



THE BANK OF NEW YORK MELLON



The Bank of New York Mellon (Ireland) Limited
Pillar 3 Disclosure for the year ended 31st December 2009

Date of Board Approval: 23 June 2010

Pillar 3 Disclosure – Policy and Approach

Pillar 3 disclosures are required for a consolidated group and for those parts of the group covered by the Basel II framework. Pending implementation of the Basel II framework by The Bank of New York Mellon Corporation, there is currently no comparable disclosure provided on a consolidated basis by the firm's parent. As such, this disclosure has been prepared for the Irish regulated entity.

This disclosure has been approved by the Board of Directors (BOD) and Management Committee who have verified that they are consistent with formal policies adopted regarding production and validation.

Information in this report has been prepared solely to meet the disclosure requirements of the Capital Requirements Directive and to provide certain specified information about capital and other risks and details of the management of those risks and for no other purpose. This paper does not constitute any form of financial statement on the business nor does it constitute any form of contemporary or forward looking record or opinion about the business.

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

The company will reassess the need to publish some or all of the disclosures more frequently than annually in light of any significant change to the relevant characteristics of its business including disclosure about capital resources and adequacy and information about risk exposure and other items prone to rapid change.

The BOD, at its discretion, may omit one or more of the disclosures if the information provided by such disclosures is not regarded as material. The criterion for materiality used in these disclosures is that the Bank will regard as material any information where omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

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

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

Disclosures will be published on The Bank of New York Mellon group website (www.bnymellon.com), (section: Investor relations, financial reports, other regulatory filings).

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

The Bank of New York Mellon (Ireland) Limited

Pillar 3 Disclosure for the year ended 31st December 2009

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1. Introduction

This document represents the 'Pillar 3' disclosure for The Bank of New York Mellon (Ireland) Limited (BNYMIL or the Bank) as at 31 December, 2009. It is required by directives 2006/48/EC and 2006/49/EC, known as the Capital Requirements Directive ('CRD') relating to the taking up and pursuit of the business of credit institutions, which was transposed into Irish law at the end of 2006.

BNYMIL is a credit institution authorised by the Central Bank and Financial Services Regulatory Authority of Ireland, or the Financial Regulator (FR). BNYMIL is required to file regulatory returns with the FR for the purpose of assessing, inter alia, its capital adequacy and balance sheets.

1.1. Purpose of Pillar 3

Basel II is the international banking accord intended to strengthen the measurement and monitoring of financial institutions' capital. As mentioned, the Basel II framework was implemented in the EU through the CRD. The Basel II framework established a more risk sensitive approach to capital management and is comprised of three pillars:

- **Pillar 1** establishes rules for the calculation of minimum capital for Credit, Market and Operational Risk. It brings greater granularity in risk weightings under the standardised approach for credit risk and introduces an explicit capital requirement for operational risk.
- **Pillar 2 (Supervisory Review)** is an internal discipline, known as Internal Capital Adequacy Assessment Process ('ICAAP'), to evaluate the adequacy of the regulatory capital requirement under Pillar 1 and other non pillar 1 risks. This pillar requires the FR to undertake a supervisory review to assess the robustness of the Bank's internal assessment.
- **Pillar 3 (Market Discipline)** complements the other pillars and effects market discipline through public disclosure. It involves disclosure of a suite of qualitative and quantitative risk management information to the market.

2. Scope and Application of Directive Requirements

BNYMIL, previously known as BNY Financial Services plc, was incorporated in Ireland in 2006. BNYMIL is a wholly owned subsidiary of The Bank of New York Mellon, itself a direct subsidiary of The Bank of New York Mellon Corporation (BNYMC). BNYMIL provides Corporate Trust Services to its institutional client base, who are able to utilise BNYMIL's banking facilities, including overnight and fixed term deposits, as well as lending services. As a credit institution authorised under the Central Bank Act, 1971, BNYMIL is required to comply with the Capital Requirements Directive and related guidelines issued by the FR.

