

**The Bank of New York Mellon (Luxembourg) S.A.
Pillar 3 Disclosures for the year ended 31st December 2008**

26th June 2009

About Pillar 3 Disclosure

Policy and approach

Basis for preparation

The Board Of Directors (BOD) of The Bank of New York Mellon (Luxembourg) S.A. adopts this policy to comply with disclosure requirements laid down in CSSF Circular 06/273 and for assessing the appropriateness of the company's Pillar 3 Market disclosures, including their verification and frequency.

In this matter, the following terms will apply.

The information in Pillar 3 will be prepared solely to meet the disclosure requirements about Basel II and to provide certain specified information about capital and other risks and details about the management of those risks and for no other purpose. The disclosures will not constitute any form of Financial statement on the business nor will it constitute any form of contemporary or forward looking record or opinion about the business.

These disclosures will be subjected to internal review, challenge and approval but will not be audited by the Company's external auditors. An audit trail to support disclosures will be maintained in accordance with normal company policy.

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

Scope and approach

Disclosure will be made annually based on calendar year end Regulatory submissions (i.e. Pillar 1) and the Annual Report i.e. as at 31st December and will be published as soon as practicable after this date. Unaudited data may be used in these disclosures and a suitable health warning will be inserted in the disclosure pack.

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

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

The 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 firm 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 that, 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.

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

BNYM (Luxembourg) S.A.

Pillar 3 Disclosures for the year ended 31st December 2008

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1. Introduction

These disclosures are about The Bank of New York Mellon (Luxembourg) S.A. ('BNYML') and are published in accordance with the requirements of the Commission de Surveillance du Secteur Financier ('CSSF') circular 06/273. Pillar 3 disclosures are made in respect of BNYML and its branch undertakings. BNYML implemented the Basel II Standardised Approach for calculating credit, market and operational risk on 1st January 2008.

1.1. Purpose of Pillar 3

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

- **Pillar 1** establishes rules for the calculation of minimum capital for Credit, Market and Operational Risk.
- **Pillar 2** is an internal discipline to evaluate the adequacy of the regulatory capital requirement under Pillar 1 and other non Pillar 1 risks. This pillar requires the CSSF to undertake a supervisory review to assess the robustness of BNYML internal assessment.
- **Pillar 3** compliments the other pillars and effects market discipline through public disclosure. Expanded disclosure about capital and risk enables interested parties to better understand the risk profile of individual banks and to make comparisons.

2. Scope and Application of Directive Requirements

BNYML is a subsidiary of BNY International Financing Corporation which is, in turn, a subsidiary of The Bank of New York Mellon Corporation. BNYML currently has two foreign branches, The Bank of New York Mellon (Luxembourg) S.A., Brussels Branch and The Bank of New York Mellon (Luxembourg) S.A., Italian Branch (the "Branches").

BNYML provides custody services, fund administration, transfer agency services, depository services to open-ended investment companies as well as corporate trust services.

There were no instances during 2008 where Capital resources were less than the required minimum.

3. Risk Management Objectives and Policies

3.1. Risk Objectives

BNYML, through its operating entities seeks to proactively manage and minimise risks specifically, credit, operational, compliance, and business risks.

BNYML operates in the Asset Servicing and Issuer Services sectors of The Bank of New York Mellon Corporation (BNYMC). The designated risk specialist for the Sector has been closely involved in the risk assessment processes (further described in the Internal Capital Adequacy Assessment Process (ICAAP)). The methodology applied in BNYML's current and prospective operations to identify risks and assess the quality of controls is driven by a line of business self assessment that is overseen by independent Sector Risk Management.

The Luxembourg Risk Committee and the BNYM EMEA (Europe, Middle East, and Africa) Risk Committee ('EMEA RC') have overseen this disclosure for recommendation to the Board of BNYML.

The Luxembourg Risk Committee is led by the General Manager of BNYML and includes all Sector Risk Managers together with the Heads of operating departments as well as Legal, Compliance, Internal Audit, and Finance. It reviews all risk related matters as well as any issues which may impact on the Bank's ICAAP.

The Co-Chairmen of the EMEA region head up the EMEA Risk Committee, which serves as an independent regional controls forum. This Committee consists of senior managers across the lines of business and shared services (e.g. Compliance). The Committee discusses trends and themes that pose franchise-level risk within the EMEA region.

The ICAAP considers the above arrangements as a key input into its assessment of risk effectiveness.

