



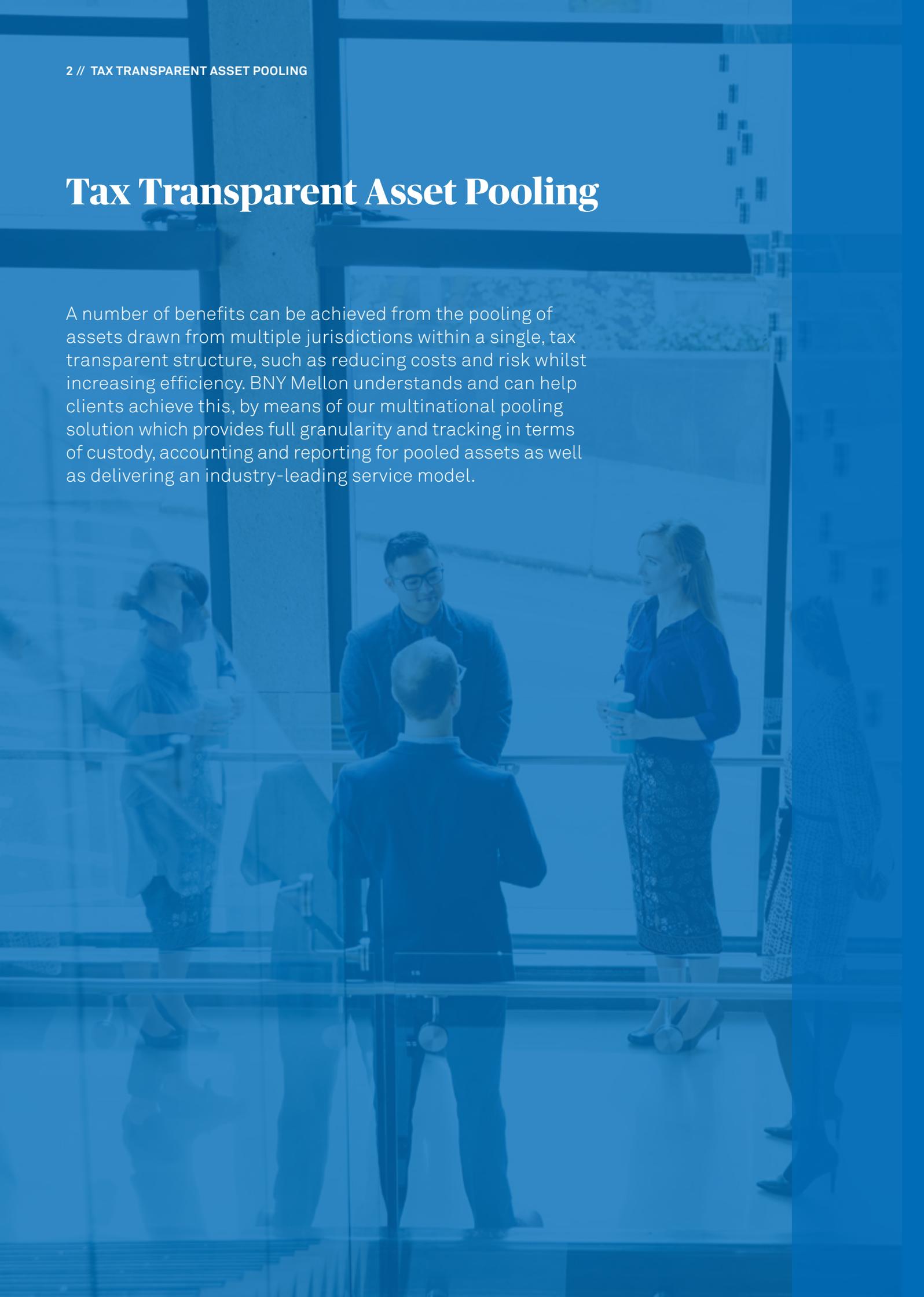
Tax Transparent Asset Pooling

AN OVERVIEW OF
BNY MELLON'S
SOLUTION



Tax Transparent Asset Pooling

A number of benefits can be achieved from the pooling of assets drawn from multiple jurisdictions within a single, tax transparent structure, such as reducing costs and risk whilst increasing efficiency. BNY Mellon understands and can help clients achieve this, by means of our multinational pooling solution which provides full granularity and tracking in terms of custody, accounting and reporting for pooled assets as well as delivering an industry-leading service model.



