666	

On 1 February 2016, BNY Mellon Holdings (UK) Limited disposed of its investment in BNY Mellon Securities Services (Ireland) Limited for £345 million and subsequently on 7 March 2016 increased its investment in its direct subsidiary the Bank of New York Mellon (International) Limited by £270 million to facilitate the business expansion plans within this entity.

As indicated in the table below, the above transactions enhanced the key regulatory ratios of BNYMH and BNYMIL as reflected in their capital ratios reported as at 31 March 2016.

Metrics	BNYMH				BNYMIL			
	31 Mar 2016		31 Dec 2015		31 Mar 2016		31 Dec 2015	
	£m	Ratio	£m	Ratio	£m	Ratio	£m	Ratio
Common equity tier 1 capital	460	52.3%	389	30.2%	420	62.5%	142	21.4%
Total tier 1 capital	460	52.3%	389	30.2%	420	62.5%	142	21.4%
Total capital	575	65.4%	504	39.2%	495	73.7%	217	32.7%
Risk weighted assets	879		1,288		671		680	

Thus the common equity tier 1, total tier 1 and total capital ratios remain in excess of the minimum regulatory requirement of 4.5%, 6.0% and 8.0% respectively.

3 Scope of Application

BNY Mellon is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As at 31 December 2015, BNY Mellon had $28.9 trillion in assets under custody and/or administration, and $1.6 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments.

3.1 Company Description

BNYMH is a private limited company incorporated in the UK. It is a wholly-owned subsidiary of BNY International Financing Corporation (BNYIFC), a holding company with investments in banking and non-banking entities. BNYIFC is a wholly-owned US-regulated subsidiary of The Bank of New York Mellon, the main banking entity of BNY Mellon.

BNYMH is an intermediary holding company with no direct operational activities. It consolidates the financial results impact of two principal subsidiaries, namely The Bank of New York Mellon (International) Limited (BNYMIL), and the BNY Mellon Securities Services (Ireland) Limited (SSL). Through BNYMIL's and SSL's operational subsidiaries, the BNYMH group provides a range of services to the clients of the Investment Servicing lines of business, including Transfer Agency, Fund Accounting, Custody, Alternative Investment Services and Trustee/Depositary Services.

BNYMH is regulated by the Prudential Regulatory Authority (PRA). BNYMIL, a wholly owned subsidiary of BNYMH is a UK bank authorised by the PRA and regulated by the Financial Conduct Authority (FCA) and the PRA, whereas SSL and its subsidiaries are subject to supervision by the Central Bank of Ireland (CBI).

SSL and its subsidiaries, BNY Mellon Fund Services (Ireland) Limited and BNY Mellon Trust Company (Ireland) Limited, were sold to BNYIFC in February 2016 and as such are no longer part of the BNYMH consolidated group.

BNYMIL is the ultimate parent of BNY Mellon Trust & Depositary (UK) Limited and BNY Trust Company Limited, its main subsidiaries, and provides trustee services principally in the UK to both authorised and unauthorised collective investment schemes. BNY Mellon Trust and Depositary (UK) Limited and BNY Trust Company Limited are both authorised and regulated by the FCA. All three entities are incorporated in the UK.

The Board is not aware of any material impediments to the transfer of own funds or repayment of liabilities between the parent undertaking and its subsidiaries.

The corporate structure of BNYMH before and after the SSL sale is illustrated in Figures 1 and 2.

3.2 Core Business Lines

BNYMH has a number of core business lines including Custody Services, Transfer Agency, Trustee Services and Fund Accounting.

3.2.1 Custody Services

Custody services are provided to customers (or their advisors) to assist with holding and keeping track of their securities. Specifically, BNYMH's custody services include the following functions:

- Safekeeping financial instruments either in physical form or within a securities settlement system or central securities depository.
- Maintaining records of the securities being held and the securities being bought and sold.
- Presenting securities either electronically or on occasion physically to, and receiving securities from, a clearing and settlement platform.
- Collecting income earned on the securities such as dividends and interest.
- Delivering issuer communications to the investor.
- Preparing reports for the investor, such as settlement reports, income collection reports, etc.

3.2.2 Transfer Agency

Transfer Agency is contracted by customers, primarily pension funds, mutual funds and asset managers, to maintain records of investors (share or unit holders), account balances and transactions, to cancel and issue share/unit certificates, perform cash processing, provide call centre services and to process investor mailings.

3.2.3 Trustee Services

Trustee services are primarily performed by BNY Mellon Trust & Depositary (UK) Limited and/or BNY Mellon Trust Company (Ireland) Limited, although a very small number of customers contract for trustee services with BNYMH due to a customer requirement for its trustee to be a licensed bank. Trustee services are provided to UK and Irish clients, predominantly UK and Irish domiciled funds.

Conceptually, Trustee Services' role is one of oversight and effectively represents the interests of the unit holders of the funds. In fulfilling its fiduciary responsibilities, Trustee Services performs a number of functions:

- Reconciliation – between internal and external cash and custody accounts and between internal BNY Mellon systems from other service offerings. For example, reconciliations are performed between fund accounting and transfer agency systems in order to enhance control and quality of service.
- Investment and borrowing powers – daily intraday monitoring of investment and borrowing limits and other bespoke client reporting.
- Liquidity analysis – processing and analysis of the liquidity of clients' funds with the aim of ensuring redemptions can always be covered by the assets of the scheme.
- Net Asset Value (NAV) reconstruction – independent reconstruction of NAV calculation and identification of potential errors through expertise and bespoke systems.

Figure 1: BNYMH corporate structure as at 31 December 2015

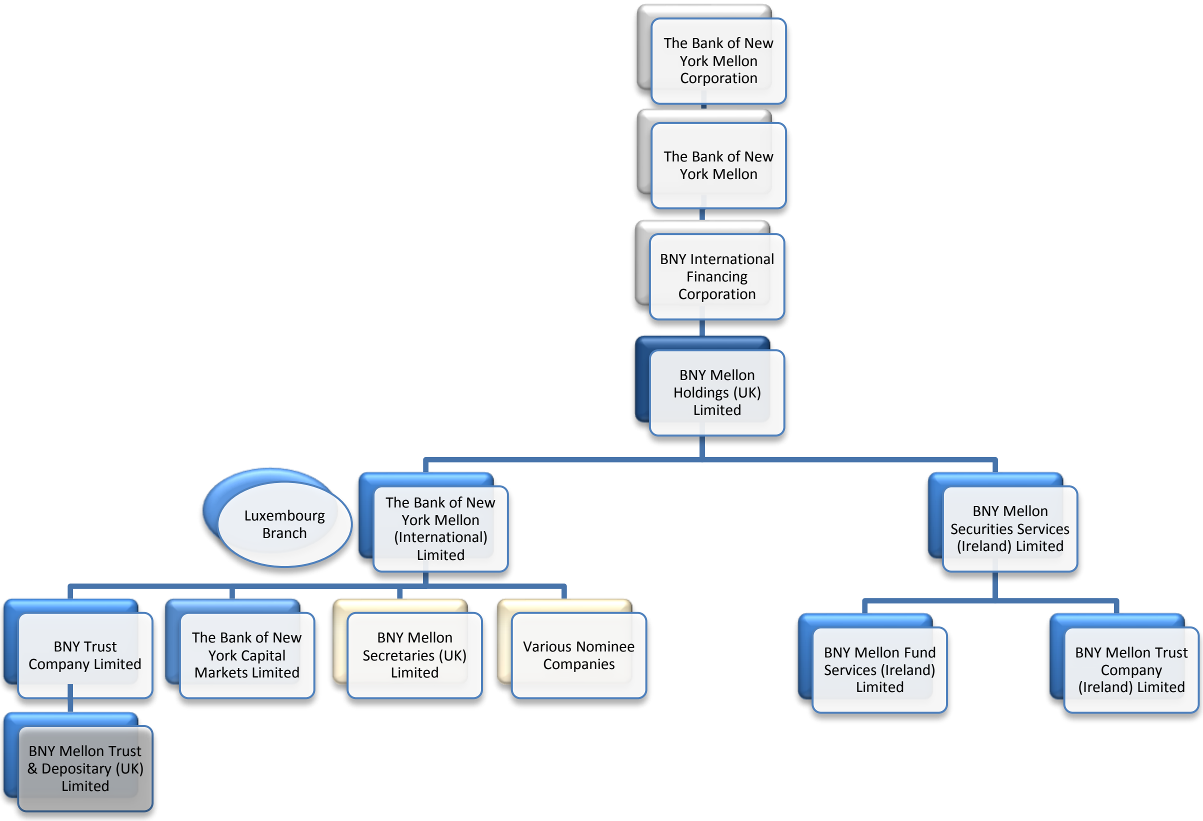
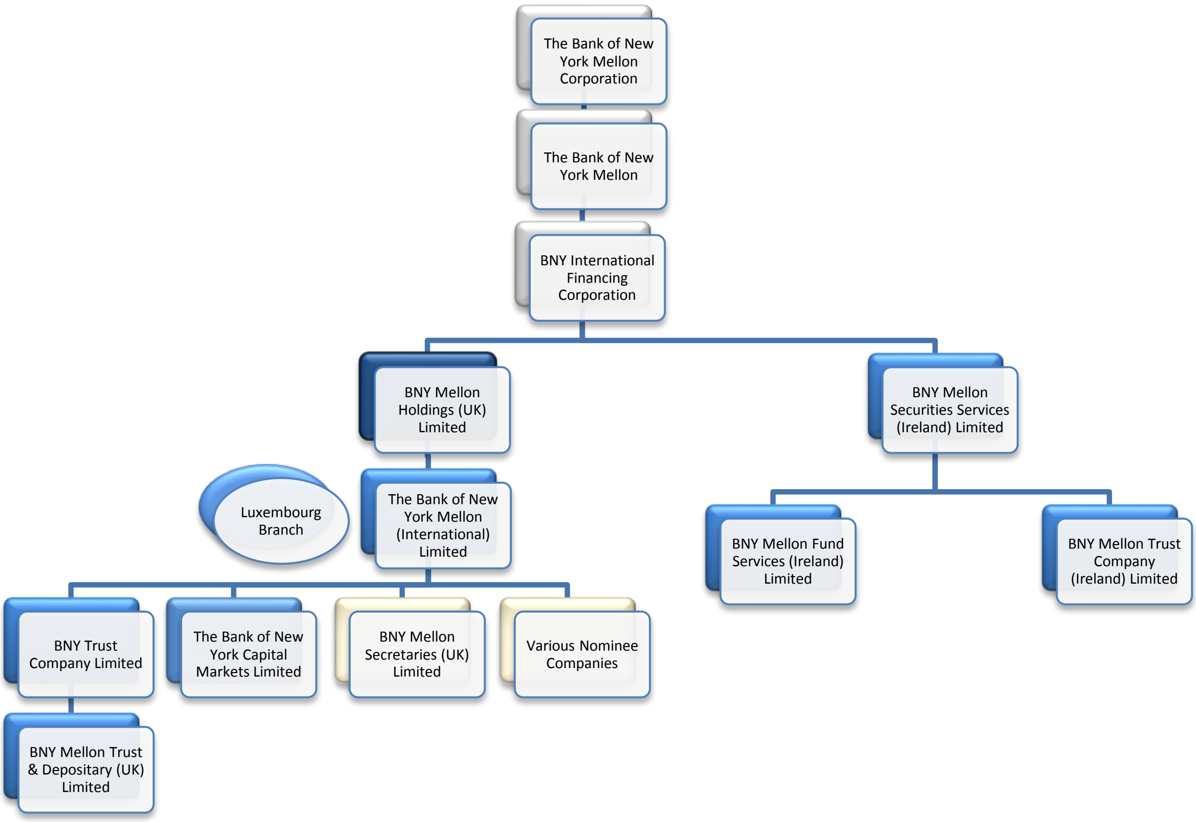


Figure 2: BNYMH corporate structure subsequent to sale of Irish entities



3.2.4 Fund Accounting

Fund accounting provides daily fund accounting and fund administration services to UK and Irish-based asset managers, fund distributors and life companies. The fund types serviced are unit trusts, open-ended investment companies (“OEICs”), money market funds, charity funds, life and pension funds, common investment funds and investment trusts. The asset types serviced include equity, fixed income, cash instruments, derivatives and fund of funds. NAV is calculated at each valuation point, usually daily, and financial statements are prepared usually on a semi-annual and annual basis for publication to fund investors.

3.3 Legal Entities

BNYMH’s core business lines and services are conducted through several legal entities organised in various jurisdictions.

