BNY MELLON

Pershing Securities International Ltd

2012 Pillar 3 Disclosures

About Pillar 3 Disclosures

Preparation and policy

The Board of Directors of Pershing Securities International Limited (PSIL, Pershing) has adopted a policy to comply with disclosure requirements and for assessing the appropriateness of the company's Pillar 3 market disclosures, including their verification and frequency.

Disclosures will be made annually based on the calendar year-end and will be published as soon as possible after publication of the consolidated annual audited accounts. 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 its capital resources, adequacy, information about risk exposure and other items prone to rapid change.

These disclosures along with the Pershing Holdings (UK) Limited Consolidated Disclosures are published on Pershing's website (www.pershing.ie) under Financial and Regulatory Disclosures.

When referenced in this document, the term 'Board' refers to the legal entity Board of PSIL.

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 firm 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.

The Board may omit one or more disclosures if the information provided is regarded as confidential. In this circumstance, the Board will state in its disclosures the fact that specific items of information are not disclosed and the reason for non-disclosure, and will publish more general information about the subject matter of the disclosure requirement except where these are to be classified as secret or confidential.

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

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

Pershing Securities International Ltd

Pillar 3 disclosures for the year ended 31st December 2012

Contents

BNY MELLON

1 Introduction

1.1 Purpose of Pillar 3

Basel II is the international banking accord intended to strengthen the measurement and monitoring of financial institutions' capital. The Basel II framework was implemented in the EU through the Capital Requirements Directive (CRD) which was passed into law by Statutory Instruments 660 & 661 of 2006. The Basel II framework established a more risk sensitive approach to capital management and is comprised of three pillars:

- **Pillar 1** establishes rules for the calculation of minimum capital for Credit, Market and Operational Risk.

- **Pillar 2** is an internal discipline to evaluate the adequacy of the regulatory capital requirement under Pillar 1 and other non-Pillar 1 risks. This pillar requires the Central Bank of Ireland (CBI) to undertake a supervisory review to assess the robustness of Pershing's internal assessment.

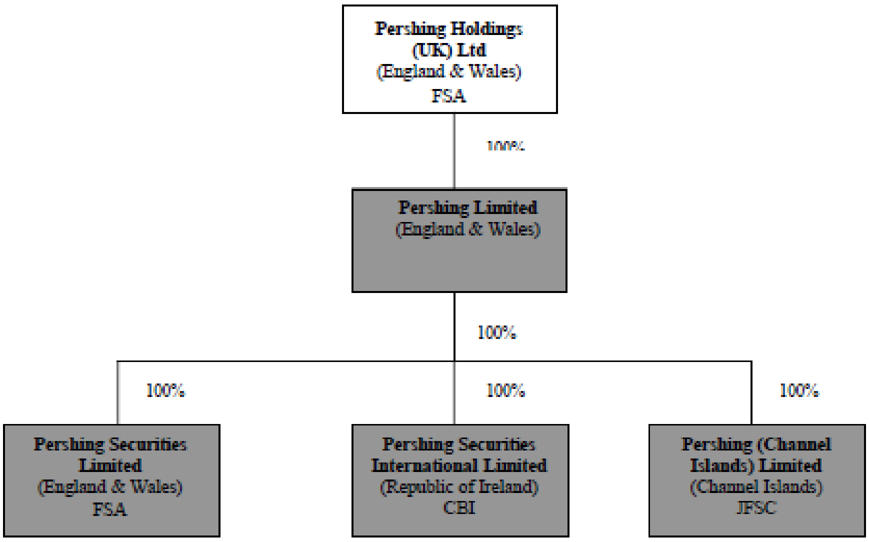
- **Pillar 3** complements the other pillars and effects market discipline through public disclosures. Expanded disclosure about capital and risk enables interested parties to better understand the risk profile of individual firms and to make appropriate comparisons.

2 Scope and application of directive requirements

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

As a full scope investment firm regulated by the Central Bank of Ireland (CBI), PSIL is required to operate under the CBI's Basel II implementation rules, which include the disclosures provided in this document.

Figure 1: Organisational structure of PSIL



There are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities among the parent undertaking and its subsidiary undertakings.
From 01 April 2013, Pershing Holdings (UK) Ltd and Pershing Securities Limited will be regulated by the Financial Conduct Authority (FCA).

3 Risk management objectives and policies

Pershing shares a common framework of risk management objectives and policies with other subsidiaries of Pershing Holdings (UK) Limited. Please refer to section 3 of the Consolidated Disclosures for further details of the management policies & processes implemented.

4 Credit risk

Credit risk is the risk of default from counterparties or clients for deposits, loans, commitments, securities and other assets where the realisation of the value of the asset is dependent on its ability to perform.

Credit risk is the risk of financial loss to Pershing in the event that a client, underlying client or market counterparty fails to meet its contractual obligations. The majority of Pershing's credit risk arises from exposures existing between trade date and actual settlement date.