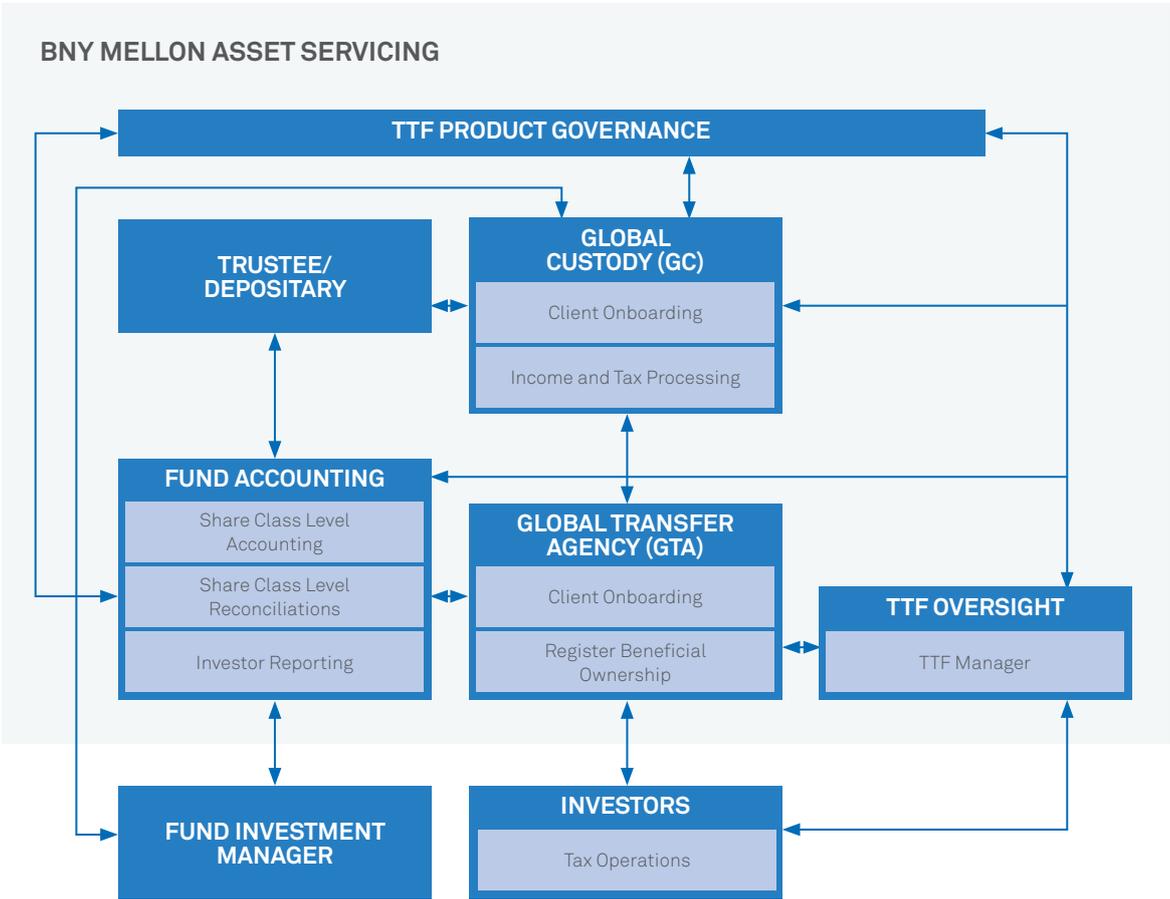
BNY Mellon's Tax Transparent Fund Offering

We recognize that the pooling of cross-border assets in a TTF poses specific challenges. Crucially, the investments held by each participant must be tracked, along with income received, and all associated withholding tax and tax reclaims. This requires a sophisticated technology platform that can process at multiple levels and one which offers a high degree of transparency and granularity in terms of reporting.

The tax transparent nature of the fund requires the administrator to confirm the correct tax profiles and relevant withholding tax rates to be applied to the TTF, and to the underlying investors. Additionally, seamless interaction of the Custodian, Transfer Agent and Fund Administrator is essential to ensure that withholding tax, tax reclaims, capital

and income, are all correctly applied based on the ownership of each investor at the time of each income event. BNY Mellon has a sophisticated technology solution which can accommodate any TTF irrespective of both fund and investor residential jurisdiction, as well as investor status.