BNYMC is committed to the maintenance of strong capital levels throughout the Group. The Chairman and the Chief Financial Officer of BNYMC determine the appropriate level of capital taking into consideration a number of factors including: asset size, quality and duration; off-balance sheet commitments; risk characteristics; the Group's internal economic capital usage model; regulator guidelines; rating agency policies; expectations of the marketplace; and growth and economic conditions. This is one of Group Management's most important ongoing responsibilities. The objective is to provide a level of capital high enough for the Group companies to support risk and absorb losses, while ensuring appropriate returns on equity and continued access to external sources of capital at competitive rates.

The Directors are not aware of any restrictions on their ability to request capital from the Parent Company.

3. Scope and Nature of Risk Reporting Systems

All of BNYMIL business activities are included under the Basel II capital reporting requirements. Credit and market risk are reported using the Standardised approach. Operational Risk data is captured on internally developed risk management systems.

The purpose of the Bank's risk measurement and reporting systems is to ensure that all risks and exposures are comprehensively captured, with all of the attributes necessary to support robust decision making by Senior Management and risk mitigation within approved risk appetite levels.

Risk measurement and reporting systems are subject to a robust governance framework to ensure that their design is fit for purpose and that they are functioning properly and that controls are effective. Risk systems development is a key responsibility of group IT while the operation and development of risk rating and management systems and processes are subject to oversight by various levels of management up to the Board of Directors.

The measurement and monitoring of the major risks encountered by the Bank, including operational risks, are increasingly delivered by Group systems. If this is not the case for sound business reasons, monitoring is performed through structures and processes that support comprehensive oversight by senior management.

There is regular reporting on risk to business line management, to specialist functions and to the Senior Management of the Bank.

4. Governance, Policies and Risk Management Structure

Overall responsibility of the day to day operations of BNYMIL is assigned to the Chief Executive Officer who reports to the Board of Directors. The Board provides the governing and decision making functions and receives reports from Risk Management, Compliance and Internal Audit to evaluate the effectiveness of the existing control environment.

The Board has established a number of committees to provide further oversight:

- 1) The Audit Committee has oversight responsibilities in respect of the effectiveness of BNYMIL's internal controls, internal audit, risk management systems, financial reporting and statutory external audits of the annual accounts.
- 2) The Credit Committee approves Committed Loan Facilities and manages credit risk.
- 3) Ireland Asset & Liability Committee (IALCO) is specifically responsible for interest rate and liquidity risks.
- 4) The Management Committee is the principal risk committee monitoring the activities of BNYMIL. One of the functions of the committee is to exercise senior level oversight over all categories of risk (with the exception of Credit Risk), oversee risk policy, assess and approve incremental risks incurred through business process and product change, and monitor risks and the drivers of risk through the formalised reporting of key metrics.

The Director of Risk and Administration is responsible for overseeing the risk control environment in BNYMIL and ensuring adherence to risk management policies and procedures. The position is also responsible for ensuring that BNYMIL measures risks and provides oversight of risk factors to the BNYMIL Management Committee on an ongoing basis while maintaining independence from BNYMIL's day to day operations.

Local risk policies are maintained on a staff database for which the Director of Risk and Administration is responsible. All policies are formally re-approved at least annually by the BNYMIL Board of Directors. There is also a dedicated Control Officer who tests adherence to policies and procedures and reports to the Director of Risk and Administration

5. Risk Summary

BNYMIL proactively manages and minimises risks e.g. credit, market, operational, liquidity, compliance, and business risks. These are described in more detail below.

BNYMIL operates primarily in the Corporate Trust sector of The Bank of New York Mellon Corporation (BNYMC). The methodology applied in BNYMIL's prospective operations to identify risks and assess the quality of controls is driven by a line of business self assessment that is overseen by the Director of Risk and Administration along with other executive and non-executive independent board members. The board members generally meet on a quarterly basis and receive reports from Risk Management, Compliance and Audit to evaluate the effectiveness of the existing control environment.

