BNY MELLON

The Bank of New York Mellon (International) Limited

Pillar 3 Disclosure

December 31, 2020

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Human resources

Appendices

1 Article 431 CRR - Scope of disclosure requirements

1.1 Disclosure policy

This document comprises The Bank of New York Mellon (International) Limited's (The 'Company') Pillar 3 disclosures on capital and risk management at 31 December 2020. 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 ('EU'). 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. When assessing the appropriateness of these disclosures in the application of Article 431(3) of the CRR, the Company has ensured adherence to the following principles of:

Clarity

Meaningfulness

Consistency over time

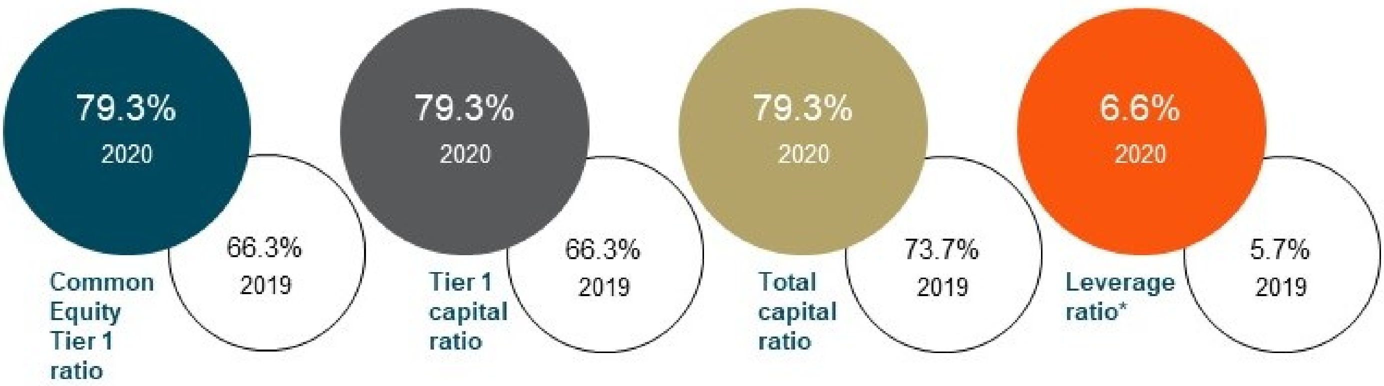
Comparability across institutions

The Basel Committee on Banking Supervision ('BCBS') requires these disclosures to be published at the highest level of consolidation. The Company has adopted this approach with information presented at a fully consolidated level. Selected information is also presented where appropriate on a solo-consolidated ('Solo') basis, under which the Company's investment in associate – a 10% participating interest in an 'Investment and Cooperation Agreement' with another Group entity – is measured at cost less impairment. The Company's audited financial statements are prepared on a separate financial statements basis, under which the Company's investments in subsidiaries and associate are measured at cost less impairment.

Information in this report has been prepared solely to meet Pillar 3 disclosure requirements of the entity noted, and to provide certain specified information about capital, risk 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 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.

In line with Article 13(1) CRR, the Company is required to disclose information to the extent applicable in respect of Own Funds, Capital Requirements, Capital Buffers, Credit Risk Adjustments, Remuneration Policy and Leverage at a consolidated and solo level. There is no material difference in the risk profile between consolidated and solo basis therefore information related to Capital Requirements and Credit Risk Adjustments is only shown at the consolidated level. The following metrics are presented on a consolidated basis.



* This ratio is for information only. The Company is currently not subject to a binding leverage requirement.

CET1 ratio	= CET1 capital / Pillar 1 RWAs
Tier 1 ratio	= Tier 1 capital / Pillar 1 RWAs
Total capital ratio	= Total capital / Pillar 1 RWAs
Leverage ratio	= Tier 1 capital / Leverage exposure measure

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 transposed in the EU regulations through CRR and has established 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 and supervisors to undertake an internal capital adequacy assessment process to determine whether the financial institution needs to hold additional capital 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 an analysis of its credit risk exposures.

Wherever possible and relevant, the Board 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 where relevant the approach to calculating capital requirements for the following risk and exposure types:

These Pillar 3 disclosures focus only on those risk and exposure types relevant to the Company.

The Company includes both quantitative and qualitative disclosures to show the relevant information and describe its approach to capital management, its capital resources and an 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 its approach to risk management.

1.4 Article 432 CRR - Non-material, proprietary or confidential information

In accordance with CRD IV, the Board may omit one or more disclosures if the information provided is not regarded as material. The criterion for materiality used in these disclosures is that the Company 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.

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 disclosing it publicly would undermine the competitive position of a company. 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 classified as confidential.

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

1.5 Article 433/434 CRR - 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. 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.

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

Disclosures are published on The Bank of New York Mellon Corporation group website which can be accessed using the link below:

https://www.bnymellon.com/us/en/investor-relations/regulatory-filings.html#other_regulatory

1.6 Governance: approval and publication

Pursuant to the BNY Mellon EMEA Pillar 3 disclosure policy, these disclosures were approved for publication by the Board on 21 April 2021. The Board approved the adequacy of the Company's risk management arrangements, providing assurance that the risk management systems put in place are adequate with regard to the Company's profile and strategy.

1.7 Key 2020 and subsequent events

The Board periodically reviews the strategy of the Company and the associated products and services it provides to clients. This generally takes place during the first quarter of each year following the annual refresh of the legal entity strategy.

During 2020, the outbreak of the COVID-19 pandemic had an adverse impact on the Company's operating financial performance, with the ensuing market uncertainty, in particular falling global interest rates, adversely impacting its net interest income.

The Company reported a pre-tax profit of £63.1 million for the year ended 31 December 2020 (31 December 2019: £55.3 million). Both years were impacted by income from investments in affiliates, with 2020 including a total of £29.3 million in payments from the Company's 10% share in the Investment and Cooperation Agreement (31 December 2019: £14.2 million). The Company's underlying operating profit however, was down £7.3 million year on year, largely reflecting the COVID-19 impact mentioned above.

Impact of Coronavirus ('COVID-19')

Since early 2020, COVID-19 has created significant disruption to global markets and economies. Management recognises that the pandemic presents risks to the Company's employees, clients and suppliers, and has put in place procedures to monitor and mitigate those risks.

Management is committed to ensuring that the Company is able to continue to service its clients and wider stakeholders while prioritising the health and wellbeing of the people that support the business. Accordingly, substantially all of those people were instructed to work from home with only a small number of essential in-office roles supported by social distancing protocols. The Company's existing IT infrastructure is supporting this way of working and the Company has remained fully operational, demonstrating its resiliency, commitment and capacity to support its clients.

The Company benefits from the wider BNY Mellon Group COVID-19 Response Program ('CRP'). With periodic strategic direction from the BNY Mellon Group Executive Committee, the CRP reviews key data on the impact of the pandemic for work streams relating to people, clients, third-party service providers, the industry, government and the regulatory environment and appropriate actions are taken where issues are identified.

During 2020, the directors considered the long-term impact that COVID-19 could have on the Company and its strategy, and the financial impact that related economic and social uncertainty could have on the Company's balance sheet and capital position. The impact from this disruption resulted in the directors reviewing the Company's Internal Capital Adequacy Assessment forecast, considering updated financial forecasts and more adverse economic stress. It also prompted the directors to review its internal capital stress tests. The conclusions drawn demonstrated that the Company remains within the Capital Risk Appetite limit under both baseline and stressed conditions. The revised financial forecast concluded that the Company is expected to remain profitable.

Throughout the COVID-19 pandemic the Company's management has enhanced its monitoring of operational and financial resilience, reviewing and reporting to the Board on aspects such as client deposits, overdraft levels, various capital and liquidity metrics, service level agreements and client feedback. The directors received weekly written reports on the output of the enhanced monitoring, none of which required the directors to take any formal action in response.

Brexit

The UK formally left the EU on 31 January 2020 and ceased to be an EU member state on that date. The departure was subject to a transition period that ended on 31 December 2020. On 24 December 2020, the UK and EU reached a “Trade and Cooperation Agreement”, which offers some free-trade benefits, but curtailed most aspects of the free market access that the UK previously enjoyed as an EU member state. The new rules apply from 1 January 2021.

The UK's withdrawal from the EU (“Brexit”) has had a limited impact on the Company given that the majority of its related activities had already been concluded, including the cessation of the Company's Luxembourg Branch activities in April 2019. The Company no longer has access to the European Central Bank ('ECB') via its Luxembourg Branch and in the absence of such access, the Company manages Euro liquidity by investing in Euro-denominated assets and swapping residual Euro balances into Sterling and placing them at the Bank of England.

The Company continues to monitor other risks that may arise as a result of changes to the UK legal and regulatory framework in which the Company operates. Additionally, the Company could be impacted as a result of changing economic factors that arise as an indirect effect of the UK's withdrawal from the EU (e.g., changes in interest rates, foreign exchange rates, etc.). Impact to the Company's capital ratios as a result of changes in macroeconomic factors was considered in its capital stress tests and it was noted that the Company would still be under its Capital risk appetite limits under both baseline and stressed conditions.

The Company is expected to remain profitable over the next twelve months, with a robust balance sheet and significant headroom above regulatory capital requirements. Accordingly, there is no material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern due to the UK's withdrawal from the EU.

Interbank Offered Rates ('IBOR') reform

The Financial Stability Board ('FSB') has conducted a review of major interest rate benchmarks in use across the world's financial markets, including Interbank Offered Rates, and subsequently made recommendations to review and reform benchmarks, and to transition to alternate reference rates.

The BNY Mellon Global IBOR Transition Programme ('the Programme') has been set up to manage the IBOR transition. As part of the Programme, the Company continues to assess the impact of the planned phasing out of IBORs and track its progress against the planned transition to alternative reference rates as required by UK regulators by the end of 2021.

The following table summarises the Company's current portfolio as at 31 December 2020 which is likely to be impacted as a result of the transition, Given the nature of the assets held by the Company, the primary exposures to such rates are deemed to be low.

Product	Current rate	Maturity date	No. of positions	Carrying amount at 31 December 2020 (£m)
Debt securities	GBP LIBOR	2021	9	207.8
		2022-2024	7	88.0
		Total	**16.0**	**295.8**

Certain operational risks however exist regarding the Company's business model, including execution, maintenance and reporting risk relating to the processing of Assets Under Custody ('AUC'), legal risk arising from legal claims and contract frustration, in particular where acting in its agent, Trustee and/or fiduciary role, and technology risk relating to impacted systems not being sufficiently updated to deal with the transition.

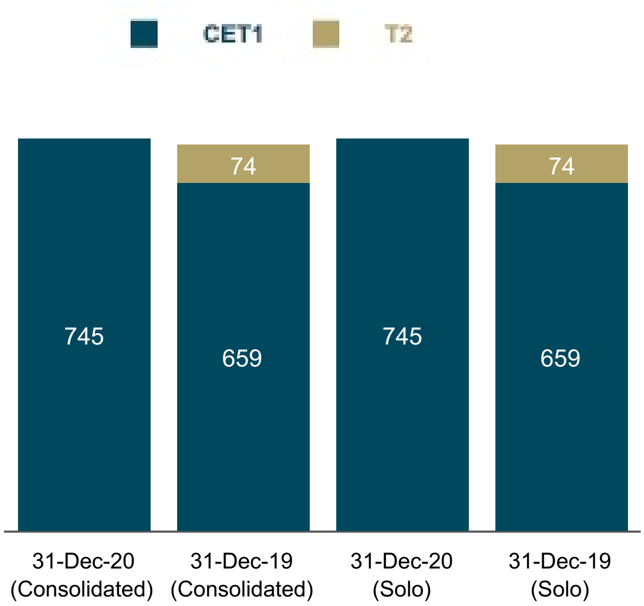
Working with the Programme, the Company is taking steps to manage its principal exposure to IBOR-based instruments via explicit investment decisions, and focussing on mitigating the risks identified. This has included monitoring market developments through industry groups and consultations, regularly engaging with clients to monitor expected client impacts and ensure transition awareness, and to remediate or restructure operational areas where updates are deemed to be required in relation to expected changes. The Company is also continuously engaging with regulatory authorities such as the Prudential Regulatory Authority ('PRA') and the Financial Conduct Authority ('FCA') to adequately respond to regulatory guidance relating to the transition.

The International Accounting Standards Board ('IASB')'s Phase 1 amendments - “IBOR Reform and its Effects on Financial Reporting”, which enabled hedge accounting to continue during the period of uncertainty have no impact on the Company because there is currently no hedge accounting applied. An impact assessment is under review as part of the enterprise-wide Transition Programme with specific consideration of contract modifications and consideration of alternative interest rates with respect to the Phase 2 amendment - “Interest Rate Benchmark Reform”.

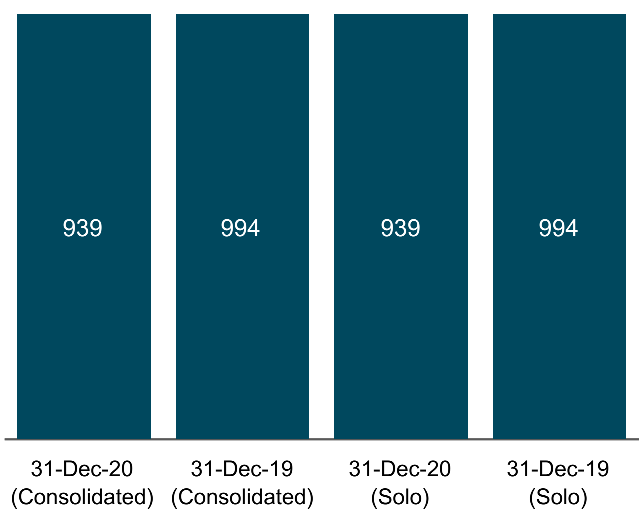
1.8 Key metrics

The following risk metrics reflect the Company’s risk profile:

Regulatory capital (£m)



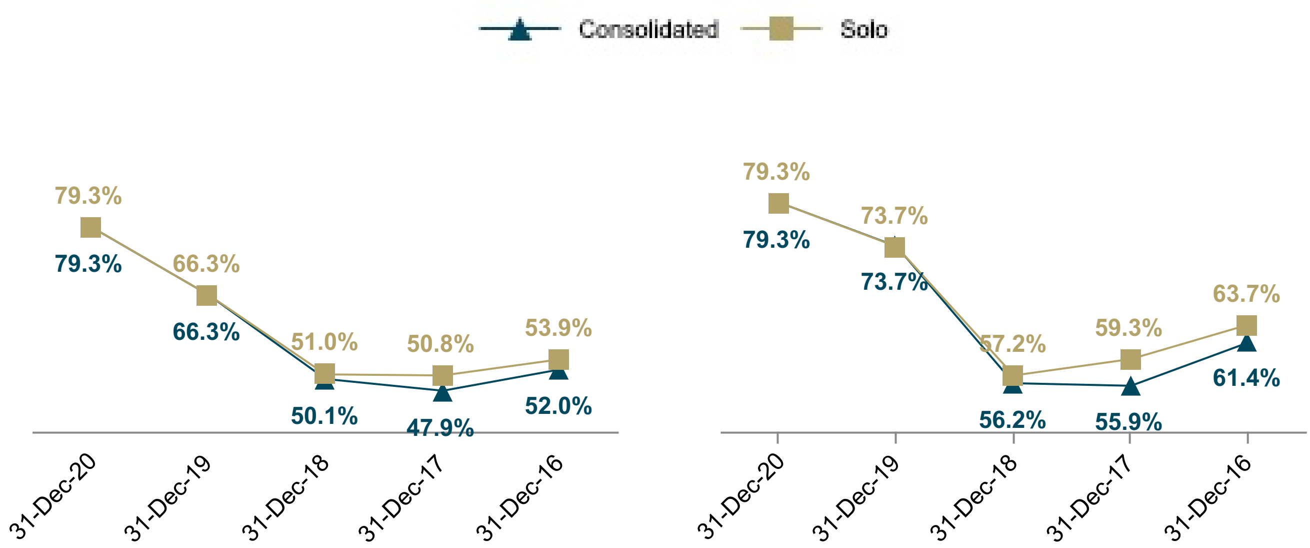
Risk-weighted assets (£m)



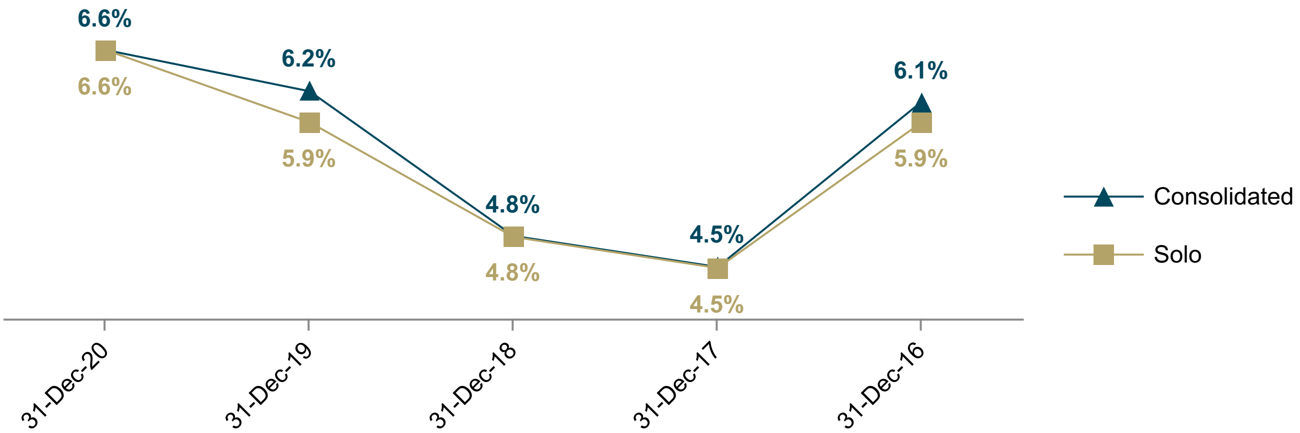
The Bank of New York Mellon (International) Limited

CET1 ratio

Total capital ratio



Leverage ratio



Liquidity coverage ratio

Net stable funding ratio

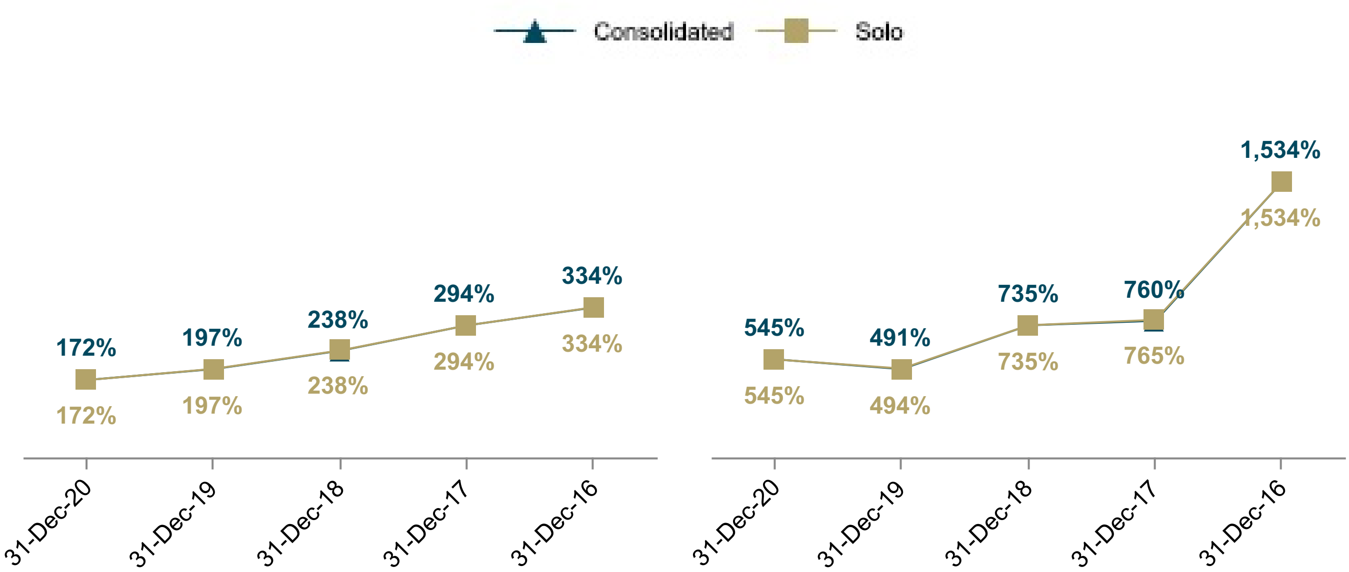


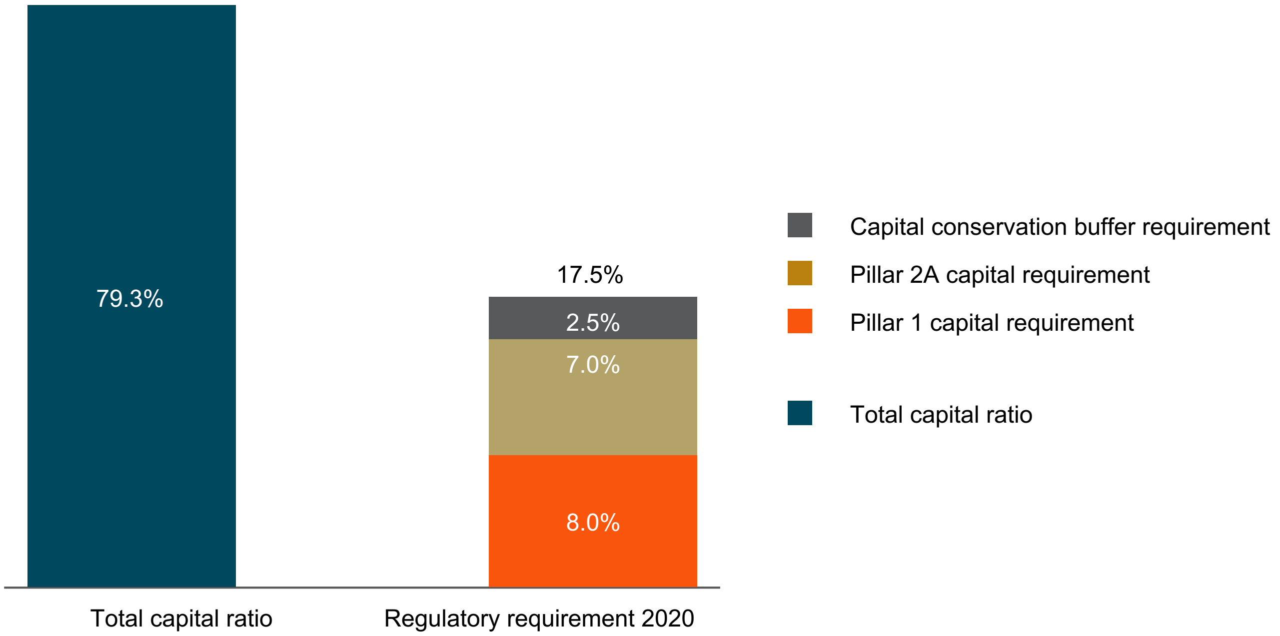
Table 1:KM1 - Key metrics

	Consolidated		Solo	
Own Funds	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Available capital (£m)[1]				
Common Equity Tier 1 ('CET1') capital	**745**	659	**745**	659
Tier 1 capital	**745**	659	**745**	659
Tier 2 capital	**—**	74	**—**	74
Total capital	**745**	733	**745**	733
Risk-weighted assets (£m)[2]				
Total risk-weighted assets ('RWA')	**939**	994	**939**	994
Risk-based capital ratios as a percentage of RWA				
CET1 ratio	**79.3 %**	66.3 %	**79.3 %**	66.3 %
Tier 1 ratio	**79.3 %**	66.3 %	**79.3 %**	66.3 %
Total capital ratio	**79.3 %**	73.7 %	**79.3 %**	73.7 %
Additional CET1 buffers requirements as a percentage of RWA				
Capital conservation buffer requirement	**2.5 %**	2.5 %	**2.5 %**	2.5 %
Countercyclical buffer requirement	**— %**	0.8 %	**— %**	0.8 %
Leverage ratio[3]				
Total leverage ratio exposure measure (£m)	**11,315**	10,703	**11,315**	10,703
Leverage ratio	**6.6 %**	6.2 %	**6.6 %**	5.9 %
Liquidity Coverage Ratio ('LCR')				
Total High Quality Liquid Assets (£m)	**8,863**	8,018	**8,863**	8,018
Total Net Cash Outflow (£m)	**5,147**	4,080	**5,147**	4,080
LCR	**172 %**	197 %	**172 %**	197 %
Net Stable Funding Ratio ('NSFR')[3]				
Total Available Stable Funding (£m)	**3,158**	2,977	**3,158**	2,994
Total Required Stable Funding (£m)	**579**	606	**579**	606
NSFR	**545 %**	491 %	**545 %**	494 %

[1] Capital as stated is after the inclusion of audited profits for the year.
[2] RWAs include the latest operational risk RWAs, updated in line with the audited results for the year.
[3] The Company is not subject to a binding leverage ratio or NSFR requirement.