BNYML considers that the regulatory capital treatments generally provide an adequate cushion to meet 'business as usual' risks or risks arising from stressed events. Daily capital adequacy and liquidity verifications and metrics are in place and reported to Senior Management.

3.1.1. 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.

Credit risk is seen as relatively low, given a BNYML deposit focused liability driven balance sheet. No wholesale funding is currently required. Placements are short term in tenure and are provided to credit assessed, high quality counterparties only. Daily large exposure controls are in place. Any client overdrafts that are potentially large enough to breach the Bank's large exposure limits are reviewed by Finance and any breaches are reported to Compliance and Management.

3.1.2. 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.

BNYML Market risk reflects exposure to interest rate and foreign exchange risk. The Board assess this as low risk to the capital of the Group. BNYML seeks to keep mismatch in interest rates to a minimum. Interest rate risk in the banking book is discussed in Section 11.

3.1.3. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems. BNYML is subject to a number of corporate policies relating to operational risk and the risk management framework.

The level of BNYML's residual operational risk is managed by rigorous operating policies, procedures and controls set by the Board and implemented by Operations and Risk Management.

BNYML business managers are responsible for risk control self assessment, which includes identification of the risks associated with key business processes, identifying and measuring the effectiveness of controls in place to manage risk and for remediation of any weakness.

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

3.1.4. 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 goal of BNYML's compliance process is to ensure that all compliance responsibilities, enterprise-wide, are defined, understood, and met effectively through well-designed policies and procedures, by knowledgeable and trained employees, and through effective controls, including appropriate assessment, testing and documentation of procedures and remediation of any weakness. The BNYML Compliance Officer presents a report to every Board meeting.

As a subsidiary of BNYMC, BNYML is subject to a number of corporate compliance policies and benefits from corporate wide training around compliance and ethics matters. An independent Compliance function oversees the operations within BNYML. 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. Compliance takes a proactive approach by anticipating evolving regulatory standards and being aware of industry best practices, legislative initiatives, competitive issues, and public expectations and perceptions.

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 and Ethics Officer reports to the Chief Risk Officer, is a member of all critical committees of BNYMC and provides regular updates to the group Audit & Examining Committee of the Board of Directors.

3.1.5. Liquidity Risk

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

In terms of global liquidity management, BNYMC enjoys a strong base of core client deposits for its funding that arise from its role as a leading asset custodian and trustee. BNYMC does not rely on either retail funding or wholesale funding in its business model. Asset/liability management is managed globally through treasury activities in key financial centres, such as New York, London and Brussels, and is driven by client cash needs and transactions. BNYML is self-sufficient within the group liquidity framework and complies with local capital and liquidity regulations. The Board of BNYML has approved a specific policy for liquidity risk management. BNYML maintains and monitors a daily liquidity ratio in accordance with CSSF circular IML 93/104. This ratio is reported to Senior Management and to the Board. Liquidity risk is seen as relatively low given that both client deposits and own cash are on call. There is thus no significant maturity mismatch.

3.1.6. Business Risk (Client Concentration)

Business Risk is the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment.

The primary risk for BNYML is a fall in revenue arising from a loss of a concentration of clients exiting from the Custody and Outsourced administration services businesses that underpin the capital of the Group. BNYML has limited tolerance towards client concentration risk and has taken steps internally and through widening its client base, by winning new Custody or Outsource administration services mandates, to mitigate exposure.

3.2. *Scope and Nature of Risk Reporting Systems*

The purpose of the company'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 Company including operational risks, are increasingly delivered by central systems or, where for sound business reasons this is not the case, 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 Company.

All of BNYML activities are included in the Basel II COREP capital reporting (credit and market risk Standardised approach). Operational Risk data is captured on internally developed risk management systems.

3.3. Governance, Policies & Risk Management Structure

Policies and procedures in place to govern and manage the business are common to all BNY Mellon entities. Suitable policies and procedures have been adopted by BNYML to ensure that an appropriate level of risk management is directed at each element of the business.

The Board has both governance and decision making functions. In the opinion of the Board, such arrangements and independent oversight activities are adequate for the effective management of risks to the business.

The Risk Management organisation is based on a tiered approach, including Corporate, Sector, Line of Business and risk specialists (e.g.: credit risk). Within EMEA region there is a further EMEA Risk Management oversight layer whose responsibilities include ensuring that Line of Business implement policies and procedures on a consistent basis.