Pershing manages credit risk exposure by establishing various limits for its clients.

4.1.1 Credit exposure under Basel II

The legal structure of the Model B agreements provides Pershing with the right to set-off any indebtedness of underlying clients against any credit balance in the name of the same underlying client. Pershing also has recourse to investments and cash as collateral and indemnities from clients in respect of any underlying clients. Consequently there is no single point of failure that could lead to a major credit loss.

The calculation of EAD takes into account both current exposure and potential drawings prior to default over a 12 month time horizon. As such, exposure in this context may differ from statutory Generally Accepted Accounting Practice (GAAP) for balance sheet carrying values. Credit exposure is computed under the standardised approach.

Table 1: PSIL - Standardised gross credit exposure by class

All figures in €000s	EAD pre CRM	
As at 31st December	**2012**	**2011**
Central Governments and Central Banks	2	-
Institutions	-	-
Corporates	-	148
Short term claims on Institutions and Corporates	21,381	17,479
Retail	148	659
Past due items	3	680
Other items	31	35
Total	21,565	19,001

Table 2: PSIL - Standardised gross credit exposure by geography

All figures in €000s	UK		EMEA		North America		Asia Pacific		Total	
As at 31st December	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Central Governments and Central Banks	-	-	2	-	-	-	-	-	2	-
Institutions	-	-	21,381	17,479	-	-	-	-	21,381	17,479
Corporates	-	-	-	148	-	-	-	-	-	148
Retail	-	-	148	659	-	-	-	-	148	659
Past due items	-	-	3	680	-	-	-	-	3	680
Other items	-	-	31	35	-	-	-	-	31	35
Total	-	-	21,565	19,001	-	-	-	-	21,565	19,001

Table 3: PSIL - Standardised gross credit exposure by industry sector

All exposures in €000s	Central Governments and Central Banks	Institutions	Corporates	Short term claims on Institutions & Corporates	Retail	Past due items	Other items	Total
As at 31 December	**2012**	**2012**	**2012**	**2012**	**2012**	**2012**	**2012**	**2012**
Central and local government	-	-	-	-	-	-	-	-
Insurance companies and pension funds	-	-	-	-	-	-	-	-
Banks and other financial	2			21,381	148	3	31	21,565
Private sector education, health	-	-	-	-	-	-	-	-
Other business activities	-	-	-	-	-	-	-	-
Personal & community service activities	-	-	-	-	-	-	-	-
Other individual loans and advances	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	**21,565**

Table 4: Standardised gross credit exposure by residual maturity

All figures in €000s	On demand		Up to 1 year ex on		Total	
As at 31 December	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Central Governments and Central Banks	-	-	2	-	2	-
Institutions	-	-	-	-	-	-
Corporates	-	-	-	148	-	148
Short term claims on Institutions and Corporates	21,381	17,479	-	-	21,381	17,479
Retail	-	-	148	659	148	659
Past due items	-	-	3	680	3	680
Other items	-	-	31	35	31	35
Total	**21,381**	**17,479**	**184**	**1,522**	**21,565**	**19,001**

4.1.2 Counterparty credit risk

Pershing seeks to minimise market counterparty risk by only allowing clients to trade with approved counterparties that have been reviewed by Pershing. Counterparty credit risk arises mainly in the Model B settlement business in which Pershing interposes itself between a client and a market counterparty as principal to a transaction or series of transactions. In the event that a client fails to deliver securities, Pershing is required to honour the failed trade, and in the event of client default, may be required to settle the trade by closing out in the open market. Pershing also incurs credit risk in such situations, although in some OTC markets this is limited to the impact of adverse price movements on failed trades in the event that Pershing's client defaults and a market counterparty has to settle the trade elsewhere. Although Pershing regularly reviews credit exposure to clients, underlying clients and market counterparties to address credit concerns, default risk may arise from events or circumstances that are difficult to detect or foresee.

5 Market risk

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

For PSIL, market risk arises principally from fluctuations in the value of assets, interest or exchange rates. PSIL's foreign exchange exposure is limited to residual balances resulting from non-marketable amounts within specific intra-day and overnight limits on both an individual currency and overall book basis. Volumes and ticket sizes are thus immaterial.

Interest rate risk at Pershing is also considered minimal as it only arises on interest rate movements that depress the value of securities held as collateral in mitigation of exposures.

6 Operational risk

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

The managers of the business are responsible for identifying the risks associated with key business processes and threats to meeting their overall business objectives, assessing the quality or design of controls in place to mitigate and manage risk, and are accountable for the operation of those controls. Various methodologies, techniques and risk reporting are provided to managers by the Operational Risk Management department to enable them to meet their responsibilities.

PSIL has a robust risk management oversight and governance structure, which confirms that policies and procedures are regularly reviewed and updated to reflect the development of the business and changes in industry best practice. This governance oversight is further supported by various shared service functions such as Compliance, Internal Audit, IT Security and Risk Management at a group level.