The increase in capital ratios on both a solo and consolidated basis is largely driven by a reduction in risk weighted asset, mainly due to a reduction in credit risk weighted assets. This reduction resulted from reduced exposures to ‘Other items’ of £82m (largely consisting of deferred tax balances), offset by an increase in exposures to ‘Corporates’ £17m and ‘Public Sector entities’ £14m respectively. In addition, Operational risk weighted assets also decreased by £14m. The redemption of the subordinated debt in 2020 (£75m) also had a partially offsetting effect on the total capital numerator. Due to regulatory amortisation the subordinated debt was recognised at £74 million in the regulatory capital.

2020 consolidated total capital ratio versus regulatory requirement



Thus the total capital ratio remains in excess of pillar 1 capital, pillar 2A capital, and the combined buffer requirements of 8.0%, 7.0% and 2.5% respectively. The Company is subject to a countercyclical buffer requirement, however this equated to 0.0% at 31 December 2020. In combination with the combined buffer, the Company is also subject to the PRA buffer which is set by the PRA and is not disclosed. Following the repayment of tier 2 capital the Company's total capital equals its CET1.

1.9 Article 436 CRR - Scope of application

BNY Mellon Group ('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 of 31 December 2020, BNY Mellon had $41.1 trillion in assets under custody and/or administration, and $2.2 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. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). Additional information is available on www.bnymellon.com. Follow us on Twitter @BNYMellon or visit our newsroom at www.bnymellon.com/newsroom for the latest company news.

The Company is a private limited company incorporated in the UK with a Banking Licence issued by the Prudential Regulatory Authority (PRA). As at 31 December 2020, the Company had £448bn in assets under custody. 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.

The Company is regulated by the PRA and the Financial Conduct Authority ('FCA'). BNY Mellon Trust and Depositary (UK) Limited and BNY Trust Company Limited are both authorised and regulated by the FCA but regulatory permissions for BNY Trust Company Limited were cancelled effective 31 October 2019. The Company, BNY Mellon Trust and Depositary (UK) Limited and BNY Trust Company Limited 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 legal entity and ownership structure of the Company is illustrated in Figure 1.

Figure 1: Legal entity structure at 31 December 2020

Basis of consolidation

Entity name	Consolidation basis	Services provided
The Bank of New York Mellon (International) Limited	Fully consolidated	Consolidated entity - The Bank of New York Mellon (International) Limited provides asset servicing to clients, particularly custody and investment administration services.
BNY Trust Company Limited	Fully consolidated	Subsidiary - BNY Trust Company Limited, through its subsidiary, provided trustee and depositary services to authorised collective investment schemes ('CISs') and alternative investment funds in the UK. BNY Trust Company Limited is no longer authorised and so can no longer provide these services
BNY Mellon Trust and Depositary (UK) Limited	Fully consolidated	Subsidiary - BNY Mellon Trust and Depositary (UK) Limited's primary activity was to perform trustee and depositary services for CISs. BNY Mellon Trust and Depositary (UK) Limited also performed limited custody services. BNY Mellon Trust and Depositary (UK) Limited is no longer active and is not providing these services.
BNY Custodial Nominees (Ireland) Limited	N/A	Dormant subsidiary.
BNY Mellon Secretaries (UK) Limited	N/A	Dormant subsidiary.

The Company's Purpose and Mission

The Company is a sustainable and profitable entity and an integral part of the BNY Mellon EMEA business as one of the material entities in region, providing a full-suite of products and services predominantly for Asset Servicing to UK domiciled fund managers and UK funds.

The mission for 2021 and beyond is to grow the business with new and existing client relationships. The Company proactively looks for opportunities to support, influence and satisfy clients' needs, including beyond Asset Servicing where it makes sense to do so. Cultivating a high performance conduct and culture ethos will enable the Company to offer a value proposition to attract and retain clients whilst becoming embedded in the clients business model.

A key element of that growth will be achieved through orchestrating solutions and information across the client's entire investment lifecycle to offer a complete front to back operating model. The specific product focus being across three strategic priorities: digitise and expand core transactional services globally, create data and analytics solutions across the client value chain and enable client access to global capital markets and liquidity pools.

As the Company has evolved it is recognised that the legal entity, its clients, and the regulatory environment has also continued to change. The Company will build on the strong governance framework that has been achieved to date (to meet regulatory requirements). In particular, the Company has an increased responsibility towards climate change accountability and governance and sees this as an area of priority moving forward.

The Company recognises the importance of risk management in the execution of its strategy and has defined the levels of risk acceptable to the entity. This is formalised and monitored through its risk appetite statement. Based on the proposed strategy, there are no anticipated changes to the Company's risk appetite and the Company will continue to monitor its risk profile as part of its regular business activities.

1.10 Core business lines

The Company offers a number of products including Custody Services, Transfer Agency, and Fund Accounting to predominantly UK clients as well as providing Trustee and Depositary services in the UK to both authorised and unauthorised collective investment schemes and investment trusts. Corporate Trust (Fiduciary) and Segregation Services are also provided. These products are outlined in more detail below.

1.10.1 Custody Services

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

- safekeeping 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 and income collection reports;
- Client Service Delivery ('CSD') provides operational support to Core Custody, including maintenance and administration of clients' assets; and
- Custody Oversight – mainly consisting of monitoring failed trades, overdrafts, review of exceptions from subcustodian reconciliations, security and cash reconciliations; and

- Transfer Agency oversight - mainly consisting of monitoring subscriptions, redemptions and dividend distributions.

1.10.2 Transfer Agency

Transfer Agency is contracted by clients, primarily asset managers, pension funds and mutual funds, to maintain records of investors (share or unit holders), account balances and transactions, as well as cancelling and issuing shares/units, and processing investor mailings. Other client services provided include Anti-Money Laundering ('AML'), Know Your Customer ('KYC') verification contract and statement reporting, and static data maintenance.

1.10.3 Fund Accounting

Fund Accounting provides fund accounting and administration services to asset managers, fund distributors, and life companies. Clients of Fund Accounting Services include Unit Trusts (authorised and un-authorised), Open-Ended Investment Companies, Authorised Contractual Schemes, Common Investment Funds, Unitised Life and Pension Funds, and Investment Trusts. The asset types of the funds include Equity, Fixed Income, Money Market, Derivative, and Collective Investment Scheme holdings with country, region and global geographical exposure. Share class net asset values ('NAV') are calculated at each fund valuation point, usually daily. Fund distribution rates are calculated and disseminated in line with relevant frequencies and semi-annual financial statements are prepared for publication to fund investors.

1.10.4 Trustee and Depositary Services

Trustee services are performed directly by the Company. Trustee services are provided to UK clients, predominantly UK domiciled funds.

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:

- safekeeping (financial instruments held in custody) and ownership verification and record keeping (Other assets);
- monitoring of the fund's cash flows, including identification of significant and inconsistent cash flows and reconciliation of the cash flows with the fund's administration;
- NAV monitoring: ensuring that the valuation of units or shares of the fund are carried out in accordance with the applicable national law and the fund documentation;
- Income distribution: ensuring that the fund's income is applied in accordance with the applicable national law and the fund documents; and
- Fund Compliance oversight: mainly ensuring that the investment limits set by law, the implementing decrees and management rules are respected and that funds adhere to regulatory and prospectus rules.

1.10.5 Corporate Trust

Corporate Trust help investors, bondholders and lenders navigate the debt capital markets, from traditional to the most specialized asset classes and complex financing structures, at all stages of the deal lifecycle - from issuance to maturity.

Corporate Trust does not expect to be contracting new business with the UK Bank, however there are a limited number of existing deals that contract for one or more of the below roles:

- Custodian – party that holds/safekeeps collateral, cash or other form of security for the benefit of a client or lender, as per underlying documentation

- Fiduciary – the Fiduciary acts as the issuer of the notes on behalf of the arranger. The proceeds of the issued notes are used to purchase assets as prescribed by the arranger and these are held by the Fiduciary with the Custodian. The Fiduciary acts as the representative of the noteholders, which requires minimal activity unless enforcement against the assets is required
- Trustee – party that has a responsibility to protect the interests of the investors/security holders under a trust indenture, agreement, deed, bond obligation or trust arrangement particularly in the event of default. Party ensures that the Obligor adheres to specific covenants of the underlying agreement(s). If so required, Party will act upon the written direction of majority investors/lenders.

1.10.6 Segregation Services

Margin Direct delivers custodial services in support of initial margin segregation for both cash and non-cash collateral. Historically, this solution was sought after by buy-side clients (largely hedge funds) required to post initial margin/independent amount to their broker-dealer counterparties as a voluntary risk mitigation measure. Since 2016 the service has also been used by a variety of clients to help meet their obligations under the global Uncleared Margin Rules. The collateral account is governed by a collateral account control agreement and executed by the pledging party, secured party and BNY Mellon, acting as a securities intermediary. The account is maintained in the name of the pledging party and the assets are pledged by the pledging party to the secured party.

The platform provides many benefits to assist clients in the collateral and segregation process, including:

- transparency and automation through portal access;
- electronic default notification functionality;
- flexible reporting and formats;
- integration with BNY Mellon cash investment technology; and
- electronic instruction capability including SWIFT.

1.11 Legal entities

The Company's core business lines and critical economic functions are conducted through several legal entities organised in various jurisdictions.

1.11.1 The Bank of New York Mellon (International) Limited

The Company provides asset servicing to clients, particularly custody and investment administration services. Although the Company 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 the Company.

The Company 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 as both agent and principal;
- making arrangements with a view to transactions in investments;

- safeguarding and administration of assets (without arranging); and
- depositary services.

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

The Bank of New York Mellon (International) Limited Luxembourg Branch provided administration services, including depositary services for CISs, transfer agency and fund accounting. As a consequence of Brexit, the Luxembourg Branch did not meet the criteria to be considered a branch and as such the entity did not seek to re-licence. The Luxembourg Asset Servicing clients contracted with The Bank of New York Mellon (International) Limited Luxembourg Branch moved to the Luxembourg Branch of BNY Mellon SA/NV and the Luxembourg Fiduciary Corporate Trust business moved to the Company at the same time. This was completed by early April 2019 and the Luxembourg Branch closed in 2020.

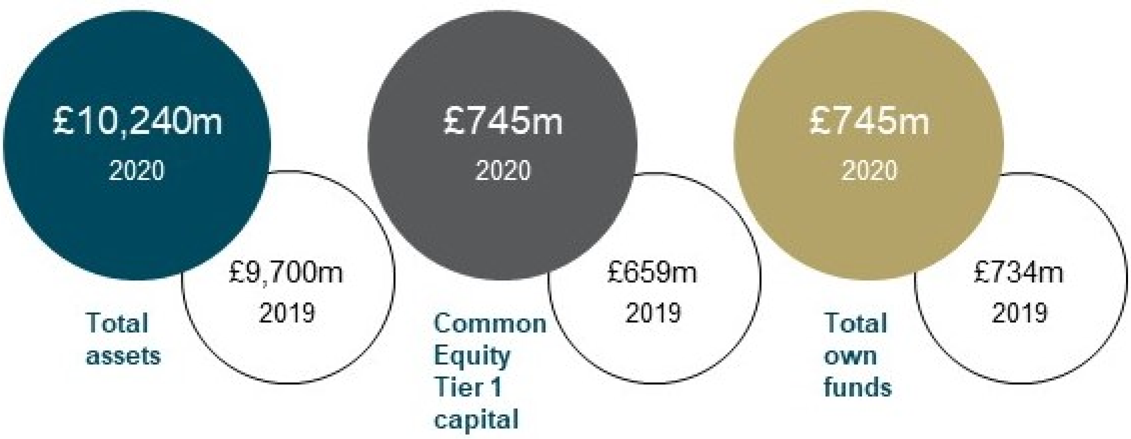
1.11.3 BNY Mellon Trust and Depositary (UK) Limited

BNY Mellon Trust and Depositary (UK) Limited ('BNY Mellon TDUKL') is a private limited company incorporated in the UK and authorised by the FCA to carry on business as a depositary. The primary activity for UK Trust and Depositary is to perform trustee and depositary services for collective investment schemes. It also performs limited custody services. UK Trust and Depositary 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.

The Company is the parent of BNY Mellon TDUKL via BNY Trust Company Limited. As of 31 December 2020, the entity had no live clients, and was awaiting to be deregulated. Once this process is completed, it will become a dormant company only for the purpose of holding direct property assets on behalf of the depositary business.

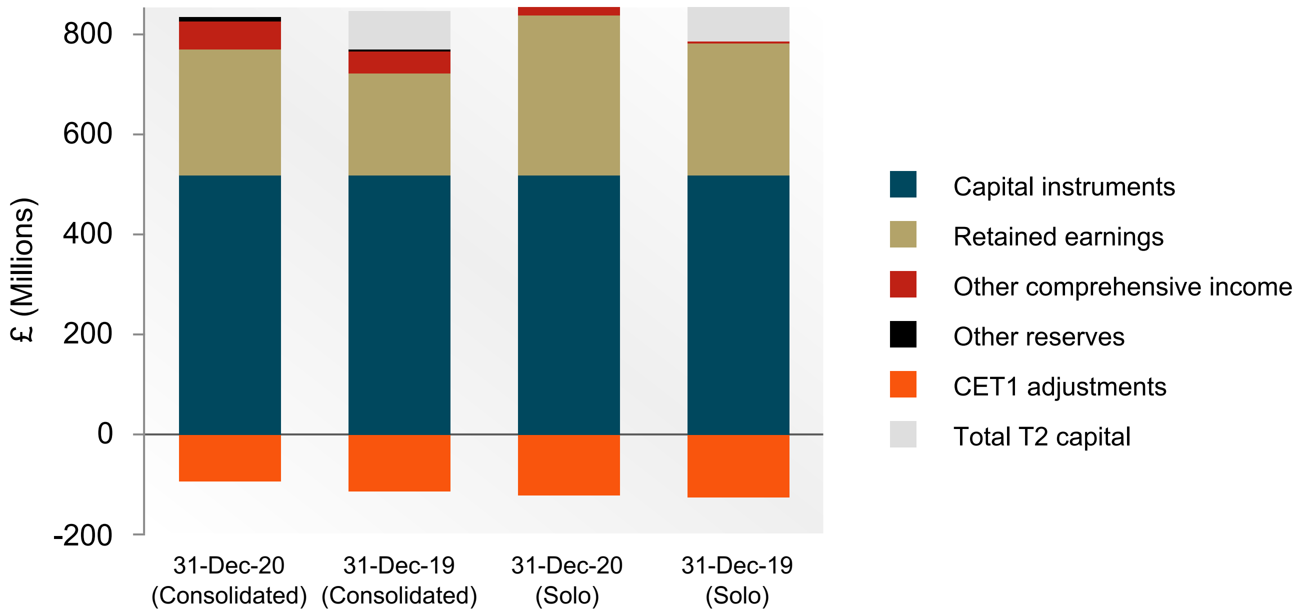
Capital

2 Article 437 CRR - Own funds



Composition of regulatory capital (£m)

This graph shows the composition of regulatory capital including all regulatory adjustments at 31 December 2020 (see Table 5:CC1 - Composition of regulatory capital).



This section provides an overview of the regulatory balance sheet and composition of the Company's regulatory capital. There are a number of differences between the Pillar 3 disclosures published in accordance with prudential requirements and balance sheet prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101').

Own funds comprise tier 1 capital less deductions.

The Company'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.

Table 2:CC2 - Reconciliation of regulatory capital

These tables show a reconciliation of the Company's balance sheets on a consolidated and solo basis prepared in accordance with FRS 101 and the regulatory balance sheet prepared under prudential rules. The regulatory balance sheet forms the basis for the calculation of regulatory capital requirements.

Consolidated at 31 December 2020 (£m)	Consolidated balance sheet	Regulatory adjustments	Regulatory balance sheet
Assets			
Cash and cash balances with central banks	5,233	—	5,233
Derivative financial instruments	—	20	20
Loans and advances to customers	1,037	1,244	2,281
Investment securities	3,831	—	3,831
Other assets	49	(6)	43
Investments in subsidiaries, joint ventures and associates	87	(87)	—
Current tax assets	3	—	3
Total assets	**10,240**	**1,171**	**11,411**

Consolidated at 31 December 2020 (£m)	Consolidated balance sheet	Regulatory adjustments	Regulatory balance sheet
Liabilities			
Derivative financial instruments	29	—	29
Customer accounts	9,323	1,244	10,567
Current tax liabilities	3	—	3
Deferred tax liabilities	8	—	8
Other liabilities	41	(6)	35
Total liabilities	**9,404**	**1,238**	**10,642**
Shareholders' equity			
Called up share capital	520	—	520
Retained earnings, reserves and other comprehensive income	316	—	316
Deductions from capital	—	(91)	(91)
Capital and reserves	**836**	**(91)**	**745**
Other items	—	24	24
Total equity and liabilities	**10,240**	**1,171**	**11,411**

Solo regulatory adjustments at 31 December 2020 (£m)	Solo balance sheet	Regulatory adjustments	Regulatory balance sheet
Assets			
Cash and cash balances with central banks	5,233	—	5,233
Derivative financial instruments	—	20	20
Loans and advances to customers	1,037	1,244	2,281
Investment securities	3,831	—	3,831
Other assets	49	(6)	43
Investment in subsidiaries	116	(116)	—
Current tax assets	3	—	3
Total assets	**10,269**	**1,142**	**11,411**
Liabilities			
Derivative financial instruments	29	—	29
Customer accounts	9,323	1,244	10,567
Current tax liabilities	3	—	3
Deferred tax liabilities	8	—	8
Other liabilities	41	(6)	35
Total liabilities	**9,404**	**1,238**	**10,642**

Solo regulatory adjustments at 31 December 2020 (£m)	Solo balance sheet	Regulatory adjustments	Regulatory balance sheet
Shareholders' equity			
Called up share capital	520	—	520
Retained earnings, reserves and other comprehensive income	345	—	345
Deductions from capital	—	(120)	(120)
Capital and reserves	**865**	**(120)**	**745**
Other items	**—**	**24**	**24**
Total equity and liabilities	**10,269**	**1,142**	**11,411**

Other items relate to regulatory adjustments impacting regulatory exposure values only and the prudent valuation adjustment which is excluded from capital in the regulatory balance sheet.

The Company does not have a trading book, but there are securities in the non-trading book that are measured at fair value, applying observable quoted prices.

Table 3:EU LI1 - Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

			Carrying values of items				
Consolidated at 31 December 2020 (£m)	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and cash balances with central banks	5,233	5,233	5,233	—	—	5,233	—
Derivative financial instruments	—	20	—	20	—	—	—
Loans and advances to customers	1,037	2,281	2,281	—	—	2,281	—
Investment securities	3,831	3,831	3,831	—	—	3,831	4
Other assets	49	43	43	—	—	43	—
Investments in subsidiaries, joint ventures and associates	87	—	—	—	—	—	87
Current tax assets	3	3	3	—	—	3	—
Total assets	**10,240**	**11,411**	**11,391**	**20**	**—**	**11,391**	**91**
Liabilities							
Derivative financial instruments	29	29	—	—	—	29	—
Deposits by credit and other financial institutions	—	1,244	—	—	—	1,244	—
Customer accounts (non-banks)	9,323	9,323	—	—	—	9,323	—
Current tax liabilities	3	3	—	—	—	3	—
Deferred tax liabilities	8	8	—	—	—	8	—
Other liabilities	41	35	—	—	—	35	—
Total liabilities	**9,404**	**10,642**	**—**	**—**	**—**	**10,642**	**—**

Table 4:EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Consolidated at 31 December 2020 (£m)	Total	Items subject to Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation	22,802	11,391	20	—	11,391
Liabilities carrying value amount under the regulatory scope of consolidation	(10,642)	—	—	—	(10,642)
Total net amount under the regulatory scope of consolidation	12,160	**11,391**	**20**	**—**	**749**
Off-balance sheet amounts	108	—	—	—	108
Differences due to consideration of reporting currencies	(820)	—	—	—	(820)
Other adjustments	(27)	—	—	—	(27)
Exposure amounts considered for regulatory purposes	11,421	**11,391**	**20**	**—**	**10**

Table 5:CC1 - Composition of regulatory capital

This table shows the composition of regulatory capital including all regulatory adjustments.