The Board has delegated to the Executive Management, supported by the Luxembourg and EMEA Risk Committees, oversight of Risk Management, while retaining ownership and responsibility. To further strengthen this framework, embedded Risk Managers working closely with business line management oversee day-to-day risk management controls, monitor the Key Risk Indicators and oversee the effective management of operational events. As a global business, BNYMC organises its activities into sectors eg: Asset Servicing. Each Sector has its own independent risk management arrangements covering, amongst others the implementation of corporate risk policies and processes that identify risk.

The Board meets at least twice a year and receives reports from Risk Management, Compliance, Finance and Audit to evaluate the effectiveness of the existing control environment and ensure that they are being actioned effectively and in a timely manner. In the opinion of the Board of Directors such arrangements and monitoring activities are adequate for the effective operation of the businesses in Luxembourg.

4. *Capital Resources*

During the year ended 31st December 2008, BNYML complied with all of the externally imposed capital requirements to which it was subject.

The following table summarises the composition of the BNYML regulatory capital as reported to the CSSF as at 31st December 2008. The Company does not have any Innovative Tier 1 capital nor Tier 3 capital as at 31st December 2008.

Capital resources	Notes	Total
		EUR 000's
Tier 1 capital		
Called up share capital		37,201
Retained earnings and other reserves		5,252
Net profit		2,397
		44,850
Deductions from Tier 1 capital		
Intangible assets –goodwill		-3,428
Total Tier 1 capital after deductions		41,422
Tier 2 capital		
<i>Upper Tier 2 instruments</i>		
Loan capital perpetual subordinated debt		31,130
		31,130
Total Tier 2 capital		31,130
Total capital resources after deductions		72,552

Information about Capital terms and conditions is set out in the Company Annual Report and Accounts 2008.

5. Capital Requirements and Adequacy

The Board through setting its risk appetite and focusing on risk assessment evaluates its current and projected capital requirements, under business as usual or stress conditions.

As part of the Pillar 2 Internal Capital Adequacy Assessment Process (ICAAP) in 2008 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.

The following table summarises the BNYML capital requirements by exposure class and capital adequacy surplus as at 31st December 2008.

Exposure class	Notes	Total
EUR 000's		
Credit risk - Standardised approach		
Institutions		18,735
Corporates		3,761
Collective Investment Undertakings		1
Other Items	1	604
Total		23,101
Operational Risk - Standardised approach		
	2	2,011
Market risk		
	3	
Foreign currency Position Risk Requirement		187
Total Market Risk capital requirements		187
Total Pillar 1 capital requirements		25,299

Total Pillar 1 capital surplus **47,253**

1. Other items Capital requirements is predominantly in respect of miscellaneous interest and other accruals and prepayments.

2. The Standardised approach has been adopted for Operational risk. The capital charge for each business line is calculated by multiplying gross income by a factor (denoted Beta). See Section 9.

3. The Company does not carry out any trading activities and therefore does not allocate capital for market risk exposure apart from foreign exchange risk. The foreign exchange risk capital charge is based on historic foreign currency balances using the calculation required by the CSSF.

There were no retail or material equity exposures as at 31st December 2008.

6. Counterparty Credit Risk

Counterparty credit risk (CCR) in the context of Pillar 3 disclosure is the risk that a counterparty to a derivative 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 2008, BNYML did not have a Trading book and did not have any derivatives in a Banking book and therefore no further disclosure is required.

7. Credit Risk and Dilution Risk

7.1. Structure

There are two principle types of Credit Risk counterparties:

Banks

- **BNYMC Group banks and third party banks**

BNYML places its cash with other BNYMC Group banks and with certain other third party banks.

Clients

- **Daylight (intraday) Overdrafts**

Daylight overdraft limits are usually set for each client as a percentage of a client's assets under custody (subject to certain maximum levels); currently manual checks are made as to the validity of payments. As appropriate, payments are referred for approval, or otherwise, depending on circumstances. In instances where assets are not held in custody, a manual fixed limit may be agreed, if appropriate, after due consideration by an appropriate Credit Officer; again payments are subject to manual checks, prior to payment.

These arrangements allow clients to access proceeds of sales, or other expected funds, even though in many markets the proceeds are not formally received until late in the day.

BNYML is currently in the course of moving its daylight monitoring process to that used elsewhere in Europe and some US locations by the parent bank. This will provide for real-time automated funds control checks for all payments and referral of all excesses to appropriately authorised Credit Officers, prior to payment.

- **Overdrafts**

BNYML recognises that overdrafts can occur for operational reasons and monitors such exposures closely to ensure underlying causes are investigated and understood so that repayment is effected swiftly.

