

# Markets Group

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President

Most comprehensive provider  
of securities financing and collateral  
management solutions

## **Optimizing our business mix**

- **Focus on scale, margins and return on capital**
- **Direct investments in electronic platforms and capital-efficient solutions**

## **Priorities**

- **Aligning with Investment Services client base**
- **Extending client relationships**
- **Providing capital and liquidity solutions**
- **Eliminating redundant activities**
- **Revenue growth of 8 to 10% with operating margin of 40+%**

**Accelerating growth, profitability and returns on capital**

# The Markets Group at a Glance

Delivering integrated solutions, enhancing client performance

## What We Offer

### Securities Finance

Lend securities, finance collateral, provide liquidity and transform assets

### Collateral Management

Segregate and optimize collateral, manage initial and variation margin, liquidity services

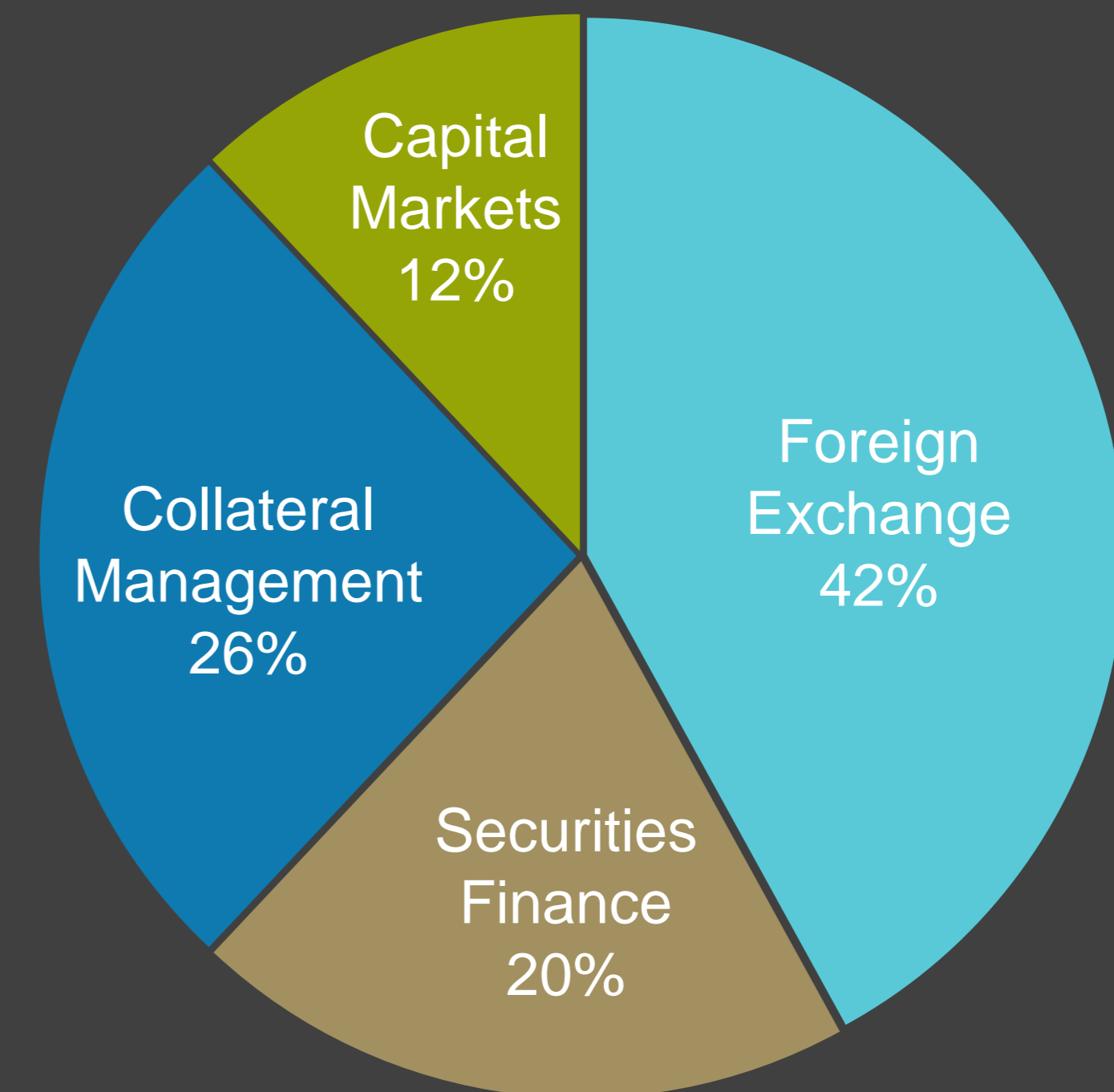
### Foreign Exchange

Currency trading as principal, including spot, swap, forward, non-deliverable forward products, as well as currency administration and payments services