Own Funds at 31 December 2020 (£m)	Consolidated 31-Dec-20	Consolidated 31-Dec-19	Solo 31-Dec-20	Solo 31-Dec-19
Common Equity Tier 1 ('CET1') capital				
Capital instruments	520	520	520	520
Retained earnings	252	204	317	264
Other comprehensive income	53	44	23	1
Other reserves	11	4	5	(2)
CET1 adjustments	(91)	(112)	(120)	(124)
Total CET1 capital	745	**660**	745	**659**
Additional Tier 1 ('AT1') capital				
Total AT1 capital	—	**—**	—	**—**
Total T1 capital	745	**660**	745	**659**
Tier 2 ('T2') capital				
Capital instruments and subordinated loans	—	74	—	74
Total T2 capital	—	**74**	—	**74**
Total Own Funds	745	**734**	745	**733**

Table 6:CCA - Main features of regulatory capital instruments

This table provides a description of the main features of the regulatory capital instruments issued by BNY Mellon (International) Limited as at 31 December 2020. Following regulatory approval, subordinated debt of £75 million were redeemed during 2020.

The capital instrument listed below is included as Tier 1 capital in Table 2 of this disclosure.

Capital instruments main features [1]	Ordinary Shares
Issuer	The Bank of New York Mellon (International) Limited
Governing law(s) of the instrument	Law of England and Wales
Regulatory treatment	
Transitional CRR rules	Not applicable
Post-transitional CRR rules	Common Equity Tier 1
Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Solo
Instrument type	Ordinary Shares
Amount recognised in regulatory capital	£520 million
Nominal amount of instrument	£520 million
Issue price	£1
Redemption price	Not applicable
Accounting classification	Shareholders' equity
Original date of issuance	9-August-1996
Perpetual or dated	Perpetual
Maturity date	No maturity
Issuer call subject to prior supervisory approval	No
Optional call date, contingent call dates and redemption amount	Not applicable
Subsequent call dates, if applicable	Not applicable
Coupons / dividends	
Fixed or floating dividend/coupon	Not applicable
Coupon rate and any related index	Not applicable
Existence of a dividend stopper	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
Existence of step up or other incentive to redeem	No
Non-cumulative or cumulative	Not applicable
Convertible or non-convertible	Non-convertible
Write-down features	No

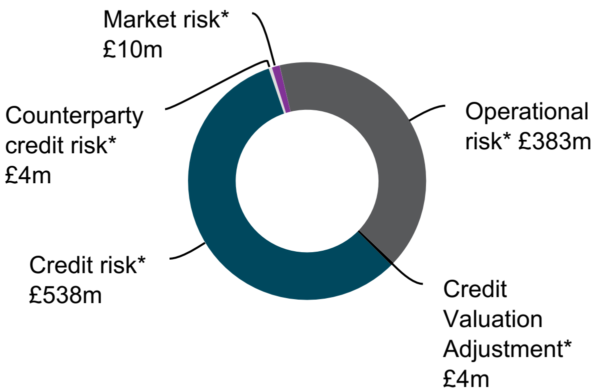
Capital instruments main features [1]	Ordinary Shares
Position in subordination hierarchy in liquidation (instrument type immediately senior to instrument)	Not applicable
Non-compliant transitioned features	Not applicable

[1] This table is based on Annex II of ITS Regulation (EU) No. 1423/2013. Some 'not applicable' lines have been omitted.

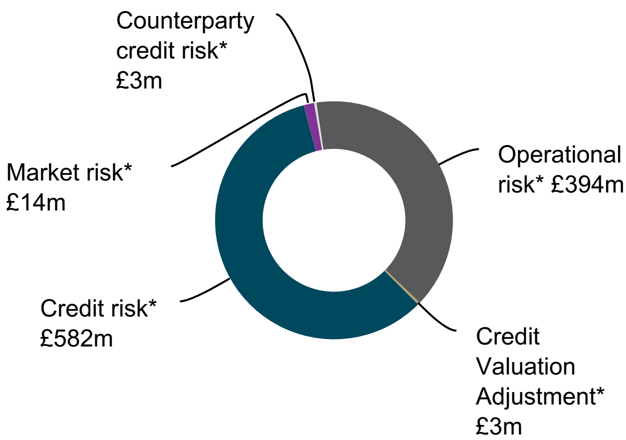
3 Article 438 CRR - Capital requirements

All figures relating to capital requirements and credit risk adjustments from this point forward are disclosed on a consolidated basis only. The solo requirements are materially consistent with the consolidated.

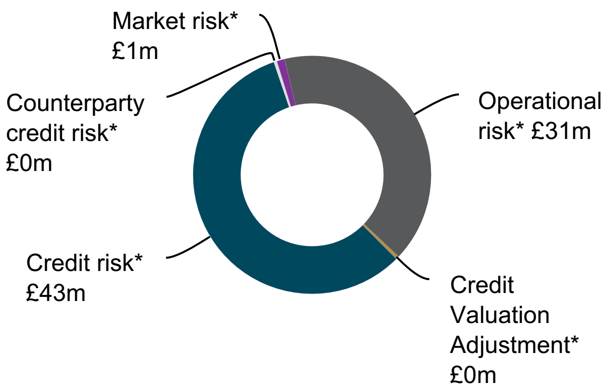
Risk exposure by risk type at 31 December 2020



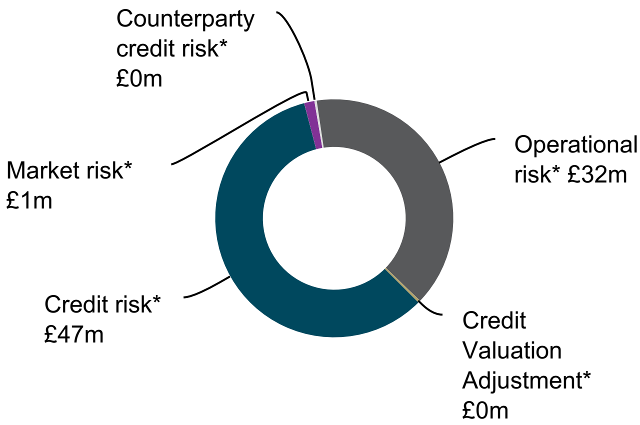
Risk exposure by risk type at 31 December 2019



Capital requirements by risk type at 31 December 2020



Capital requirements by risk type at 31 December 2019



*Standardised approach

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

The capital plan effectively incorporates a view of the Company'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 and Board approval and the performance metrics reviewed at the Asset and Liability Committee ('ALCO').

3.1 Calculating capital requirements

CRR allows for different approaches for calculating capital requirements. 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.

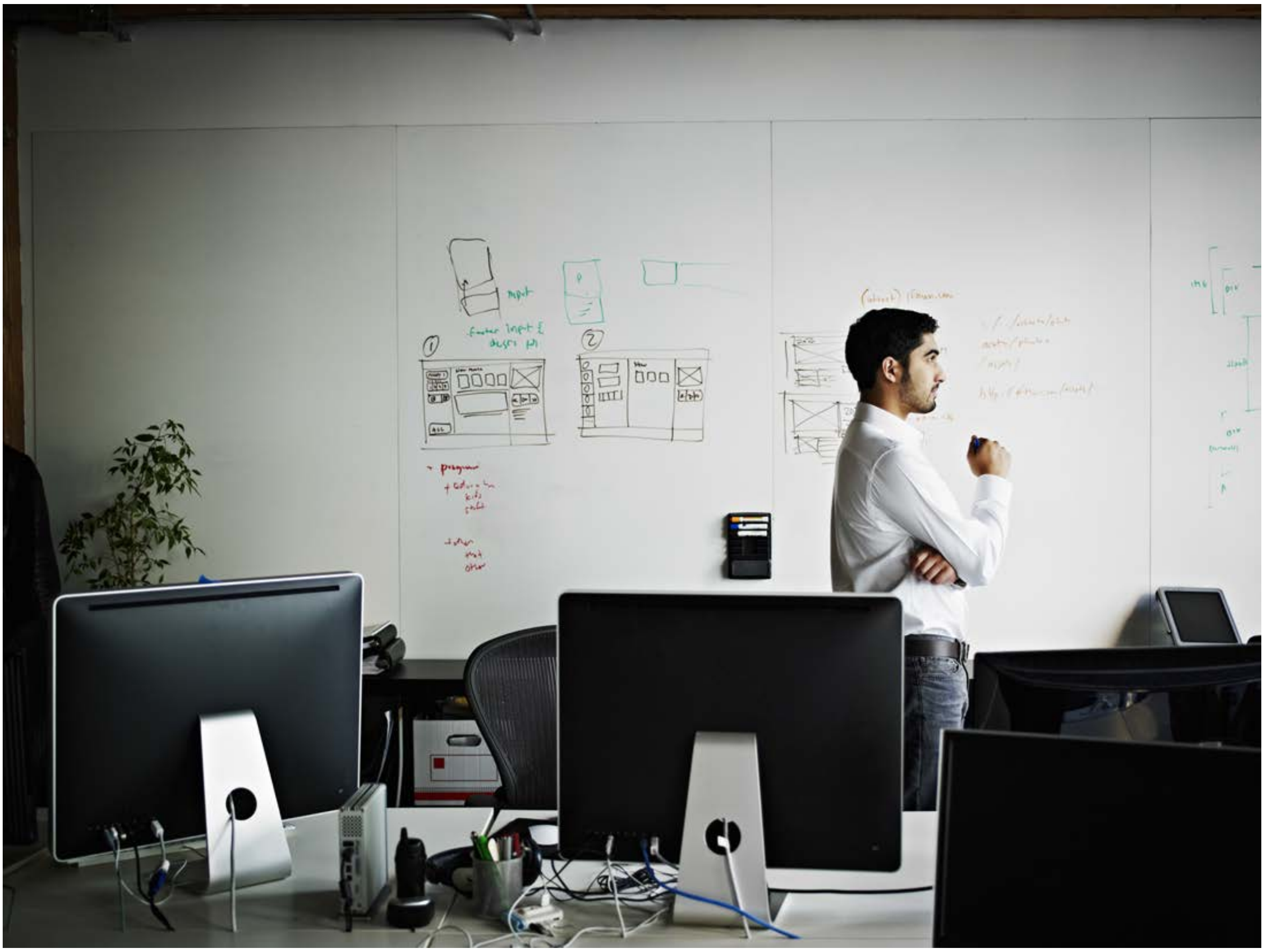
Table 7:EU OV1 - Overview of RWAs

This table shows the risk-weighted assets for the Company (Consolidated), using the standardised approach, with their respective capital requirements.

	Risk exposure amount		Capital requirements	
Type of risk (£m)	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Credit risk*	**538**	582	**43**	47
Counterparty credit risk*	**4**	3	**—**	—
Market risk*	**10**	14	**1**	1
of which: foreign exchange position risk	**10**	14	**1**	1
Operational risk*	**383**	394	**31**	32
of which: standardised approach	**383**	394	**31**	32
Credit Valuation Adjustment*	**4**	3	**—**	—
Total	**939**	**996**	**75**	**80**
Total capital			**745**	**733**
Surplus capital			**670**	653

* Standardised approach.

The Company met or exceeded the minimum capital ratios required to maintain a well-capitalised status and to ensure compliance with regulatory requirements at all times. The Company sets the 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.



4 Article 435 CRR - 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, the Company, and BNY Mellon Corporation as a whole, are committed to maintaining a strong balance sheet and, as a strategic position, assumes less risk than many financial services companies.

BNY Mellon has developed an enterprise risk management program that is designed to ensure that:

- risk 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; and
- there is a capital planning process which incorporates both economic capital modelling and a stress testing programme.

The Company Board has adopted a conservative risk appetite to maintain a strong capital position and balance sheet throughout all market cycles with strong liquidity, superior asset quality, ready access to external funding sources at competitive rates, and a robust capital structure whilst delivering operational excellence to meet stakeholders' expectations.

Risk statement

The entity's risk profile is assessed and monitored using a Legal Entity High-Level Assessment. The Legal Entity High-Level Assessment is a management tool that provides a high-level view of an entity's risk landscape, across risk types. The High Level Assessment, alongside the entity Risk Appetite, are key components within the strategy of the entity. Applied to the Company, the Legal Entity High-Level Assessment enables management to focus on the key risks to which the entity is exposed. The materiality and significance of risks in the Legal Entity High-Level Assessment are based on an assessment of impact for each risk, both from an inherent (before controls) perspective and from a residual (after controls) perspective.

The Company is exposed to various risks, the most material of which are strategic, operational, credit, market, liquidity, model and restitution risk. Reputational risk and conduct risk are not explicitly described as they are felt to be intrinsic to the other risk types. However, maintaining a strong brand and reputation is fundamental to our ability to attract and retain clients and as such, we consider reputational impact as part of our overall risk management process. Similarly the result of poor conduct risk management could result in a lack of confidence from our regulators, our clients and other key stakeholders. As such, our adherence to the conduct risk regime is considered via the wider risk management process. Other key areas for focus for the entity embedded within our material risks are operational and technology resilience, climate change and outsourcing.

The above risks are managed by the Company in line with the BNY Mellon Group Risk Management Framework, including their 3 line of defense model and governance requirements. Any capital requirements for these risks have been assessed utilising models under business as usual ('BAU') and stressed conditions.

Adherence to the risk management framework ensures that:

- risk appetite principles and associated limits are in place to govern its risk-taking activities across all business and risk types;
- these risk appetite principles and associated limits are incorporated into its strategic decision making processes; and
- monitoring and reporting of key risk metrics takes place and that these are reported to senior management and the Board.

In accordance with the Board defined Risk Appetite, the Company is committed to maintaining a balance sheet that remains resilient throughout market cycles; a balance sheet which is characterised as being significantly liquid, having strong asset quality and having a capital structure that is adequate to support the bank's risk-taking activities as well as being able to absorb potential losses. The Company is also committed to delivering operational excellence to meet the expectations of its stakeholders, including its clients, shareholders, employees and regulators and to support its goal of having a superior credit rating, with the current rating of AA assigned by Fitch.

The Company monitors its capital adequacy in accordance with the Basel Framework, on the basis of Pillar 1 requirements (Regulatory Capital Requirements) as well as Pillar 2 (Internal Capital Assessment). Both concepts are subject to Board approved risk appetite limits.

The Company's Pillar 1 capital requirements are calculated according to the Basel standardized approach for credit risk, market risk, operational risk, and for credit value adjustment. The Company's capital ratios (Common Equity Tier 1 ('CET1'), Tier 1 and Total Capital) are monitored (daily) against regulatory thresholds defined by the Prudential Regulatory Authority's Supervisory Review and Evaluation Process ('SREP'), the CRD IV buffers and Board defined risk appetite limits.

The Internal Capital Assessment uses BNY Mellon capital models which follow an approval process including independent validation by BNY Mellon's Model Risk Management Group. These capital models are presented to, and challenged by, the Company Capital and Stress Testing Committee; a committee focused on Internal Capital Adequacy Assessment related subjects. Capital is assessed for all material risks identified within the Company.

The Internal Capital Assessment is calculated quarterly, with approximations applied to estimate monthly internal capital requirements. A three-year financial forecast is used to project future capital requirements. Capital assessments are performed under baseline and stressed conditions, taking into account any changes to accounting elements (balances and profitability) and the risk profile.

Capital stress tests, pre and post identified management actions, are used to assess the resilience of the Company to adverse systemic and idiosyncratic shocks. Capital stress tests are identified within the legal entity taking into account the Company's business model, and forecasted economic environment.

4.1 Board of Directors

The main duty and responsibility of the Board is to approve the strategy and supervise the management of the Company. Whilst acting autonomously and in accordance with its legal and regulatory requirements, the Board aligns the Company's strategy to that of its primary shareholder. The Board has overall responsibility for the establishment and maintenance of the Company's risk appetite framework and for the approval of the risk appetite statement. The Board must ensure that strategic and business plans are consistent with the approved risk appetite. The Board also has responsibility for:

- approval of the Company's risk management framework, risk appetite statement and risk tolerance limits; and
- ensuring maintenance of a sound system of internal control and risk management.

The Board meets at least quarterly and the directors who served during the year were:

Board member	Function at the Bank of New York Mellon (International) Limited	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with the Company (Y/N)
H Kablawi	Head of International and EMEA Chairman	Arab Bankers Association	United Kingdom	Financial services	N	Vice-Chairman	N
		Advisory Council for the Official Monetary and Financial Institutions Forum	United Kingdom	Central banking, economic policy and public investment	N	Deputy Chairman	N
K Damsell	Chief Executive Officer, Head of Legal Entity and Client Governance	Autumn End Management Company Limited	United Kingdom	Buying and selling of own real estate	N	Director	N
P Bergamaschi Broyd	Independent Non-Executive Director, Chair Depositary Advisory Counsel, Member of Audit and Risk Committees	Wells Fargo Securities International Limited	United Kingdom	Financial intermediation	N	Non-Executive Director	N
		Arrow Global Plc	United Kingdom	European Investor and Asset Manager	Y	Non-Executive Director	N
		ARCA Fondi SGR	Italy	Asset Manager	N	Non-Executive Director	N
		SAMTI Foundation (non-regulated)	Netherlands	Administer one single equity participation	N	Treasurer	N

Board member	Function at the Bank of New York Mellon (International) Limited	Name of the other company in which an external function is exercised	Location (country)	Type of activities	Listed company (Y/N)	External mandate (title)	Capital connection with the Company (Y/N)
K J Gregory	Independent Non-Executive Director, Chair Risk Committee, Member of Audit and Nomination Committees	Paradigm Norton Holdings Limited	United Kingdom	Activities auxiliary to financial intermediation not elsewhere classified	N	Director	N
		Paradigm Norton Financial Planning Limited	United Kingdom		N	Director	N
J Jack	Chief Financial Officer, International	St Giles Christian Mission (The)	United Kingdom	Activities of Religious Organisations	N	Director	N
J M Johnston	External Non-Executive Director, Chair Nomination Committee						
S O'Connor	Independent Non-Executive Director, Chair Audit Committee, Member of Risk and Nomination Committees	Scottish Widows Group	United Kingdom	Insurance (life and non-life) and financial services	N	Non-Executive Director	N
		Scottish Widows Financial Services Holdings			N		
		Scottish Widows Limited			N		
		Scottish Widows Unit Trust Managers Limited			N		
		Scottish Widows Administration Services (Nominees) Limited			N		
		Scottish Widows Administration Services Limited			N		
		HBOS Investment Fund Managers Limited			N		
		St Andrews Insurance PLC			Y		
		Lloyds Bank General Insurance Holdings Limited			N		
		Lloyds Bank General Insurance Limited			N		
		BUPA Insurance Services Limited	United Kingdom	Non-life insurance	Y	Non-Executive Director	N
		BUPA Insurance Limited					
		Chance to Shine Foundation Limited	United Kingdom	Charity	N	Non-Executive Director	N
		Sanne Group PLC	United Kingdom	Financial services	Y	Non-Executive Director	N
		Malaria No More	United Kingdom	Charity	N	Non-Executive Director	N

Note: J Wheatley resigned as a director on 14 December 2020.

The Company has established a Diversity Policy, which sets out its approach to promoting diversity on the Board.

The Company has an unwavering commitment to diversity and inclusion in all its forms, including diversity of thought, experience and background. This commitment is not only important to the Company's culture and to each director as individuals, it is also critical to the Company's ability to serve its clients and grow its business. A combination of demographics, skills, experience, race, age, gender, educational and professional background and other relevant personal attributes on the board provides a range of perspectives, insights and challenge needed to support good decision making.

Board appointments are based on an individual's skill, ability, experience, training, performance, and other valid role-related requirements.

The Nomination Committee (the 'Committee') is responsible for reviewing the structure, size and composition of the Board, including its skills, knowledge, experience, and diversity, and making recommendations to the Board with respect to any appointment. In identifying suitable candidates for a particular appointment, the Committee considers candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

The Company recognises the importance diversity plays in the effective governance of the Company. As at the date of this report, the Company Board met its target of 30% female representation. The Committee will continue to review all relevant diversity targets on a regular basis.

4.2 Risk governance

A formal governance hierarchy is in place to ensure effective escalation of issues through the regional and global structure. The main governing body of the Company is the Board. The Board meets on a quarterly basis, and receives reports from its Audit and Risk Committees on Risk Management, Compliance and Internal Audit, to assist the Board in evaluating the effectiveness of the existing control environment.

The Board delegates certain responsibilities to a number of dedicated committees as follows:

- The Bank of New York Mellon (International) Limited Risk Committee of the Board ('RCoB');
- The Bank of New York Mellon (International) Limited Audit Committee ('AC')
- The Bank of New York Mellon (International) Limited Executive Committee ('ExCo');
- The Bank of New York Mellon (International) Limited Nomination Committee ('NomCo');
- The Bank of New York Mellon (International) Limited Depositary Advisory Council ('DAC').
- The Bank of New York Mellon (International) Limited Risk Management Committee ('RMC');
- The Bank of New York Mellon (International) Limited Capital and Stress Testing Committee ('CSTC');
- The EMEA Treasury Risk Committee ('TRC');
- Client Asset Sourcebook ('CASS') Governance Body ('CGB');
- CASS Operational Oversight Committee ('COOC');

Further detail on the key Committees for BNYMIL's Risk Management are listed below:

The RCoB was established to assist the Board in fulfilling its oversight responsibilities concerning the Risk Appetite and Risk Management of the Company, as well as compliance with legal and regulatory requirements and controls to prevent, deter and detect fraud. The RCoB meets four times a year and is chaired by an Independent Non-Executive Director ('INED').

The AC was established to assist the Board in fulfilling its oversight responsibilities in respect of the Company's financial reporting process; its compliance with legal and regulatory requirements; the efficiency of the internal controls and risk management systems; the performance of the internal audit function; and the statutory auditor's qualifications, independence, provision of additional services and performance. The AC is chaired by an INED.

The ExCo is responsible for the executive management of the Company, responsibilities include, but are not limited to:

- the day-to-day execution of the Company's business strategy, performance and governance within the strategy as approved by the Board;
- overseeing culture in the day to day management of the Company; and
- review of corporate initiatives including strategic initiatives, financial performance, new business initiatives, policy changes, controls and organisational development. The ExCo has responsibility across all lines of business conducted by or impacting the Company. The ExCo is chaired by the Chief Executive Officer ('CEO').

The RMC has delegated authority from the RCoB to oversee the management of risk on a day-to-day basis. The RMC meets at least ten times per year and is chaired by the Deputy Chair of the ExCo. The UK Legal Entity Risk Officer ('UK LERO') is the Deputy Chair.

The RMC delegates the review, challenge, oversight and approval of changes in limits, policies, calculation methods, model assumptions, model output and model validation results related to the management of Liquidity Risk, Interest Rate Risk in the Banking Book ('IRRBB') and related Capital to the EMEA Treasury Risk Committee ('TRC'). The purpose of the EMEA TRC is to review, assess and approve results and changes to the methodology and assumptions, including but not limited to internal liquidity stress testing and IRRBB metrics, used in activities related to Asset and Liability and Balance Sheet Management. The EMEA TRC is chaired by the EMEA Head of Liquidity Risk.

The CGB provides oversight of the organisational arrangements in place within the Company to comply with the FCA’s Client Assets ('CASS') requirements.