BNYML does not, as a matter of course, provide advised overdraft facilities. Should such a need materialise, BNYML would make full use of its parent's expertise in securities-related lending, with each request being considered individually by specialist analysts in relation to the make up of the portfolio, amount requested, percentage of assets value requested and other factors. Approval would be in the hands of a totally independent Credit Officer, with specialist understanding of the collective funds/investment industry.

Client overdraft credit risk is mitigated by the existence of guarantees or liens on client assets.

A daily significant overdraft report is reviewed and any issues are escalated to Senior Management.

BNYML does not engage in hedging its Credit risk as it believes the policies in place are sufficient to ensure adequate credit quality. Should the situation arise where this became necessary, BNYML could call upon the expertise of its parent in these matters.

7.2. Credit risk exposure under Basel II

Credit exposure is computed under the Standardised approach.

7.2.1. Exposure

Except where stated, exposure is defined as **Exposure at Default (EAD) pre Credit Risk Mitigation (CRM)** i.e. a regulatory exposure value after the application of Credit Conversion Factors (CCF) for off balance sheet items (including undrawn commitments) and, after netting but before application of Credit Risk Mitigation factors (eg property, other physical collateral). The calculation of EAD therefore takes into account both current exposure and potential drawings prior to default over a 12 month time horizon. As such, Exposure in this context may differ from statutory GAAP accounting balance sheet carrying values.

The following credit risk tables (i-iv) are about **The Bank of New York Mellon (Luxembourg) S.A.**.

i. Standardised gross Credit exposure (EAD pre CRM)

As at 31st December 2008

Standardised exposure classes	Total Exposure At Default pre CRM	Total Average Exposure At Default pre CRM
	EUR 000's	EUR 000's
Central governments & Central banks	13,055	20,914
Institutions	1,171,122	1,159,583
Corporates	57,509	76,747
Collective Investment Undertakings	8	22
Other items	7,552	10,615
Total	1,249,246	1,267,881

Standardised exposure classes are defined by CSSF.

Other items principally comprises Trade and other debtors, interest and accounts receivable and prepayments.

Average exposure is based on the 2008 quarterly Capital adequacy reporting.

ii. Standardised gross Credit exposure (EAD pre CRM) by geographic area

As at 31st December 2008

Standardised exposure classes	Lux	Europe, Middle East & Africa	North America	Asia Pacific	Total
	EUR 000's	EUR 000's	EUR 000's	EUR 000's	EUR 000's
Central governments & Central banks	13,055				13,055
Institutions	23,523	1,140,946	5,073	1,580	1,171,122
Corporates	25,840	31,662	7		57,509
Collective Investment Undertakings	8				8
Other items	6,886	666			7,552
Total	69,312	1,173,274	5,080	1,580	1,249,246

Geographic distribution is based on the domicile of the borrower or obligor.

iii. Standardised gross Credit exposure (EAD pre CRM) by Industry sector

As at 31st December 2008

Industry sector	Central governments & Central banks	Institutions	Corporates	Collective Investment Undertakings	Other items	Total
	EUR 000's	EUR 000's	EUR 000's	EUR 000's	EUR 000's	EUR 000's
Central & local government	13,055					13,055
Banks & Other financial		1,171,122	57,509	8	7,354	1,235,993
Other individual Loans & Advances					198	198
Total	13,055	1,171,122	57,509	8	7,552	1,249,246

Industry sectors are based on the Standard Industry Classification (SIC) code of the counterparty.

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

As at 31st December 2008

Standardised exposure classes	On demand	Up to 1 year	Over 1 year and up to 3 years	Over 3 years and up to 5 years	Total
	EUR 000's	EUR 000's	EUR 000's	EUR 000's	EUR 000's
Central governments & Central banks	13,055				13,055
Institutions	1,171,122				1,171,122
Corporates	57,509				57,509
Collective Investment Undertakings	8				8
Other items	7,354	80	100	18	7,552
Total	1,249,048	80	100	18	1,249,246

Exposures are allocated to maturity bands based on the residual contractual maturity dates and not expected or behaviourally adjusted dates.

7.3. Impaired and Past due assets and Provisions

For BNYML, specific provisions are made against loans and advances when, in the opinion of the Directors, recovery in full is doubtful. A general provision is made to cover bad debts that have not been separately identified at the balance sheet date but are known to be present in client receivables. Specific and general statistical provisions are deducted from loans and advances. Loans and advances and suspended interest are written off in part or in whole when there is no realistic prospect of recovery.