1. BNY MELLON'S TAX TRANSPARENT FUND OPERATING MODEL



Global Transfer Agency

BNY Mellon, as the transfer agent, is responsible for the on-boarding of the investors within the fund. This is achieved through the application form and by obtaining specific information from the investor.

The transfer agent needs to confirm to the global custodian the percentage ownership of fund units by each investor. This will enable: the ownership of securities and resultant income entitlements to be correctly allocated to each different category of investor; and, the withholding tax and tax reclaims to be correctly applied, based on their individual tax profiles.

It is, therefore important that as ownership ratios change, whether through subscriptions or redemptions by participating investors, that these changes are tracked and communicated to the global custodian, and, in turn, that the income entitlements of each investor are updated. This takes place through a number of notional trades between the various participating investors and is known as rebalancing.

The transfer agent will also communicate with Fund Accounting and send a daily ultimate beneficial owner breakdown per fund as well as the subscriptions and redemptions and units in issue. This will then enable Fund Accounting to prepare and provide the net asset value per share class.

Global Custodian

As withholding tax and tax reclaim rates are applied by the global custodian based on the investors' individual tax profiles, establishing an accurate tax profile of an investor in a TTF is key to the success of a tax transparent fund.

Following the establishment of the tax profile of the investors, BNY Mellon's Global Tax Services team will agree with the client/advisors the countries in which tax transparency will be recognized and those countries which will consider a TTF as opaque.

The collection of withholding tax entitlements can then be achieved, either via a retrospective refund or at source, subject to additional documentation to prove the transparent nature of the fund and the tax status of each investor.

Tax tables and coding are prepared to reflect the anticipated withholding tax.



Fund Accounting

For fund administration and accounting, BNY Mellon will prepare tax tables within the accounting system to reflect the withholding tax and tax reclaims attributed in the custody model, in terms of the country and tax profile of investor, the country of investment, and the type of security invested in. The net asset value of the fund needs to include and reflect these various tax rates.

BNY Mellon's Fund Accounting team will, just as for an opaque fund, pass the price per share class (which may be calculated daily – or other frequency as per the fund prospectus) of the units to Transfer Agency in order to arrive at the correct percentage ownership referred to above.

The Fund Accounting team will also provide, from the accounting system, specific reporting requirements for the underlying investors in order to satisfy both their local tax return and accounting responsibilities.

Trustee and Depositary

The depositary has responsibility for the overview of the procedures and processes within the end-to-end TTF operating model. BNY Mellon Trustee and Depositary have the extensive knowledge and experience of the TTF product required to undertake this responsibility.

Tax Transparent Fund Governance

Governance has become an increasingly important subject for all types of funds. BNY Mellon has implemented a tax transparent fund governance which we believe is the cornerstone of the BNY Mellon TTF service in ensuring that the operating model is working efficiently and that all business areas are regularly consulted on changes that may affect the product.

The Tax and Regulatory team, which provides expertise and solutions to help clients navigate the complex global tax landscape in financial services, is responsible for tax pooling support. This team holds regular calls with all the relevant teams supporting tax transparent funds. These calls are used as forums to discuss any updates as well as raising queries and concerns or reflecting on strategies which may be implemented.

The Tax Oversight Manager

The BNY Mellon TTF governance framework includes the role of a TTF tax oversight manager, whose responsibilities are to liaise with clients on TTF tax related matters and to provide leadership, oversight and guidance to assist all business units in achieving and maintaining tax compliance with respect to TTFs. This TTF tax oversight manager function drives a consistent, global approach to the understanding, communication, and training for tax requirements specific to the TTF.

2. SERVICE FEATURES OF A BNY MELLON TAX TRANSPARENT FUND

BNY Mellon's operational and technical tax teams are experienced in handling any particular or special characteristics of a TTF. They are responsible, with the client, for analyzing the tax profile of the investor, applying transparency and making sure withholding tax relief is processed in the most beneficial way for the fund and the end investor.

(1) INVESTOR AND MARKET OF INVESTMENT TAX DUE DILIGENCE

Tax due diligence is a key component of a successful tax service offering. BNY Mellon believes this should be applied across the entire operating model which includes the fund, underlying investors, and the markets of investment.