3.3.1 The Bank of New York Mellon (International) Limited

BNYMIL provides asset servicing to clients, particularly custody and investment administration services. Although BNYMIL has a banking licence, it does not actively seek deposits, provide credit facilities or provide retail banking services, only doing so as a result of its core activity. These activities are exempt from a credit consumer licence and do not form part of the core activities of BNYMIL.

BNYMIL also has permissions for the following activities:

- Accepting deposits.
- Advising on investments (except on pension transfers and pension opt-outs).
- Agreeing to carry on a regulated activity.
- Arranging deals in investment.
- Arranging safeguarding and administration of assets.
- Causing dematerialised instructions to be sent.
- Dealing in investments both as agent and as principal.
- Making arrangements with a view to transactions in investments.
- Safeguarding and administration of assets (without arranging).

3.3.2 The Bank of New York Mellon (International) Limited Luxembourg Branch

The Bank of New York Mellon (International) Limited Luxembourg Branch provides administration services, including depositary services for collective investment schemes (CISs), transfer agency and fund accounting.

3.3.3 BNY Mellon Securities Services (Ireland) Limited

BNY Mellon Securities Services (Ireland) Limited is a private limited company incorporated in Ireland which acts as a holding company for BNY Mellon Trust Company (Ireland) Limited and BNY Mellon Fund Services (Ireland) Limited.

3.3.4 BNY Mellon Trust Company (Ireland) Limited

BNY Mellon Trust Company (Ireland) Limited (BNYMTCIL) is a private limited company incorporated in Ireland, and is authorised by the Central Bank of Ireland under Section 10 of the Investment Intermediaries Act 1995 (as amended). Under that authorisation, BNYMTCIL is permitted to provide depositary (trustee and custodial) services to a broad range of Irish and non-Irish domiciled CISs, both UCITS and Non-UCITS. In its capacity as a depositary, BNYMTCIL acts as both a trustee and a custodian to client funds.

In its capacity as a trustee, BNYMTCIL has a range of legal and/or fiduciary obligations with respect to the oversight and monitoring of client investment funds, so as to protect the interests of investors. The obligations include those existing in local law and regulation (including implementing EU Directives) to monitor investment funds' compliance with their investment restrictions, including concentration limits, instrument restrictions, borrowing powers, etc.

In its capacity as a custodian, BNYMTCIL is responsible for the safekeeping of the assets of its client investment funds. In order to fulfil its obligation as a custodian, BNYMTCIL primarily utilises the global sub-custody infrastructure provided by The Bank of New York Mellon SA/NV, the European Banking entity of BNY Mellon.

BNYMTCIL also provides prime custody and trade execution services to certain clients. Prime custody is an enhanced custody client service offering, which allows alternative fund clients to more easily navigate the custody process through a dedicated single point of contact. Services include facilitation of securities settlement and cash processing, proactive monitoring of pending, unmatched and failing trades, overdraft monitoring and ad hoc reporting. Trade execution is a service provided to fund of funds managers whereby BNYMTCIL prepares and submits the necessary application documentation to buy and sell units in underlying investment funds according to client instructions and then holds the relevant units in its custody in the usual manner.

3.3.5 BNY Mellon Fund Services (Ireland) Limited

BNY Mellon Fund Services (Ireland) Limited (BNYMFSI) is a private limited company incorporated in Ireland, and authorised by the Central Bank of Ireland under Section 10 of the Investment Intermediaries Act 1995. Under that authorisation, BNYMFSI is permitted to provide "investment business services", namely "the administration of collective investment schemes, including the performance of valuation services or fund accounting services or acting as transfer agents or registration agents of such funds".

BNYMFSI supports the asset servicing business and is the contracting entity for the vast majority of new fund administration business in Ireland. These activities are transfer agency, fund accounting and fund administration (with money market funds and exchange traded funds being significant for asset servicing and alternative funds significant for alternative investment services).

3.3.6 BNY Mellon Trust & Depositary (UK) Limited

BNY Mellon Trust & Depositary (UK) Limited (BNYMTDUKL) is a private limited company incorporated in the UK and authorised by the FCA to carry on business as a depositary. BNYMTDUKL's primary activity is to perform trustee and depositary services for CISs. BNYMTDUKL also performs a limited custody service for one client in relation to their collateral. BNYMTDUKL has a fiduciary responsibility for arranging safekeeping of assets and for facilitating the creation and cancellation of units / shares. The trustee is not responsible for appointing the fund accountant or transfer agent.

4 Own Funds

Own funds comprise tier 1 and tier 2 capital less deductions. This section provides an overview of the regulatory balance sheet and composition of BNYMH's regulatory own funds. There are a number of differences between the balance sheet prepared in accordance with International Financial Reporting Standards (IFRS) and Pillar 3 disclosures published in accordance with prudential requirements.

Table 1: Own funds, full reconciliation

These tables show a reconciliation of BNYMH and BNYMIL's balance sheets prepared in accordance with IFRS and the regulatory balance sheet prepared under prudential rules. The regulatory balance sheet forms the basis for the calculation of regulatory capital requirements (GBP'000s).

Reconciliation for BNYMH

31 December 2015	Consolidated Financial Statements	Adjustments due Consolidation Scope	Adjustments due Transitional Provisions	Regulatory Prudential Adjustments	Regulatory Own Funds
Common Equity Tier 1					
Capital Instruments	147,211	0	0	0	147,211
Retained Earnings	195,808	0	0	0	195,808
Other comprehensive income	0	0	0	0	0
Reserves	203,568	0	0	0	203,568
Minority Interest	0	0	0	0	0
Other adjustments and assets deducted	0	0	0	-157,414	-157,414
Total CET1	**546,587**	**0**	**0**	**-157,414**	**389,173**
Additional Tier 1 Capital					
Capital Instruments	0	0	0	0	0
Instruments issued by subsidiaries	0	0	0	0	0
Other assets deducted	0	0	0	0	0
Other prudential deductions	0	0	0	0	0
Other adjustments and assets deducted	0	0	0	0	0
Total AT1	0	0	0	0	0
Total Tier 1 (CET1 + AT1)	**546,587**	**0**	**0**	**-157,414**	**389,173**
Tier 2 Capital					
Capital Instruments	0	0	0	0	0
Subordinated loans	0	0	0	115,000	115,000
Instruments issued by subsidiaries	0	0	0	0	0
SA - Credit Risk Adjustments	0	0	0	0	0
Other assets deducted	0	0	0	0	0
Other adjustments and assets deducted	0	0	0	0	0
Total Tier 2 Capital	**0**	**0**	**0**	**115,000**	**115,000**
Total Own Funds	**546,587**	**0**	**0**	**-42,414**	**504,173**

Reconciliation for BNYMIL

31 December 2015	Published Audited Financial Statements	Adjustments due Consolidation Scope	Adjustments due Transitional Provisions	Regulatory Prudential Adjustments	Regulatory Own Funds
Common Equity Tier 1					
Capital Instruments	249,695	0	0	0	249,695
Retained Earnings	10,286	0	0	0	10,286
Other comprehensive income	0	0	0	0	0
Reserves	4,711	0	0	-7,532	-2,821
Minority Interest	0	0	0	0	0
Other adjustments and assets deducted	0	0	0	-115,438	-115,438
Total CET1	**264,692**	**0**	**0**	**-122,970**	**141,722**
Additional Tier 1 Capital					
Capital Instruments	0	0	0	0	0
Instruments issued by subsidiaries	0	0	0	0	0
Other assets deducted	0	0	0	0	0
Other prudential deductions	0	0	0	0	0
Other adjustments and assets deducted	0	0	0	0	0
Total AT1	0	0	0	0	0
Total Tier 1 (CET1 + AT1)	**264,692**	**0**	**0**	**-122,970**	**141,722**
Tier 2 Capital					
Capital Instruments	0	0	0	0	0
Subordinated loans	0	0	0	75,000	75,000
Instruments issued by subsidiaries	0	0	0	0	0
SA - Credit Risk Adjustments	0	0	0	0	0
Other assets deducted	0	0	0	0	0
Other adjustments and assets deducted	0	0	0	0	0
Total Tier 2 Capital	**0**	**0**	**0**	**75,000**	**75,000**
Total Own Funds	**264,692**	**0**	**0**	**-47,970**	**216,722**

BNYMH's regulatory capital is defined by CRD IV and includes:

Common equity tier 1 capital which is 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.

Tier 2 capital which is a component of regulatory capital under Basel III, mainly comprising qualifying subordinated loan capital, and eligible collective impairment allowances.

Table 2: Composition of regulatory capital

This table shows the composition of the regulatory capital for BNYMH and BNYMIL including all regulatory adjustments (GBP'000s).

	BNYMH		BNYMIL	
Own Funds	**31-Dec-15**	**31-Dec-14**	**31-Dec-15**	**31-Dec-14**
Common Equity Tier 1 (CET1)				
Capital Instruments	147,211	147,211	249,695	249,695
Retained Earnings	195,808	143,149	10,286	-9,938
Other comprehensive income	0	0	0	0
Reserves and others	203,568	197,140	-2,821	4,511
CET1 Adjustments	-157,414	-155,758	-115,438	-103,552
Total CET1	**389,173**	**331,742**	**141,722**	**140,716**
Additional Tier 1 Capital (AT1)				
Capital Instruments	0	0	0	0
Others	0	0	0	0
AT1 Adjustments	0	0	0	0
Total AT1	**0**	**0**	**0**	**0**
Total Tier 1 (CET1 + AT1)	**389,173**	**331,742**	**141,722**	**140,716**
Tier 2 Capital (T2)				
Capital Instruments and subordinated loans	115,000	115,000	75,000	75,000
Others	0	0	0	0
T2 Adjustments	0	0	0	0
Total Tier 2 Capital	**115,000**	**115,000**	**75,000**	**75,000**
Total Own Funds	**504,173**	**446,742**	**216,722**	**215,716**

See below for detailed composition of regulatory capital according to EU Reg. 1423/2013 for both BNYMH and BNYMIL.

Transitional own funds disclosure at 31 December 2015 for BNYMH

Equity Instruments, Reserves and Regulatory Adjustments (GBP'000s)	Amount at disclosure date	Subject to pre-CRR treatment or prescribed residual amount of CRR
Common Equity Tier 1 capital: Instruments and Reserves		
Capital instruments and the related share premium accounts	147,211	
of which: ordinary shares	147,211	
Retained earnings	195,808	
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	203,568	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**546,587**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments	-11,493	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)	-145,921	
Year-end non-eligible earning adjustments	0	
Total regulatory adjustments to Common equity Tier 1 (CET1)	**-157,414**	
Common Equity Tier 1 (CET1) capital	**389,173**	
Additional Tier 1 (AT1) capital: Instruments		
Capital instruments and the related share premium accounts	0	
Additional Tier 1 (AT1) capital before regulatory adjustments	**0**	
Additional Tier 1 (ATI) capital: regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**0**	
Additional Tier 1 (AT1) capital	**0**	
Tier 1 capital (T1 = CET1 + AT1)	**389,173**	
Tier 2 (T2) capital: Instruments and provisions		
Capital instruments and the related share premium accounts	115,000	
Tier 2 (T2) capital before regulatory adjustments	**115,000**	
Tier 2 (T2) capital: regulatory adjustments		
Total regulatory adjustments to Tier 2 (T2) capital	**0**	
Tier 2 (T2) capital	**115,000**	
Total capital (TC = T1 + T2)	**504,173**	
Total risk weighted assets	**1,287,566**	
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of risk exposure amount)	30.2%	
Tier 1 (as a percentage of risk exposure amount)	30.2%	
Total capital (as a percentage of risk exposure amount)	39.2%	
Amounts below the thresholds for deduction (before risk weighting)		
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	24,456	

Transitional own funds disclosure at 31 December 2015 for BNYMIL

Equity Instruments, Reserves and Regulatory Adjustments (GBP'000s)	Amount at disclosure date	Subject to pre-CRR treatment or prescribed residual amount of CRR
Common Equity Tier 1 capital: Instruments and Reserves		
Capital instruments and the related share premium accounts	249,695	
of which: ordinary shares	249,695	
Retained earnings	10,286	
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-2,821	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**257,160**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Additional value adjustments	-107	
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)	-104,229	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met)	-11,102	
Year-end non-eligible earning adjustments	0	
Total regulatory adjustments to Common equity Tier 1 (CET1)	**-115,438**	
Common Equity Tier 1 (CET1) capital	**141,722**	
Additional Tier 1 (AT1) capital: Instruments		
Capital instruments and the related share premium accounts	-	
Additional Tier 1 (AT1) capital before regulatory adjustments	**-**	
Additional Tier 1 (ATI) capital: regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**-**	
Additional Tier 1 (AT1) capital	**-**	
Tier 1 capital (T1 = CET1 + AT1)	**141,722**	
Tier 2 (T2) capital: Instruments and provisions		
Capital instruments and the related share premium accounts	75,000	
Tier 2 (T2) capital before regulatory adjustments	**75,000**	
Tier 2 (T2) capital: regulatory adjustments		
Total regulatory adjustments to Tier 2 (T2) capital	**-**	
Tier 2 (T2) capital	**75,000**	
Total capital (TC = T1 + T2)	**216,722**	
Total risk weighted assets	**679,771**	
Capital ratios and buffers		
Common Equity Tier 1 (as a percentage of risk exposure amount)	20.8%	
Tier 1 (as a percentage of risk exposure amount)	20.8%	
Total capital (as a percentage of risk exposure amount)	31.9%	
Amounts below the thresholds for deduction (before risk weighting)		
Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	4,663	
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)	35,629	

Table 3: Common tier 1 and additional tier 1 and tier 2 instruments

This table provides a description of the main features of regulatory instruments issued and included as either tier 1 or tier 2 capital in Table 2 for both BNYMH and BNYMIL.