The COOC assists the senior manager performing the CASS Operational Oversight Function to ensure that the appropriate client assets and client money protections are actively being achieved in the Company during the course of its business.

The CSTC has delegated authority from the RCoB to ensure sufficient capital is held in the Company to offset material risk exposures and to ensure adequate governance of the Company's Internal Capital Adequacy Assessment Process ('ICAAP'). The CSTC is responsible for reviewing the capital requirements, risk model methodologies and stress testing in accordance with the relevant capital and stress testing policies. The CSTC and the ExCo are both chaired by the Chief Executive Officer ('CEO').

4.2.1 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 and Control Committee ('ESRCC') - The purpose of the Europe, Middle East and Africa ('EMEA') Senior Risk and Control Committee is to provide regional risk management oversight and act as a point of convergence for the co-ordination, transparency and communication of material pan-EMEA issues (live or emerging) within the region. The Committee escalates to:

- Senior Risk and Control Committee ('SRCC').

with a number of committees reporting to it:

- EMEA Asset Liability Committee ('EALCO');
- EMEA Anti-Money Laundering Oversight Committee ('EAMLOC');
- EMEA European Portfolio Committee ('EPC'); and
- EMEA Resilience and Resolvability Steering Committee ('ERRSC').

The Committee is empowered under authority delegated by the BNY Mellon SRCC but subject to constraints of both corporate policy and legislation and regulation as appropriate.

4.2.2 Business Unit Risk Governance

In addition to the entity specific and regional governance bodies, the business conducted through the Company is also subject to oversight by the following key committees:

Business Acceptance Committees ('BACs')

The BACs are responsible for and authorised to evaluate, accept and reject standard and non-standard business events. The committees review all business events for the level and type of risk and approve based on risk appetite. BACs are also responsible to review off-boarding events.

The Company utilises the:

- EMEA Asset Servicing Business Acceptance Committee;
- Corporate Trust Business Acceptance Committee; and
- Markets Business Acceptance Committee.

Business Risk Committees ('BRCs')

The BRCs provide a forum to regularly review and assess risk and control issues observed from existing business practices or activities, or arising from new business practices or activities in the LoBs and supporting operations to assist business management and corporate staff in managing and monitoring risk and control issues.

Issues identified for escalation by the BRC are to be elevated, as appropriate, to the ORC, Technology and Information Risk Committee, SRC, Entity Governance Committee, Legal Entity Risk Management Committees, SRCC, or other Senior Management Committees.

The Company utilises the:

- EMEA Asset Servicing Business Risk Committee;
- EMEA Corporate Trust Business Risk Committee; and
- Markets Business Risk Committee.

Product Approval and Review Committee ('PARC')

The PARC is the Management Committee responsible for reviewing and approving proposals to introduce new and modify or retire existing Products. The PARC is BNYM’s primary Product Governance body and executes the specific responsibilities outlined in the Products Governance Policy.

The PARC escalates directly to the Senior Risk and Control Committee ('SRCC'). The PARC, may at times, be presented with proposals that could introduce BNYM to significant or systemic risks or deviate materially from BNY Mellon's ('the Firm’) strategic plan or risk appetite. The PARC Chair shall, in consultation with PARC members, and the Policy, identify such proposals and escalate them to the SRCC for further consideration prior to the PARC issuing an approval decision.

4.3 Risk management framework

In line with global policy, the Company has adopted the ‘Three Lines of Defense’ model in deploying its risk management framework. The first line of defense ('1LOD') is the business or, in some cases, Corporate Function level. The business takes and owns the risk associated with activities, and it manages the risks and related control processes and procedures. The Risk Management and Compliance functions are the second line of defense ('2LOD') and own the enterprise-wide risk management framework and provide independent oversight of the 1LOD, ensuring that policies are adhered to and risk management practices are challenged. The third line of defense ('3LOD') is Internal Audit, which independently provides the Company Board and senior management with the assurance that the governance structures, risk management and internal controls in place are effective.

BNY Mellon Risk and Compliance policies, guidelines and frameworks provide the structure to enable the Company to appropriately manage risk identification, internal controls, monitoring, reporting and escalation. The Company is supported and challenged by specialist 2nd line functional risk teams (e.g. market, credit, liquidity, operational) and line of business risk teams.

Three Lines of Defense

The Company has adopted a 'Three Lines of Defense model' as a simple and effective way to enhance risk management by clarifying essential roles and responsibilities. The Three Lines of Defense can be summarized as follows:

1. **The First Line of Defense** - Lines of Business ('LoB') and Legal Entites that provide products or services to meet the Firm's business needs and those of its customers. It also includes the associated Corporate Functions (excluding Audit, Risk & Compliance) that support the LoBs. The First Line of Defense owns the risk of their respective area of responsibility.
2. **The Second Line of Defense** - The Risk & Compliance function, responsible for establishing policies, expectations and guidance for managing risk at BNY Mellon while also independently monitoring, reviewing and challenging the First Line.
3. **The Third Line of Defense** - The Internal Audit function, an independent, objective assurance function that reports directly to the Audit Committee of the Firm's Board.

4.4 Enterprise risk framework

As a global and diverse financial institution, risk is fundamentally inherent in the Firm's business model. The Firm operates under one Enterprise Risk Framework ('ERF'), the foundation of our risk management approach that establishes common risk management practices which can be clearly understood and consistently applied across the Firm.

ERF promotes the Firm's goals of long-term resiliency, safety and soundness to withstand the impact of financial market and other stresses and to maintain compliance with laws and regulations.

The four key elements of the ERF are as follows:

- **Holistic Risk Management Principles** - promotes a strong risk culture, clear risk ownership, consistent and complete risk challenge;
- **Enterprise Risk Framework** - drives effective management of risks corresponding to the execution of the business strategy and the Firm's day-to-day operations;
- **Risk Reporting Standards** - delivers a consistent and aggregated measurement and monitoring of risk that help with decision making;
- **Continuous Improvement** - for monitoring the effectiveness of ERF.

Providing a transparent and consistent approach to risk management is a core component of ensuring an appropriate risk culture within the Firm where all individuals recognize the role they are expected to play in ensuring the safety and soundness of the operation and ensuring that risk is considered in all aspects of what BNY Mellon does and the decisions made.

The ERF is established to effectively manage risks corresponding to the execution of the business strategy and the Firm's day-to-day operations.

This framework is grounded on the risk management principles outlined below:

- Identify, assess and document current and emerging risks;
- Establish, implement and maintain an internal control environment;
- Establish risk appetite and manage risk according to risk appetite;
- Embed risk considerations into decisions and actions.

These are illustrated as follows:

In order to promote consistency in the identification and aggregation of risks across the Firm, the common risk taxonomy, which is a comprehensive list of risk categories, is used:

- Operational Risk
- Market Risk
- Credit Risk
- Liquidity Risk
- Model Risk
- Reputational Risk

The Company supplements the corporate taxonomy with the addition of Restitution Risk.

4.4.1 Risk appetite statement (RAS)

The Company'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 within its resource capacity. The statement applies to all subsidiaries and is reviewed at least annually or when the Company's risk profile changes.

The Company uses a variety of metrics to measure and monitor its risk-taking activities relative to its risk appetite. In addition, the legal entity High Level Assessment is also utilised to determine if the entity is outside of its qualitative appetite. The entity risk profile and risk appetite metrics are actively monitored and managed through the monthly RMC to manage the entity within its risk appetite.

The Company defines Risk Appetite as the aggregate level of risk a legal entity is willing to assume after considering topics such as its strategic business objectives and business plan, the major risks facing the legal entity and its risk capacity. The Company has, in line with the Enterprise Risk policy for Risk Appetite, defined a Risk Appetite Statement which recognises the inherent nature of operational risk and the reliance on the ORMF to mitigate it.

4.4.2 High-level assessment (HLA)

Material risk identification for the Legal Entity ('LE') is performed through the LE High-level Assessment ('HLA') process. The LE HLA is a qualitative assessment performed separately for the LE and utilises the applicable business level HLA as a key input to the assessment. It is a consolidated review that analyses the risk profile of the entity, the quality of controls in place to mitigate risks and internal and external factors impacting the business. The HLA process is designed to ensure that the first line of defense within the entity, with oversight and challenge from Risk Management, formally identify, review and discuss the identified risks as appropriate. The HLA is broader includes a review and assessment of all Enterprise Risk categories. It enables current and emerging risks to be identified, discussed, addressed and elevated as appropriate.

4.5 Escalation of risks and issues

A robust framework exists for monitoring and escalation of issues and risks within each Line of Business and Legal Entity, including:

- 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 and legal entity that conform to the principles and guidelines established by Risk;
- designing a limit hierarchy and governance guidelines to manage both financial and non-financial risks. This incorporates risk appetite limits as well as key risk indicators and early warning indicators;
- establishment of key frameworks to govern our financial risks including specific governance committees, policies and stress testing;
- elevating, reporting and investigating operating errors, losses and near misses, identifying 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 the Company 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.; and
- 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.

4.6 Capital stress testing

Capital stress testing is undertaken within the Company to quantify risk and capital requirements to determine whether sufficient capital resources are available on a forward-looking basis. The capital stress testing process reflects scenarios that incorporate a range of adverse circumstances of varying nature, severity and duration relevant to the Company's risk profile. The capital stress testing process considers management actions to minimize the stress impacts, and where appropriate, makes recommendations for capital actions.

4.7 Internal capital adequacy assessment process

An Internal Capital Adequacy Assessment Process ('ICAAP') document is produced at least annually for the Company on a consolidated basis, including its subsidiaries. The process and document is owned by the Company Board. The purpose of the ICAAP is to:

- Provide on-going assessment and monitoring of the Company's capital risks such that they remain within the risk appetite established by the Board;
- Determine how much capital is likely to be necessary to support those risks at the moment the assessment is made and also over the firm's three-year planning horizon, both under baseline and stressed conditions; and
- Provide the necessary information so that senior management and the Board can make decisions about the amount of capital that is required and the approach to risk management that should be adopted.

The ICAAP process aids to ensure there is sufficient capital to adhere to Board defined risk appetite for both internally defined and regulatory capital requirements under Business as Usual and stressed conditions.

4.8 Recovery and resolution planning

The Company updates its recovery plan annually, in accordance with regulatory guidance. The recovery plan is designed to ensure that the Company group has credible and executable options to meet the challenges that may arise from potential future financial and/or operational crises. The Company also submits its resolution information to the regulator every two years, as prescribed by supervisory policy.

4.9 Climate change risk

The Company is committed to understanding and mitigating the financial risks resulting from climate change, and is actively enhancing its focus on managing these risks. This disclosure describes the current status of the Company's approach, using the framework as recommended in the June 2017 Task Force on Climate-related Financial Disclosures (TCFD) publication, "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures".

Governance

The Company's Board has assigned Senior Management Function (SMF) responsibility for managing the financial risks from climate change to the Company's Chief Executive Officer, who has overall responsibility for the Company's strategy and delivering against the Prudential Regulation Authority's ("PRA") expectations within its Supervisory Statement (SS3/19) "Enhancing banks' and insurers' approaches to managing the financial risks from climate change", through:

- embedding consideration of the financial risks from climate change in the governance arrangements;
- incorporating the financial risks from climate change into existing financial risk management practice;
- using scenario analysis to inform strategy setting and risk assessment and identification; and
- developing an approach to public disclosure on the financial risks from climate change.

The Company's ExCo has established a Climate Change Working Group, comprising a broad cross-section of first and second-line defense teams. The Climate Change Working Group has been tasked with developing the Company's plan to address financial risks and other climate change implications for the Company, leveraging existing governance structure, policies and procedures. Climate change considerations will be captured in the Company's annually-refreshed Strategy and Risk Appetite as well as more generally across the Risk Framework, which are subject to approval by the Board of Directors.

Strategy

The Company recognises that success in addressing the financial risks resulting from climate change must take into account the impact on its clients , vendors, existing and future employees, financial position and performance, and must also reflect its outsourced business model and status as a subsidiary of a global organisation. Ongoing engagement with the BNY Mellon Group Executive Committee (who have appointed executive co-sponsors for the oversight of Environmental, Social and Governance ('ESG') management across the company, including the impact of climate change) on the importance of climate change continues. The Company will work collaboratively with the broader BNY Mellon Group with a view to embedding the initiatives resulting from its plan into the Company's wider ongoing Enterprise ESG programme. As the understanding of the financial impact of climate change evolves, management actions are expected to evolve and to be reflected in the Company's documentation including its policies, procedures and public reporting.

Risk Management

BNY Mellon's existing risk management framework guides the structure, processes and tools necessary to identify, mitigate and manage climate related risks. Over time, as knowledge and understanding of climate change risks develops, the Company will incorporate these impacts into its analysis and oversight of all risk types, thereby embedding climate change as a risk driver within the BAU risk management environment.

Metrics and Targets

In its *Considering Climate at BNY Mellon* report, BNY Mellon outlines its environmental sustainability metrics and targets and the plan for reporting on other climate-related metrics. A full suite of metrics and targets for the Company have yet to be defined. However, the Company is seeking to further understand climate-related risks by first conducting a data collection and analysis exercise, to help inform future decision-making endeavours with respect to climate change..

Stress testing

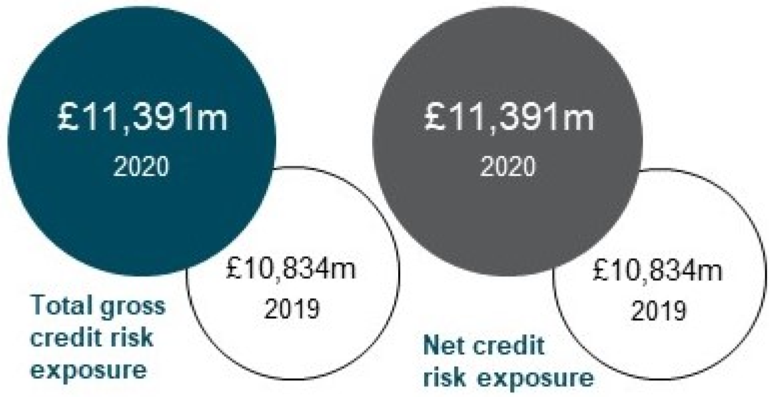
Climate change as a risk driver was considered in the Company's Internal Capital Adequacy Assessment Process (ICAAP). The inclusion of climate change as a risk driver in the stress testing scenarios supports BNY Mellon's risk identification, risk assessment, capital and financial planning and informs our business strategic planning processes.

The Company considered the impact of climate change on the capital profile by assessing financial stresses across various industries while maintaining static client and corporate behaviour. Climate change impact was also considered indirectly through the materialisation of operational risks, such as system outages caused by natural disasters in various locations. The full impact of climate change, however, requires a longer timeframe consideration than used in our current stress tests. Therefore, the Company is currently in the process of developing more comprehensive stress tests.

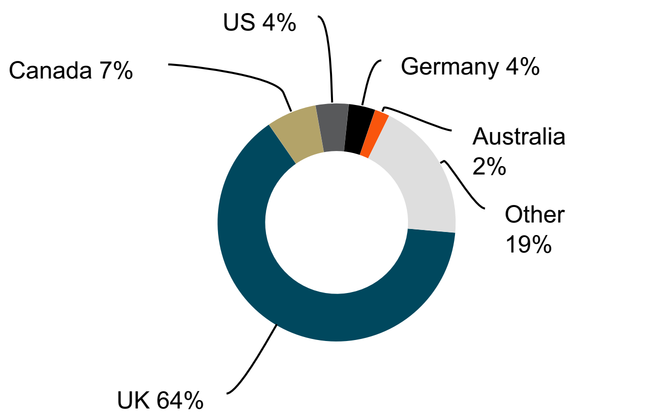
Using guidance provided by the PRA, the Company has performed initial sensitivity analysis exploring the financial impact on its fee income and additional capital requirement. Given the Company's existing operating model, its dependency on BNY Mellon and its client base, severe shocks to the global equity market were considered. Initial internal assessments concluded the Company's capital levels would continue to exceed regulatory and internal requirements given the assumed climate-related stresses.

Initial assessments continue to be enhanced to reflect the Company's client and business exposure. This future assessment will help BNY Mellon better understand the impact climate change would have on our business, as well as the impact our business could have on the climate.

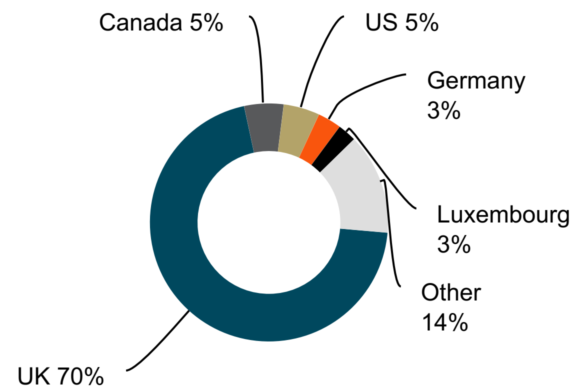
5 Article 442 CRR - Credit risk adjustments



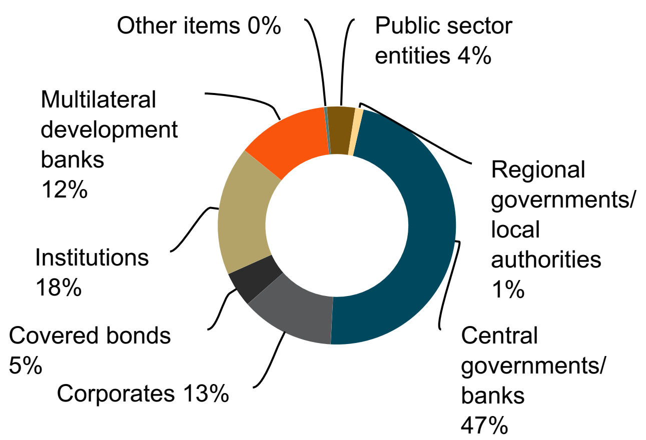
Standardised net credit exposure by geographical area at 31 December 2020



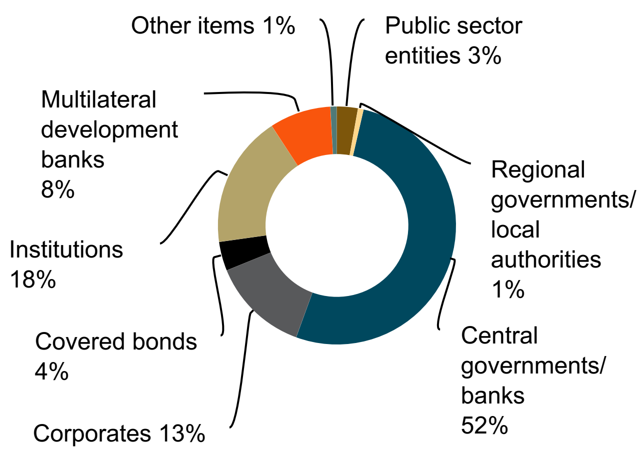
Standardised net credit exposure by geographical area at 31 December 2019



Standardised net credit exposure by counterparty type at 31 December 2020



Standardised net credit exposure by counterparty type at 31 December 2019



5.1 Definition and identification

Credit risk is the risk that an obligor/issuer is unable or unwilling to satisfy an obligation when it falls due. Credit risk can originate from on-balance sheet obligations such as deposits, loans, commitments, securities and other assets by failing to make the required repayments.

Understanding, identifying and managing credit risk is a central element of BNY Mellon's successful risk management approach. The Company's credit risk is managed in line with the BNY Mellon's Risk Appetite to minimise losses whilst identifying future potential risks. This section describes the effective management and governance of credit risks across the Company. The principles, methodologies, and processes outlined in this section relating to credit risk are reviewed and may be modified as part of the regular review of credit policy.

The Company has a liability-driven balance sheet and typically engages in the provision of custody services to its clients. The Company generates the following forms of credit exposure:

Client Lending:

Credit facilities are provided on an advised but uncommitted basis to some Investment Trusts.

Unadvised, uncommitted intraday and overnight internal guidance facilities may be provided in support of asset servicing operational activity (trade settlement, cash wire activity, FX trading, etc.) subject to client credit quality and contractual documentation.

Nostros:

Whilst the Company does maintain a small number of Direct Nostro accounts, it largely utilises the sub-custody networks of other banks within the BNYM group. It is noted that the Company does maintain substantial cash balances on its nostro account with the Bank of England. Nostro balances mainly occur as a result of underlying client custody activity (trade settlements, securities maturing, etc) which are dependent largely upon client activity rather than the Company's own Treasury function, with the exception of Corporate Treasury's management of the balances with the Bank of England.

Daylight/Intraday Credit Exposure:

Intraday credit exposure can be created from three sources:

- daylight (or intraday) limits that are authorised by Credit Risk Management to facilitate client activity for various businesses and products throughout BNY Mellon. These daylight limits permit straight through processing ('STP') of transactional activity and may generate intraday credit exposure up to the approved limit, with the expectation that the exposure will be cleared by the end of the same business day;
- intraday credit exposure is derived from timing differences arising from BNY Mellon operational processes and/or settlement activity that results in the extension of credit, which is expected to be extinguished within the business day when the payment and/or settlement activity is completed. For example, a counterparty's account may be credited based on the anticipated settlement of securities sales or make a payment on behalf of a counterparty in the morning and not receive covering funds until late in the afternoon; and
- additional intraday credit exposure can arise from the credit approval of a transaction for which no approved limit exists or the transaction exceeds the approved limits, if approved on an exceptional basis. The expectation that the exposure will be cleared by the end of the business day remains.

Any potential credit generated via these sources will be cleared by the end of the transaction value date in most cases as funding will have been received and in a minority of cases the exposure if not cleared will then become overnight credit exposure.

Cash Placements:

The Company deposits funds with, or purchases certificates of deposits issued by, other banks.

Securities:

The company maintains a securities portfolio that consists of high quality liquid assets (Sovereign & sub-Sovereign Debt, Supranational Debt and Covered Bonds).

5.2 Credit risk management framework

At the outset of a new agent bank, trading counterpart or customer relationship, a review is undertaken by the business in partnership with Credit Risk Management to determine the client's suitability for the products offered and the Company's Risk Appetite for the name. Once it is agreed that the relationship can be entered into and suitable credit limits made available to accommodate the activity, the client can be mandated and moved through the Business Acceptance Committee process for formal approval by all relevant parties. As the First Line of Defense, the business has primary responsibility to identify the nature and quantum of credit risk that may be incurred as a result of any business relationship. The Credit Risk Management function assists in that assessment as the Second Line of Defense.

Credit risk management is an outsourced service provided under Service Level Descriptions ('SLDs') to the various global BNY Mellon Legal Entities. Each Legal Entity Board will approve both an appropriate Risk Appetite Statement and a Legal Entity specific Credit Risk Policy which details the roles and responsibilities and levels of delegated authority for each type of activity.

