

Press Release



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Currency Hedging Strategies Increasingly Focused on Risk Mitigation, According to Research Project Released by BNY Mellon and ClientKnowledge

Passive strategies focused on risk management attracting increased interest

LONDON, May 27, 2010 — BNY Mellon Global Markets and ClientKnowledge today announced the results of a research project that reports increasing interest on the part of institutional investors in currency hedging strategies focused on minimizing the impact of currency fluctuations on cross-border investments as well as understanding how this impacts returns. The research project was conducted by ClientKnowledge and commissioned by BNY Mellon.

Summarized in a ClientKnowledge white paper entitled, “Currency Hedging - Impact of FX Risk on the Investment Process and its Effect on Performance,” the research findings indicate a growing tendency on the part of fund owners and fund managers to reevaluate the costs and benefits of currency hedging strategies from an adjustment-of-risk perspective. The report also addresses the enhancements in cost and performance transparency that this new perspective entails.

“The integration of FX hedging into the investment process is at an early stage. But the direction is clear — our findings clearly indicate that awareness of FX-related opportunities and threats will continue to drive innovation in products, risk management strategies and IT development,” said David Poole, COO and principal, ClientKnowledge, the London-based firm that conducted the research.

“This research highlights why in the current market environment investors are looking for more transparency in both the costs and performance levels associated with currency hedging programs,” said Ed McGann, head of foreign exchange fund services for BNY Mellon Global Markets.

The world’s largest global custodian and a premier FX provider, BNY Mellon also provides more than \$13 billion of outsourced currency hedging. Powered by iHedge, BNY Mellon’s proprietary currency hedging platform, BNY Mellon’s Currency Hedging Administration service is a cost-effective, end-to-end currency hedging solution that provides clients with a disciplined and fully transparent approach to calculating and executing hedge transactions and periodic adjustments.

“Our hedging administration service has been well received in Europe, and in line with ClientKnowledge’s research findings, U.S. investors are now showing much stronger interest in outsourcing their currency hedging programs,” McGann said.

More information on “Currency Hedging — Impact of FX risk on the Investment Process and its Effect on Performance” is available at www.bnymellon.com/foresight/pdf/currencyhedging.pdf.

ClientKnowledge helps trading firms maximise the value of their franchise, in terms of client distribution and the profitability of client-driven trading. Based in London and established in 1993, ClientKnowledge is unaffiliated with BNY Mellon, and provides expert advice in sales, trading and associated technology, using research and analytics to drive customer recommendations. More information is available at www.ClientKnowledge.com.

BNY Mellon Global Markets encompasses The Bank of New York Mellon's foreign exchange, interest-rate and equity risk management businesses. Maintaining sales and trading desks around the world and active in more than 100 currency markets, Global Markets is a major presence in world financial centers and provides a full array of trading, research and e-commerce products to institutional fund managers, corporations and government entities throughout the world. Additional information is available at www.bnymellon.com/globalmarkets.

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