Capital instruments main features [1] at 31 December 2015 (BNYMH)	Ordinary shares	Subordinated debt	Subordinated debt
Issuer	BNY Mellon Holdings (UK) Limited	BNY Mellon Holdings (UK) Limited	The Bank of New York Mellon (International) Limited
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not Applicable	Not Applicable	Not Applicable
Governing law(s) of the instrument	Law of England and Wales	Law of England and Wales	Law of England and Wales
Regulatory treatment			
Transitional CRR rules	Not Applicable	Not Applicable	Not Applicable
Post-transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
Eligible at solo/(sub-) consolidated / solo & (sub-) consolidated	Solo	Solo	Solo
Instrument type	Ordinary Shares	Subordinated debt	Subordinated debt
Amount recognised in regulatory capital	£147 million	£40 million	£75 million
Nominal amount of instrument	£147 million	£40 million	£75 million
Issue price	£1	Not Applicable	Not Applicable
Redemption price	Not Applicable	£40 million	£75 million
Accounting classification	Shareholders' equity	Subordinated liabilities	Subordinated liabilities
Original date of issuance	9-August-1996	29-June-2004	30-November-2011
Perpetual or dated	Perpetual	29-June-2024	29-November-2024
Original maturity date	No maturity	29-June-2014	29-November-2018
Issuer call subject to prior supervisory approval	No	No	No
Optional call date, contingent call dates and redemption amount	Not Applicable	Not Applicable	Not Applicable
Subsequent call dates, if applicable	Not Applicable	Not Applicable	Not Applicable
Fixed or floating dividend/coupon	Not Applicable	Floating Coupon	Floating Coupon
Coupon rate and any related index	Not Applicable	Sterling 3 month LIBOR plus 1.95%	Sterling 3 month LIBOR plus 3.00%
Existence of a dividend stopper	No	Not Applicable	Not Applicable
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory
Existence of step up or other incentive to redeem	No	No	No
Noncumulative or cumulative	Not Applicable	Not Applicable	Not Applicable
Convertible or non-convertible	Non-convertible	Non-convertible	Non-convertible
Write-down features	No	No	No
Position in subordination hierarchy in liquidation	Not Applicable	Not Applicable	Not Applicable
Non-compliant transitioned features	Not Applicable	No	No

Capital instruments main features [1] at 31 December 2015 (BNYMIL)	Ordinary Shares	Subordinated debt
Issuer	The Bank of New York Mellon (International) Limited	The Bank of New York Mellon (International) Limited
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	Not Applicable	Not Applicable
Governing law(s) of the instrument	Law of England and Wales	Law of England and Wales
Regulatory treatment		
Transitional CRR rules	Not Applicable	Not Applicable
Post-transitional CRR rules	Common Equity Tier 1	Tier 2
Eligible at solo/(sub-)consolidated / solo & (sub-)consolidated	Solo	Solo
Instrument type	Ordinary Shares	Subordinated debt
Amount recognised in regulatory capital	£250 million	£75 million
Nominal amount of instrument	£250 million	£75 million
Issue price	£1	Not Applicable
Redemption price	Not Applicable	£75 million
Accounting classification	Shareholders' equity	Subordinated liabilities
Original date of issuance	9-August-1996	30-November-2011
Perpetual or dated	Perpetual	29-November-2024
Original maturity date	No maturity	29-November-2018
Issuer call subject to prior supervisory approval	No	No
Optional call date, contingent call dates and redemption amount	Not Applicable	Not Applicable
Fixed or floating dividend/coupon	Not Applicable	Floating Coupon
Coupon rate and any related index	Not Applicable	Sterling 3 month LIBOR plus 3.00%
Existence of a dividend stopper	No	Not Applicable
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory
Existence of step up or other incentive to redeem	No	No
Noncumulative or cumulative	Not Applicable	Not Applicable
Convertible or non-convertible	Non-convertible	Non-convertible
Write-down features	No	No
Non-compliant transitioned features	No	No

Note: [1] this table is based on Annex II of ITS Regulation (EU) No. 1423/2013, some not applicable lines were omitted.

5 Capital Requirements

BNYMH's capital plan aims to ensure that an appropriate amount of capital is held to support its business model, allowing for growth and orderly contraction over the life cycle of the business, given a range of plausible but severe stress scenarios. Potential capital shortfalls are identified over a 3 year period and capital plans adjusted accordingly. The plan is reflective of BNYMH'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, BNYMH generates a 3 year forecast which forms the foundation for financial modelling and stress testing used as part of the ICAAP process.

The capital plan effectively incorporates a view of BNYMH'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 or equivalent approval and the performance metrics reviewed at the Asset and Liability Committee.

5.1 Calculating capital requirements

CRD IV allows for different approaches to calculating capital requirements. BNYMH has chosen to use the standardised approach where risk weights are based on the exposure class to which the exposure is assigned and its credit quality. These risk weights used to assess 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: Capital requirements overview

This table shows the risk weighted assets using the standardised approach (SA) and their respective capital requirements for both BNYMH and BNYMIL (GBP'000s).

Type of Risk (BNYMH)	Risk Exposure Amount		Capital Requirements	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
Credit risk SA	340,636	346,369	27,251	27,710
Counterparty Credit Risk SA	1,610	0	129	0
Securitisation Risk in banking book SA	0	0	0	0
Settlement Risk	0	0	0	0
Market risk SA	323,046	120,604	25,844	9,648
of which: Foreign Exchange Position Risk	323,046	120,604	25,844	9,648
Operational Risk	620,673	639,494	49,654	51,160
of which: Basic Indicator Approach	0	0	0	0
of which: Standardised Approach	620,673	639,494	49,654	51,160
of which: Additional Amount due to fixed overheads	0	0	0	0
Credit Valuation Adjustment - Standardised method	1,601	0	128	0
Related to Large Exposure in Trading Book	0	0	0	0
Other Risk	0	0	0	0
Total	**1,287,566**	**1,106,467**	**103,006**	**88,518**
Total Capital			**504,173**	**446,742**
Surplus Capital			**401,167**	**358,224**

Type of Risk (BNYMIL)	Risk Exposure Amount		Capital Requirements	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
Credit risk SA	269,930	286,096	21,594	22,888
Counterparty Credit Risk SA	1,610	2,387	129	191
Securitisation Risk in banking book SA	0	0	0	0
Settlement Risk	0	0	0	0
Market risk SA	50,123	11,328	4,010	906
of which: Foreign Exchange Position Risk	50,123	11,328	4,010	906
Operational Risk	356,507	366,303	28,520	29,304
of which: Basic Indicator Approach	0	0	0	0
of which: Standardised Approach	356,507	366,303	28,520	29,304
of which: Additional Amount due to fixed overheads	0	0	0	0
Credit Valuation Adjustment - Standardised method	1,601	0	128	0
Related to Large Exposure in Trading Book	0	0	0	0
Other Risk	0	0	0	0
Total	**679,771**	**666,114**	**54,381**	**53,289**
Total Capital			**216,722**	**215,716**
Surplus Capital			**162,341**	**162,427**

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

6 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 the Corporation level as an imperative. Clients and market participants need to have confidence that the Corporation’s many legal entities will remain strong and continue to deliver operational excellence and maintain an uninterrupted service. Therefore BNYMH and BNY Mellon Corporation as a whole, is 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.
- There is a capital planning process which incorporates both economic capital modelling and a stress testing programme.

6.1 Risk Objectives

The identification, measurement, monitoring and management of risk are essential elements for the success of operations undertaken by BNYMH, specifically:

- The Board recognises that defining a risk appetite must consider the views of a number of different stakeholders while accounting for business strategy and risk profile.
- The Board views embedding the risk appetite into the business strategy as essential.
- The Board recognises that it cannot mitigate all risks. The risk framework includes 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 function effectively.
- The Board will seek input from its own and group wide risk committees on a regular basis in its assessment of appetite and sources of major risks.

The Board adopts a prudent appetite to all elements of risk to which BNYMH is exposed.

6.2 Risk Governance

Risk oversight and management is 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.

6.2.1 Board of Directors

The main duty and responsibility of the Boards of BNYMH and BNYMIL is to define the strategy and to supervise the management of those companies. Whilst acting autonomously and in accordance with their legal and regulatory requirements, the Boards align strategy to that of their primary shareholder. The Boards have overall responsibility for the establishment and maintenance of the risk appetite framework and for the approval of the risk appetite statement, which is developed in collaboration with the Chief Executive Officer (CEO), Chief Risk Officer (CRO) and Chief Financial Officer (CFO). The Board must ensure that strategic and business plans are consistent with the approved risk appetite.

The Boards also have responsibility for:

- Holding the CEO accountable for the integrity of the risk appetite framework.
- Seeking independent assessment, if deemed necessary, of the integrity and robustness of the risk appetite framework by reference to stakeholder expectations.
- Understanding how strategic decisions alter the risk profile, and whether the strategic change would cause the risk appetite to be exceeded.

The Boards meet at least quarterly and the directors who served during the year were:

BNYMH

Name	Nationality	Number of directorships held	Position
J Jack	British	10 internal 1 external	Chief Financial Officer International
JM Johnston	British	11 internal	Chief Risk Officer EMEA
R Savchuk	Canadian	2 internal	International Treasurer
J Wheatley	Irish	8 internal	Head of Client Services Delivery EMEA

BNYMIL

Name	Nationality	Number of directorships held	Position
M Cole-Fontayn	British	11 internal 1 external	Chairman

K Gregory	British	1 internal 1 external	Independent Non-Executive Director, Chair Risk Committee
J Jack	British	10 internal 1 external	Finance Director
JM Johnston	British	11 internal	Chief Risk Officer EMEA
H Kablawi	American	4 internal	Chief Executive Officer
S O'Connor	British	1 internal 7 external	Independent Non-Executive Director, Chair Audit Committee
J Wheatley	Irish	8 internal	Operations Director

Nominations to the Boards are made according to merit and on the basis of directors' qualifications and in accordance with the needs of the Boards at the time of the nomination, with due regard to diversity and gender parity. In addition each appointment is made with a view on the nominee's skills and development requirements and with a line of sight to talent placements and succession planning for the broader organisation. This provides a route to both develop and mobilise our key talent ensuring governance is also front and centre to our director talent and succession planning pipeline. There is no specific policy on diversity of Board members but BNYMH and BNYMIL are committed to providing equal employment opportunities to all employees and applicants by establishing employment practices and terms, conditions and privileges of employment regardless of race, disability, religion or belief or creed, colour, gender or sex, gender re-assignment, national origin, age, marriage or civil partnership, ancestry, citizenship, ethnic origin, sexual orientation, pregnancy or maternity or other factors prohibited by law. This approach has the full support and commitment of the Chair of the Boards of BNYMH and BNYMIL.

The Boards are responsible for both the management and the oversight of risks together with the quality and effectiveness of internal controls but delegate risk management oversight to general management, supported by the risk management committees. The Boards are responsible for reviewing, challenging and approving all risk management processes including risk identification and assessment, stress testing and capital adequacy. The various control functions provide further support for the management of risk within the business.