The Board recognises that the Pillar 3 disclosure document is evolutionary and that the capital planning process requires ongoing assessment. In addition, the key outcomes of the ICAAP, internal control environment and

governance arrangements are routinely reviewed and challenged by the Management Committee and Senior Management. The Management Committee is required to undertake the formal review of the ICAAP at least annually.

BNYMIL considers that the regulatory capital treatments generally provide an adequate cushion to meet 'business as usual' risks or risks arising from stressed events. Current and projected capital adequacy has also been assessed under a severe economic downturn scenario and was found to be adequate.

The following sections discuss each type of risk in detail.

6. Credit Risk

Credit Risk covers default risk from counterparties or clients for loans, commitments, securities, and other assets where realisation of the value of the asset is dependent on counterparties' ability to perform.

BNYMIL's credit team selectively uses credit to enhance relationships while limiting the potential for significant earnings volatility. To achieve the desired result BNYMIL maintains investment grade exposures, avoids client concentrations and eliminates exposures which are not aligned with its overall strategy. With this in mind, BNYMIL has low appetite for credit risk and uses credit solely to support the generation of non-credit, fee-based revenue.

6.1. Management Structure for Credit Risk

BNYMIL will extend credit to their clients in the form of Overdrafts (as described in Section 6.1.1) and Committed Loan Facilities (as described in Section 6.1.2).

Credit exposures require the approval of Credit Officers on the BNYMIL Credit Team with the necessary lending authority. Credit limits are established by the Board for the Ireland Credit Officer (ICO) and designated Credit Officers. Committed Loan facility requests must be approved by the BNYMIL Credit Committee.

All clients and counterparties are assessed and allocated a borrower rating. Credit decisions are based on independent credit risk analysis, supplemented by the output of internal ratings tools and external rating agency analysis, where available.

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 credit officer with appropriate limits. Post event monitoring is also conducted by both business areas and the Credit function.

BNYMIL does not engage in hedging its Credit risk as it believes the policies in place are sufficient to ensure adequate credit quality.

The BNYMIL Credit Team is prohibited from serving in any fiduciary capacity on behalf of any borrower or its bondholders.

6.1.1. Uncollected Funds and Overdrafts

In situations where insufficient funds are available due to processing errors or delays on the part of either the Bank or the client, BNYMIL may approve spot exposures where the Bank can readily verify impending receipt of covering funds. These are generally intra-day exposures because BNYMIL expects receipt of covering funds the same day without creation of an overdraft position at close of business.

Intra-day Payment Credit Lines establish daylight exposure limits for the cash management needs of clients. This facilitates the disbursement of a client's funds in BNYMIL accounts (whether in connection with cash payments or security transactions) to their investors prior to the credit of covering funds in the client's BNYMIL accounts.

6.1.2. Committed Loan Facilities

Committed Loan Facilities consist of secured committed revolving facilities to our clients, which are mainly special purpose vehicles (SPV) which have been established to facilitate debt issuance products such as Collateralised Debt Obligations (CDOs). Committed Loan Facilities provide credit to bridge CDO accruals. In short, the facilities provide cash to pay out to SPV investors that would otherwise be unavailable due to timing differences between payout and receipt of monies. Not to be used for long term borrowing, equity infusion or

yield enhancement, the facilities are governed by standard loan documentation. This documentation is approved by external counsel and sets forth the approved terms and conditions of usage.

For Committed Loan Facilities the BNYMIL Credit Team receives weekly past due principal and interest reports for their clients' facilities.

6.2. Credit risk exposure under Basel II

Credit exposure is computed under the Standardised Approach under Section 3, Subsection 1 of Directive 2006/48/EC and Chapter 2 of Statutory Instrument No. 661 of 2006.

6.3. Measure of Credit Quality in the Bank

Expected default frequency ratings are assigned to each loan facility based on statistically valid default probabilities developed by Moody's KMV, agency ratings and expert judgment. These ratings range from 1 (strongest) to 18 (Loss).