5.3 Management of credit risk

Credit risk (including metrics, breaches, and output) is effectively managed 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 majority of the Nostro providers used are all major, well rated banks in their relevant countries;
- for custody clients, limits are calculated as a percentage of AUC. Most clients have, within their Global Custody Agreement ('GCA'), provided the bank with a contractual right of set-off across currency accounts, a custodial lien on the assets held with right of retention and sale if debts are not repaid;
- for legal reasons certain clients may not be able to provide a lien on their assets, or there may be some other inability to encumber the asset pool which may be held ultimately for the benefit of other parties (e.g. insurance companies, etc.). However, these clients are usually also highly rated financial institutions. Therefore, the risk is mitigated by their high credit quality;
- in some instances, the provision of an overdraft to a client could result in a large exposure breach. To mitigate this risk, a Risk Participation Agreement is in place with The Bank of New York Mellon, whereby excess exposure can be legally transferred to the larger bank and thereby removed from the Company balance sheet. This arrangement is fully collateralised where necessary, to offset the intragroup large exposure risk;
- Master Netting Agreements are in place to cover intragroup exposure to BNY Mellon SA/NV and London Branch of the Bank of New York Mellon; and
- placement activity with third party banks is subject to credit approval and is only permitted after careful consideration of the quality of the counterparty bank, large exposure issues and exposure elsewhere within the BNY Mellon enterprise. Relationships with, and limits for, all banks are managed globally by BNY Mellon. The Company counterparty bank limits are managed as a subset within the overall limits approved by the parent.

Metrics supporting the management of credit risk are reviewed and reported to the Company's senior management on a monthly basis.

5.4 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 ('GSP') system for securities settlement activity and the International Money Management System ('IMMS'), which is the bank's proprietary Demand Deposit Account platform.

Post-event monitoring is conducted by the Client Service area, with secondary oversight from the Credit Risk Management function.

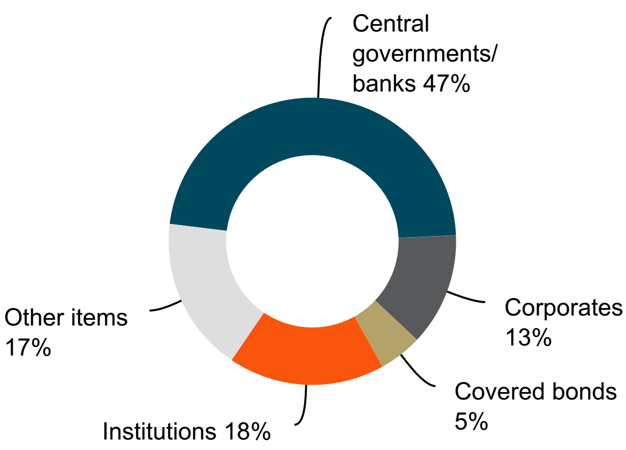
5.5 Governance

Governance of credit risk oversight as a Second Line of Defense function is described and controlled through Credit Risk Policy and day-to-day procedures as follows:

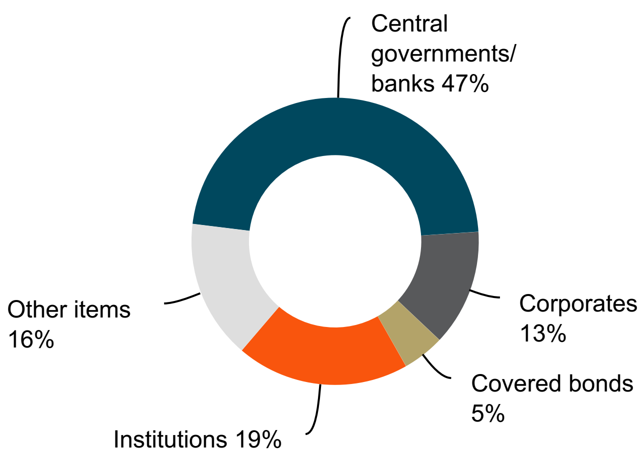
- The Credit Risk Policy for each legal entity describes the outsourcing of credit risk tasks, defines roles and responsibilities and requires reporting to be carried out to each business line and entity that the policy applies to. Any deviation from approved policy requires either senior business or senior legal entity approval depending on the type of event;
- approvals for excesses are controlled using a matrix of credit risk approval authorities held within the Credit Risk Policy - each Credit Risk Officer has their own individual delegated approval authority granted by the Chief Credit Officer. He/she must act within those limits when making approvals. If an excess is beyond the Officer's approval limit, it is escalated to a more senior officer as per the applicable Credit Risk Policy. The outsourcing of credit responsibility to Credit Risk Management is through the Board approved Credit Risk Policy; and
- overdraft monitoring conducted within each legal entity - significant overdrafts are escalated in line with the Company's risk appetite. All significant overdrafts and exposures are recorded and form part of the credit risk management information produced on a monthly basis for various management committees.

5.6 Analysis of credit risk

Total net exposures at 31 December 2020



Average net exposures over 2020



The Company's minimum credit risk capital requirement is calculated using the standardised approach and is expressed as 8% of risk-weighted exposures. Where available, issuer ratings from External Credit Assessment Institutions ('ECAI') are used in the determination of the relevant risk-weighting across all exposure classes. Where ECAI ratings differ, the more conservative rating is applied.

A breakdown of the Company's credit risk exposures as at 31 December 2020 is provided below.

The definitions below are used in the following tables:

- **Exposure at Default ('EAD')** is defined as the amount expected to be outstanding, after any credit risk mitigation, if and when a 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 FRS 101 accounting balance sheet carrying values;
- **Exposures in Default (past due) -** The Company has a low level of exposures in default which are defined as accounts receivable balances in excess of agreed limits for more than 90 days. This definition only applies to regulatory computations and is disclosed under exposure class, exposures in default. In the case of the Company this carries no impairment;
- **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;
- **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 country location of the counterparty; and
- **residual maturity** is defined as the period outstanding from the reporting date to the maturity or end date of an exposure.

Table 8:EU CRB-B - Total and average net amount of exposures

The following tables show the total and average credit risk exposure pre conversion factors by class for the Company (Consolidated) using the standardised approach.

At 31 December 2020 (£m)	Net value at the end of the period	Average net value over the period
Central governments/ banks	5,381	5,432
Corporates	1,441	1,515
Covered bonds	548	547
Institutions	2,002	2,275
Multilateral development banks	1,411	1,292
Other items	44	55
Public sector entities	436	433
Exposures in default	—	—
Regional governments/local authorities	128	32
Total	**11,391**	**11,581**

Table 9:EU CRB-C - Geographical breakdown of exposures

This table shows the Company (Consolidated) credit risk exposure pre conversion factors by (top five) geographical area.

At 31 December 2020 (£m)	UK	Canada	US	Germany	Australia	Other	Total
Central governments/ banks	5,381	—	—	—	—	—	**5,381**
Corporates	1,441	—	—	—	—	—	**1,441**
Covered bonds	424	—	—	124	—	—	**548**
Institutions	7	547	512	—	230	706	**2,002**
Multilateral development banks	—	—	—	—	—	1,411	**1,411**
Other items	34	—	1	—	—	9	**44**
Public sector entities	—	180	—	206	—	50	**436**
Regional governments/ local authorities	—	46	—	82	—	—	**128**
Total	**7,287**	**773**	**513**	**412**	**230**	**2,176**	**11,391**

Table 10:EU CRB-D - Concentration of exposures by counterparty types

This table shows the Company (Consolidated) credit risk exposure pre conversion factors classified by class and by counterparty type.

At 31 December 2020 (£m)	General governments	Credit institutions	Other financial corporations	Various balance sheet items	Total
Central governments/banks	5,381	—	—	—	**5,381**
Corporates	—	—	1,441	—	**1,441**
Covered bonds	—	548	—	—	**548**
Institutions	—	2,002	—	—	**2,002**
Multilateral development banks	—	1,411	—	—	**1,411**
Other items	—	—	—	44	**44**
Public sector entities	436	—	—	—	**436**
Exposures in default	—	—	—	—	**—**
Regional governments/local authorities	128	—	—	—	**128**
Total	**5,945**	**3,961**	**1,441**	**44**	**11,391**

Table 11:EU CRB-E - Maturity of exposures

This table shows the Company (Consolidated) **on-balance sheet** credit risk exposure pre conversion factors classified by exposure class and residual maturity.

At 31 December 2020 (£m)	On demand	Less than 1 year	Less than 5 years	More then 5 years	No stated maturity	Total
Central governments/banks	27	50	46	50	5,208	**5,381**
Corporates	1,261	—	—	—	72	**1,333**
Covered bonds	—	58	467	23	—	**548**
Institutions	163	458	864	—	517	**2,002**
Multilateral development banks	—	87	1,201	123	—	**1,411**

At 31 December 2020 (£m)	On demand	Less than 1 year	Less than 5 years	More then 5 years	No stated maturity	Total
Other items	44	—	—	—	—	**44**
Public sector entities	—	77	359	—	—	**436**
Regional governments/local authorities	—	82	46	—	—	**128**
Total	**1,495**	**812**	**2,983**	**196**	**5,797**	**11,283**

5.7 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 retrieval of cash where there is no realistic potential for recovery.

The following tables provide an analysis of past due and impaired exposures using the following definitions:

- **past due** exposure is when a counterparty has failed to make a payment when contractually due; and
- **impaired exposure** is when the entity does not expect to collect all the contractual cash flows when they are due.

As at 31 December 2020, the Company 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. The Company did not incur any material write-offs of bad debts or make any recovery of amounts previously written off during the year.

Table 12:EU CR1-A - Credit quality of exposures by exposure class and instrument

This table provides a comprehensive picture of the Company (Consolidated) credit quality of on- and off-balance sheet exposures.

	Exposures		Credit risk adjustments				
At 31 December 2020 (£m)	Defaulted	Non-defaulted	Specific	General	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Central governments/banks	—	5,381	—	—	—	—	5,381
Corporates	—	1,441	—	—	—	—	1,441
Covered bonds	—	548	—	—	—	—	548
Institutions	—	2,002	—	—	—	—	2,002
Multilateral development banks	—	1,411	—	—	—	—	1,411
Other items	—	44	—	—	—	—	44
Public sector entities	—	436	—	—	—	—	436
Regional governments/local authorities	—	128	—	—	—	—	128
Total	**—**	**11,391**	**—**	**—**	**—**	**—**	**11,391**

At 31 December 2019 (£m)	Exposures: Defaulted	Exposures: Non-defaulted	Credit risk adjustments: Specific	Credit risk adjustments: General	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Central governments/banks	—	5,629	—	—	—	—	5,629
Corporates	—	1,439	—	—	—	—	1,439
Covered bonds	—	428	—	—	—	—	428
Institutions	—	1,948	—	—	—	—	1,948
Multilateral development banks	—	904	—	—	—	—	904
Other items	—	93	—	—	—	—	93
Public sector entities	—	310	—	—	—	—	310
Regional governments or local authorities	—	83	—	—	—	—	83
Total	**—**	**10,834**	**—**	**—**	**—**	**—**	**10,834**

Table 13:EU CR1-B - Credit quality of exposures by industry

This table shows the credit quality of the Company (Consolidated) on- and off-balance sheet credit risk exposures by industry type.

Industry type at 31 December 2020 (£m)	Exposures: Defaulted	Exposures: Non-defaulted	Credit risk adjustments: Specific	Credit risk adjustments: General	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Financial and insurance activities	—	7,568	—	—	—	—	7,568
Other services	—	3,823	—	—	—	—	3,823
Total	**—**	**11,391**	**—**	**—**	**—**	**—**	**11,391**
Of which: On-balance sheet exposures	—	11,283	—	—	—	—	11,283
Of which: Off-balance sheet exposures	—	108	—	—	—	—	108
Total	**—**	**11,391**	**—**	**—**	**—**	**—**	**11,391**

Industry type at 31 December 2019 (£m)	Exposures: Defaulted	Exposures: Non-defaulted	Credit risk adjustments: Specific	Credit risk adjustments: General	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Financial and insurance activities	—	7,035	—	—	—	—	7,035
Other services	—	3,799	—	—	—	—	3,799
Total	**—**	**10,834**	**—**	**—**	**—**	**—**	**10,834**
Of which: On-balance sheet exposures	—	10,675	—	—	—	—	10,675
Of which: Off-balance sheet exposures	—	159	—	—	—	—	159
Total	**—**	**10,834**	**—**	**—**	**—**	**—**	**10,834**

Table 14:EU CR1-C - Credit quality of exposures by geography

This table shows an analysis of the Company (Consolidated) credit risk exposures past due, impaired and allowances by (top five) country using the IFRS methodology.

Counterparty type at 31 December 2020 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
UK	—	7,287	—	—	—	—	7,287
Canada	—	773	—	—	—	—	773
US	—	513	—	—	—	—	513
Germany	—	412	—	—	—	—	412
Australia	—	230	—	—	—	—	230
Other	—	2,176	—	—	—	—	2,176
Total	**—**	**11,391**	**—**	**—**	**—**	**—**	**11,391**

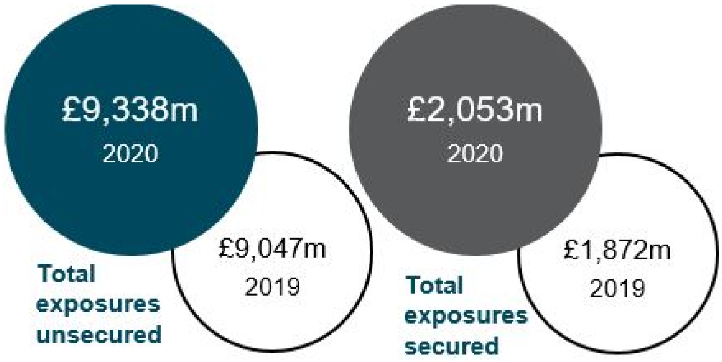
Counterparty type at 31 December 2019 (£m)	Exposures		Credit risk adjustments		Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted	Non-defaulted	Specific	General			
UK	—	7,613	—	—	—	—	7,613
Canada	—	579	—	—	—	—	579
US	—	531	—	—	—	—	531
Germany	—	349	—	—	—	—	349
Luxembourg	—	276	—	—	—	—	276
Other	—	1,486	—	—	—	—	1,486
Total	**—**	**10,834**	**—**	**—**	**—**	**—**	**10,834**

Non-performing and forborne exposures: The Company did not incur any material non-performing or forborne exposures during the year to 31 December 2020.

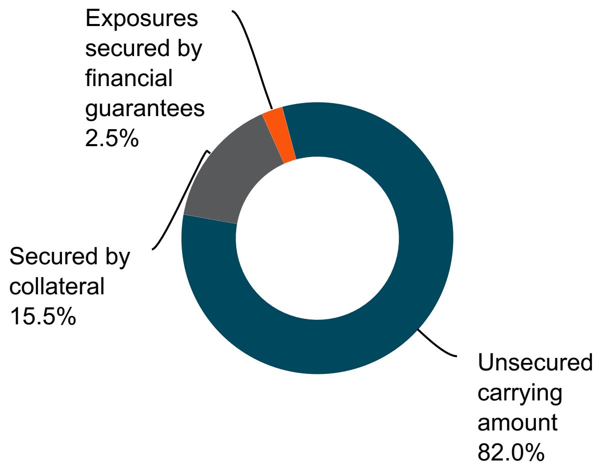
Changes in the stock of general and specific credit risk adjustments: The Company did not incur any material impaired exposures during the year to 31 December 2020 and, therefore, no general or specific credit risk adjustments were noted.

Changes in the stock of defaulted and impaired loans and debt securities: The Company did not incur any defaulted loans or debt securities during the year to 31 December 2020.

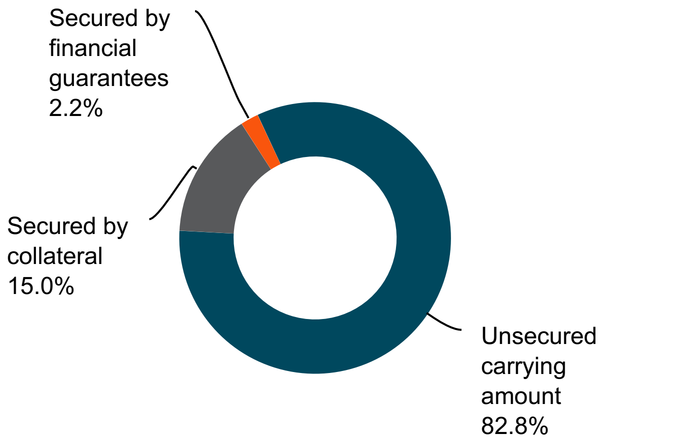
6 Article 453 CRR - Credit risk mitigation



Credit risk mitigation at 31 December 2020



Credit risk mitigation at 31 December 2019



The Company manages credit risk through a variety of credit risk mitigation strategies including collateral and master netting agreements and netting arrangements.

6.1 Netting

The Company facilitates customer settlement activity which gives rise to receivables and payables across multiple accounts. On-balance sheet netting agreements have a similar effect to a ‘cash-pooling’ arrangement, insofar as the amounts due from customers can be recorded on a net basis across accounts.

The Company also has master netting agreements ('MNAs') with other BNY Mellon entities that allow it to net intercompany balances on a single currency basis. The agreements meet the requirements of the CRR for credit risk mitigation purposes.

International Swaps and Derivatives Association ('ISDA') Master Agreements and netting can be 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. However, the company had limited derivative positions as at 31 December 2020 and did make use of ISDA master netting agreements.

The above arrangements provide for the ongoing ability for the Company to net credit exposure against liabilities it has to customers for the purposes of risk reduction and balance sheet management. This is separate from the ability to offset credit against client cash and other assets in the event of default or where client contracts are terminated. Such provisions are standard in client documentation and very few exceptions are granted, especially where it comes to offsetting of cash balances.

6.2 Collateral valuation and management

Currently the company only receives collateral from other BNY Mellon entities as part of the group's liquidity management strategy. However, there are 'pledge' or 'lien' arrangements in place with some customers such that their assets under custody serve to support any credit exposures arising from loans granted to the customer.

6.3 Wrong-way risk

The Company 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.

6.4 Credit concentration risk

Ongoing assessments of credit concentration risk are performed as part of the Pillar 2 risk assessment process.

Credit concentration risk within the Company originates mostly through the Company's banking activities. The Company has an appetite to place funds only with institutions having an internal rating of 10 or better (equivalent to Moody's/S&P external rating of Baa3/BBB- respectively). Whilst this approach undoubtedly constrains the number of eligible placement counterparties as well as the deposit spread, it also ensures that exposures are well controlled and with a lower probability of default.

In addition, to ensure compliance with the Large Exposures and Shadow Banking Regime, Credit risk limits placements to individual banks to EUR 150 million or to connected groups and shadow banking entities to a maximum of 25% of regulatory capital, in line with CRR requirements.

Table 15:EU CR3 - Credit risk mitigation techniques - overview

This table shows the extent of credit risk mitigation techniques of all exposures utilised by the Company (Consolidated).

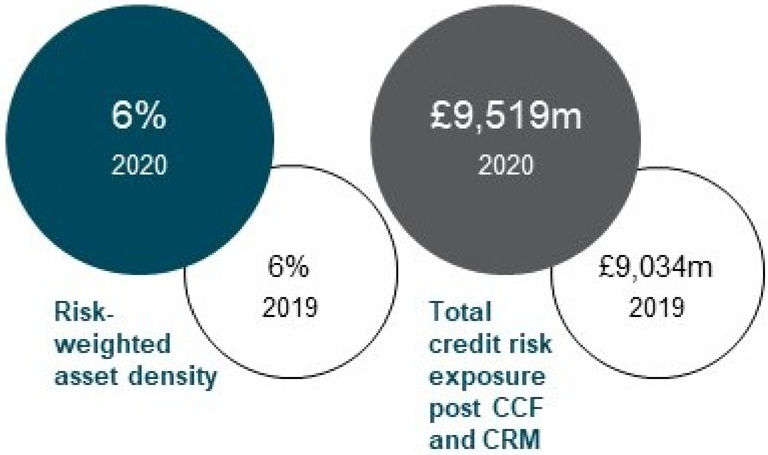
At 31 December 2020 (£m)	Exposures unsecured - carrying amount	Exposures secured - carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
Total loans and debt securities	9,338	2,053	1,767	286	—
Total exposures	**9,338**	**2,053**	**1,767**	**286**	**—**
Of which defaulted	—	—	—	—	—

Note: Total loans and debt securities includes on- and off-balance sheets exposures pre CRM and CCF subject to credit and counterparty credit risk.

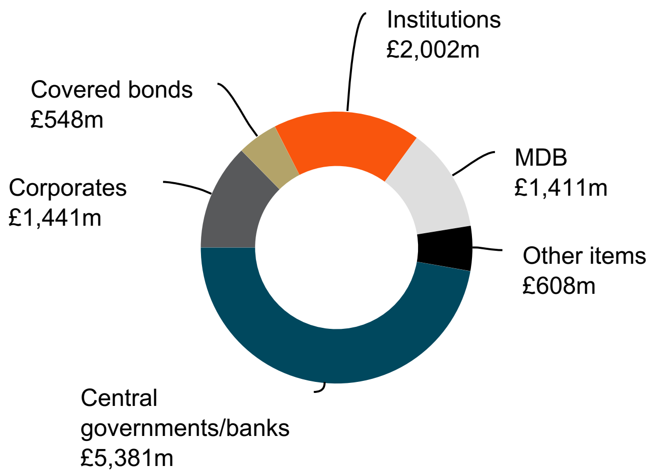
Financial and other eligible collateral can include cash, debt securities, equities or gold, and their values are taken into account for the purposes of calculating the risk-weighted exposure amount of the underlying exposure.

There are no exposures covered by credit derivatives at 31 December 2020. 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.

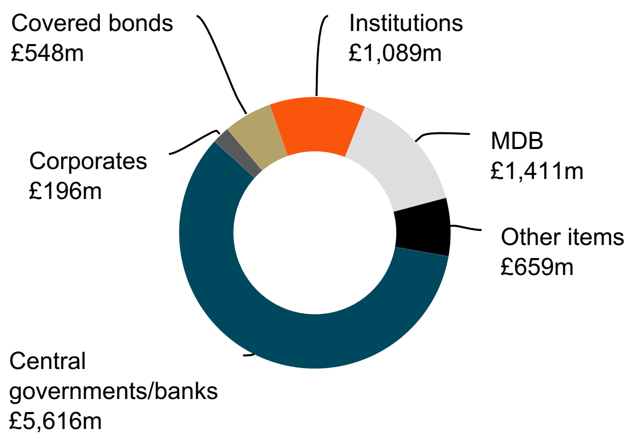
7 Article 444 CRR - External credit rating assessment institutions



Total exposures before CCF and CRM at 31 December 2020



Total exposures post CCF and CRM at 31 December 2020



MDB: Multilateral development banks

The standardised approach requires the Company to use risk assessments prepared by External Credit Rating Assessment Institutions ('ECAIs') to determine the risk-weightings applied to rated counterparties. The Company uses S&P Global Ratings and Moody's as its chosen ECAIs.