7 Liquidity risk

PSIL does not engage in proprietary trading activities or hold assets for resale on its balance sheet and so does not have significant asset liquidity risk. PSIL's business model is of a transaction processing nature and dictates that it maintains a prudent funding profile in order to supports its clients trade activities. Funding Liquidity Risk is the risk that the company cannot meet its cash and collateral obligations at a reasonable cost for both expected and unexpected cash flow and collateral needs without adversely affecting daily operations or financial conditions.

Pershing will at all times maintain liquidity resources which are adequate both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met in full as they fall due.

8 Capital resources

During the year ended 31st December 2012, PSIL complied with all of the externally imposed capital requirements to which it was subject.

The following table summarises the composition of the PSIL regulatory capital as at 31st December 2012. The group does not have any Innovative Tier 1 capital as at 31st December 2012.

Table 5: Capital resources

All figures in €000s As at 31st December	2012	2011
Tier 1 capital		
Called up share capital	1,000	1,000
Share premium account		
Retained earnings and other reserves	15,610	12,132
Interim / unaudited net profits or losses		
	16,610	**13,132**
Other Tier 1 capital		
Perpetual non-cumulative preference shares		
Minority interests		
	16,610	**13,132**
Deductions from Tier 1 capital		
Investment in own shares		
Intangible assets		
Interim dividends	-	-
Total Tier 1 capital after deductions	**16,610**	**13,132**
Innovative Tier 1 capital resources	-	-
Perpetual preferred shares	-	-
Tier 2 capital		
Upper Tier 2 instruments	-	-
Dated subordinated debt	-	-
Deductions from Tier 2 capital		
Other Tier 2 deductions (Material holdings	-	-
Other Tier 2 deductions (amortisation of subordinated term debt	-	-
Total Tier 2 capital after deductions	-	-
Tier 3 capital	-	-
Deduction from total of Tier 1 and Tier 2	-	-
Total capital resources after deductions	**16,610**	**13,132**

9 Capital requirements and adequacy

The Board, through setting its risk appetite and focusing on risk assessment, evaluates its current and projected capital requirements under business as usual and stressed conditions.

As part of the Pillar 2 Internal Capital Adequacy Assessment Process (ICAAP), the main sources of risk are identified, assessed *(impact & likelihood* methodology) by the relevant senior managers after taking into account mitigating controls and rationale for direction of risk, in light of the risk appetite set by the Board.

The following table summarises the Pillar 1 capital requirement for PSIL by exposure class as at 31st December 2012.

Table 6: Capital requirements

All figures in €000s As at 31st December	Notes	2012	2011
		€000's	€000's
Credit risk - Standardised approach			
Institutions (Banks, Insurance and NBFI)		337	281
Corporates		-	22
Past due items		-	8
Other Items		3	2
Total Credit Risk		**340**	**313**
Operational Risk - Standardised approach		**998**	**1,077**
Market risk - Trading book risk not subject to models			
Foreign currency Position Risk Requirement		51	15
Total capital requirement for trading book risks not subject to models		**51**	**15**
Total Market Risk		**51**	**15**
Total variable capital requirements	1	**391**	**328**
Total fixed overhead capital requirements	2	**998**	**1,077**
Total Capital Resources		**16,610**	**13,132**
Total Capital Surplus	3	**15,612**	**12,055**
Solvency Ratio		**1664%**	**1219%**

Notes:
1. As per the CBI regulations this is the sum of the credit risk and Market risk requirements, and is below the base capital requirement for PSIL as noted in point 2.
2. As per the CBI regulations this is the base capital requirement and is used to work out the total capital surplus.
3. PSIL does not take trading positions and does not have market risk exposure except for foreign currency exposure arising from day-to-day activities.

10 Remuneration disclosure

PSIL does not deal on own account or underwrite and/or place financial instruments on a firm commitment basis. Taking into account the nature, scope, size, activities and risk profile of the firm, PSIL has applied neutralisation to certain requirements as permitted under CRD III.

PSIL has adopted a remuneration policy approved by the Board which is aligned to the firm's objectives and does not encourage undue risk taking. Any variable remuneration is adjusted, where appropriate, for risk and the use of capital.

11 Glossary of terms

The following terms are used in this document:

Basel II	The June 2006 capital adequacy framework issued by the Basel Committee on Banking Supervision in the form of the 'International Convergence of Capital Measurement and Capital Standards'.
CBI	Central Bank of Ireland
CRD	Capital Requirements Directive
EAD	Exposure at Default
EMEA	Europe, Middle East and Africa
GAAP	Generally Accepted Accounting Practice
HLA	High Level Assessment
ICAAP	Internal Capital Adequacy Assessment Process
PRC	Pershing Risk Committee
RCSA	Risk Control Self Assessment

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