After the loan closes it is subjected to a series of regularly scheduled reviews intended to provide early warning signs of deteriorating credit quality.

Annual credit quality reviews are performed by the BNYMIL Credit Committee in conjunction with the annual renewal date of the facility during which the quality of the borrower's credit and collateral is assessed and the facility's risk ratings are evaluated. Monthly monitoring of all loan facilities is also performed as long as loans are drawn.

Any loan downgraded to Criticized is subject to a written quarterly portfolio review. At any point in the Credit Risk management process, the Director of Risk and Administration may recommend that the facility be placed in the non-performing asset category and that a charge-off be taken. What is more, Intra-day exposures require the approval of two or more members of the Credit Team and are monitored to ensure timely repayment.

6.4. Impaired and Past Due Assets and Provisions

For BNYMIL, specific provisions are made against an asset when, in the opinion of the Directors, recovery in full is doubtful. In the case of overdrafts, regular reports detailing the status of past due accounts are made to the Credit Committee. The predominant methodology for impairment under FAS 5 is the expected loss method, which uses probabilities to calculate the provision for loan losses on passing credits: expected frequency, loss given default and usage given default. The primary method for measuring impairment is by using the present value of expected future cash flows. All aspects of credit risk monitoring and provisioning are scrutinized for accuracy and completeness, and coordinated among all required internal functions.

Some of the structural safeguards in place for loans include documentation that:

- Requires acceptable levels of collateral,
- Clearly limits drawdowns,
- Disallows a borrower to draw against losses or defaulted assets,
- Places BNYMIL's claims senior to those of investors, and
- Does not allow drawing after applicable credit enhancements are exhausted.

A general provision may be made to cover bad and doubtful debts that have not been separately identified at the balance sheet date.

As at 31st December 2009, there were no impaired assets of a material amount.

6.5. Credit Risk Mitigation

As at 31st December 2009, BNYMIL did not apply any financial collateral, third party guarantees, credit derivatives or other collateral as credit risk mitigation within the Pillar 1 calculation.

6.6. Counterparty Credit Risk

In the context of Pillar 3 disclosure, counterparty credit risk is the risk that a counterparty to a contract recorded in either the Trading Book or Banking Book could default before settlement of the transaction's final cash flows. As at 31st December 2009, BNYMIL did not have a Trading Book nor did it have any derivatives in a Banking Book and therefore no further disclosure is required.

7. Market Risk

Market risk is the potential adverse change in income or in the value of assets and liabilities arising from movements in market rates, including interest rates, exchange rates, equity prices and indexes.

The Bank's strategy is to not run a trading book and to match its interest rate risk on its non trading book, thereby minimizing market risk exposure. BNYMIL will not have any material FX mismatches. Any minor non-Euro exposures are converted regularly by the Treasurer into Euro positions.

BNYMIL does not take trading positions and therefore does not have Market risk exposure, calculated using the standard approach, apart from foreign currency position risk arising from day to day activities.

8. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events including the potential for loss that arises from problems with operational processing, human error or omission breaches in internal controls, fraud, and unforeseen catastrophes.

BNYMIL has set extensive Operational risk policies, the objectives of which are to prevent or minimise:

- Errors or service delivery failures
- Financial Losses or near miss events
- Compliance Breaches
- Reputation Damage

The level of BNYMIL's residual operational risk is managed by rigorous operating policies, procedures and controls. Specifically, Key Risk Indicators, or KRIs, provide early warnings of operational issues to Management. KRIs derived from both policy and regulatory limits focus on major risks and drive information flow upwards through Senior Management to the Board.

The Director of Risk and Administration oversees the output and recording of this assessment with support and approval of Senior Management.

The lines of business are responsible for actively identifying their 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. To this end, the Board has adopted the assessment methodology known as Risk Control Self Assessment (RCSA) for the Operational Risk Pillar 2 assessment.

9. Liquidity Risk

Liquidity risk is the current or prospective risk to earnings and capital arising from an institution's inability to meet its liabilities as they fall due.