Table 16:Mapping of ECAIs credit assessments to credit quality steps

The Company uses Credit Quality Steps ('CQS') to calculate the RWAs associated with credit risk exposures. Each CQS maps to the ECAIs' credit assessments.

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

Credit quality steps	S&P Global Ratings	Moody's
1	AAA to AA-	Aaa to Aa3
2	A+ to A-	A1 to A3
3	BBB+ to BBB-	Baa1 to Baa3
4	BB-+ to BB-	Ba1 to Ba3
5	B+ to B-	B1 to B3
6	CCC+ and below	Caa1 and below

Table 17:Credit quality steps and risk-weights

ECAI risk assessments are used for each exposure class. 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 risk-weight of more than three months. This distinction is shown in the table below.

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

	Risk-weight by credit quality step					
Exposure class	CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6
Central governments/banks	0%	20%	50%	100 %	100%	150%
Institutions maturity <= 3 months	20%	20%	20%	50 %	50%	150%
Institutions maturity > 3 months	20%	50%	50%	100 %	100%	150%
Corporates	20%	50%	100%	100 %	150%	150%
Collective investment undertakings	20%	50%	100%	100 %	150%	150%
Unrated institutions	20%	50%	100%	100 %	100%	150%

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 18:EU CR4 - Credit risk exposure and credit risk mitigation ('CRM') effects

This table shows the effect of the standardised approach on the calculation of capital requirements for the Company (Consolidated) credit risk exposures. Risk-weighted exposure amount ('RWA') density provides a synthetic metric on the riskiness of each portfolio.

	Exposures before CCF and CRM		Exposures post CCF and CRM			
	balance sheet amount		balance sheet amount			
Exposure class at 31 December 2020 (£m)	On-	Off-	On-	Off-	RWA	RWA density
Central governments/banks	5,381	—	5,616	—	7	0 %
Corporates	1,333	108	196	—	196	100 %
Covered bonds	548	—	548	—	55	10 %
Institutions	2,002	—	1,089	—	218	20 %

Exposure class at 31 December 2020 (£m)	Exposures before CCF and CRM balance sheet amount On-	Exposures before CCF and CRM balance sheet amount Off-	Exposures post CCF and CRM balance sheet amount On-	Exposures post CCF and CRM balance sheet amount Off-	RWA	RWA density
Multilateral development banks	1,411	—	1,411	—	—	0 %
Other items	44	—	44	—	44	100 %
Public sector entities	436	—	487	—	18	4 %
Regional governments/local authorities	128	—	128	—	—	0 %
Exposures in default	—	—	—	—	—	0 %
Total	**11,283**	**108**	**9,519**	**—**	**538**	**6 %**

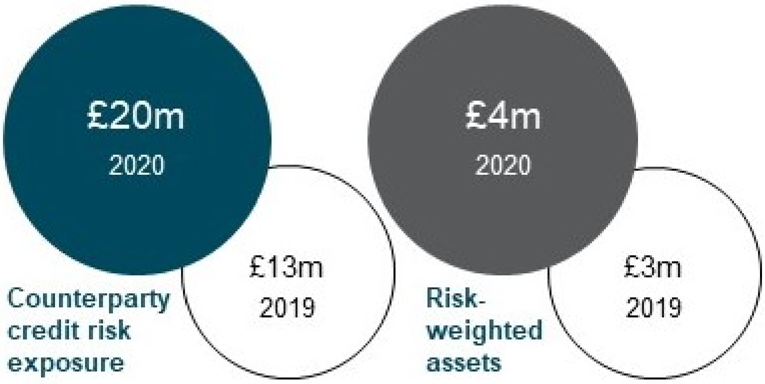
Table 19:EU CR5 - Credit risk exposure by risk weight post CCF and CRM

This table shows the breakdown of credit risk exposures for the Company (Consolidated) after the application of both conversion factors and risk mitigation techniques.

Exposure class at 31 December 2020 (£m)	0 %	10 %	20 %	50 %	100 %	150 %	250 %	Other	Total
Central governments/banks	5,582	—	34	—	—	—	—	—	5,616
Corporates	—	—	—	—	196	—	—	—	196
Covered bonds	—	548	—	—	—	—	—	—	548
Institutions	—	—	1,083	6	—	—	—	—	1,089
Multilateral development banks	1,411	—	—	—	—	—	—	—	1,411
Other items	—	—	—	—	44	—	—	—	44
Public sector entities	397	—	90	—	—	—	—	—	487
Regional governments/local authorities	128	—	—	—	—	—	—	—	128
Exposures in Default	—	—	—	—	—	—	—	—	—
Total	**7,518**	**548**	**1,207**	**6**	**240**	**—**	**—**	**—**	**9,519**

Exposure class at 31 December 2019 (£m)	0 %	10 %	20 %	50 %	100 %	150 %	250 %	Other	Total
Central governments/banks	5,786	—	25	—	—	—	—	—	5,811
Corporates	—	—	—	110	123	—	—	—	233
Covered bonds	—	428	—	—	—	—	—	—	428
Institutions	—	—	1,116	6	—	—	—	—	1,122
Multilateral development banks	904	—	—	—	—	—	—	—	904
Other items	—	—	—	—	71	—	22	—	93
Public sector entities	340	—	20	—	—	—	—	—	360
Regional governments/local authorities	83	—	—	—	—	—	—	—	83
Exposures in default	—	—	—	—	—	—	—	—	—
Total	**7,113**	**428**	**1,161**	**116**	**194**	**—**	**22**	**—**	**9,034**

8 Article 439 CRR - Exposure to counterparty credit risk



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

Table 20:EU CCR1 - Analysis of the counterparty credit risk ('CCR') exposure by approach

This table shows a comprehensive view of the methods used to calculate counterparty credit risk regulatory requirements and the main parameters used within each method for the Company (Consolidated).

Counterparty credit risk (£m)		
Derivatives - Mark to Market method	**31-Dec-20**	**31-Dec-19**
Gross positive fair value of contracts	—	—
Potential future credit exposure	20	13
Netting benefits	—	—
Net current credit exposure	20	13
Net derivatives credit exposure	**20**	**13**
Risk-weighted Assets	**4**	**3**
SFT - under financial collateral comprehensive method	**31-Dec-20**	**31-Dec-19**
Net current credit exposure	—	—
Net SFT credit exposure	—	—
Risk-weighted Assets	**—**	**—**
Counterparty credit risk exposure	**20**	**13**

Note: SFT (Securities Financing Transactions).

8.1 Credit valuation adjustment

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 21:EU CCR2 - Credit valuation adjustment capital charge

This table shows the Company (Consolidated) credit valuation adjustment using the standardised approach.

Portfolio at 31 December 2020 (£m)	Exposure value	RWA
All portfolios subject to the standardised method	20	4
Total subject to the CVA capital charge	**20**	**4**

Table 22:EU CCR3 - CCR exposures by regulatory portfolio and risk

This table shows the breakdown of the Company (Consolidated) counterparty credit risk exposures by exposure class and risk-weight attributed according to the standardised approach.

Exposure class at 31 December 2020 (£m)	0 %	20 %	50 %	100 %	150 %	Other	Total
Institutions	—	20	—	—	—	—	20
Total	**—**	**20**	**—**	**—**	**—**	**—**	**20**

Exposure class at 31 December 2019 (£m)	0 %	20 %	50 %	100 %	150 %	Other	Total
Institutions	—	13	—	—	—	—	13
Total	**—**	**13**	**—**	**—**	**—**	**—**	**13**

Table 23:EU CCR5-A - Impact of netting and collateral held on exposure values

This table provides an overview of the collateral held on counterparty credit risk exposures for the Company (Consolidated).

Financial security at 31 December 2020 (£m)	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
Derivatives	20	—	20	—	20
Total	**20**	**—**	**20**	**—**	**20**

9 Article 443 CRR - Asset encumbrance

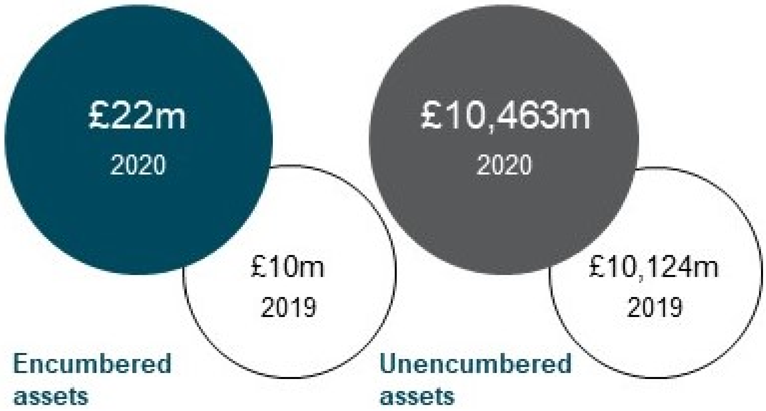


Table 24:AE-A - Encumbered assets

The carrying and fair value of encumbered assets by type, based on median values in 2020, are as follows:

Consolidated at 31 December 2020 (£m)	Encumbered assets				Unencumbered assets			
	Carrying amount	of which notionally eligible EHQLA and HQLA	Fair value	of which notionally eligible EHQLA and HQLA	Carrying amount	of which EHQLA and HQLA	Fair value	of which EHQLA and HQLA
Assets of the reporting institution	**22**	**—**			**10,463**	**1,700**		
Equity instruments	—	—			—	—		
Debt securities	**—**	**—**	**—**	**—**	**4,362**	**1,700**	**4,362**	**1,700**
of which: covered bonds	—	—	—	—	549	496	549	496
of which: issued by general governments	—	—	—	—	1,003	—	1,003	—
of which: issued by financial corporations	—	—	—	—	2,951	1,197	2,951	1,197
Other assets	**22**	**—**			**6,151**	**—**		
of which: loans on demand	22	—			5,688	—		
of which: loans and advances other than loans on demand	—	—			429	—		
Other assets	—	—			203	—		

Note: HQLA (High Quality Liquid Assets) / EHQLA (Extremely High Quality Liquid Assets).

Table 25:AE-B - Collateral

The reportable encumbered collateral received, or available for encumbrance, based on median values in 2020, are presented below:

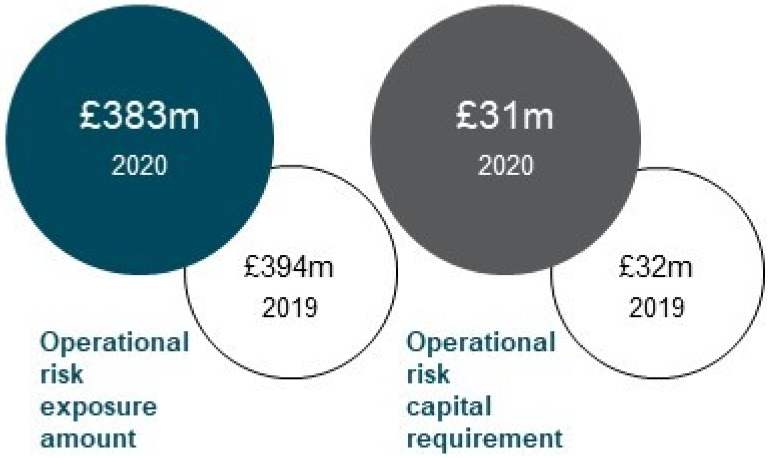
Consolidated at 31 December 2020 (£m)	Fair value of encumbered collateral received or own debt securities issued		Unencumbered: Fair value of collateral received or own debt securities issued available for encumbrance	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA
Total assets, collateral received and own debt securities issued	**22**	**—**	**—**	**—**

Encumbered assets for the Company relate to cash collateral placed on derivative swaps, and its 'cash ratio deposit' requirement to hold a minimum level of reserves at the Bank of England. This represents a relatively small proportion of the Company's total reserves held at the Bank of England.

Table 26:AE-C - Sources of encumbrance

At 31 December 2020 (£m)	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
Carrying amount of selected financial liabilities	15	3
Derivatives	15	3
of which: Over-The-Counter	15	3
Other sources of encumbrance	—	22
Other	—	22
Total sources of encumbrance	**15**	**22**

10 Article 446 CRR - Operational risk



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

Operational risk may arise from errors in transaction processing, breaches of internal control, systems and compliance requirements, internal or external fraud, damage to physical assets, and/or business disruption due to systems failures or other events. Operational risk can also arise from potential legal or regulatory actions as a consequence of non-compliance with regulatory requirements, prudent ethical standards or contractual obligations.

10.1 Operational risk management framework

BNY Mellon's Operational Risk Management Framework provides the processes and tools necessary to fulfil a strategy of managing operational risk through a culture of risk awareness, a clear governance structure and well-defined policies and procedures. The framework ensures appropriate reporting and monitoring to allow effective identification, management and mitigation of risks within appropriate forums and governance bodies. To support this activity, a number of risk management activities are prescribed through both the Enterprise and Operational Risk Management programmes.

The Company uses the Operational Risk Management Framework (‘ORMF’) to effectively identify, manage, mitigate (where possible), 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 Defense model as a foundation. Thus, responsibility for the management of operational risk sits first and foremost with the business and functions.

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 the Company’s Risk Management Committee ('RMC').

The tools utilised include but are not limited to:

Risk and Control Self Assessments ('RCSA')

Tool used by the Businesses and Select Corporate Staff Departments to identify risks associated with their key business processes and to complete a detailed risk and control self-assessment.

Operational Risk Events ('ORE')

An ORE is the materialization of an Operational Risk event. ORE data is the collection of internal losses, gains and near misses that provides meaningful information for assessing the Firm’s exposure to Operational Risk and the effectiveness of internal controls. Analysis of loss events provides insight into the root cause and information on whether a control weakness is isolated or potentially more systemic. Operational Risk Events ('OREs') are mapped to Basel II Operational Risk event categories and the impact to the Company is identified. Information on Operational Risk event losses or gains exceeding USD10,000 are analysed to understand root cause(s) and to identify improvements needed in order to reduce the recurrence and/or magnitude of future events. All OREs (over USD10,000) are reviewed for root cause and possible mitigating actions are reported to the RMC monthly.

Key Risk Indicators ('KRI')

Key risk metrics designed to monitor activities which could cause financial loss or reputational damage to the legal entity. Periodic and consistent monitoring of KRIs ensures that deviations from predetermined standards can be identified.

Note: The High-Level Assessment (HLA) & Risk Appetite Statement (RAS) are discussed under section 4.4 Enterprise Risk Framework.

Operational Risk Scenario Analysis ('ORSA')

Scenario Analysis is a core element of the Firm’s Operational Risk management program as well as the stress testing and capital planning process. Operational Risk Scenario Analysis is used by the Company to identify and assess plausible, high impact, low probability operational risk loss events that could plausibly occur using a combination of the operational risk data and expert management judgement. Scenario analysis provides a broad perspective of risks faced globally based on the expertise of senior business and risk managers and supports an understanding of how significant operational losses could occur. Scenario analysis also supports, directly or indirectly, the calculation of operational risk capital by using the output of scenario analysis (frequencies and severities) as an input for Pillar 2A operational risk capital modelling.

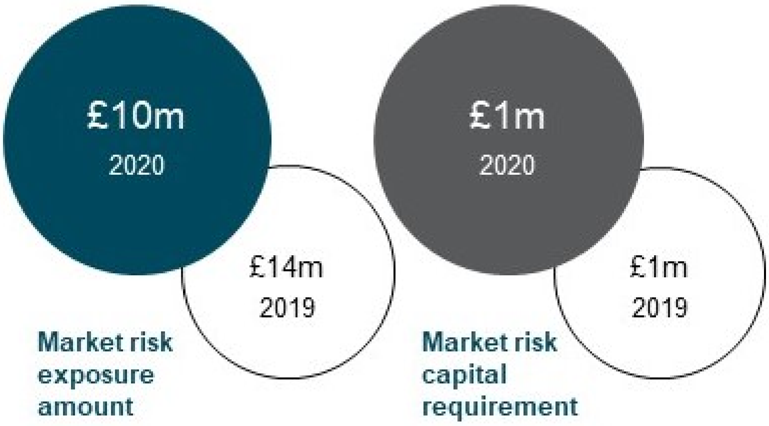
Monitoring and Reporting

Monitoring and reporting of operational risks occur within the business, Legal Entity and EMEA-region risk oversight functions, as well as decision-making forums such as BRC and the RMC. Regional committees such as the EMEA Senior Risk and Controls Committee also monitor and incorporate the material risks of the Bank in forming its regional risk assessment.

10.2 Capital resource requirement

The Company calculates the Pillar 1 operational risk capital resource requirement under the standardised approach. The Company's business mainly falls under the Agency Services Basel business line which mandates a 15% beta factor to determine capital from gross income. During 2020 the Company's operational risk exposure amount decreased to £383m (2019: £394m) with the capital requirement calculated to be £31m (2019: £32m).

11 Article 445 CRR - Exposure to market risk



Market risk is the risk to a firm's financial condition arising as a result of adverse movements in markets, such as foreign currency exchange rates, interest rates and equity and commodity prices.

The Company assumes market risk within the boundaries of its risk appetite as approved by the Board.

The Company manages market risk using a Three Lines of Defense approach (i.e. by each business unit, by Market Risk, and by Internal Audit).

Market risk limits are set consistent with the Company's risk appetite statement and are jointly managed by the business units undertaking the risk and the Market Risk function (respectively, the First and Second Lines of Defense).

Market risk exposure is measured, monitored and analysed using both quantitative and qualitative methods by the Market Risk function.

The Company measures, monitors, and analyses market risk in a manner consistent with applicable law, regulations, and supervisory guidance.

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; and
- coordinating with business data providers to ensure the completeness and accuracy of data relating to market risk.

The current market risk mandate and limit schedule within this framework for the Company is simple and sets straightforward controls on the level of market risk exposure permitted in the Company's Treasury activities.

Market Risk Management independently monitors exposures against limits on a daily basis. Any breaches, depending on the level and type of limit that is breached, are escalated and notified to RCoB, ALCO, or to Senior Risk Management and Business Management.

Market risk is a systemic risk: movements in markets are beyond the control of the Company. Market risk to the Company is reviewed in two contexts: impact on balance sheet and impact on revenues and profitability.

Market concentration risk can arise either from exposures to a single risk factor or exposures to multiple factors which are correlated. As the Company does not have a trading book, sources of market risk are limited to foreign exchange (FX translation) risk (long and short foreign exchange positions) due to revenue flows in different currencies.

Market liquidity risk is the risk that a position cannot easily be unwound or offset at short notice without significantly influencing the market price because of inadequate market depth or market disruption. Given the relatively small size of the foreign exchange ('FX') positions, this type of risk is considered immaterial.

The Corporate Treasury FX swap activity is performed for risk mitigating hedging purposes, but is classified as held-for-trading from an accounting perspective. There is no other trading activity in the Company.

The Company is currently exposed to two types of market risk: (a) foreign exchange risk and (b) interest rate risk.

a) Foreign exchange risk in the Company arises from operational flows in foreign currencies as non-UK clients are predominantly billed in US dollars. FX translation risk is the risk that a change in foreign exchange rates will create adverse impacts to the financial performance of the Company. The Company is naturally exposed to this type of risk where there is a currency mismatch between income and costs. In order to mitigate this, open foreign exchange positions on the balance sheet are closed out on a regular basis as they arise, and as a minimum at monthly intervals as set in the respective Corporate Accounting Policy.

b) The Company's interest income is subject to the risk that as market interest rates change, the Company cannot pass all of the interest rate change to its clients. Interest rate risk in the banking book will also arise from maturity or repricing mismatches and from products that include embedded optionality. The risk could crystallise with changes in interest rate risk/the shape of the yield curve.

Table 27:EU MR1 - Market risk

This table shows the Company (Consolidated) components of the capital requirements and risk-weighted assets for market risk using the standardised approach.

The Company’s market risk capital requirement consists solely of foreign exchange risk. (See section 12 Article 448 CRR - Interest rate risk in the banking book).

Outright products at 31 December 2020 (£m)	Risk-weighted assets	Capital requirements
Foreign exchange risk	10	1
Total	**10**	**1**

12 Article 448 CRR - Interest rate risk in the banking book

The Company is committed to managing Interest Rate Risk in its Banking Book ('IRRBB'), inherent to its business strategy and model, within the Company's Risk Appetite. The Company recognises that its investment portfolio represents a source of market and interest rate risk, for which it has a conservative risk appetite. The approach to IRRBB management incorporates the risk appetite over both short-term and long-term time horizons, to maintain a balance between current income and long-term market value volatility.

Additional commentary is included under section 11 - Article 455 CRR Exposure to market risk of these disclosures.

Table 28:Net interest income sensitivity by currency

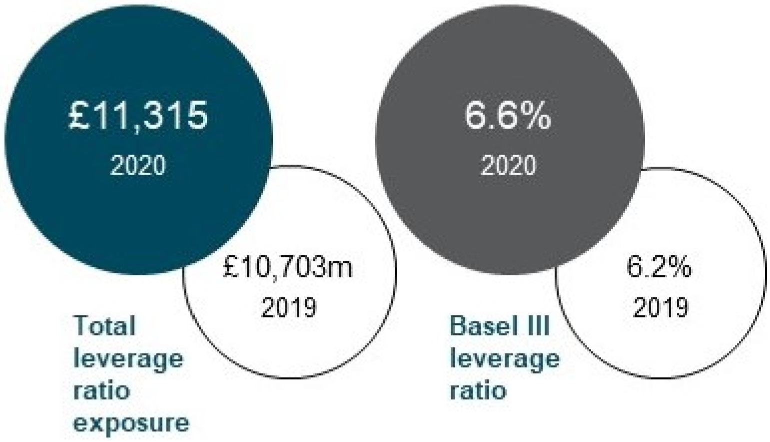
This table shows the net interest income sensitivity by the Company's major transactional currencies.