### Capital Markets

Fixed income and equity execution, underwriting and secondary trading

## 2014 Est. Revenue Contribution

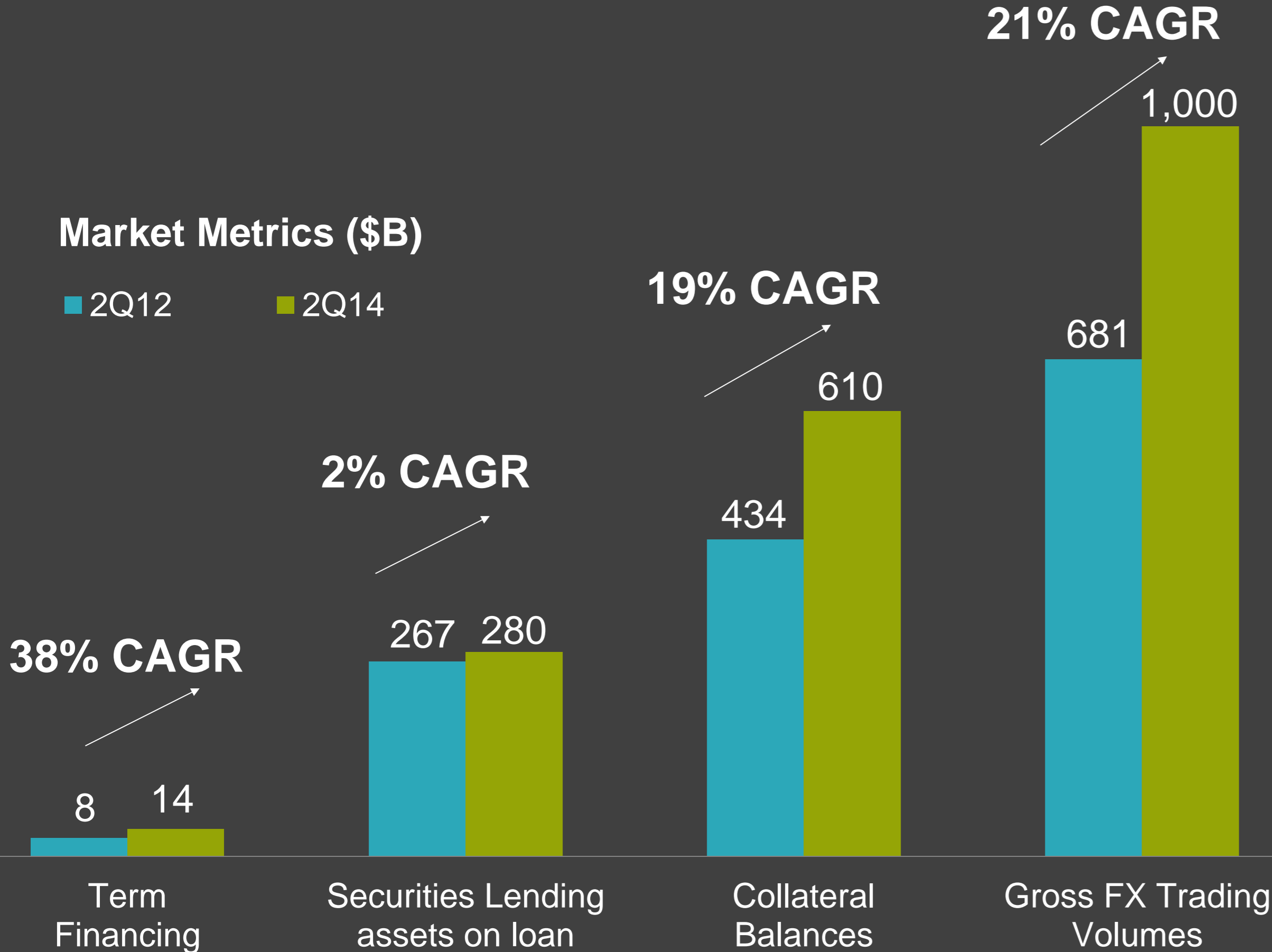


Total Revenue of \$1.3B

# Scale and Experience

## Market Metrics (\$B)

■ 2Q12 ■ 2Q14



## Our Focus

- 80 of the top 100 alternative managers
- 12 of the top 15 financial market infrastructure providers
- 15 of G-20 Sovereign Funds

## Ranking & Awards<sup>1</sup>

<i>Global Investor/ISF:</i>	<b>First Place</b> Collateral Management Fixed Income Lender
<i>Global Custodian:</i>	<b>Roll of Honor</b> Securities Lending Collateral Optimization
<i>Global Finance:</i>	Best Forecast Best FX Research World's Best FX Providers

<sup>1</sup> See Appendix for additional details regarding these rankings.

# We are Connected to Investment Services

Driving recurring revenue streams

		Asset & Alternative Managers	Asset Owners	Banks / Broker-Dealers & Advisors	Corporates / Issuers	Insurance
Collateral Management	Derivatives Margin Management	●	●	●	●	●
	Collateral Management	●	●	●	●	●
	Segregation	●	●	●	●	●
	Liquidity Services	●	●	●	●	●
Foreign Exchange & Capital Markets	FX Negotiated Sales	●	●	●	●	●
	FX Services	●	●	●	●	●
	Capital Markets	●	●	●	●	●
Securities Finance	Securities Lending	●	●	●	●	●
	Collateral Financing	●	●	●	●	●

NOTE: Asset Owners includes pensions, endowments, foundations and sovereigns.

# Forces at Play Driving Changes in the Business Model & Creating Opportunities

	Forces	Implications	BNY Mellon Opportunities
Regulation	Dodd-Frank / EMIR	<ul style="list-style-type: none"> <li>- Limits large counterparty exposure</li> <li>- Demand for collateral transformation</li> <li>- Increases collateral needs for cleared &amp; un-cleared trades</li> <li>- Requires central clearing of OTC securities</li> <li>- Introduces CCPs as asset gatherers</li> </ul>	<ul style="list-style-type: none"> <li>- Segregating client assets</li> <li>- Promoting collateral efficiency</li> <li>- Providing another highly-rated counterparty</li> <li>- Expanding services to market utilities</li> </ul>