BNYMIL will at all times maintain liquidity resources which are adequate in terms of both amount and quality, to ensure that there is no significant risk that its liabilities cannot be met in full.

Senior management is responsible for establishing appropriate liquidity risk tolerances; for approving, reviewing and updating the firm's approach to managing liquidity risk; and for reviewing the firm's liquidity position including compliance with the Financial Regulator's revised "Requirements for the Management of Liquidity Risk," most recently amended June 2009.

BNYMIL has stringent daily liquidity monitoring processes in place. Liquidity stress testing and qualitative measures are required by the Bank's Liquidity Policy. All deposits are currently placed with The Bank of New York Mellon's branch in Brussels overnight.

10. Concentration Risk

Concentration risk is defined as the risk of an organisation having large and possibly connected individual exposures and/or significant exposures to groups of counterparts whose likelihood of default is driven by common underlying factors. Such factors include common sectors, economies, geographical locations and instrument types. BNYMIL has concentration risk in the following main areas:

10.1. BNY Mellon Group Concentration

BNYMIL is a subsidiary of The Bank of New York Mellon (the Parent), which is owned by The Bank of New York Mellon Corporation. Being part of the BNY Mellon Group (the Group), where appropriate, BNYMIL seeks to utilise available resources of the Group. BNYMIL has identified the following areas, where concentration risk to the Group might arise:

Parent Deposits: The Bank of New York Mellon SA/NV (BNYMSA), a subsidiary of the Parent, currently process all cash transactions on behalf of BNYMIL and surplus cash is deposited at the end of day with BNYM's branch in Brussels (BNYMBB). The inherent concentration risk is the possibility of a disruption in either the BNYMSA or BNYMBB, which, in the short term, could leave BNYMIL unable to retrieve cash required to repay clients on demand. This could result in loss of reputation and interest claims against BNYMIL for the money owed.

These risks are mitigated primarily by the required credit rating of BNYMSA and counterparties of the Bank. The strong reputation and the stability of BNYM also mitigate this type of risk. The commitment of BNYM to BNYMSA has been highlighted by S&P in their rating assessment, stating that they "have equalized the ratings on BNYMSA with those on parent group BNY Mellon, reflecting its core positioning within the asset servicing operations of the group, high operational integration into the group, and commitment of BNY Mellon to the long-term future growth of this entity". Were the credit rating of the Belgian branch to fall below the minimum limit set in BNYMIL liquidity policy, then funds could be redirected and placed with other institutions that meet the required minimum credit rating.

Risk Participation: As a mechanism to allow BNYMIL to offer loans to clients which would otherwise cause BNYMIL to exceed the Large Exposures Directive limits, BNYMIL currently has a contractual agreement in place with BNYM under which they will risk participate on a deal by deal basis as. The agreement effectively reduces the exposure value to any given client by the amount of the risk participation agreement.. As BNYMIL's Own Funds increase however, the requirement to enter into subsequent risk participation agreements will be reduced and the possibility of exceeding the limit lowered. The Bank can control additional exposure to BNYM by choosing not to enter into new lending arrangements that would require a participation agreement.

Operational Dependency on the Group: A number of systems and processes adopted by BNYMIL are reliant on the Group for delivery. These include outsourced activities such as IT systems and support functions. The risk exists that if these systems were to fail, there would be an adverse effect on the operating ability of BNYMIL.

All outsourced activities are regularly monitored using performance metrics established under Service Level Agreements which comply with the Committee of European Banking Supervisors guidelines on outsourcing. Moreover BNYMC has a group wide disaster recovery planning process. Each entity is required to participate in this and local Business Continuity plans and emergency off-site locations have been set up for data recovery in continuing operations. These act as sufficient controls to mitigate the dependency on the Group.

10.2. Industry Concentration

BNYMIL deals almost exclusively in the Conduit and Securitisation markets and consequently is exposed to the risk of variations in the structured credit market as a whole.