Currency (000s)	+ 100 basis points 31-Dec-20	- 100 basis points 31-Dec-20	+ 100 basis points 31-Dec-19	- 100 basis points 31-Dec-19
GBP	28,096	(28,096)	20,652	(20,652)
USD	(15,737)	15,737	(9,611)	9,611
EUR	(2,193)	2,193	(2,454)	2,454
Other currencies	(3,088)	3,088	(2,814)	2,814
Total	**7,078**	**(7,078)**	**5,773**	**(5,773)**
As percentage of net interest income	19 %	(19)%	12 %	(12)%

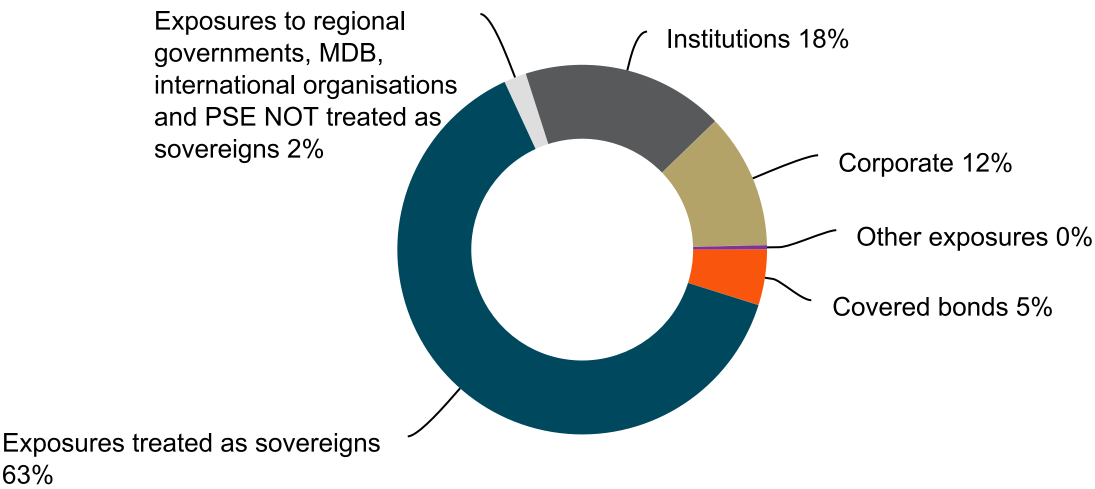
13 Article 449 CRR - Securitisation risk

Securitisation risk is the risk that the capital resources held in respect of assets that the Company has securitised is insufficient to cover associated liabilities. As at 31 December 2020 and during the reporting period the Company did not have any securitisation risk-weighted exposure.

14 Article 451 CRR - Leverage



CRR banking book leverage ratio exposures



The leverage ratio is defined as the capital measure (the numerator) divided by the total exposure measure (the denominator), with this ratio expressed as a percentage:

$$\text{Leverage ratio} = \frac{\text{Tier 1 capital}}{\text{Leverage exposure measure}}$$

The capital measure for the leverage ratio is the Tier 1 capital of the risk-based capital framework, taking into account transitional arrangements. Total exposure measure is the sum of the following exposures:

- on-balance sheet exposures;
- derivate exposures;
- security financing transaction ('SFT') exposures; and
- off-balance sheet items.

Although the BNY Mellon Corporation manages its leverage ratio in line with US regulatory limits, the Company itself is not subject to a leverage ratio requirement in the UK.

Nevertheless the Company monitors its leverage position and reports accordingly. The table below is reflective of the standard EBA reporting format, but the Company is mindful of the exclusion for Bank of

England reserves from the leverage exposure value that has been prescribed by the PRA, which would dramatically reduce this value and hence increase the leverage ratio itself.

Table 29:LR1 - Leverage ratio summary

This table shows the Company (Consolidated) summary reconciliation of accounting assets and leverage ratio exposures.

Leverage ratio exposures at 31 December 2020 (£m)	
Total assets as per published financial statements	10,240
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	—
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429 (13) of Regulation (EU) No 575/2013 "CRR"	—
Adjustments for derivative financial instruments	20
Adjustments for securities financing transactions ('SFTs')	—
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	12
Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	—
Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013	—
Other adjustments	1,043
Total leverage ratio exposure	**11,315**

Table 30:LR2 - Leverage ratio common disclosure

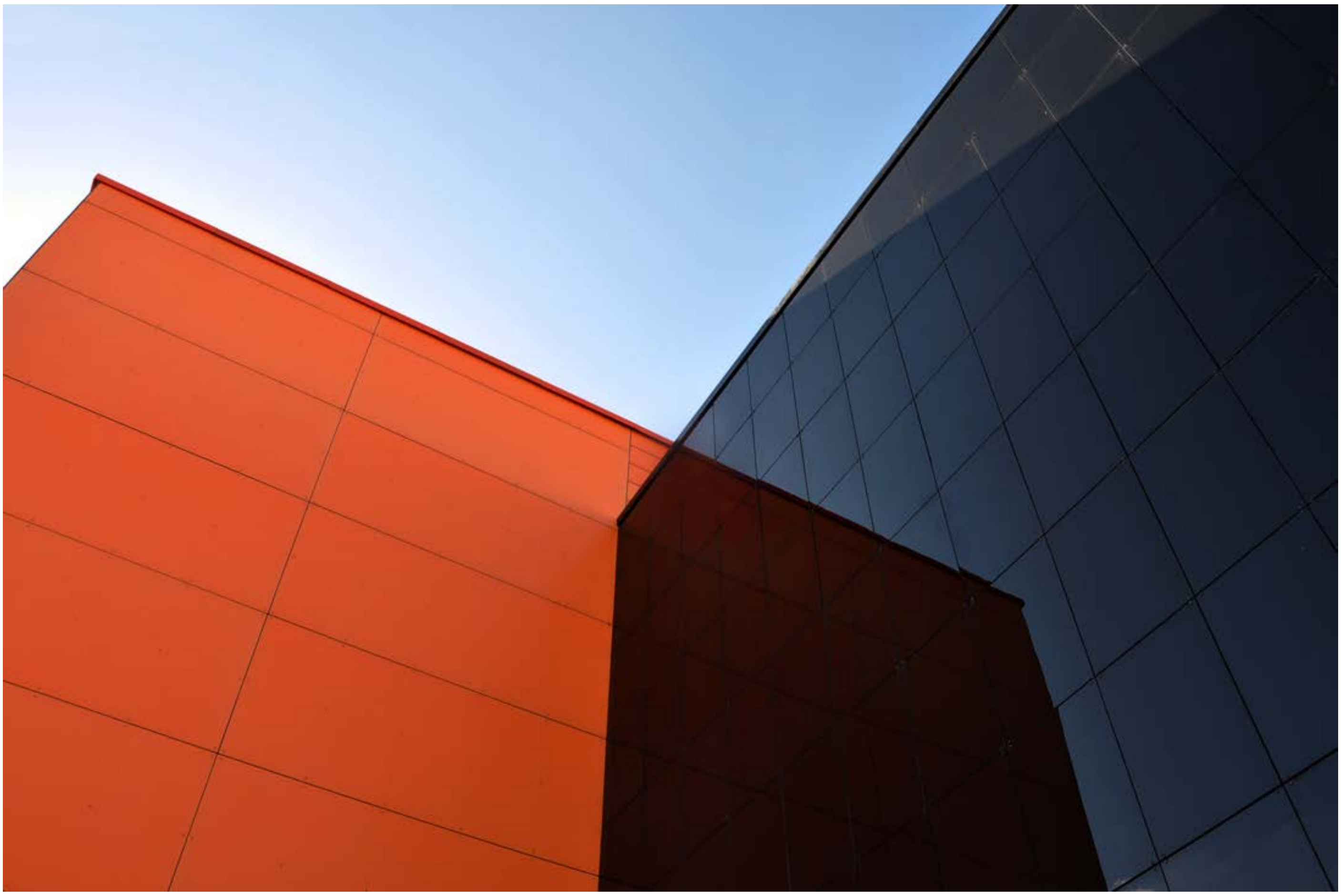
Regulatory leverage ratio exposures at 31 December 2020 (£m)	
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	11,374
Asset amounts deducted in determining Tier 1 capital	(91)
Total on-balance sheet exposures (excluding derivatives and SFTs)	**11,283**
Derivative exposures	
Replacement cost associated with derivatives transactions	—
Add-on amounts for potential future exposure associated with derivatives transactions	20
Exposure determined under Original Exposure Method	—
Total derivative exposures	**20**
Securities financing transaction exposures	
SFT exposure according to Article 220 of CRR	—
SFT exposure according to Article 222 of CRR	—
Total securities financing transaction exposures	**—**

Regulatory leverage ratio exposures at 31 December 2020 (£m)	
Off-balance sheet exposures	
Off-balance sheet exposures at gross notional amount	108
Adjustments for conversion to credit equivalent amounts	(96)
Total off-balance sheet exposures	**12**
Capital and Total Exposures	
Tier 1 capital	745
Exposures of financial sector entities according to Article 429(4) 2nd of CRR	—
Leverage Ratios	
Total Exposures	**11,315**
End of year leverage ratio	**6.6 %**
Choice on transitional arrangements and amount of derecognised fiduciary items	
Choice on transitional arrangements for the definition of the capital measure	Fully phased-in
Amount of derecognised fiduciary items in accordance with Article 429(11) of CRR	—

Table 31:LR3 - Composition of on-balance sheet exposures

This table shows the composition of on-balance sheet exposures excluding derivatives, SFTs and exempted exposures.

CRR leverage ratio exposures at 31 December 2020 (£m)	
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**11,283**
Trading book exposures	—
Banking book exposures, of which:	11,283
Covered bonds	548
Exposures treated as sovereigns	7,138
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	218
Institutions	2,002
Corporate	1,333
Exposures in default	—
Other exposures	44



15 Article 450 CRR - Remuneration policy

Staff support to the Company is provided by employees contracted with the London Branch of the Bank of New York Mellon under an outsourced service arrangement. The Company is not an employing entity. The following information reflects the employment arrangements of the London Branch of the Bank of New York Mellon.

15.1 Governance

The governance of remuneration matters for BNY Mellon and its group entities, including the Company, is overseen by four committees, each with separate responsibilities in respect of remuneration as summarised below:

Human Resources and Compensation Committee of BNY Mellon ('HRCC') is responsible for overseeing BNY Mellon's employee compensation and benefits policies and programmes globally. It reviews and is responsible for the compensation plans, policies and programs in which the senior officers participate and has general oversight for the other incentive, retirement, welfare and equity arrangements for all employees globally. The members of the HRCC are non-executive members of BNY Mellon's Board, acting on behalf of the BNY Mellon Board.

Compensation Oversight Committee of BNY Mellon ('COC') is responsible for ensuring compensation plans are based on sound risk management. It provides governance and risk oversight and advises the HRCC on any compensation risk issues. The members of the COC are senior members of BNY Mellon management, including the Chief Human Resources Officer, the Chief Risk Officer, the Chief Financial Officer ('CFO') and the Head of Compensation & Benefits. The Chief Executive Officer ('CEO') is responsible for the funding and design of incentive plans. All new material incentive plans, material changes to existing incentive/sales plans and funding accrual decisions are subject to the review and approval of the CEO and CFO prior to the oversight by the HRCC.

EMEA Remuneration Governance Committee ('ERGC') is a regional governance committee that was established to ensure alignment of remuneration arrangements operated within BNY Mellon EMEA with local laws and regulations impacting on remuneration. The ERGC is responsible for ensuring that local BNY Mellon EMEA offices implement processes and practices that are consistent with the requirements of local regulators and also have oversight of the functioning and decisions taken by the Remuneration Committees of subsidiaries of BNY Mellon (excluding Investment Management), which are incorporated within the EMEA region, with the exclusion of oversight over individual award decisions.

Incentive Compensation Review Committee ('ICRC') is the coordinating body of senior executives responsible for the oversight of the process of evaluating and recommending compensation reductions for all employees. These decisions are based on feedback regarding risk, compliance, audit and legal outcomes as well as situations of an employee engaged in fraud or who has directly or indirectly contributed to a financial restatement or other irregularity. The ICRC is a management-level committee that reports its recommendations to the HRCC. Ex-ante adjustments are recommended by the employee's management for review and approval by the committee and ex-post adjustments are formulated by the committee. The Chief Human Resources Officer chairs the committee supported by the Global Head of Compensation and Benefits. Voting members include the Chief Executive Officer, Chief Risk Officer, Chief Compliance Officer, Chief Auditor, Chief Financial Officer and General Counsel.

The Company has delegated responsibility for overseeing the development and implementation of the Company's remuneration policies and practices in accordance with the relevant remuneration rules to the ERGC.

In accordance with the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') regulatory remuneration requirements the responsibility for overseeing the development and implementation of the Company's remuneration policies and practices, in relation to prescribed PRA and FCA Senior Managers, is held by the Chairperson of Europe. This accountability is accomplished through oversight of policies and practices and delegation of key control processes to the Head of Human Resources - International.

BNY Mellon undergoes an annual attestation process to ensure that its remuneration practices comply with all local laws and regulations as well as best market practice. The implementation of its remuneration policies is subject to an annual independent internal review by the Internal Audit function.

15.2 Aligning pay with performance

BNY Mellon's compensation philosophy is to offer a total compensation opportunity that supports our values, client focus, integrity, teamwork and excellence, which pays for performance, both at the individual and corporate level. Individual and team contributions are valued and rewarded based on how both contribute to business results. In support of this philosophy, variable compensation is used as a means of recognising performance.

Through the compensation philosophy and principles, the interests of employees and shareholders are aligned by encouraging actions that contribute to superior financial performance and long-term shareholder value, by rewarding success and by ensuring that incentive compensation arrangements do not encourage 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. The compensation structure is comprised of an appropriate mix of fixed and variable compensation that is paid over time. The aim is 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, and, where appropriate, granted over equity to align employee remuneration with that of shareholder growth.

15.3 Fixed remuneration

Fixed remuneration is composed of (i) salary and (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.

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 with regards to any variable remuneration element, including zero variable remuneration.

Employees who are directors of one or more BNY Mellon group entities are not remunerated separately in their capacity as a director of those entities. Independent directors of BNY Mellon only receive fixed remuneration, as disclosed in the annual Proxy Statement to shareholders.

15.4 Ratio between fixed and variable pay

In respect of remuneration to material risk takers ('MRTs') as determined under the requirements of the PRA and FCA, the shareholder of the Company, The Bank of New York Mellon Corporation, approved an increase in the maximum ratio of variable to fixed pay from 100% to 200%. This increase was confirmed by the HRCC on 27 January 2014 on the grounds that the increased ratio would not affect the Company's ability to maintain a sound capital base, and allows for appropriate incentivisation and reward in accordance with our Pay for Performance philosophy.

15.5 Variable compensation funding and risk adjustment

Employees of The Bank of New York Mellon group who provided services to the Company are eligible to be awarded variable compensation but have no entitlement to such awards which are discretionary in nature.

The incentive pools for Investment Services and Corporate Staff functions are discretionary. The baseline pool is determined based on prior year actuals, taking into account growth and productivity savings. The final pool is determined by the CEO and CFO, taking into account a number of factors, including corporate performance, business performance, productivity and risk management. The pool is subject to adjustment based on overall corporate performance achievement, and awards are made from the pool based on individual performance.

The remuneration for key control functions is set independently of the businesses they oversee and is based primarily on their respective control functions' objectives.

Variable compensation may consist of both cash and equity and both upfront 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.

For MRTs, 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. The deferred compensation component awarded in the form of BNY Mellon restricted stock units aligns a portion of the variable compensation award with the management of longer-term business risk.

Variable compensation is determined by the business performance and an individual's performance as measured against feedback on results-based goals and behaviours (BNY Mellon's global competencies and values; risk & compliance obligations; and a diversity/inclusion goal). MRTs are subject to an additional layer of performance assessment, referred to as the Risk Culture Summary Scorecard ('RCSS'). The RCSS score for each individual is based on separate ratings of five risk factor areas.

To ensure effective risk adjustment, BNY Mellon requires employees who receive variable remuneration awards (both upfront and deferred) to agree to forfeiture and clawback of such awards in the event of fraud, misconduct or actions contributing to the detriment of business interests, including competing with the business and soliciting employees or clients. Where required by regulations, awards to MRTs are subject to more stringent risk adjustment, including, but not limited to, forfeiture and clawback in the event of employee misbehaviour, material error, material downturn in business unit performance or a material failure of risk management.

15.6 Deferral policy and vesting criteria

Corporate Policy (General): Awards are delivered to employees entirely in cash (payable shortly after the date of award), except where the employee's total incentive award exceeds a particular threshold or where they are of a particular level of role (this is set out in the table below). In this case, a portion of the annual incentive award is deferred over a period of at least four years - this portion vests in equal portions on the first, second, third and fourth anniversary of the date of award (subject to the employee remaining in employment on each of these dates).

	Total incentive award (US $000)				
Level	**< 50.0**	**50.0 to 149.9**	**150.0 to 249.9**	**250.0 too 499.9**	**>=500.0**
J, K and L	-	15.0%	20.0%	25.0%	30.0%
M	-	25.0%	30.0%	35.0%	40.0%
S	-	32.5%	40.0%	45.0%	50.0%

Regulatory Policy: For identified MRTs, in receipt of total remuneration of £500,000 or more, and variable remuneration greater than 33% of total remuneration, the Corporate Deferral Rules are superseded by the Regulatory Deferral Rules as follows:

a) At least 40% of variable remuneration is deferred unless the MRT is a Director of a significant entity or if their variable remuneration exceeds £500,000, in which case 60% of variable remuneration is deferred;

b) Variable remuneration is deferred for 3-7 years depending upon the MRT category; and

c) At least 50% of variable remuneration (upfront and deferred) is delivered in shares or equivalent instruments.

Each tranche of deferred vested equity is subject to a retention period post vesting before it may be sold of six months - twelve months depending upon the MRT category.

40% Deferral Table		
	Upfront	Deferred
Cash	30.0%	20.0%
Equity	30.0%	20.0%

60% Deferral Table		
	Upfront	Deferred
Cash	20.0%	30.0%
Equity	20.0%	30.0%

15.7 Variable remuneration of control function staff

The variable compensation awarded to control function staff (e.g. audit, compliance 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.

15.8 Quantitative disclosures

The tables below provide details of the aggregate remuneration of senior management and MRTs for the Company for the year ending 31 December 2020.

The figures illustrate the data for The Bank of New York Mellon (International) Limited (Solo) - which includes MRTs under BNY Mellon (International) Limited.

The data set includes staff who are contracted to the London Branch of the Bank of New York Mellon but have a material impact on the Company.

For completeness, this group of staff is limited to those identified as MRTs. The remuneration amounts are presented on a gross basis, regardless of the time spent by BNY Mellon staff in respect of the Company to reflect the full reporting period.

Table 32:REM1 - Aggregate remuneration expenditure by business

This table shows the aggregate remuneration expenditure for MRTs in 2020 by business.

	Solo		
Expenditure (£m)	Investment Services	Other (2)	Total
Total remuneration (1)	5.04	10.74	**15.78**

[1] Includes base salary and other cash allowances, plus any incentive awarded for full year 2020. Pension contribution is not included.

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

Table 33:REM2 - Aggregate remuneration expenditure by remuneration type

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

	Solo		
	Senior management[3]	Other MRTs	Total
Number of beneficiaries	7	55	62
Fixed remuneration (£000s) [4]	1,504	9,020	10,524
Total variable remuneration (£000s)	**551**	**4,701**	**5,252**
Variable cash (£000s)	253	2,548	2,801
Variable shares (£000s)	298	2,153	2,451
Total deferred remuneration awarded during the financial year (£000s)	282	1,842	2,124
Total deferred remuneration paid out during the financial year (£000s)	184	1,916	2,100
Total deferred remuneration reduced through performance adjustments (£000s)	—	—	—

[3] Senior management is comprised of MRTs categorised as 'Senior Managers' who carry out a senior management function as determined by the relevant regulators.

[4] Fixed remuneration includes base salary and any cash allowances. Pension contribution is not included.

Table 34:REM3 - Deferred variable remuneration

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

	Solo		
	Senior management	Other MRTs	Total
Number of beneficiaries	7	46	53
Total deferred variable remuneration outstanding from previous years (£000s)	**690**	**4,892**	**5,582**
Total vested (£000s) [5]	184	1,916	2,100
Total unvested (£000s) [6]	506	2,976	3,482

[5] Includes total vested cash and equity. Equity portion is valued as at the date the award vested.

[6] Total unvested equity is valued as at 1st February, 2021.

Table 35:New sign-on and severance payments

Details of the aggregate severance payments of Material Risk Takers for The Bank of New York Mellon (International) Limited for the year ending 31 December 2020 cannot be disclosed on the grounds of data confidentiality.

In regards to 2020 awards, the Company did not award any sign-on payments. There were also no individuals remunerated GBP 1 million or more.

Appendix 1 - Other risks

Liquidity risk

The Company defines Liquidity risk as the inability to access funding, convert assets to cash quickly and efficiently, especially during periods of market stress, at a reasonable cost in order to meet its short-term (up to one year) obligations.

The Company's overall approach to liquidity management is to ensure that sources of liquidity are sufficient in amount and diversity such that changes in funding requirements can be accommodated routinely without material adverse impact on earnings, capital, daily operations, or the financial condition of the Company.

The Company seeks to ensure that the overall liquidity risk that it undertakes stays within its risk appetite. In managing the balance sheet, appropriate consideration is given to balancing the competing needs to maintain sufficient levels of liquidity and complying with applicable regulations and supervisory expectations while optimizing the balance sheet. The Company has a liquidity risk management framework consisting of a combination of regulatory and internal processes and controls allowing it to measure, monitor and manage liquidity risk.

The PRA has set out final rules with regards to the liquidity coverage requirement ('LCR') for credit institutions. In relation to the Company these regulatory liquidity requirements, primarily include:

- OLAR - Adhering to the Overall Liquidity Adequacy Rule;
- ILAAP - Individual Liquidity Adequacy Assessment Process;
- LCR - Implementation of the LCR and specific aspects of liquidity risk management implementing CRD IV (including the Individual Liquidity Guidance ('ILG') or a Pillar 2 add-on);

- liquidity stress testing; and
- asset encumbrance.

In addition to adhering to the regulatory requirements pertaining to liquidity risk management, the Company has an internal liquidity risk management framework to measure, manage and monitor liquidity risk. The internal controls and liquidity risk monitoring tools the Company has in place are as follows:

- early warning indicators ('EWI');
- internal liquidity metrics;
- internal Liquidity Stress Testing including internally assessed liquid asset buffer; and
- live crisis simulations.

The Company aims to be self-sufficient for liquidity and seeks to maintain a very liquid balance sheet at all times. The Company’s balance sheet is liability-driven primarily due to deposits generated through its asset servicing and custody business activities. Liabilities and sources of funds consist mainly of third-party client deposits and intercompany deposits. Client deposit balances are operational in nature and exhibit a degree of stability.

The Company maintains ample liquidity for day-to-day changes in deposit funding. Apart from operational client overdrafts, the Company does not engage in extending loans to clients and therefore funding assets is not a significant use of liquidity. While sizeable overdrafts can periodically appear on the Company’s balance sheet, large deposits offset these amounts. The Company is currently not a participant in a payment or settlement system and does not have obligations to maintain collateral at financial market utilities ('FMUs').

Restitution risk

Restitution risk relates to the obligation imposed by the fund regulation (i.e. Alternative Investment Fund Managers Directive ('AIFMD')/Undertakings for the Collective Investments in Transferable Securities ('UCITs')) on the depositary. The Company may also opt to take on restitution liability electively for clients for whom restitution liability is not mandated. Restitution liability obliges the depositary/custodian to make good the client for the cost of loss of financial instruments, (the 'assets') held in custody by the depositary/ custodian itself or its delegates. In this context, cash is deemed to be excluded from the obligation of restitution.