6.2.2 Regional Risk Governance

A regional level risk governance structure is in place to oversee all business and legal entity risk. Oversight and escalation is provided through the following key committee:

EMEA Senior Risk Management Committee (ESRMC) exercises responsibility and provides independent oversight for policies, processes and controls relating to all aspects of risk for the EMEA region. This includes the following EMEA sub-committees:

- EMEA Anti-Money Laundering Oversight Committee.
- EMEA Asset and Liability Committee.
- EMEA Controls Committee.

The ESRMC responsibilities include, but are not limited to, the following:

- Monitor and assess the impact of significant current & emerging risks including those associated with strategic initiatives at an EMEA level. Consider the impact on the risk profile of the region and provide further direction if appropriate.
- Act as a point of convergence for regional risk reporting (providing a consolidated Legal Entity & Line of Business view) and sharing of risks and issues across Investment Management & Investment Services.
- Escalate material issues and recommendations through common membership of the Chairman's Forum to the BNYM Senior Risk Management Committee (SRMC) and/or relevant Legal Entities.

The ESRMC derives its authority from the BNYM Senior Risk Management Committee, but subject to constraints of corporate policy, legislation and regulation as appropriate.

6.2.3 Business Unit Risk Governance

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

The EMEA Asset Servicing Business Acceptance Committee is responsible for channelling new / renewal business into lines of business and subsequently legal entities, including BNYMH, 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.

The EMEA Asset Servicing Business Risk Committee 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.

6.2.4 Legal Entity Risk Management

The oversight of risk management within BNYMH is governed via three risk management committees, namely:

- **The BNYM (International) Ltd Risk Committee of the Board (MIL RCoB)** - established by BNYMIL's Board to assist in fulfilling its oversight responsibilities with regards to risk appetite and risk management of the company. The committee meets four times a year and is chaired by an independent non-executive director.
- **The BNYM (International) Ltd Risk Management Committee (MIL RMC)** - has delegated authority from the MIL RCoB to oversee the management of risk on a daily basis. The MIL RMC meets ten times per year and is chaired by the UK Legal Entity Risk Officer.
- **The Ireland Risk Management Committee (IRMC)** - derives its authority from the Boards of entities domiciled in Ireland including the following entities within BNYMH Group:
    - BNY Mellon Trust Company (Ireland) Limited.
    - BNY Mellon Fund Services (Ireland) Limited.

The IRMC is chaired by the Ireland Legal Entity Risk Officer and meets ten times per year.

In 2016 a new BNYM (International) Ltd Executive Committee was established by BNYMIL's Board to take responsibility for the executive management of BNYMIL including strategy, performance and governance. The Committee meets ten times a year and reports on a quarterly basis to the Board of BNYMIL and is chaired by the BNYMIL CEO.

6.2.5 Other Governance Bodies

The Board has delegated responsibility to the recently formed CASS (Client Assets Sourcebook) Governance Body and CASS Operational Oversight Committee to ensure that BNYMH has appropriate arrangements in place to ensure compliance with its obligations under CASS requirements. A detailed CASS risk appetite statement has been defined, compliance with which is monitored by the CASS Governance Body. The CASS Governance Body, under its terms of reference is responsible for the escalation of CASS risk appetite breaches to the Board.

To the extent to which individual aspects of BNYMH's risk profile can be influenced by governance bodies that are not directly accountable to the Board, the Board ensures that those governance bodies are clear on the specific requirements of BNYMH and include specific representation from accountable officers of BNYMH in their composition.

6.3 Risk Management Framework

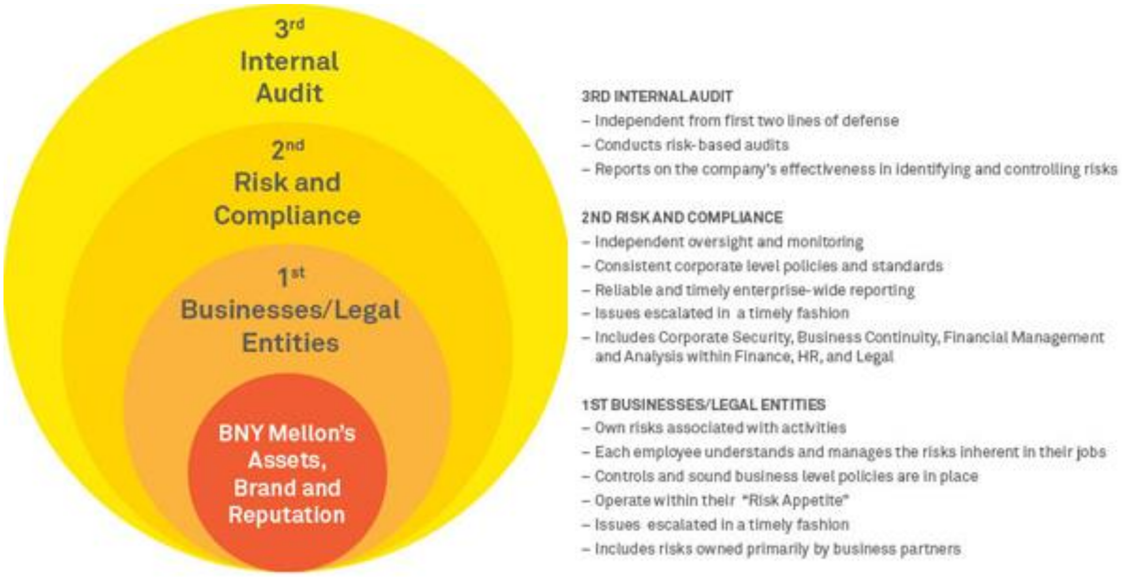
BNYMH's risk management framework helps ensure that all material risks in each business line are identified, understood, and effectively managed using corporate policies and controls centred on a Three Lines of Defence (TLOD) model advocated by BNY Mellon. Within the EMEA region, the EMEA Chief Risk Officer oversees the management of risk and is supported in this role by Legal Entity Risk Officers and Senior Risk Managers operating at business line and/or functional level.

BNYMH's risk management framework is designed to:

- Ensure that risks are identified, managed, mitigated, monitored and reported.
- Define and communicate the types and amount of risks that may be taken.
- Ensure that risk-taking activities are consistent with the risk appetite.
- Monitor emerging risks and ensure they are weighed against the risk appetite.
- Promote a strong risk management culture that considers risk-adjusted performance.

In line with global policy, BNYMH has adopted the Three Lines of Defence model in deploying its risk management framework (Figure 3 below). The first line of defence (1LOD) is the business or, in some cases, business partner level. The business takes and owns the risk associated with activities, and it manages the risks and the related control processes and procedures on an operational basis. The Risk Management and Compliance functions are the second line of defence (2LOD) and own the enterprise-wide risk management framework and provide independent oversight of the 1LOD, ensuring that policies are adhered to and challenged. This also includes corporate security, business continuity, financial management and analysis within Finance. The third line of defence (3LOD) is Internal Audit, which independently provides the BNYMH Board and senior management with the assurance that the governance structures, risk management and internal controls in place are effective.

Figure 3: Managing Three Lines of Defence



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

The risk management function provides risk management information reporting to the BNYMH Board and governance committees, and contributes to a 'no surprise' risk culture. It aligns closely with Compliance (2LOD) and Internal Audit (3LOD) plus Finance and Treasury (1LOD) as control functions. It independently educates staff, promotes risk awareness and continually makes improvements, whilst monitoring progress against defined success criteria for improving the effectiveness of the risk function. Emerging risks are identified in the region by a centralised emerging risk forum which convenes quarterly. Information from this forum is shared with regional management, including risk committees for interpretation and consideration within each line of business or legal entity.

BNYMH's Board adopts a prudent appetite to all elements of risk to which it and its subsidiaries are 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 its appetite through a series of statements and metrics.

Key risk management tools include risk and control self-assessment, key risk indicators, the reporting and monitoring of top risks, reporting of operational risk events (ORE), credit risk exposure and limits, and market risk metrics. Stress testing is undertaken on a quarterly basis to analyse a range of scenarios of varying nature, severity and duration relevant to the BNYMH risk profile. Details of risk management tools are further explained below.

6.4 Risk Register

The Risk Register is a risk management tool used for the assessment and documentation of risks associated with a legal entity. The risk register is created using risk data extrapolated from business risk and control self-assessments, audit reports, top risk reports, and consultation with business risk champions, business risk partners and executive management. It is owned by the Legal Entity Risk Officer and provides a high level view of the entity's risk exposure and assists in identifying the top risks for the entity. Detailed risk mitigation plans for top risks are owned and maintained by risk owners and these plans are also made available to the RMC for oversight and challenge, which has delegated authority from the Risk Committee of the Board. The risk register is a living document and is updated regularly, and at least annually.

6.5 Risk Appetite Statement

BNYMH's Risk Appetite Statement is owned and approved by the Board. It describes the level of risk that the Board is willing to accept in its strategy and business activities, given its business objectives and obligations. The statement applies to all subsidiaries and is reviewed at least annually or when the Company's risk profile changes.

BNYMH uses a variety of metrics to measure and monitor its risk taking activities relative to its risk appetite. Articulating risk appetite through its metrics aids important decision-making by determining actions such as pursuing new products and enterprises, exiting businesses, and aligning resources to maximise potential gains given acceptable levels of risk. The metrics are actively monitored, managed and mitigated through the monthly BNYMIL Risk Management Committee. Where residual risks remain (which are within BNYMH's risk appetite), BNYMH will allocate capital as provision against potential financial loss.

6.6 Risk and Control Self-Assessment

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

6.7 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.

6.8 Operational Risk Events

All operational losses and fortuitous gains exceeding $10,000 are recorded in the risk management platform, completeness being verified by reconciliation to the general ledger. Risk events are analysed and reported to the RMC monthly.

6.9 Credit Risk

All counterparties (clients and banks) are assessed and allocated a borrower rating in accordance with BNYM's 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 light of individual circumstances. Post-event monitoring is also conducted by both Client Services and the Credit function.

6.10 Market Risk

Market Risk Management Objectives and Policies

BNYMH has adopted the BNY Mellon enterprise-wide Market Risk Management framework. The framework consists of policies that establish standards and definitions for the effective management of market risk, and present required practices specific to one or more business units, regions or support functions that facilitate the effective implementation of these standards and practices. The enterprise-wide Market Risk Management framework dictates that any business unit, legal entity or employee entering into business generating market risk must be appropriately mandated or otherwise authorised to do so.

Market Risk Management Governance

Market Risk Management is independent of the business and is responsible for establishing, implementing, monitoring and reporting exposures relative to limit measures and related remediation and escalation practices.

Market risk limits are established in agreement between the Market Risk Management function and the business in line with business activities, products and strategies, and include all risk limits required by applicable laws and regulations.

The control framework elements addressing market risk limits include the following actions by the Market Risk Management function:

- Monitoring of utilisation of market risk limits on a daily basis.
- Reporting of limit utilisation and limit breaches.
- Periodic limit reviews.

A business unit or legal entity must report to its management and the Market Risk Management function when the entity's actual market risk exposures exceed currently approved limits. Market Risk Management also independently monitors limit breaches. Depending on the level and type of limit that is breached, escalation and notification is to the Executive Committee and Board Risk Committee, ALCO or to Senior Risk Management and Business Management levels in the organizational hierarchy. In addition to timely notification of breaches to management (and where required by the escalation standard, the Board Risk Committee), breaches are reviewed periodically at respective Business Risk Committee meetings.

6.11 High Level Assessment

BNY Mellon High Level Assessment (HLA) of the components of risk is performed quarterly and incorporates commentary on current risk and loss experience, emerging risks, business process changes, new product development, risk management initiatives and key risk indicators. HLA coverage includes operational, credit, market, strategic and reputation risk. The HLA incorporates ratings of inherent risk, quality of controls, residual risk and direction of risk.

6.12 Top Risks

Top risks are identified according to the assessment of the inherent risk, quality of controls in place to mitigate risk and likelihood to identify residual risk. Top risks are rated as 'High,' 'Moderate to High,' 'Moderate,' 'Moderate to Low' and 'Low' with direction anticipated. The top risks assessed form part of the Risk Management Committee and Board meetings reporting. Top risks are also consolidated into the EMEA Regional top risk reporting process for reporting to the EMEA level Risk Committees. BNYMH's risk profile is recorded through a number of risk assessment tools and the risk management team prepares and updates the top risk assessment which is reviewed and approved by BNYMH's RMC monthly and the Board quarterly.

