

Pershing Securities International Ltd

Pillar 3 Disclosures for the year ended
31st December 2008

About Pillar 3 Disclosures

A. Policy and Approach

These Pillar 3 disclosures have been prepared to comply with the Irish Financial Regulator's Capital Requirements Directive (CRD) Implementation Notice and are in addition to the Pershing Holdings (UK) Ltd Consolidated Disclosures, prepared for the UK Regulated entities of Pershing Europe as per the Financial Services Authority (FSA) BIPRU requirements.

These Pillar 3 disclosures have been approved by the Board of Directors who have verified that they are consistent with formal policies adopted regarding production and validation.

Information in this disclosure has been 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. 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.

This report will henceforth be made on an annual basis as at the accounting reference date, 31st December and publication will take place as soon as practicable and additionally during the year as market or business conditions dictate.

These disclosures along with the Pershing Holdings (UK) Ltd Consolidated Disclosures, are published on Pershing Europe's website (www.Pershing.co.uk) under Financial and Regulatory disclosures.

Disclosures can also be found on The Bank of New York Mellon group website (www.bnymellon.com), see section investor relations, financial reports, other regulatory filings.

Further information about the company can be found in the latest Annual Report & Accounts.

Note:

The following group of legal entities represent Pershing Europe

- *Pershing Holdings (UK) Limited*
- *Pershing Limited*
- *Pershing Securities Limited*
- *Pershing Securities International Limited*

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1. Background

Sections 1 – 12 of this document serve as the Basel II Pillar 3 disclosure of Pershing Securities International Limited (PSIL) in accordance with the Financial Regulator's (FR) Notice on Implementation of the CRD and the implementing measures for the CRD in Ireland referred to below.

PSIL implemented the Basel II standardised approach for measuring Regulatory Capital in January 2008. This Pillar 3 disclosure is a compulsory and integral part of our Basel II implementation.

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 CRD which was passed into law by Statutory Instruments 660 and 661 of 2006. The 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 FR to undertake a supervisory review to assess the robustness of PSIL's internal assessment.
- **Pillar 3** complements 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 regulated financial institutions and to make comparison.

2. Scope and Application of Capital Requirements Directive

Pershing Securities International Limited is the Dublin based, wholly owned subsidiary of Pershing Limited, which is, in turn, a subsidiary of Pershing Holdings (UK) Ltd with the Bank of New York Mellon Corporation as the ultimate parent for Pershing Europe.

As a full scope investment firm regulated by the FR, Pershing Securities International Limited is required to operate under the FR's Basel II implementation rules, which include the disclosures provided in this document.

There are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities among the parent undertaking and its subsidiary undertakings.

3. Risk Management Objectives and Policies

PSIL shares a common framework of risk management objectives and policies with other entities within Pershing Europe. Please refer to section 3 of the Consolidated Disclosures for further details of the risk management objectives and policies implemented by Pershing Europe.

4. Capital Resources

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

The following table summarises the regulatory capital as reported to the FR as at 31st December 2008. PSIL does not have any Innovative Tier 1 capital as at 31st December 2008.

Resources	Notes	PSIL
		€000's
Tier 1 capital		
Called up share capital		1,000
Share premium account		
Retained earnings and other reserves		6,431
Interim/unaudited net profits or losses	1	7,431
<i>Other Tier 1 capital</i>		
Perpetual non-cumulative preference shares		
Minority interests		7,431
Deductions from Tier 1 capital		
Investment in own shares		
Intangible assets		
Total Tier 1 capital after deductions		7,431
Innovative Tier 1 capital resources	2	
Perpetual preferred shares		
Total capital resources after deductions	3	7,431

Notes:

1. In accordance with Regulatory requirements, unaudited profits are excluded from Tier 1 (& Tier 3) capital.
2. The company did not have any Innovative Tier 1 capital as at 31st December 2008 (which for Pillar 3 would be shown after the calculation of Tier 1 capital but which is allowable as Tier 1 capital for capital gearing purposes).
3. PSIL did not have any Tier 2 & Tier 3 capital resources as at 31st December 2008.

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

5. Capital Requirements and Adequacy

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

Exposure class (unaudited)	Notes	PSIL
		€000's
Credit Risk - standardised approach		
Institutions (Banks, Insurance and NBF)		238
Corporates		0
Other Items		34
Total credit risk		272
Operational risk - standardised approach		1,140
Market Risk - trading book risk not subject to models		
Foreign currency position risk requirement		202
<i>Total capital requirement for trading book risks not subject to models</i>		202
Total market risk	1	202
Total Variable Capital Requirements		474
Total Fixed Overhead Capital Requirements	2	1,140
Total Capital Surplus		6,291

Notes:

- PSIL does not take trading positions and does not have market risk exposure except for foreign currency exposure arising from day to day activities.
- As per the FR regulations this is the base capital requirement and if greater than the Variable Capital Requirement, then this is used to work out the total capital surplus.

PSIL shares a common Pillar 2 assessment (ICAAP) process with other entities within Pershing Europe. Please refer to section 5 on the Consolidated Disclosures for further details on Pershing Europe's ICAAP process and risk descriptions.

6. Credit Risk and Dilution Risk

PSIL shares a common credit risk management framework with other entities within Pershing Europe. Please refer to section 6 on the Consolidated Disclosures for further details.

7. Standardised Risk Weighting

Credit exposure is computed under the standardised approach for the whole of Pershing Europe, including PSIL. Please refer to section 7 of the Pershing Europe Consolidated Disclosures for further details.

8. Operational Risk

PSIL shares a common operational risk framework with other entities within Pershing Europe. Please refer to section 8 of the Pershing Europe Consolidated Disclosures for further details.

9. Interest Rate Risk in the Non-Trading Book

PSIL has similar non-trading book activities as the rest of the entities within Pershing Europe. Please refer to section 9 of the Pershing Europe Consolidated Disclosures for further details.

10. Non-Trading Book Exposures in Equities

PSIL does not have any non-trading book equity exposures.

11. Credit Risk Mitigation

PSIL employs similar credit risk mitigation techniques as the rest of Pershing Europe. Please refer to section 11 of the Pershing Europe Consolidated Disclosures for further details.

12. Disclosures not Relevant

The same categories of non-relevant disclosures apply to PSIL as to the rest of Pershing Europe. Please refer to section 12 of the Pershing Europe Consolidated Disclosures for further details.