The risks are managed through exclusion of some sub-custodians and markets, full discharge of liability to Prime Brokers appointed as delegate in the case of AIFMD funds, and limiting appetite to act as depositary with restitution liability only where BNY Mellon is also the custodian.

Strategic risk

Strategic risk is defined as the risk arising from adverse business decisions, poor implementation of business decisions, or lack of responsiveness to changes in the financial industry and operating environment. Strategic and/or Business risks may also arise from the acceptance of new businesses, the introduction or modification of products, strategic finance and risk management decisions, business process changes, complex transactions, acquisitions/divestitures/joint ventures and major capital expenditures/ investments.

The Company seeks to minimise this risk by having a thorough understanding of the markets in which it participates, that a process of continuous improvement approach is followed and that programs exist and direct investments are made that encourage and create innovative outcomes.

Appendix 2 - Glossary of terms

The following acronyms may be used in this document:

Acronym	Description
ABS	Asset-Backed Securities
ACPR	Autorite de Controle Prudentiel et de Resolution
AFR	Available Financial Resources
AIF	Alternative Investment Fund
ALCO	Asset and Liability Committee
AML	Anti-Money Laundering
AS	Asset Servicing
AT1	Additional Tier 1
AUC	Assets Under Custody
BAC	Business Acceptance Committee
BAU	Business as usual
BaFin	Federal Financial Supervisory Authority / Bundesanstalt fur Finanzdienstleistungsaufsicht
BDAS	Broker-Dealer and Advisory Services
BDF	Banque De France
BEMCO	Belgium Management Council
BI	Banca D'Italia
BNY Mellon	The Bank of New York Mellon Corporation
BNY Mellon SA/NV	The Bank of New York Mellon SA/NV
BNY Mellon TDUKL	BNY Mellon Trust and Depositary (UK) Limited
BNYIFC	BNY International Financing Corporation
BNY Mellon	BNY Mellon Service
KG	Kapitalanlage-Gesellschaft mbH
BRC	Business Risk Committee
CASS	Client Asset Sourcebook Rules
CBI	Central Bank of Ireland
CCF	Credit Conversion Factor
CEO	Chief Executive Officer
CEF	Critical Economic Function

Acronym	Description
CET1	Common Equity Tier 1
CGB	CASS Governance Body
CIS	Collective Investment Scheme
COC	Compensation Oversight Committee
COOC	CASS Operational Oversight Committee
COREP	Common Reporting
CQS	Credit Quality Steps
CRD	Capital Requirements Directive
CRM	Credit Risk Mitigation
CROC	Credit Risk Oversight Committee
CRR	Capital Requirements Regulation
CSD	Client Service Delivery
CSRSFI	Committee for Systemic Risks and System-relevant Financial Institutions
CSSF	Commission de Surveillance du Secteur Financier
CSTC	Capital and Stress Testing Committee
CT	Corporate Trust
CTS	Client Technology Solutions
DB	Deutsche Bank
DNB	De Nederlandsche Bank
DVP	Delivery versus Payment
EAD	Exposure at default
EC	European Commission
ECL	Expected Credit Losses
ECAP	Economic Capital
ECB	European Central Bank
ECM	Embedded Control Management
EEC	EMEA Executive Committee
EHQLA	Extremely High Quality Liquid Assets
EMEA	Europe, Middle East and Africa
ERGC	EMEA Remuneration Governance Committee

Acronym	Description
ESRMC	EMEA Senior Risk Management Committee
EU	European Union
EUR	Euro
EWI	Early Warning Indicators
ExCo	Executive Committee
FCA	Financial Conduct Authority
FMUs	Financial market utilities
FRS	Financial Reporting Standard
FSMA	Financial Services and Markets Authority
FX	Foreign Exchange
G-SIFI	Global Systemically Important Financial Institution
GCA	Global Custody Agreement
GSP	Global Securities Processing
HLA	High-level Assessment
HQLA	High Quality Liquid Assets
HRCC	Human Resources Compensation Committee
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICA	Internal Capital Assessment
ICAAP	Internal Capital Adequacy Assessment Process
ICRC	Incentive Compensation Review Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ILG	Individual Liquidity Guidance
IRRBB	Interest Rate Risk on Banking Book
IMMS	International Money Management System
ISDA	International Swaps and Derivatives Association
ISM	Investment Services and Markets

Acronym	Description
IT	Information Technology
KRI	Key Risk Indicator
KYC	Know your customer
LCR	Liquidity Coverage Ratio
LERO	Legal Entity Risk Officer
LOB	Line of Business
LOD	Line of Defense
MiFID II	Markets in Financial Instruments Directive II
MNA	Master Netting Agreements
MRMG	Model Risk Management Group
MRT	Material Risk Taker
NAV	Net Asset Value
NBB	National Bank of Belgium
NoCo	Nomination Committee
NSFR	Net Stable Funding Ratio
O-SII	Other systemically important institution
OCI	Other Comprehensive Income
OEICs	Open-ended Investment Companies
ORMF	Operational Risk Management Framework
ORSA	Operational Risk Scenario Analysis
P/L	Profit and Loss
PFE	Potential Future Exposure
PRA	Prudential Regulatory Authority
RCoB	Risk Committee of the Board
RCSA	Risk and Control Self-Assessment
RM	Risk Manager
RMC	Risk Management Committee
RMP	Risk Management Platform
RRP	Recovery and Resolution Planning
RW	Risk-weight
RWA	Risk Weighted Assets
SA	Standardised Approach
SFT	Security Financing Transaction
SLD	Service Level Description

Acronym	Description
SREP	Supervisory review and evaluation process
SRO	Senior Risk Officer
T&D	Trust & Depositary
T1 / T2	Tier 1 / Tier 2
TCR	Total Capital Requirements

Acronym	Description
TIRC	Technology and Information Risk Council
TLAC	Total Loss-Absorbing Capacity
UCITS	Undertakings for Collective Investment in Transferable Securities
VaR	Value-at-Risk

The following terms may be used in this document:

Ad valorem: Method for charging fees according to the value of goods and services, instead of by a fixed rate, or by weight or quantity. Latin for, [according] to the value

Basel III: The capital reforms and introduction of a global liquidity standard proposed by the Basel Committee on Banking Supervision ('BCBS') in 2010

BIPRU: Prudential sourcebook for banks, building societies and investment firms

Brexit: The United Kingdom's referendum decision to leave the EU

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

Capital Requirements Directive ('CRD'): A capital adequacy legislative package issued by the European Commission and adopted by EU member states

Capital Requirements Regulation ('CRR'): Regulation that is directly applicable to anyone in the European Union and is not transposed into national law

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 excluding the cash flow hedging reserve, less specified regulatory adjustments

Core Tier 1 capital: Called-up share capital and eligible reserves plus equity non-controlling interests, less intangible assets and other regulatory deductions

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

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

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: The risk governance framework has been developed in conjunction with BNY Mellon requirements. Key elements of the framework are:

- Formal governance committees, with mandates and defined attendees
- 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 monthly to provide governance on risk related items arising from the business of the group

Risk-weighted Assets ('RWA'): Assets that are adjusted for their associated risks using weightings established in accordance with CRD IV requirements

Standardised Approach ('SA'): Method used to calculate credit risk capital requirements using the Basel III, CRD IV, CRR model supplied by the BCBS. 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

Appendix 3 - CRD IV mapping reference

CRR ref.	Requirement summary	Compliance ref.	Page ref.
Scope of disclosure requirements			
431 (1)	Institutions shall publish Pillar 3 disclosures.	BNY Mellon publishes Pillar 3 disclosures	N/A
431 (2)	Firms with permission to use specific operational risk methodologies must disclose operational risk information.	N/A	N/A
431 (3)	Institutions shall adopt a formal policy to comply with the disclosure requirements.	BNY Mellon has a dedicated Pillar 3 policy	N/A
431 (4)	Explanation of ratings decision upon request.	N/A	N/A
Non-material, proprietary or confidential information			
432 (1)	Institutions may omit disclosures if the information is not regarded as material (except Articles 435(2)(c), 437 and 450).	Refer to Pillar 3 policy	N/A
432 (2)	Institutions may omit information that is proprietary or confidential if certain conditions are respected.	Refer to Pillar 3 policy	N/A
432 (3)	Where 432 (1) and (2) apply this must be stated in the disclosures, and more general information must be disclosed.	N/A	N/A
432 (4)	Paragraphs 1, 2 & 3 are without prejudice to the scope of the liability for failure to disclose material information.	N/A	N/A
Frequency of disclosure			
433	Institutions shall publish the disclosures required at least on an annual basis, in conjunction with the date of the publication of the financial statements.	Refer to Pillar 3 policy	N/A
Means of disclosure			
434 (1)	Institutions may determine the appropriate medium, location and means of verification to comply effectively.	Single Pillar 3 disclosure	N/A
434 (2)	Disclosures made under other requirements (e.g. accounting) can be used to satisfy Pillar 3 if appropriate.	Any cross-references to accounting or other disclosures are clearly signposted in this document	N/A
Risk management objectives and policies			
435 (1)	Institutions shall disclose their risk management objectives and policies.	4 Article 435 CRR - Risk management objectives and policies	30
435 (1) (a)	Strategies and processes to manage those risks.	4 Article 435 CRR - Risk management objectives and policies	30
435 (1) (b)	Structure and organisation of the risk management. function	4.2 Risk governance	34
435 (1) (c)	Scope and nature of risk reporting and measurement systems.	Section 4.2 - 4.10	32
435 (1) (d)	Policies for hedging and mitigating risk.	Section 4.2 - 4.9	32
435 (1) (e)	Approved declaration on the adequacy of risk management arrangements.	4 Article 435 CRR - Risk management objectives and policies	30
435 (1) (f)	Approved risk statement describing the overall risk profile associated with business strategy.	4 Article 435 CRR - Risk management objectives and policies	30
435 (2) (a)	Number of directorships held by directors.	4.1 Board of Directors	32
435 (2) (b)	Recruitment policy of Board members, their experience and expertise.	4.1 Board of Directors	32
435 (2) (c)	Policy on diversity of Board membership and results against targets.	4.1 Board of Directors	32
435 (2) (d)	Disclosure of whether a dedicated risk committee is in place, and number of meetings in the year.	4 Article 435 CRR - Risk management objectives and policies	30
435 (2) (e)	Description of information flow on risk to Board.	4 Article 435 CRR - Risk management objectives and policies	30

Scope of application			
436 (a)	The name of the institution to which the requirements of this Regulation apply.	1 Article 431 CRR - Scope of disclosure requirements	6
436 (b) 436 (b) (i) 436 (b) (ii) 436 (b) (iii) 436 (b) (iv)	Outline the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities therein, explaining whether they are: fully consolidated; proportionally consolidated; deducted from own funds; or neither consolidated nor deducted.	1 Article 431 CRR - Scope of disclosure requirements	6
436 (c)	Current or foreseen material, practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.	N/A	N/A
436 (d)	Aggregate amount by which the actual Own Funds are less than required in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries.	N/A - Entities outside the scope of consolidation are appropriately capitalised	N/A
436 (e)	If applicable, the circumstance of making use of the provisions laid down in Articles 7 & 9.	N/A	N/A
Own funds			
437 (1)	Requirements regarding capital resources table.	2 Article 437 CRR - Own funds	20
437 (1) (a)	Full reconciliation of Common Equity Tier 1 ('CET1') items.	Table 2: CC2 - Reconciliation of regulatory capital	21
437 (1) (b)	Description of the main features of the CET1 and Additional Tier 1 and Tier 2 instruments.	Table 5: CC1 - Composition of regulatory capital	25
437 (1) (c)	Full terms and conditions of all CET1, Additional Tier 1 and Tier 2 instruments.	Table 5: CC1 - Composition of regulatory capital	25
437 (1) (d) (i) 437 (1) (d) (ii) 437 (1) (d) (iii)	Each prudent filter applied. Each deduction made. Items not deducted.	Table 2: CC2 - Reconciliation of regulatory capital	21
437 (1) (e)	Description of all restrictions applied to the calculation of Own Funds.	N/A - no restrictions apply	N/A
437 (1) (f)	Explanation of the basis of calculating capital ratios using elements of Own Funds.	N/A - Capital ratios calculated on basis stipulated in the regulations	N/A
437 (2)	EBA to publish implementation standards for points above.	The Company follows the implementation standards	N/A
Capital requirements			
438 (a)	Summary of institution's approach to assessing adequacy of capital levels.	3 Article 438 CRR - Capital requirements	28
438 (b)	Result of ICAAP on demand from authorities.	N/A	N/A
438 (c)	Capital requirement amounts for credit risk for each standardised approach exposure class.	Table 9:EU CRB-B - Total and average net amount of exposures	46
438 (d) 438 (d) (i) 438 (d) (ii) 438 (d) (iii) 438 (d) (iv)	Capital requirements amounts for credit risk for each internal ratings based approach exposure class.	N/A - internal ratings based approach is not used	N/A
438 (e)	Own funds requirements for market risk or settlement risk, or large exposures where they exceed limits.	Table 8:EU OV1 - Overview of RWAs	29
438 (f)	Own funds amounts for operational risk, separately for the basic indicator approach, the standardised approach, and the advanced measurement approaches as applicable.	Table 8:EU OV1 - Overview of RWAs	29
438 (endnote)	Requirement to disclose specialised lending exposures and equity exposures in the banking book falling under the simple risk weight approach.	Table 8:EU OV1 - Overview of RWAs	29

Exposure to counterparty credit risk (CCR)			
439 (a)	Description of process to assign internal capital and credit limits to CCR exposures.	8 Article 439 CRR - Exposure to counterparty credit risk	56
439 (b)	Discussion of process to secure collateral and establishing reserves.	8 Article 439 CRR - Exposure to counterparty credit risk	56
439 (c)	Discussion of management of wrong-way exposures.	8 Article 439 CRR - Exposure to counterparty credit risk	56
439 (d)	Disclosure of collateral to be provided (outflows) in the event of a ratings downgrade.	N/A - a credit ratings downgrade is managed at the BNY Mellon Corp level	N/A
439 (e)	Derivation of net derivative credit exposure.	8 Article 439 CRR - Exposure to counterparty credit risk	56
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods.	8 Article 439 CRR - Exposure to counterparty credit risk	56
439 (g)	Notional value of credit derivative hedges and current credit exposure by type of exposure.	N/A - The Company does not have credit derivative transactions	N/A
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type.	N/A - The Company does not have credit derivative transactions	N/A
439 (i)	Estimate of alpha, if applicable.	N/A	N/A
Capital buffers			
440 (1) (a)	Geographical distribution of relevant credit exposures.	N/A	N/A
440 (1) (b)	Amount of the institution specific countercyclical capital buffer.	N/A	N/A
440 (2)	EBA will issue technical implementation standards related to 440 (1).	N/A	N/A
Indicators of global systemic importance			
441 (1)	Disclosure of the indicators of global systemic importance.	N/A	N/A
441 (2)	EBA will issue technical implementation standards related to 441 (1).	N/A	N/A
Credit risk adjustments			
442 (a)	Disclosure of bank's definitions of past due and impaired.	5.7 Analysis of past due and impaired exposures	48
442 (b)	Approaches for calculating credit risk adjustments.	5.7 Analysis of past due and impaired exposures	48
442 (c)	Disclosure of pre-CRM EAD by exposure class.	Table 9:EU CRB-B - Total and average net amount of exposures	46
442 (d)	Disclosures of pre-CRM EAD by geography and exposure class.	Table 10:EU CRB-C - Geographical breakdown of exposures	46
442 (e)	Disclosures of pre-CRM EAD by industry and exposure class.	Table 11:EU CRB-D - Concentration of exposures by counterparty types	47
442 (f)	Disclosures of pre-CRM EAD by residual maturity and exposure class.	Table 12:EU CRB-E - Maturity of exposures	47
442 (g) 442 (g) (i) 442 (g) (ii) 442 (g) (iii)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type.	Table 13:EU CR1-A - Credit quality of exposures by exposure class and instrument	48
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography.	Table 15:EU CR1-C - Credit quality of exposures by geography	50
442 (i) 442 (i) (i) 442 (i) (ii) 442 (i) (iii) 442 (i) (iv) 442 (i) (v)	Reconciliation of changes in specific and general credit risk adjustments.	5.7 Analysis of past due and impaired exposures	48
442 endnote	Specific credit risk adjustments recorded to income statement are disclosed separately.	5.7 Analysis of past due and impaired exposures	48

Unencumbered assets			
443	Disclosures on unencumbered assets.	9 Article 443 CRR - Asset encumbrance	58
Use of ECAIs			
444 (a)	Names of the ECAIs used in the calculation of standardised approach RWAs, and reasons for any changes.	7 Article 444 CRR - External credit rating assessment institutions	53
444 (b)	Exposure classes associated with each ECAI.	Table 18:Credit quality steps and risk-weights	53
444 (c)	Explanation of the process for translating external ratings into credit quality steps.	Table 18:Credit quality steps and risk-weights	54
444 (d)	Mapping of external rating to credit quality steps.	7 Article 444 CRR - External credit rating assessment institutions	53
444 (e)	Exposure value pre and post-credit risk mitigation, by credit quality step.	7 Article 444 CRR - External credit rating assessment institutions	53
Exposure to market risk			
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	11 Article 445 CRR - Exposure to market risk	63
Operational risk			
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered.	10 Article 446 CRR - Operational risk	60
Exposure in equities not included in the trading book			
447 (a)	Differentiation of exposures based on objectives.	N/A	N/A
447 (b)	Recorded and fair value, and actual prices of exchange traded equity where it differs from fair value.	N/A	N/A
447 (c)	Types, nature and amounts of the relevant classes of equity exposures.	N/A	N/A
447 (d)	Realised cumulative gains and losses on sales over the period.	N/A	N/A
447 (e)	Total unrealised gains/losses, latent revaluation gains/ losses, and amounts included within Tier 1 capital.	N/A	N/A
Exposure to interest rate risk on positions not included in the trading book			
448 (a)	Nature of risk and key assumptions in measurement models.	12 Article 448 CRR - Interest rate risk in the banking book. The Bank has no significant balance sheet interest rate risk because no maturity mismatch exists between client cash deposits and Bank's cash holdings. In addition, interest rates applicable to clients' cash	63
448 (b)	Variation in earnings or economic value, or other measures used by the bank from upward and downward shocks to interest rates, by currency.	Table 28:Net interest income sensitivity by currency	65
Exposure to securitisation positions			
449	Exposure to securitisations positions.	N/A	N/A
Remuneration disclosures			
450	Remuneration disclosure regarding remuneration policy and practices.	15 Article 450 CRR - Remuneration policy	70
450 (1) (a)	Information concerning the decision-making process used for determining the remuneration policy.	15.1 Governance	71
450 (1) (b)	Information on link between pay and performance.	15.2 Aligning pay with performance	72
450 (1) (c)	Important design characteristics of the remuneration system.	15 Article 450 CRR - Remuneration policy	70

450 (1) (d)	Ratios between fixed and variable remuneration.	15.4 Ratio between fixed and variable pay	72
450 (1) (e)	Information on the performance criteria on which the entitlement to shares, options and variable components of remuneration is based.	15.6 Deferral policy and vesting criteria	73
450 (1) (f)	Main parameters and rationale for any variable component scheme and any other non-cash benefits.	15.7 Variable remuneration of control function staff	74
450 (1) (g)	Aggregate quantitative information on remuneration by business area.	Table 32:REM1 - Aggregate remuneration expenditure by business	74
450 (1) (h) 450 (1) (h) (i) 450 (1) (h) (ii) 450 (1) (h) (iii) 450 (1) (h) (iv) 450 (1) (h) (v) 450 (1) (h) (vi)	Aggregate quantitative information on remuneration, broken down by senior staff management and members of staff whose actions have a material impact on the risk profile.	Table 33:REM2 - Aggregate remuneration expenditure by remuneration type	74
450 (1) (i)	Number of individuals being remunerated £1 million or more per financial year.	15.8 Quantitative disclosures	74
450 (1) (j)	Total remuneration for each member of the management body upon demand from the Member State or competent authority.	Available upon request	N/A
450 (2)	For institutions that are significant in terms of their size, internal organisation and the nature, scope and the complexity of their activities, the quantitative information above shall be made available to the public at the level of members of the management body of the institution.	N/A	N/A
Leverage			
451 (1) (a)	Leverage ratio.	14 Article 451 CRR - Leverage	67
451 (1) (b)	Breakdown of total exposure measure.	Table 30:LR2 - Leverage ratio common disclosure	68
451 (1) (c)	Derecognised fiduciary items.	N/A	N/A
451 (1) (d)	Description of the process used to manage the risk of excessive leverage.	N/A	N/A
451 (1) (e)	Description of the factors that had an impact on the leverage ratio.	Section 14 Leverage	67
451 (2)	EBA to publish implementation standards for points above.	BNY Mellon follows the implementation standards	N/A
Use of the IRB approach to credit risk			
452	Risk-weighted exposure under the IRB approach.	N/A	N/A
Use of credit risk mitigation techniques			
453 (a)	Use of on- and off-balance sheet netting.	6.1 Netting	51
453 (b)	How collateral valuation is managed.	6.2 Collateral valuation and management	52
453 (c)	Description of types of collateral used.	6.2 Collateral valuation and management	52
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness.	N/A - BNY Mellon's EMEA entities do not enter into credit derivative transactions	N/A
453 (e)	Disclosure of market or credit risk concentrations within risk mitigation exposures.	6.4 Credit concentration risk	52
453 (f)	For exposures under either the Standardised or Foundation IRB approach, disclose the exposure value covered by eligible collateral.	N/A	N/A
453 (g)	Exposures covered by guarantees or credit derivatives.	Table 15:EU CR3 - Credit risk mitigation techniques - overview	52

Use of the Advanced Measurement Approaches to operational risk			
454	Description of the use of insurance or other risk transfer mechanisms to mitigate operational risk.	N/A - Pillar 1 : standardized approach, Pillar 2 : self-assessment approach	N/A
Use of internal market risk models			
455	Institutions calculating their capital requirements using internal market risk models.	N/A	N/A
Commission Implementing Regulation (EU) No 1423/2013			
Article 1	Specifies uniform templates for the purposes of disclosure.	N/A	N/A
Article 2	Full reconciliation of own funds items to audited financial statements.	2 Article 437 CRR - Own funds	20
Article 3	Description of the main features of CET1, AT1 and Tier 2 instruments issued (Annex II and III).	Table 6:CCA - Main features of regulatory capital instruments	25
Article 4	Disclosure of nature and amounts of specific items on own funds (Annex IV and V).	Table 6:TLAC1 - Total loss absorbing capacity	#SectionPage#
Article 5	Disclosure of nature and amounts of specific items on own funds during transitional period (Annex VI and VII).	Table 6:TLAC1 - Total loss absorbing capacity	#SectionPage#
Article 6	Entry into force from 31 March 2014.	N/A	N/A

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