6.13 Stress Testing

Stress testing is undertaken at BNYMH level to monitor and quantify risk and capital and ensure that sufficient capital resources are held against risks on a forward-looking basis. The process reflects stressed scenarios that identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to BNYMH's risk profile. BNYMH's stress testing process conclusion is a statement of the future risk(s) that the business faces, control improvements to mitigate the impact should the risk arise and where appropriate, a recommendation for capital to be held against each risk type.

Scenarios are derived from current, emerging, and plausible future risks and strategy, and reviewed, discussed and agreed by BNYMH's RMC and Board.

6.14 Escalation of Risks and Issues

A robust framework exists for monitoring and escalation of 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 BNYMH 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 Risk.
- 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 BNYMH 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.
- Ensuring that processes, 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.

6.15 Internal Capital Adequacy Assessment Process (ICAAP)

An ICAAP document is produced annually for BNYMH on a consolidated basis, including its subsidiaries. The process and document is owned by the BNYMH Board and supported by the ICAAP and Stress Testing team. The purpose of the ICAAP is to:

- Ensure the ongoing assessment and monitoring of the firm's risks and the approaches used to mitigate those risks, such that they remain within the risk appetite established by the Board of Directors of BNYMH.

- Determine the capital requirement for the residual risk exposure at the point when the assessment is made and also over the firm's five-year planning horizon, both under baseline and stressed conditions.

- Document the capital adequacy assessment process both for internal stakeholders and prudential supervisors.

- Provide the necessary information so that senior management, including the Board, can make decisions about the amount of capital that is required and what approach to risk management should be adopted.

6.16 Recovery & Resolution Planning (RRP)

Recovery and resolution plans are prepared annually and submitted to the PRA in accordance with Supervisory Statement SS18/13 for BNYMH. The RRPs are designed to ensure that the BNYMH group has credible and executable options to meet the challenges that may arise from potential future financial crises.

7 Credit Risk

7.1 Definition and Identification

Credit risk is the risk of default arising from a borrower's failure to repay a loan or otherwise meet a contractual obligation or other counterparties defaulting on their obligations.

On-balance sheet credit risk covers default risk for loans, commitments, securities, receivables and other assets where the realisation of the value of the asset is dependent on the counterparty's ability and willingness to repay its contractual obligations. Off-balance sheet credit risk includes counterparty credit risk, securities lending indemnifications and letters of credit, which represent unfunded commitments.

BNYMH's credit risk arises from the following business operations:

- Client lending
  - Credit facilities are provided on an advised but uncommitted basis to Investment Trusts.
  - Unadvised, uncommitted intraday and overnight credit facilities are provided in support of operational activity (trade settlement, cash wire activity, FX trades, etc.).
- Nostros - BNYMH utilises a number of banks around the world to maintain accounts and enable it to transfer monies cross-border.
- Daylight / intraday overdrafts - limits are set for each client as a percentage of a client's Assets Under Custody (AUC), as follows:
  - Stock purchases under a Custody Clearing Limit (CCL – maximum 50% of AUC value, being capped at $800m).
  - Daylight Overdraft Limit (DOL) for stock purchases with today's value and cash payments due out today (maximum 15% of AUC value, being capped at $800m).
- Cash Placements - BNYMH deposits funds with or purchases certificates of deposit issued by other banks.

7.2 Credit Risk Management Framework

At the outset of a new agent bank, trading counterparty or customer relationship, a review is undertaken by the business in partnership with Credit Risk to determine the client's suitability for the products offered and BNYMH's risk appetite for the name. Once it is agreed that the relationship can be entered and suitable limits would be available to cover the activity, the client can be mandated and moved through the Business Acceptance Committee process for formal approval by all relevant parties. It is the primary responsibility of the business as the first line of defence alongside guidance and oversight of Credit as the second line of defence to identify, based on business activity, the type(s) of credit risk which may be incurred and an estimate of the anticipated levels.

7.3 Management of Credit Risk

Management of credit risk (including metrics, breaches, output) is effectively executed in a number of ways:

- Nostros are maintained at the minimum possible level and within the large exposure limits, ensuring smooth operations and adherence to own fund requirements. The banks used are all major well-rated banks in their respective countries.
- For clients within the custody portfolio, limits are provided as a percentage of assets under custody. Most clients have, within their Global Custody Agreement, provided the bank with a contractual right of set-off across currency accounts, a custodial lien on the assets held and a right of retention and sale if debts are not repaid.
- Certain clients may not be able to give liens over their assets due to either sovereign immunity issues, or an inability to compromise or otherwise encumber their asset pool which may be held ultimately for the benefit of other parties (insurance companies, etc.). However, these tend to be highly rated financial institutions and so risk is reduced by virtue of their high quality credit standing rather than by access to a securities portfolio.
- For larger clients, for whom providing an overdraft could result in a large exposure breach, there is a Risk Participation Agreement in place with BNY Mellon Institutional Bank, allowing excessive exposures to be moved to the larger bank.
- A Master Netting Agreement is in place to cover intragroup exposure to BNY Mellon SA/NV.
- Placement activity with third party banks is undertaken only after limits have been approved by Credit Risk function and this only occurs after careful consideration of the quality of the bank, large exposure issues and exposure elsewhere within the BNY Mellon group. Relationships with, and limits for all banks are managed under BNY Mellon and for BNYMH are managed as a subset within the overall limit approved by BNY Mellon.

The metrics supporting the management of credit risk are monitored on a monthly basis and reported to senior management. Throughout 2015, no breaches have been reported for BNYMH.

7.4 Monitoring and Reporting

Credit risk is monitored and controlled in real time through the Global Funds Control Platform and its interaction with both the Global Securities Processing system for securities settlement activity and the International Money Management System which is the bank's proprietary Demand Deposit Account platform. An Enterprise Risk Initiative program went live effective from 1 June 2015. The program provides next day reporting for intraday exposures and enables BNYMH to monitor client exposure throughout the day rather than just the end of day position, or when a limit is breached.

Post-event monitoring is conducted by both the client service areas and the Credit Risk function.

7.5 Governance

Governance of credit risk oversight as a second line of defence function is described and controlled through credit risk policy and day-to-day procedures as follows:

- Credit policy for each legal entity describes the outsourcing of credit risk tasks, defines roles and responsibilities and requires reporting to be carried out to each business line and entity that the policy applies to. Any deviation from approved policy requires either senior business or senior legal entity approval depending on the type of event.
- Approvals for excesses are controlled by a series of credit risk authorities held within credit policy – each Credit Risk Officer has their own level granted ultimately by the Chief Credit Officer and acts within those limits when making approvals. If an excess is beyond the Officer's approval limit, it is escalated to a higher authority. The outsourcing of credit responsibility to Credit Risk Officers is through the Board approved credit policy.
- Overdraft monitoring is a daily task and conducted within each legal entity – significant overdrafts are chased on a daily basis and according to BNYMH's risk appetite. All significant overdrafts and exposures are recorded and form part of the credit management information produced on a monthly basis for various management committees.

7.6 Analysis of Credit Risk

Credit risk exposure is computed under the standardised approach which uses external credit assessment institution ratings and supervisory risk weights supplied by external credit assessment agencies. The following credit risk exposure tables summarise the credit exposure at the level of BNYMIL (as main operating subsidiary) in accordance with the CRD IV requirements.

The following definitions are used in the tables:

Exposure at Default (EAD) is defined as the amount expected to be outstanding, after any Credit Risk Mitigation, if and when counterparty defaults. Exposure reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures over a one-year time horizon. As such, exposure in this context may differ from statutory IFRS accounting balance sheet carrying values.

Credit Conversion Factor (CCF) converts the amount of a free credit line and other off-balance-sheet transactions (with the exception of derivatives) to an EAD amount. This function is used to calculate the exposure at default.

Credit Risk Mitigation (CRM) is defined as a technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection.

Geographic area is based on the continental location of the counterparty.

Residual maturity is defined as the period outstanding from the reporting date to the maturity or end date of an exposure.

Table 5: Standardised approach by exposure class

This table shows the credit risk for BNYMIL pre and post CRM techniques - standardised approach by exposure class as at 31 December 2015 and the comparative amounts at 31 December 2014 (GBP'000s).

Credit Risk - EAD pre CRM by Exposure Class (BNYMIL)	EAD pre CRM		Average EAD pre CRM	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
Central governments or central banks	2,630,111	2,203,684	2,448,018	1,552,532
Corporates	139,448	107,286	136,457	68,905
Covered Bonds	0	0	0	0
Institutions	242,504	671,735	407,038	893,031
Multilateral Development Banks	0	0	0	0
Other items	82,309	63,840	67,290	73,964
Equity	4,663	0	1,166	0
Public sector entities	0	0	0	0
International Organisations	0	0	0	0
Total	**3,099,035**	**3,046,545**	**3,059,969**	**2,588,432**

Credit Risk - EAD post CRM & CCF by Exposure Class (BNYMIL)	EAD post CRM & CCF		Risk Weight Amount		Capital Requirement	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
Central governments or central banks	2,630,111	2,203,684	0	0	0	0
Corporates	139,447	107,287	139,447	107,287	11,156	8,583
Covered Bonds	0	0	0	0	0	0
Institutions	74,664	451,711	14,933	90,342	1,195	7,227
Multilateral Development Banks	0	0	0	0	0	0
Other items	82,309	63,840	103,893	88,467	8,311	7,077
Equity	4,663	0	11,657	0	933	0
Public sector entities	0	0	0	0	0	0
International Organisations	0	0	0	0	0	0
Total	**2,931,195**	**2,826,522**	**269,930**	**286,096**	**21,595**	**22,887**

Notes: EAD (Exposure at Default), CRM (Credit Risk Mitigation), CCF (Credit Conversion Factors)

Table 6: Standardised gross credit exposure by geographic area

This table shows the credit risk for BNYMIL pre CRM techniques - standardised approach by geographical area of the counterparty as at 31 December 2015 and the comparative amounts at 31 December 2014 (GBP’000s).

31 December 2015 (BNYMIL)	Europe	Americas	MEA	APAC	Total
Central governments or central banks	2,630,111	0	0	0	2,630,111
Corporates	103,818	35,630	0	0	139,448
Covered Bonds	0	0	0	0	0
Institutions	163,340	34,570	0	44,594	242,504
Multilateral Development Banks	0	0	0	0	0
Other items	81,618	691	0	0	82,309
Equity	4,663	0	0	0	4,663
Public sector entities	0	0	0	0	0
International Organisations	0	0	0	0	0
Total	**2,983,550**	**70,891**	**0**	**44,594**	**3,099,035**

31 December 2014 (BNYMIL)	Europe	Americas	MEA	APAC	Total
Central governments or central banks	2,203,684	0	0	0	2,203,684
Corporates	106,740	546	0	0	107,286
Covered Bonds	0	0	0	0	0
Institutions	664,234	1,380	0	6,121	671,735
Multilateral Development Banks	0	0	0	0	0
Other items	63,840	0	0	0	63,840
Equity	0	0	0	0	0
Public sector entities	0	0	0	0	0
International Organisations	0	0	0	0	0
Total	**3,038,498**	**1,926**	**0**	**6,121**	**3,046,545**

Notes: MEA (Middle East and Africa); APAC (Asia - Pacific)

Table 7: Standardised pre-mitigated credit exposure by counterparty type

This table shows the credit risk for BNYMIL pre CRM techniques - standardised approach by counterparty type as at 31 December 2015 (GBP'000s).

31 December 2015 (BNYMIL)	Central governments	Credit institutions	Other financial corporations	Various Balance Sheet Items	Total
Central governments or central banks	2,630,111	0	0	0	2,630,111
Corporates	0	0	139,448	0	139,448
Covered Bonds	0	0	0	0	0
Institutions	0	242,504	0	0	242,504
Multilateral Development Banks	0	0	0	0	0
Other items	0	0	0	82,309	82,309
Equity	0	4,663	0	0	4,663
Public sector entities	0	0	0	0	0
International Organisations	0	0	0	0	0
Total	**2,630,111**	**247,167**	**139,448**	**82,309**	**3,099,035**

Table 8: Standardised gross credit exposure by residual maturity

This table shows the credit risk for BNYMIL pre CRM techniques - standardised approach by residual maturity as at 31 December 2015 and the comparative amounts at 31 December 2014 (GBP'000s).

