

TRANSCRIPT OF THE BNY MELLON TELECONFERENCE HOSTED BY GERALD HASSELL ON THE SUNGARD ISSUE

August 30, 2015

Good evening. I'm Gerald Hassell. Thank you for joining us.

With me are:

Brian Shea, Chief Executive Officer for Investment Services

Doug Shulman, Global Head of Client Service Delivery

Suresh Kumar, Chief Information Officer

And several other members of our executive team.

I'd like to begin by saying how much we appreciate your patience and support as you've worked with us throughout this difficult week.

We deeply regret any disruption to your firms, your funds, your investors and all of you.

We recognize the burdens placed on you to move to -- and rely upon -- alternative pricing mechanisms ... and to interact with your respective fund committees and boards to approve those protocols.

We also fully recognize the importance of our role and the importance of mutual fund and ETF products to the market and investors, particularly during a time of market volatility.

Our focus from the outset has been on working closely with SunGard to restore their platform to improve reliability and performance.

It has taken far longer than any of us would have expected.

On this call tonight... I'll explain what has happened over the past week.

More importantly, I want to let you know what we have done to help bring stability back to the operating system ... and what to expect for the market opening tomorrow morning.

We'll also address some of the questions you submitted in advance of this call.

As many of you know ... SunGard's InvestOne platform is used widely throughout the industry.

In fact, we use multiple instances of InvestOne in the United States, Canada, Europe and the Asia-Pacific regions.



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The failure of this platform affected only the U.S. instance of InvestOne and impacted 66 of our fund accounting clients and approximately 1,200 fund structures.

As SunGard explained in their recent announcement, SunGard was conducting an operating system change for our U.S. instance of InvestOne on Saturday, August 22nd.

The change had been previously implemented without any disruption in other InvestOne environments, including our instances supporting our business in Europe and Asia Pacific.

Unfortunately, in the process of applying this change to the SunGard production environment of our U.S. instance of InvestOne, the environment became corrupted.

Additionally, SunGard's back-up environment was concurrently corrupted.

This prevented failover and extended any potential recovery time.

We do not yet know the root cause.

We were informed on Monday that the system would be up and running by later that morning and would not impact normal processing for Monday or the rest of the week.

The system did not come back as expected ... and when it did, it had significant performance and reliability issues.

This delayed or prevented us from being able to deliver system-generated net asset values (or NAVs) in a timely manner.

Because the system was not functioning normally, we worked with you to develop a process, in accordance with your instructions, to produce NAVs that would enable the funds to continue to trade.

Recognizing the system was not able to operate in a sustainable way ... we activated our business continuity team and created war rooms that included bringing together engineers and technical experts from SunGard, BNY Mellon, Oracle, IBM and others from around the world to attack the problem.

A critical decision that was made was to establish a new InvestOne environment with oversight from all of the parties I just mentioned.

We have been laser-focused on building a sustainable operating environment and returning to business as usual processing as soon as possible.

And we have made substantial progress over the weekend.

So here's where we are...

The newly-installed instance of SunGard's InvestOne system is operational.

And as of this call, we have completed system-generated NAVs for the affected mutual funds and ETFs for Monday, August 24th through Thursday August 27th with the exception of one mutual fund client.

We expect to complete Friday's NAVs for all but one of the affected fund clients by tomorrow morning.

While rebuilding the systems ... in parallel, we also developed and pursued numerous alternative paths ... and divided our approaches by fund structure to address the unique needs of mutual funds and ETFs.

For example, we also nearly doubled the fund accounting resources to support parallel manual processing of transactions and the calculation of NAVs for our clients and funds.

We also established and resourced a separate reconciliation team and have begun the process of validating the activity of the past week.

This reconciliation process will take some time to complete.

In addition, we will engage an independent, third-party firm to validate the process and results.

I now want to tell you what to expect going into tomorrow.

- For Mutual Funds:
 - Our goal is to complete system-generated NAVs for last Friday sometime during the morning.
 - If we do not meet that goal, we plan to provide fair value NAVs to our clients.

- For ETFs:
 - Our goal is to complete system-generated NAVs and updated baskets based on Friday's NAV by market opening.
 - If we do not meet that goal, we plan to provide clients with indicative NAVs and baskets, updated based on last Thursday's system-generated NAVs.

We also know it is a month end tomorrow, and for some of you it is also a quarter end and year end, and we recognize the importance of that.

Our goal is to provide fund clients with system-generated NAVs for Monday by tomorrow night.