Fund and Underlying TTF Investor Tax Due Diligence

In order to process the relevant withholding and reclaim tax rates for each underlying investor, full tax due diligence needs to be undertaken and a very detailed analysis of their tax profile carried out.

There are a number of variables that can result in different rates of withholding tax, and tax reclaim outcomes for investors, and some of these include, whether:

- They are liable to tax or not;
- A tax ruling or opinion is in place or not;
- Specific Tax Classification of the investor

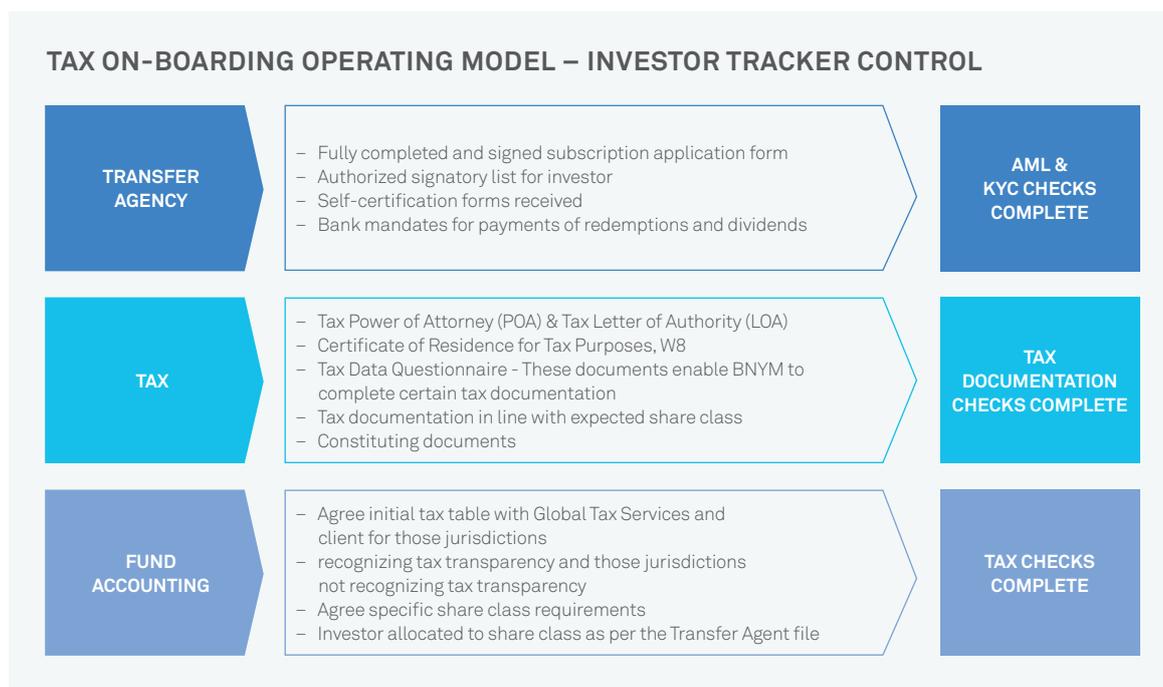
These factors can have a significant impact on the withholding tax rates and tax reclaims that can be achieved in the local investment market and, in turn,

on the application of tax relief to investors in the TTF. Therefore dedicated on-boarding teams work with TTFs and their participants to establish the tax profile of the fund and its participants.

Specific documents will be required depending on the country of investment.

Where possible, BNY Mellon ensure that the correct and complete tax documentation is provided upfront, relative to the market of investment. BNY Mellon will also provide assistance to the investor to complete the documentation, taking into account KYC/AML documentation provided, as well as completion of the Tax Service Questionnaire which determines the investors' tax profile.

The diagram summarize the BNY Mellon TTF tax on-boarding process.



Market of Investment Due Diligence

Our dedicated team of tax, research, and compliance specialists monitor tax developments across all markets within our global custody network. We believe that tax due diligence, in conjunction with tax change management, forms the cornerstone of a robust service offering. We work very closely with our local sub-custodians on any issues which may impact our clients such as applicable withholding and tax reclaim rates, together with the operating procedures for the collection of tax entitlements.

Additional steps are also taken to ensure the local sub-custodian understands the structures of TTFs, such that applicable securities accounts are established to facilitate the collection of tax entitlements.