31 December 2015 (BNYMIL)	Less than 3 months	3 months to 1 year	Over 1 year	Total
Central governments or central banks	2,630,111	0	0	2,630,111
Corporates	139,448	0	0	139,448
Covered Bonds	0	0	0	0
Institutions	242,504	0	0	242,504
Multilateral Development Banks	0	0	0	0

Other items	82,309	0	0	82,309
Equity	4,663	0	0	4,663
Public sector entities	0	0	0	0
International Organisations	0	0	0	0
Total	**3,099,035**	**0**	**0**	**3,099,035**

31 December 2014 (BNYMIL)	Less than 3 months	3 months to 1 year	Over 1 year	Total
Central governments or central banks	2,203,684	0	0	2,203,684
Corporates	107,260	0	26	107,286
Covered Bonds	0	0	0	0
Institutions	671,735	0	0	671,735
Multilateral Development Banks	0	0	0	0
Other items	46,175	0	17,665	63,840
Equity	0	0	0	0
Public sector entities	0	0	0	0
International Organisations	0	0	0	0
Total	**3,028,854**	**0**	**17,691**	**3,046,545**

7.7 Analysis of past due and impaired exposures

An aspect of credit risk management relates to problem debt management, which entails early problem identification through to litigation and recovery of cash where there is no realistic potential for rehabilitation.

As at 31 December 2015, BNYMH had no material impaired assets for which a specific or general provision was required. There were no material assets past due greater than 90 days. BNYMH did not incur any material write-offs of bad debts or make any recovery of amounts previously written off during the year to 31 December 2015.

7.8 Credit Risk Mitigation

BNYMH manages credit risk through a variety of credit risk mitigation strategies including the inclusion of lien, right of retention and rights of sale clauses in the custody agreements it has with its clients.

7.8.1 Netting

International Swaps and Derivatives Association (ISDA) Master Agreements and netting are used to mitigate counterparty credit risk. The ISDA Agreement incorporates schedules that allow the contracting parties to customise the terms and conditions to their mutual satisfaction to cover termination events, netting arrangements, security and other matters.

Netting may take two different forms, close-out netting and settlement netting. Close-out netting refers to an agreement between BNYMH and a counterparty that, in the event of a default, the non-defaulting party can require that:

- All open derivative contracts be marked-to-market and summed.

- A single net payment be made as final settlement to whichever party holds the overall profit from the contracts.
- Collateral be liquidated (if held).

Settlement netting requires that all foreign exchange obligations that are payable on the same settlement date be netted to produce a single payment obligation for each currency traded.

7.8.2 Collateral Valuation and Management

BNYMH can receive collateral from a counterparty which can include guarantees, cash and both equity and debt securities and has the ability to call on this collateral in the event of a default by the counterparty.

Collateral amounts are adjusted on a daily basis to reflect market activity to ensure they continue to achieve an appropriate mitigation of risk value. Securities are marked-to-market daily and ‘haircuts’ are applied to protect BNYMH in the event of the value of the collateral suddenly reducing in value due to adverse market conditions. Customer agreements can include requirements for the provision of additional collateral should valuations decline.

7.8.3 Wrong-Way Risk

BNYMH takes particular care to ensure that wrong-way risk between collateral and exposures does not exist. Wrong-way risk results when the exposure to the counterparty increases when the counterparty’s credit quality deteriorates.

7.8.4 Credit Risk Concentration

Credit Risk Mitigation taken by BNYMH to reduce credit risk may result in credit risk concentration. Credit risk concentration results from concentration of exposures to a single counterparty, borrower or group of connected counterparties or borrowers. This includes on and off-balance sheet (i.e. guarantees) concentration risk.

Credit risk concentration within BNYMH originates mostly through BNYMH’s banking activities. BNYMH has an appetite to place funds only with institutions having an internal rating of 9 or above (equivalent to Moody’s/S&P/Fitch external rating of Baa2/BBB/BBB respectively). This limits the spread but also ensures that exposures are well-controlled, managed and less susceptible to default. Guarantees are treated as an exposure against the guarantor institution and managed within this controlled environment.

The number of counterparties BNYMH is willing to place funds with is limited and hence, concentration risk can arise from cash balances placed with a relatively small number of counterparties. To mitigate this, funds are only placed on a very short-term basis, generally overnight (maximum of 180 days), ensuring ability to withdraw funds in a timely manner. In addition, to comply with the Large Exposures Regime, Treasury Services limits placements to a maximum of €150m (equivalent to £110m).

Table 9: Exposures covered by financial and other eligible collateral

This table shows by each exposure class the total exposure that is covered by financial and other eligible collateral (GBP’000s).

Exposure Class (BNYMIL)	31-Dec-15	31-Dec-14
Central governments or central banks	0	0
Corporates	0	0
Covered Bonds	0	0
Institutions	167,840	220,022

Multilateral Development Banks	0	0
Other items	0	0
Equity	0	0
Public sector entities	0	0
International Organisations	0	0
Total	**167,840**	**220,022**

Financial and other eligible collateral can include cash, debt securities, equities or gold, and their values are taken into account for the purposes of calculating the risk weighted exposure amount of the underlying exposure.

There are no exposures covered by guarantees at 31 December 2015 or 31 December 2014. Using guarantees has the effect of replacing the risk weight of the underling exposure with that of the institution providing the credit protection. Guarantors are primarily rated as investment grade.

7.9 External Credit Ratings

The standardised approach requires BNYMH to use risk assessments prepared by External Credit Assessment Institutions (ECAIs) to determine the risk weightings applied to rated counterparties. BNYMH uses Standard and Poor's, Moody's and Fitch as its chosen ECAIs. There has been no change to these ECAIs during the year.

Table 10: Mapping of ECAIs' credit assessments to credit quality steps

BNYMH uses Credit Quality Steps (CQS) to calculate the Risk Weighted Assets (RWAs) associated with credit risk exposures. Each CQS maps to the ECAIs' credit assessments.

This table shows the mapping of BNYMH's nominated ECAIs' credit assessments to the credit quality steps.

Credit quality steps	Standard and Poor's assessments	Moody's assessments	Fitch's assessments
1	AAA to AA-	AAA to Aa3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	BB-+ to BB-	Ba1 to Ba3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below

Table 11: Credit quality steps and risk weights

ECAI risk assessments are used for each exposure class except eligible retail exposures which are assigned a risk weight of 75%. In accordance with the regulations, institutions with a residual maturity of three months or less denominated and funded in the national currency of the borrower shall be assigned a risk weight different to institutions with a residual maturity of more than three months. This distinction is shown in the table below. Each CQS is associated with a particular risk-weighting.

This table shows the prescribed risk weights associated with the credit quality steps by exposure class.

Exposure classes	CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6
Central governments or central banks	0%	20%	50%	100%	100%	150%
Public sector entities	20%	50%	100%	100%	100%	150%

Institutions	20%	50%	50%	100%	100%	150%
Institutions up to 3 months residual maturity	20%	20%	20%	50%	50%	150%
Unrated institutions	20%	50%	100%	100%	100%	150%
Corporates	20%	50%	100%	100%	150%	150%
Securitisation	20%	50%	100%	350%	1250%	1250%
Institutions & corporates with short-term credit assessment	20%	50%	100%	150%	150%	150%
Collective investment undertakings (CIUs)	20%	50%	100%	100%	150%	150%
Covered Bonds	10%	20%	20%	50%	50%	100%

The risk systems maintain the credit quality step mappings to customers in their database. When calculating the risk weighted value of an exposure using the ECAI risk assessments, the system will identify the customer, the maturity of the transaction and the relevant credit quality step to determine the risk weight percentage.

Table 12: Credit quality steps pre-CRM by credit exposure class

This table shows the EAD pre-credit risk mitigation by credit quality steps and credit exposure class using the standardised approach. Non-CQS is where a rating is not available and a separate risk weight is assigned (GBP'000s).

Standardised pre-CRM by credit exposure class at	Credit Quality Steps							
31 December 2015 (BNYMIL)	1	2	3	4	5	6	Non CQS	Total
Central governments or central banks	2,630,111	0	0	0	0	0	0	2,630,111
Corporates	0	0	139,448	0	0	0	0	139,448
Covered Bonds	0	0	0	0	0	0	0	0
Institutions	242,504	0	0	0	0	0	0	242,504
Multilateral Development Banks	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	82,309	82,309
Equity	0	0	0	0	0	0	4,663	4,663
Public sector entities	0	0	0	0	0	0	0	0
International Organisations	0	0	0	0	0	0	0	0
Total	**2,872,615**	**0**	**139,448**	**0**	**0**	**0**	**86,972**	**3,099,035**

Standardised pre-CRM by credit exposure class at	Credit Quality Steps							
31 December 2014 (BNYMIL)	1	2	3	4	5	6	Non CQS	Total
Central governments or central banks	2,203,684	0	0	0	0	0	0	2,203,684
Corporates	0	0	107,286	0	0	0	0	107,286
Covered Bonds	0	0	0	0	0	0	0	0
Institutions	671,735	0	0	0	0	0	0	671,735
Multilateral Development Banks	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	63,840	63,840
Equity	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0
International Organisations	0	0	0	0	0	0	0	0
Total	**2,875,419**	**0**	**107,286**	**0**	**0**	**0**	**63,840**	**3,046,545**

Table 13: Credit quality steps post-CRM and CCF by credit exposure class

This table shows the EAD post-credit risk mitigation by credit quality steps and credit exposure class using the standardised approach. Non-CQS is where a rating is not available and a separate risk weight is assigned (GBP'000s).

Standardised post-CRM by credit exposure class at 31 December 2015 (BNYMIL)	Credit Quality Steps							
	1	2	3	4	5	6	Non CQS	Total
Central governments or central banks	2,630,111	0	0	0	0	0	0	2,630,111
Corporates	0	0	139,448	0	0	0	0	139,448
Covered Bonds	0	0	0	0	0	0	0	0
Institutions	74,664	0	0	0	0	0	0	74,664
Multilateral Development Banks	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	82,309	82,309
Equity	0	0	0	0	0	0	4,663	4,663
Public sector entities	0	0	0	0	0	0	0	0
International Organisations	0	0	0	0	0	0	0	0
Total	**2,704,775**	**0**	**139,448**	**0**	**0**	**0**	**86,972**	**2,931,195**

Standardised post-CRM by credit exposure class at 31 December 2014 (BNYMIL)	Credit Quality Steps							
	1	2	3	4	5	6	Non CQS	Total
Central governments or central banks	2,203,684	0	0	0	0	0	0	2,203,684
Corporates	0	0	107,287	0	0	0	0	107,287
Covered Bonds	0	0	0	0	0	0	0	0
Institutions	451,711	0	0	0	0	0	0	451,711
Multilateral Development Banks	0	0	0	0	0	0	0	0
Other items	0	0	0	0	0	0	63,840	63,840
Equity	0	0	0	0	0	0	0	0
Public sector entities	0	0	0	0	0	0	0	0
International Organisations	0	0	0	0	0	0	0	0
Total	**2,655,395**	**0**	**107,287**	**0**	**0**	**0**	**63,840**	**2,826,522**

CRM = Credit Risk Mitigation

7.10 Counterparty Credit Risk

Counterparty credit risk is the risk of loss arising from a counterparty to a contract recorded in either the trading book or non-trading book defaulting before fulfilment of cash-flow obligations. The size of the potential loss could be reduced by the application of netting or collateral agreements with the counterparty.

As at 31 December 2015, BNYMIL did not have any trading book positions, with counterparty credit risk originating from banking book derivative positions.

Table 14: Counterparty credit risk

This table shows the risk mitigating impact of netting and collaterisation on counterparty credit risk relating solely to foreign currency derivative contracts under the mark-to-market method (GBP'000s).

Counterparty Credit Risk (BNYMIL)	31-Dec-15	31-Dec-14
Derivatives - Mark to Market Method		
Gross Positive Fair Value of Contracts	1,478	2,387
Potential Future Credit Exposure	6,574	0
Netting Benefits	0	0
Net Current Credit Exposure	8,052	2,387
Collateral Held Notional Value	0	0
Exposure and Collateral Adjustments	0	0
Net Derivatives Credit Exposure	8,052	2,387
SFT - under financial collateral comprehensive method		
Net Current Credit Exposure	0	0
Collateral Held Notional Value	0	0
Exposure and Collateral Adjustments	0	0
Net SFT Credit Exposure	0	0
Counterparty Credit Risk Exposure	**8,052**	**2,387**

Note: SFT (Securities Financing Transactions)

7.11 Credit Valuation Adjustment (CVA)

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

Table 15: Credit valuation adjustment capital charge

This table shows the credit valuation adjustment using the standardised approach (GBP'000s).