As I mentioned, we do not yet know the root cause of the failure, but we will be conducting a thorough analysis, including engaging a separate, independent third-party to assist us.

While we have made significant progress, we recognize we still have work to do.

We are committed to providing quality service to you and your investors.

It is an absolute requirement.

We are committed to doing just that.

Now we will address some of the questions we received from you.

If we cannot get to all of your questions, please contact your Relationship Manager or we will be in direct contact with you.

The first question we received: How could this have happened and why did the backup fail?

I'll take that one. As SunGard explained in their recent announcement, they were conducting an operating system change for our U.S. instance of InvestOne on Saturday, August 22, 2015.

The change had previously been implemented without any issues in other InvestOne environments.

Unfortunately, in the process of applying this change to the SunGard production environment of our U.S. instance of InvestOne, the environment became corrupted.

And, additionally, SunGard's back-up environment was concurrently corrupted. This prevented failover and extended any potential recovery time.

Again, we do not yet know the root cause, but as I mentioned in my remarks, we will be conducting a thorough analysis including engaging a separate, independent third party to assist us.

Another question: When will the backlog be cleared and when will you be back to business as usual?

I'd like to ask Doug Shulman to answer that.

Doug Shulman: As Gerald stated, our goal is to complete system-generated NAVs for Friday, by tomorrow morning, Monday, August 31, 2015. Assuming we meet this schedule, we should be able to have system-generated NAVs for Monday by either Monday night or very early Tuesday morning.

We would then be caught up and processing system-generated NAVs on a daily basis going forward.

A question many of you have asked: What are the alternatives if SunGard fails again?

For that let me turn to Suresh Kumar.

Suresh Kumar: We believe the new instance of InvestOne is reliable and sustainable. The new system has now run for two days. We also have a new disaster recovery system and it is receiving updates real-time. We are establishing a third instance and we are backing up the data, so we believe we have a reliable backup in place.

Working with SunGard, we have also co-located SunGard's engineers, BNY Mellon's senior technology leadership, and top engineers from IBM, Oracle, and Cisco and we have continuous monitoring and oversight.

Another question: Are you aware of any significant impact on investors' ability to trade or redeem their holdings?

Let me ask Brian Shea to respond to that.

Brian Shea: As Gerald mentioned, in the absence of a reliable InvestOne system, we worked tirelessly throughout the week, adding significant resources to our fund accounting teams in order to produce NAVs under the alternative methods as directed or chosen by our clients.

Because we were able to produce NAVs throughout the week, we believe we enabled all funds to be in a position to trade on a daily basis, so we know of no broad based or significant impact on the ability of our clients' funds to trade.

Another question: How have your clients responded?

Brian Shea: We certainly understand the challenges our clients have faced during the course of this past week. Clients are understandably disappointed that they did not experience the consistent high level of service and system reliability they have come to expect from us.

Despite the inconvenience to our clients, they have worked closely with us throughout the week to select fund pricing alternatives, and worked hard along with us, to meet the needs of their clients and investors.

We know that our clients often wanted to know more information than we had available. This was a very fluid situation and we made every effort to give our clients relevant information as it became available throughout the week.

We are extremely grateful for the patience, understanding and cooperation we have received from our clients throughout this past week.

We've also been asked the question: How have you kept the regulators and exchanges informed?

Gerald Hassell: We have been in regular communication with the exchanges and our regulators and have briefed them throughout this event, including earlier this afternoon. They are fully aware of the current situation and our plans for system-generated NAVs, as well as contingency plans for the production of NAVs and ETF baskets.

Another question: How confident are we in the current InvestOne system-generated NAVs?

Let me ask Brian to take that one.

Brian Shea: While SunGard has implemented a new instance of the InvestOne platform for us, the underlying application software and calculation logic has been unchanged.

Therefore, we are highly confident that the system-generated NAVs are now consistent with the process and experience our clients were used to before this unfortunate incident occurred.

Our final question: What are the key follow-up actions that you're going to take?

Gerald Hassell: We will continue to communicate with you, our clients, and maintain the dialogue with our regulators. We're going to continue to work with SunGard on improving the resiliency and reliability of the system. We will conduct a root cause analysis and report back to all of you. We will conduct a reconciliation process that has already begun and will take some time to conclude. And we will continue to fully engage with our clients and seek your feedback.

Given the limited time this evening we won't address further questions on this call but I encourage you to be in touch with your relationship manager. We will continue to keep you updated. Thanks again for joining us.



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