	Basel III	<ul style="list-style-type: none"> <li>- Creates capital constraints for dealers</li> </ul>	<ul style="list-style-type: none"> <li>- Encouraging use of bank-prime model</li> <li>- Providing balance sheet efficient products</li> </ul>
	Volcker Rule	<ul style="list-style-type: none"> <li>- Restricts U.S. banks from making proprietary investments that do not benefit clients</li> </ul>	<ul style="list-style-type: none"> <li>- Moving clients into bank financing model</li> </ul>
Transparency in Execution	Transparency /MiFID	<ul style="list-style-type: none"> <li>- Spread compression</li> <li>- Limits the provisioning of liquidity</li> </ul>	<ul style="list-style-type: none"> <li>- Post-trade pricing analytics</li> <li>- Electronic trading and broad inventory of FX products</li> </ul>



# Client Example of Value Creation

**Situation** Alternative Manager client experienced rapid growth and outpaced original prime brokerage service offering

Collaboration and expertise enabled BNY Mellon to create a unique solution for this client



**Unique banking, brokerage and collateral capabilities**

**Result & Approach**

Client Benefits  
Combined prime brokerage, banking and collateral capabilities to improve performance of the fund

BNY Mellon Benefits  
Leverages scalable technology and unique operational capabilities to generate profitable growth

**Enhanced performance for the alternative manager**



# Summary

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**Enhance profitability and return on capital**