As at 31st December 2008, BNYML has no impaired assets for which a specific or general provision has been raised. There were no material assets past due greater than 90 days. BNYML did not incur any material write-offs of bad debts or make any recovery of amounts previously written off during the year to 31st December 2008.

7.4. Credit Risk Standardised Approach

Credit exposure is computed under the Standardised Approach. BNYML does not use external credit assessments provided by Fitch, Moody's, and Standard and Poor's to determine the risk weighting of exposures in its portfolios depending on counterparty type and coverage. In accordance with CSSF circular 06/273 Part VII, and given that all cash balances with institutions are on call, these balances are allocated a 20% risk weighting. Client overdrafts are allocated a 100% risk weighting.

8. Market Risk

The majority of market risk exposure relating to BNYML business is borne by its clients.

BNYML does not take trading positions and therefore does not have market risk exposure apart from foreign currency position risk arising from day to day activities.

BNYML has limited tolerance for market risk and does not engage in proprietary trading.

9. Operational Risk

For the purposes of calculating a Pillar 1 capital charge under the Basel II Standardised Approach it has been determined that BNYML falls under the Agency Services Basel business line, which is weighted at 15%.

BNYML has set extensive Operational risk policies that have been adopted by BNYML. Risk Management governance and oversight is organised on a global platform and within Europe at both the country and sector levels. Risk managers embedded within the operating entities work closely with business line management to identify risks, monitor key risk indicators and record and evaluate any operational events that arise.

Corporate Risk Management has developed the methodology that supports the risk assessment process. The Board has approved the methodology as a basis of input into the Pillar 2 processes. Independent Sector Risk Managers, in conjunction with the Business management, are responsible for advising on the completion and findings of the risk self assessment process.

The self-assessment process is aligned against global sector lines of business. BNYML operates within the Asset Management and Issuer Services sectors. The performance of self-assessment by line of business is recorded on a globally maintained platform. Platforms also capture key risk indicators and operational risk events (losses, gains and near misses). Business managers are responsible for performance of self-assessment, which is identifying the risks associated with key business processes, identifying and assessing the quality of controls in place to mitigate risk, and assigning accountability for maintaining the effectiveness of those controls and remediation of any weakness. The Sector Risk Managers oversee the output and recording of this assessment with support and approval of Senior Management.

The objective of operational risk management is to prevent or minimise:

- Errors and service delivery failures, especially those with impact on customers
- Financial Losses or near miss events
- Compliance Breaches
- Reputation Damage

10. Non-trading book exposures in equities

BNYML did not have any non-trading book exposures in equities as at 31st December 2008.

11. Interest Rate Risk in the non-trading book

Interest rate risk in the banking book (IRRBB) represents non-traded product exposures of the Company whose values vary with the level or volatility of interest rates. These exposures include, but are not limited to loans, debt securities, deposits, certificates of deposits and other debt securities issued, loan capital and derivatives.

Interest rate risk in the banking book arises from the following factors:

- yield curve risk: as a result of non-parallel changes in the yield curve
- repricing risk: as a result of differences in the repricing terms of the Company's assets and liabilities
- basis risk: as a result of, for example one month LIBOR used to fund base rate assets
- optionality: where a customer has an option to exit a deal early.

BNYML has limited interest rate risk in the banking book. The majority of assets and liabilities are on call. A 200 basis point decrease in the yield curve compared to 31 December 2008 would result in a reduction of net interest income of circa EUR 5 million. In the event of a 200 basis point increase in the yield curve net interest income could increase by circa EUR 7 million.

12. Securitisation

As at 31st December 2008, BNYML did not have any securitisation risk weighted exposure calculated under CSSF circular 06/273 Part X. During the year ended 31st December 2008, BNYML was not active as originator or sponsor of any traditional or synthetic securitisation including securitised revolving exposures. As a result, at year-end there were no impaired or past due assets previously securitised or associated gains or losses recognised during the year. BNYML did not have any investments in third party securitisations on its balance sheet at year-end.

13. Credit Risk Mitigation

BNYML does not typically hold collateral to mitigate credit risk exposure in respect of banks. For clients, the standard custody agreement gives a lien over custody assets including equities, bonds, gilts; or guarantees.

As at 31st December 2008, BNYML did not apply any financial collateral, third party guarantees, credit derivatives or other collateral as credit risk mitigation within the Pillar 1 calculation.

14. Insurance for the purpose of mitigating Operational Risk

This disclosure is not relevant since BNYML does not use the *advanced measurement approach* for the calculation of an operational risk capital requirement.