CVA according to standardised method (BNYMIL)	31-Dec-15
Exposure Value	8,052
Risk Exposure Amount	1,601
Capital Requirements	128

8 Market Risk

Market risk is defined as the risk of adverse change to the economic condition of BNYMH due to variations in prices, rates, implied volatilities, or correlations of market risk factors. Market risk factors include but are not limited to interest rates, foreign exchange rates, market liquidity, equity prices, credit spreads, prepayment rates, commodity prices and issuer risk associated with the Bank's trading and investment portfolios. BNYMH's exposure to market risk arises mainly from foreign exchange (FX) risk and non-traded interest rate risk.

Interest rate risk (IRR) is the risk associated with changes in interest rates that affect income from interest earning assets and interest paying liabilities. The interest rate risk for BNYMH, which only has a non-trading book, is monitored on a daily basis by Market Risk Management.

BNYMH's exposure to market risk arises mainly from foreign exchange risk from operational flows in foreign currencies as non-UK clients are billed in US dollars. A smaller amount of market risk also arises as a result of interbank and Central Bank placements or other collective investment undertakings.

Daily limits are monitored by the Market Risk Management team to ensure that BNYMH operates in accordance with the limits set down in the BNYMH risk appetite and reported on a regular basis to senior management.

Table 16: Market risk – risk exposure amount and capital requirements

This table shows the components of the capital requirements and risk weighted assets for market risk using the standardised approach (GBP'000s).

Positions subject to Market Risk (BNYMH)	Risk Exposure Amount		Capital Requirements	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
Foreign Exchange Risk	323,046	120,604	25,844	9,648
Total	**323,046**	**120,604**	**25,844**	**9,648**

Positions subject to Market Risk (BNYMIL)	Risk Exposure Amount		Capital Requirements	
	31-Dec-15	31-Dec-14	31-Dec-15	31-Dec-14
Foreign Exchange Risk	50,123	11,328	4,010	906
Total	**50,123**	**11,328**	**4,010**	**906**

8.1 Interest Rate Risk (IRR) – Non-Trade Book

BNYMH has no material assets and liabilities subject to IRR, does not run a trading book and seeks to match its interest rate risk on its non-trading book. Its IRR exposure for both on-balance sheet and off-balance sheet assets and liabilities mainly arises from movements in domestic and foreign interest rates.

The Board sets the overall tolerance for IRR and delegates to the Asset and Liability Committee (ALCO) a mandate to oversee the management of these risks and the responsibility for devising and executing IRR strategies and policies consistent with the risk appetite.

IRR exposure is monitored daily against limits by the Market Risk Management team to ensure that BNYMH operates within its risk appetite. Any breaches are reported to the RMC and the Board.

Table 17: Net interest income sensitivity by currency

This table shows the net interest income sensitivity by BNYMIL's major transactional currencies, showing the impact on net interest income of movement in interest rates of +/- 100 basis points (GBP'000s).

Currency	+ 100 basis points 2015	- 100 basis points 2015	+ 100 basis points 2014	- 100 basis points 2014
USD	(8,053)	8,053	(5,034)	5,034
EUR	(6)	6	(1,150)	1,150
GBP	8,678	(8,678)	7,268	(7,268)
Other currencies	33	(33)	362	(362)
Total	652	(652)	1,447	(1,447)
As percentage of net interest income	9%	9%	43%	43%

9 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events (including legal risk but excluding strategic and reputation risk).

9.1 Operational Risk Management Framework

The Operational Risk Management Framework (ORMF) provides the processes and tools necessary to fulfil a strategy of managing risk through a culture of risk awareness, a clear governance structure, well defined policies, procedures and reporting and suitable tools for reporting and monitoring to effectively identify, manage, mitigate, monitor and report the risks in an organised way to the appropriate governance bodies.

The ORMF defines roles and responsibilities through the global policy, using the Three Lines of Defence model as a foundation. Thus, responsibility for the management of Operational Risk sits first and foremost with the business and its functions as the first line of defence, where ownership and accountability reside for the identification, assessment and management of risks that arise through the course of its business and service provision.

The second line of defence, the independent Risk Management function, is responsible for reviewing and challenging the risks identified, assessed and managed by the first line of defence. The Operational Risk function is also responsible for building and maintaining the ORMF framework and partnering the first line of defence to enable them to embed it.

The third line of defence is Internal Audit (organizationally independent from both the first and second lines of defence). A key responsibility of the third line as it pertains to the Operational Risk framework is to opine on the adequacy of the framework and governance process.

Therefore, the monitoring and reporting of operational risks occurs within the business, entity and EMEA-region risk oversight functions as well as decision-making forums such as business risk committees and BNYMH's Risk Management Committee.

The activities defined in the ORMF policy to aid the continued identification, evaluation, mitigation, and re-assessment of risks and controls in order to continually reduce the likelihood of and negative results from operational failures are:

- Identify and understand key business processes and risks
- Design and document controls
- Execute the controls

- Monitor key risk indicators
- Report key risk indicator performance, issues and actions to resolve
- Elevate concerns
- Strengthen controls
- Re-assess and update when necessary.

These activities are prescribed through the enterprise operational risk program, assessment systems and related processes, including but not limited to:

- Operational Risk Events (OREs) – a standard for the capture, notification and reporting of OREs. The collection of internal loss data provides information for assessing the company's exposure to operational risk. Analysis of loss events provides insight into the root cause and information on whether a control weakness is isolated or potentially more systemic.

- Risk and Control Self Assessments (RCSA) – a comprehensive process for business groups and select business partners to identify risks associated with key business processes, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls in place to mitigate that risk.

- Key Risk Indicators (KRIs) – the use of key metrics designed to monitor activities which could cause financial loss or reputation damage to the company. Periodic and consistent monitoring of KRIs ensures that deviations from predetermined standards can be identified.

- Operational Risk Scenario Analysis - operational risk scenario analysis is used to forecast the most significant operational risks by combining operational risk data with expert management judgement.

These activities are mandated through individual Operational Risk Polices. BNYMH also uses the group wide system of record, the Risk Management Platform (RMP), to facilitate many of these processes.

Additionally, BNYMH has, in line with the enterprise risk policy for risk appetite, set a risk appetite statement which recognises the inherent nature of operational risk and the reliance on the ORMF to mitigate it.

BNYMH also maintains a risk register which captures the most material risks associated with the business undertaken and the risk mitigations currently in place. Operational risk is amongst BNYMH's material risks. The risk register is updated at least annually.

Current issues, emerging and top risks, adverse KRIs and OREs (>$10,000) are reported to the BNYMH Risk Management Committee. Regional committees such as the EMEA Senior Risk Management Committee also monitor and incorporate the material risks of BNYMH in forming its regional risk assessment.

Risk managers are assigned to oversee the risk management activities undertaken in the business of BNYMH. Besides the operational risk function, other internal functions also ensure that processes are in place to support the sound operational risk management of the business e.g. Information Risk Management and Business Continuity Planning.

9.2 Capital Resource Requirement

BNYMH calculates its Pillar 1 operational risk capital resource requirement under the standardised approach. It has been determined that BNYMH falls under the Agency Services Basel business line which mandates a 15% beta factor to determine capital from gross income.

10 Leverage Ratio

The leverage ratio is calculated by dividing Tier 1 capital by a total exposure measure which is comprised of a defined sum of asset exposure values and off-balance sheet items.

Table 18: Leverage ratio calculation

This table shows the components of the leverage ratio exposure, including asset exposure values, off-balance sheet items and adjustments (GBP'000s).

	BNYMH	BNYMIL
Regulatory leverage ratio exposures	**31-Dec-15**	**31-Dec-15**
On-balance sheet exposures (excluding derivatives and SFTs)		
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	3,331,290	3,214,473
Asset amounts deducted in determining Tier 1 capital	-115,438	-115,438
Total on-balance sheet exposures (excluding derivatives and SFTs)	**3,215,852**	**3,099,035**
Derivative exposures		
Replacement cost associated with derivatives transactions	1,478	1,478
Add-on amounts for Potential Future Exposure associated with derivatives transactions	6,574	6,574
Exposure determined under Original Exposure Method	0	0
Total derivative exposures	**8,052**	**8,052**
Securities financing transaction exposures		
SFT exposure according to Article 220 of CRR	0	0
SFT exposure according to Article 222 of CRR	0	0
Total securities financing transaction exposures	**0**	**0**
Off-balance sheet exposures		
Off-balance sheet exposures at gross notional amount	155,495	155,495
Adjustments for conversion to credit equivalent amounts	-139,945	-139,945
Total off-balance sheet exposures	**15,550**	**15,550**
Capital and Total Exposures		
Tier 1 capital	389,173	141,722
Exposures of financial sector entities according to Article 429(4) 2nd of CRR	0	0
Leverage Ratios		
Total Exposures	3,239,455	3,122,637
End of quarter leverage ratio	12.01%	4.09%
Leverage ratio (average of the monthly leverage ratios over the quarter)	10.86%	3.94%
Choice on transitional arrangements and amount of derecognised fiduciary items		
Choice on transitional arrangements for the definition of the capital measure	389,173	141,722
Amount of derecognised fiduciary items in accordance with Article 429(11) of CRR	0	0

Note: CRR (Regulation (EU) NO. 575/2013)

11 Remuneration Disclosure

11.1 Governance

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

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

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

To ensure alignment with local regulations in BNY Mellon's EMEA (Europe, Middle-East and Africa) region, the EMEA Remuneration Governance Committee (ERGC) was set up as a regional governance committee that reviews and ensures compliance with local regulations affecting BNY Mellon's EMEA businesses.

11.2 Aligning Pay with Performance

BNY Mellon's compensation philosophy is to offer a total compensation opportunity that supports its values, client focus, integrity, teamwork and excellence. It rewards performance, both at the individual and corporate level. It values individual and team contributions and rewards based on how both contribute to business results. In support of this philosophy, variable compensation is regularly used as a means of recognising performance.

Through its compensation philosophy and principles, it aligns the interests of its employees and shareholders by encouraging actions that contribute to superior financial performance and long-term shareholder value, by rewarding success and by ensuring that its incentive compensation arrangements do not encourage its employees to take unnecessary and excessive risks that threaten the value of BNY Mellon or benefit individual employees at the expense of shareholders or other stakeholders.

Its compensation structure is comprised of an appropriate mix of fixed and variable compensation that is paid over time. It aims to ensure that both fixed and variable compensation are consistent with business and market practice, fixed compensation is sufficient to provide for a fully flexible variable compensation program and variable compensation is in the form of annual and/or long-term incentives, where appropriate.

11.3 Fixed Remuneration

Fixed remuneration is composed of (i) salary, (ii) any additional non-performance related amounts paid as a result of contractual obligations or applicable law, or as a result of market practice, including role-based allowances, and (iii) any benefits in kind which are awarded as a result of the job rather than the performance within the job.

The fixed remuneration of an employee is determined by the job performed, its level of complexity and responsibility, and the remuneration paid in the market for that type of job. It is set, for all staff, at a rate to be at all times sufficient to provide for full flexibility in the variable remuneration, including a zero variable remuneration.

Employees who have accepted directorship roles in other BNY Mellon legal entities are not remunerated in their capacity as directors. Independent directors of BNY Mellon only receive fixed remuneration, as disclosed in the annual Proxy Statement to shareholders.

11.4 Variable Compensation Funding and Risk Adjustment

The employees of BNYMH and BNYMIL are eligible for variable compensation. Variable compensation consists of both cash and deferred components and is determined by the functional hierarchy of the business or business partner service to which the individual staff member belongs, and in accordance with the terms and conditions of the incentive compensation plan that is applicable for the business or business partner service. The incentive pool funding is based upon the risk-adjusted performance of the business line, legal entity or company as appropriate.

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

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

11.5 Ratio of Fixed to Variable Pay

The HRCC approved an increase in the maximum ratio of variable to fixed pay (‘Bonus Cap’) from 100% to 200% on 27 Jan 2014 on the basis that the increased cap would not affect the firm’s ability to maintain a sound capital base, and allows for the appropriate incentivisation and reward in accordance with the Pay for Performance philosophy.

11.6 Deferral Policy and Vesting Criteria

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

11.7 Variable Remuneration of Control Function Staff

The variable compensation awarded to control function staff (for example: audit, legal and risk) is dependent on performance that is assessed according to the achievement of objectives specific to their functional role that is independent of the activities they oversee. Remuneration is benchmarked against the market level and funded independently of individual business line results and adjusted based on BNY Mellon’s overall annual financial performance.