Adverse impacts on the structured credit market could result in non-collection of fees and defaults on loans. Structured credit deals have a very specific priority of payments however, and BNYMIL's position in these waterfalls is always senior to the bond holders. This reduces the risk of non-collection of fees. In addition to this BNYMIL has active management of receivable procedures where no amounts are to be more than 60 days overdue without being pursued.

In the event of a prolonged decline, BNYMIL would respond by reducing its cost base and stop issuing loans to stabilise the capital requirements. The impact of such a protracted decline was assessed in the stress tests undertaken. It was found that these were effective mitigants in this scenario.

11. Compliance Risk

Compliance Risk covers the impact on earnings or capital from violation, or non-conformance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose the firm and its executors to fines, payment of damages, the voiding of contracts and damaged reputation (with accompanying indirect costs).

The BNYMIL Compliance function comprises the Head of Compliance for Ireland who acts as Compliance Officer and Money Laundering Reporting Officer (MLRO), a deputy MLRO and a Compliance Manager. There are additional staff within the wider Compliance function in Ireland who can provide support to the BNYMIL Compliance function if required. The Compliance function is part of a global compliance organisation which reports through the Head of International Compliance to the Chief Compliance and Ethics Officer for The Bank of New York Mellon Corporation. The Chief Compliance & Ethics Officer reports to the Chief Risk Officer.

The role of the Compliance function is to provide leadership, guidance, and oversight to help business units identify applicable laws and regulations and implement effective measures to meet the specific requirements, including the execution of a risk based compliance monitoring programme, the results of which are escalated to Senior Management and the Board. The Board and the Audit Committee will review the annual compliance plan, and will receive regular reports on compliance issues. BNYMIL has zero tolerance to Compliance Risk.

12. Capital Resources

During the year ended 31st December 2009, BNYMIL complied with all of the externally imposed capital requirements to which it was subject. The following table summarises the composition of BNYMIL's regulatory capital as reported to the FR as at 31st December 2009. The group did not have any Innovative Tier 1 capital resources or Tier 3 capital as at 31st December 2009.

As at 31 December 2009.

Capital Resources (unaudited)	Notes	BNYMIL
		€000's
Tier 1 capital		
Called up share capital		42,013
Retained earnings and other reserves		15,286
		57,299
Deductions from Tier 1 capital		
Intangible assets	1	- 27,869
Total Tier 1 capital after deductions		29,430
Tier 2 capital		
<i>Lower Tier 2 capital</i>		
Total Tier 2 capital		0
Total capital resources		29,430

1. Intangible assets comprise goodwill.

Capital ratios

Tier 1 (Capital Resources/ Tier 1 Risk Weighted Capital Requirements*8%)	40.38%
Total capital (Capital Resources/Total Risk Weighted Capital Requirements*8%)	26.92%

13. Capital Requirements and Adequacy

BNYMIL's capital management approach is driven by a desire to maintain a strong capital base to support the development of the business and to meet regulatory capital requirements at all times. The BOD, through setting its risk appetite and focusing on risk assessment, evaluates its current and projected capital requirements under business as usual and stress conditions.

For BNYMIL the Pillar 2 Internal Capital Adequacy Assessment Process (ICAAP) has determined that currently there is sufficient capital to support the ongoing business. The main sources of risk have been identified, assessed (*impact & likelihood* methodology) and approved by the relevant senior managers after taking into account the mitigating controls and rationale for direction of risk, in light of the risk appetite set by the Board.

14. Non-trading book exposures in equities

As at 31st December 2009, BNYMIL had no equity shares intended for use on a continuing basis in the group's activities, which were classified as investment securities and which were stated at cost less provision for any impairment in value. The Bank did not recognise any gains or losses from the sale of equities in the non-trading book during the year ended 31st December 2009.