11.8 Quantitative Disclosures

The tables below provide details of the aggregate remuneration of senior management and Material Risk Takers (MRT) for BNYMH and BNYMIL for the year ended 31 December 2015.

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

Table 19: Aggregate Remuneration Expenditure for MRTs in 2015 by Business (Revised)

This table shows the aggregate remuneration expenditure for MRTs by business (GBP'000s).

Aggregate remuneration expenditure for MRTs by business	BNYMH			BNYMIL		
	Investment Services	Others[1]	Total	Investment Services	Others[1]	Total
Total remuneration[2]	3,690[3]	4,319[3]	8,009[3]	1,917	1,032	2,949

[1] Includes all support functions and general management positions.

[2] Includes base salary and other cash allowances, plus any cash incentive and the total of any deferred awards made in BNY Mellon shares valued at the date of grant of deferred cash.

[3] BNYMH 2015 data has been restated at 24 March 2017.

Table 20: Aggregate Remuneration Expenditure for MRTs by Remuneration Type (Revised)

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

Aggregate remuneration expenditure for MRTs by remuneration type	BNYMH			BNYMIL		
	Senior management[1]	Other MRTs[2]	Total	Senior management[1]	Other MRTs[2]	Total
Number of beneficiaries	20	22	42	4	15	19
Fixed remuneration[3] (£000s)	2,600[4]	2,572[4]	5,172[4]	525	1,774	2,299
Total variable remuneration (£000s)	1,830[4]	1,007[4]	2,837[4]	164	486	650
Variable cash (£000s)	1,024[4]	680[4]	1,704[4]	107	329	436
Variable shares (£000s)	806[4]	327[4]	1,133[4]	57	157	214

[1] Senior management is comprised of MRTs identified under Article 3.3 of the EBA RTS for identifying MRTs, consisting of Directors, other Significant Influencing Functions and those holding the corporate title of Executive Vice President.

[2] Includes all support functions and general management positions.

[3] Fixed remuneration includes base salary and any cash allowances.

[4] BNYMH 2015 data has been restated at 24 March 2017.

Table 21: Total Deferred Variable Remuneration for MRTs Outstanding from Previous Years

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

Total deferred remuneration for MRTs outstanding from previous years	BNYMH			BNYMIL		
	Senior management[1]	Other MRTs[2]	Total	Senior management[1]	Other MRTs[2]	Total
Number of beneficiaries	20	22	42	4	15	19
Total deferred variable remuneration outstanding from previous years (£000s)	1,728	751	2,479	135	432	567
Total vested (£000s)	-	-	-	-	-	-
Total unvested (£000s)	1,728	751	2,479	135	432	567

[1] Senior management is comprised of MRTs identified under Article 3.3 of the EBA RTS for identifying MRTs, consisting of Directors, other Significant Influencing Functions and those holding the corporate title of Executive Vice President.

[2] Includes all support functions and general management positions.

Table 22: Number and Value of New Sign-on and Severance Payments made during 2015

This table shows the number and value of new sign-on and severance payments made during 2015.

Number and value of new sign-on and severance payments	BNYMH			BNYMIL		
	Senior management[1]	Other MRTs[2]	Total	Senior management[1]	Other MRTs[2]	Total
Number of sign-on payments awarded during 2015	-	-	-	-	-	-
Value of sign-on payments awarded during 2015 (£000s)	-	-	-	-	-	-
Number of severance payments awarded during 2015	-	-	-	-	-	-
Value of severance payments awarded during 2015 (£000s)	-	-	-	-	-	-
Highest individual severance payment awarded during 2015 (£000s)	-	-	-	-	-	-

[1] Senior management is comprised of MRTs identified under Article 3.3 of the EBA RTS for identifying MRTs, consisting of Directors, other Significant Influencing Functions and those holding the corporate title of Executive Vice President.

[2] Includes all support functions and general management positions.

Table 23: Number of Individuals being Remunerated GBP 1 million or more

This table shows the number of individuals being remunerated £1 million or more.

Number of individuals being remunerated ≥ £1m	BNYMH Total Number of Individuals	BNYMIL Total Number of Individuals
£1m – £1.5m	-	-
£1.5m – £2m	-	-

Appendix 1 Other Risks

Liquidity Risk

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

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

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

BNYMH aims to be self-sufficient for liquidity and seeks to maintain a very liquid balance sheet at all times. Its balance sheet is liability driven in nature primarily due to the nature of client deposit taking activity. BNYMH does not originate significant assets from lending activities, and therefore funding assets are not a significant use of liquidity. While sizable overdrafts can appear periodically, large deposits offset these amounts. Significant deposit balances are transactional in nature and exhibit a degree of 'stickiness' and represent the transactional nature of the client relationship.

Business and Financial Risk

Legal Entity and Business Risk

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

Each legal entity has a risk manager aligned to the business. Risk managers are independent of the business and oversee the adherence to corporate risk policies and governance requirements. The risk management organisation is based on a three tiered structure beginning with corporate risk which creates the corporate policies. Risk management forms the second tier, and the third tier is the operational unit which is considered to be the primary owner of all risk relating to the business activities. Each operational unit has a dedicated Embedded Control Management (ECM) resource assigned to it. At the direction of the business or the Global Operational Control management team, the ECM resource will conduct testing of the operational activities to support internal and external audit work.

Regulatory and Compliance Risk

Compliance Risk is the risk of sustaining loss arising from non-compliance with laws, directives, regulations, reporting standards and lack of adequately documented and understood processes. Regulatory risk is mitigated using Stress Testing that is carried out on a regular basis, and prior to any regulatory changes coming into force.

Monitoring & Reporting Risk is the risk of loss arising from failure to comply with financial reporting standards, agreements or regulatory requirements. This includes risks resulting from action taken by existing and new stockholders, regulators and investors who may have sustained losses due to incomplete, inaccurate or untimely reporting of financial performance.

BNYMH aims to comply with the applicable laws, regulations, policies, procedures and BNYMH's Code of Conduct. Existing and new directives and regulations are monitored and reviewed by Compliance and Risk Management and findings are reported to senior management and the Board. Strategies and preparations to comply with regulations are put in place when necessary.

Reputation Risk

Reputation risk is the risk to the company's brand and relationships which can arise from all aspects of business activities, including but not limited to operational failures in business practices, legal or regulatory sanctions, joint ventures with outside firms, engagements with third party vendors, or off-balance sheet activities.

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

- Group default or reputational event could lead to loss of confidence in the brand.
- Legal or operational event leading to publicised failure could lead to loss of confidence in the brand.
- Inability to provide products and services that fulfil local and/or international law, compliance directives or regulations. This may also result in regulatory penalties and subsequent loss of business.

Legal Risk

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

BNY Mellon's legal risks fall into the following categories:

- Corporate
- Client
- Employee
- Supplier

These can occur as a result of non-payment / non-performance. They are mitigated using the legal documents that specify the responsibilities of both parties and the procedures for resolving disputes. The legal risk associated with Corporate, Client and Supplier legal risk are considered low, based on historical and current experience and this is not envisaged to change on a business as usual basis.

Settlement Risk

Settlement risk is the probability of loss arising from the failure of one counterparty to settle its side of a transaction, thus preventing other counterparties from settling their commitments. It tends to occur when payments are not exchanged simultaneously such as in a multi-leg swap trade.

BNYMH is not subject to settlement risk as it holds no securities, commodities or commitments to settle during the reporting period. BNYMH has no trading book. Since January 2014, the bank transacts FX trades for banking book purposes with intra-group legal entities and trades are settled within one business day. To date, the bank has not experienced any unsettled FX transactions.

Non-Trading Book Exposures in Equities

BNYMH did not have any non-trading book exposures in equities as at 31 December 2015 or during the reporting period.

Securitisation Risk

Securitisation risk is the risk that the capital resources held in respect of assets that BNYMH has securitised is insufficient to cover the associated liabilities. As at 31 December 2015 and during the reporting period BNYMH did not have any securitisation risk-weighted exposure.

Outsourcing Risk

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

BNYMH relies on internal and external outsourcing entities within and outside of the BNY Mellon group to perform its core business activities.

BNYMH's outsourcing policy describes minimum standards that should be adopted when considering or dealing with a service and/or activity that is outsourced to another legal entity, either within the BNY Mellon group or to an external provider and establishes a framework for evaluating and analysing outsourcing projects.

Business Risk

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

The principal business risk for BNYMH is within the Asset Servicing and Alternative Investment Services businesses as this is mainly driven by the fact that fees are significantly based on the clients' net asset values for fund accounting and custody. As business risk is difficult to assess, it has been defined as the residual risks that confront BNYMH after taking all known and quantifiable risks into consideration.

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

Concentration Risk

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

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

BNYMH manages concentration risk as part of its credit, market, operational and liquidity management policies.

Group Risk

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

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

BNYMH management has considered several possible scenarios where these services may be affected, which 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 BNYMH or BNY Mellon as a whole. BNYMH uses models in its risk management framework. All models have been assessed in line with the relevant corporate policies and model risk management framework wherein the individual model is categorised into one of three tiers based on materiality, complexity, and level of reliance. The tiers determine the controls applicable to the model classes. The Enterprise Model Risk Committee oversees model risk management at the enterprise level and approves the overall framework and standards, which are applicable across the organisation. The Model Risk Management Group, based in the US, retain ultimate responsibility for overall model governance.

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

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

BNY Mellon Internal Audit provides independent reviews of compliance with the corporate model validation policy.

Strategic Risk

Strategic risk is defined as the risk of direct or indirect loss arising from the adverse effects or the improper implementation of business decisions. It is a function of the compatibility of an organisation's strategic goals, the business strategies developed, the resources deployed to achieve those goals and the quality of implementation. It can result from either a misalignment between strategic decisions taken at the investment servicing business level which impact BNYMH, or failure to deliver business value through new strategic initiatives.

Country Risk

Country risk is the risk of unfavourable evolution of operating profits and/or value of assets due to changes in the business environment resulting from political or macroeconomic factors. It can also be due to exposure to sovereign and economic debts in EMEA countries such as Italy, Russia, and the Eurozone.

Pension Obligation Risk

Pension obligation risk is caused by contractual liabilities or moral obligation to a company's employee pension schemes. Employees of BNYMH participate in both a group defined contribution pension scheme and two group defined benefit schemes. The two defined benefit schemes have been closed to new members for some time and all new employees are eligible to join the group defined contribution scheme only. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plans to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, The London Branch of the Bank of New York Mellon, which is another member of the group. That entity bears the actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk inherent in the plans. The company recognises a cost equal to its contribution payable for the period. This amount will be affected periodically by changes in the plan surplus or deficit.

Appendix 2 Glossary of Terms

The following terms are used in this document:

- **ALCO:** Asset and Liability Committee
- **Basel III:** The capital reforms and introduction of a global liquidity standard proposed by the Basel Committee on Banking Supervision in 2010
- **BNY Mellon:** The Bank of New York Mellon
- **Capital Requirements Directive/Regulation (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
- **Central Bank of Ireland (CBI):** Responsible for the regulation of all financial services firms in Ireland
- **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, less specified regulatory adjustments
- **Credit Risk Mitigation (CRM):** A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection
- **Derivatives:** A derivative is a financial instrument that derives its value from one or more underlying assets, for example bonds or currencies
- **EMEA:** Europe, Middle-East and Africa region
- **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
- **Legal Entity Risk Officer (LERO):** The chief risk officer for a particular legal entity who has oversight of the holistic risk for the entity

- **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:** BNYMH's Risk Governance Framework has been developed in conjunction with BNY Mellon requirements. Key elements of the framework are:
  - Formal governance committees, with mandates and attendees defined
  - Clearly defined escalation processes, both informally (management lines) and formally (governance committees, Board, etc.)
  - A clear business as usual process for identification, management and control of risks
  - Regular reporting of risk issues
- **Risk Management Committee (RMC):** A committee which meets on a monthly basis to provide governance on risk related items arising from the business of the group
- **Risk Weighted Assets (RWAs):** Assets that are adjusted for their associated risks using weightings established in accordance with CRD IV requirements
- **Risk Register:** A risk and control assessment of a legal entity risk landscape covering all risk types. Used to drive out the top risks of the legal entity and to provide the LERO and Board with an overview of the inherent and residual risks that the entity is exposed to and tracking of the top risks mitigation plans. The risk register is used to inform management when setting risk appetite for the entity
- **Standardised Approach (SA):** Method used to calculate credit risk capital requirement under CRD IV. All financial institutions must opt to either use the Standardised Approach specified by the regulator, or develop and use their own Internal Ratings Model (IRM). 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

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