15. Interest Rate Risk

Interest rate risk is the current or prospective risk to earnings and capital arising from adverse movements in interest rates. In relation to the deposits placed with BNYMIBB, BNYMIL will be dependent on the interest rate provided by BNYMIBB. When deposits are received from the client, BNYMIL agrees to pay them an interest rate in return. The risk exists that the rate received from Brussels Branch may not be sufficient to firstly pay the return agreed to the client and secondly to make a profit margin for BNYMIL. This would have an effect on the Net Interest Income, profitability and growth of BNYMIL. From an economic perspective, it is the Bank's policy to minimize the sensitivity of net accrual earnings to changes in interest rates and, where interest rate risk is retained, to ensure that appropriate resources, measures and limits are applied. Moreover, both the interest received on deposits placed with BNYMIBB and the interest payable on client deposits in BNYMIL are floating rates. An inherent matching mechanism is therefore in place.

The balance on the cash account maintained by BNYMIL with BNYMIBB is allocated a market driven interest rate. The BNYMIL Treasurer is responsible for monitoring the interest rates applied to the cash accounts maintained with BNYMIBB, in order to ensure that they are accurate.

The BNYMIL Treasurer has the capacity to place funds externally if required, although this is seen as an exceptional action, rather than the normal operating process. BNYMIL Credit has selected external counterparties from those used globally within BNYM, for who due diligence and credit analysis has already been completed. Limits for each counterparty selected are calculated locally by BNYMIL Credit. These limits will be used by BNYMIL in exceptional circumstances.

16. Securitisation

During the year ended 31st December 2009, BNYMIL was neither active as originator or sponsor of any traditional or synthetic securitisation including securitised revolving exposures.

17. Glossary of terms

The following terms are used in this paper

- **Basel II** The June 2006 capital adequacy framework issued by the Basel Committee on Banking Supervision in the form of the 'International Convergence of Capital Measurement and Capital Standards'.
- **BNYMC** The Bank of New York Mellon Corporation, a holding company incorporated in Delaware
- **BNYMIL** The Bank of New York Mellon (Ireland) Limited
- **BOD** BNYMIL Board of directors
- **BNYMSA** The Bank of New York Mellon SA- The Belgian Bank
- **CCR** Counterparty Credit Risk
- **CRD** Capital Requirements Directive
- **Credit risk mitigation** 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.
- **eCAP** electronic Credit Approval Process- a secure email enabled approval workflow database
- **Economic capital** An internal assessment of the amount of capital required to protect against potential unexpected future losses arising from business activities, across a defined time horizon and confidence interval.
- **EMEA** Europe, Middle East and Africa
- **FR** Irish Financial Services Regulatory Authority
- **IALCO** BNYMIL Ireland Asset and Liability Committee
- **ICO** Ireland Credit Officer
- **IFRS** International Financial Reporting Standards.
- **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.
- **KRI** Key risk Indicators- A tool for Line of Business management and Risk management to evaluate control effectiveness
- **RCSA** Risk and Control Self Assessment- The process by which the Lines of Business and Shared Services Managers are responsible for actively identifying their risks associated with key business processes, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability.
- **Risk appetite** A definition of the types and quantum of risks to which the firm wishes to be exposed.
- **Risk-weighted asset (RWA)** Calculated by assigning a degree of risk expressed as a percentage (risk weight) to an exposure in accordance with the applicable Standardised approach rules.
- **Securitisation** A transaction or scheme whereby the credit risk associated with an exposure, or pool of exposures, is tranching and where payments to investors in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures. A traditional securitisation involves the transfer of the exposures being securitised to an SPE which issues securities. In a synthetic securitisation, the tranching is achieved by the use of credit derivatives and the exposures are not removed from the balance sheet of the originator.
- **Standardised approach** In relation to credit risk, a method for calculating credit risk capital requirements using ECAI ratings and supervisory risk weights. In relation to operational risk, a method of calculating the operational capital requirement by the application of a supervisory defined percentage charge to the gross income of eight specified business lines.
- **Tier 1, Tier 2 and Tier 3 Capital** Have the meanings given to such terms in the Capital Requirements Directive