(2) TAX TRANSPARENT MARKETS

In order to confirm markets of transparency, many custodians will require a ruling from the local tax authorities or opinions from local tax adviser.

BNY Mellon believes that transparency can also be achieved in reclaim markets through test reclaims, where we file reclaims on behalf of the investors, either by leveraging existing rulings or opinions, or by providing the tax authorities with full disclosure of the tax transparent fund.

BNY Mellon has implemented a policy which enables us to have a more adaptable approach with our clients and increase the number of markets where transparency can potentially be achieved without the formal process of obtaining a ruling. Some details of this policy are as follows:

Filing a Reclaim Absent a Ruling or Opinion: The modified service enables BNY Mellon, on behalf of TTF investors, to file withholding tax reclaims on the strict provision that full disclosure/details of the TTF and its underlying participants are supplied by the client to BNY Mellon in advance of us filing a tax reclaim on its behalf.

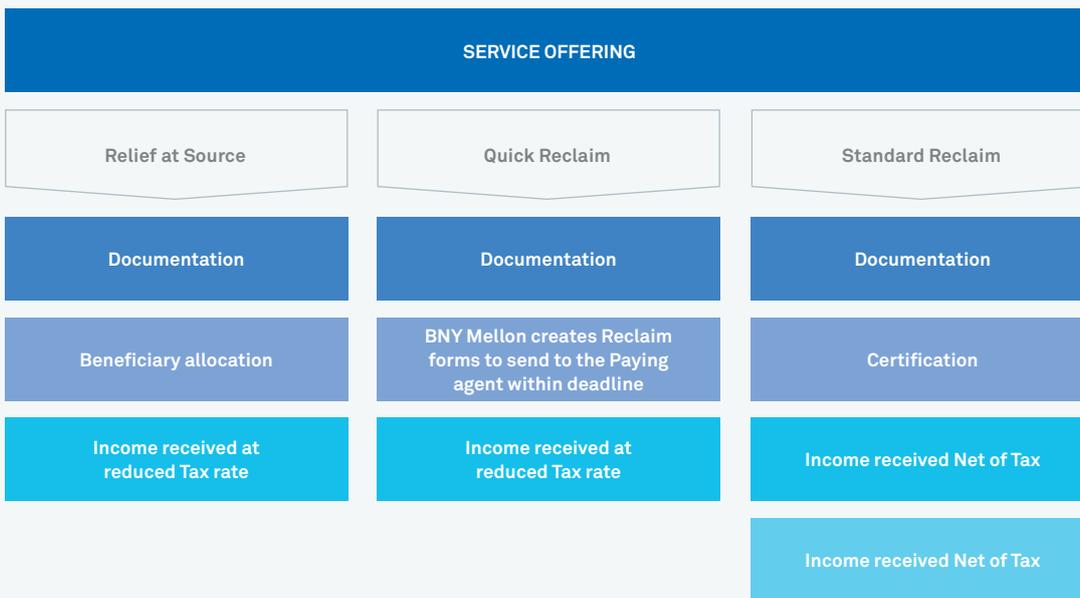
Cross Reliance: Another feature of the policy enables investors to leverage the characteristics of similar or identical TTFs where BNY Mellon has an existing ruling/opinion already in place. BNY Mellon may be able to “cross rely” on an existing ruling for a substantially similar or identical TTF vehicle which is registered/established in the same jurisdiction. “Cross reliance” will be determined by BNY Mellon on a case-by-case basis by analyzing the existing ruling (applicable to a certain “type” of TTF vehicle) to establish whether our client’s TTF vehicle is substantially similar or identical based on the facts and circumstances presented. BNY Mellon’s policy is to file a withholding tax reclaim with the source country tax authorities on a test case basis.

(3) RELIEF AT SOURCE AND RECLAIMS

To the extent the source country recognize the tax transparency of the TTF, BNY Mellon will pursue withholding tax entitlements on behalf of the investors for those custody assets where the source country tax authorities have outlined the requirements as well as the qualification criteria to collect tax refund(s) and the investors have provided the required tax documentation to make the reclaim.

To maximize our clients’ cash flow, our tax service covers exemptions and treaty rates at source wherever possible. We aim to eliminate standard reclaims by obtaining withholding tax relief either at source or by the use of accelerated refund procedures wherever permissible.

THE FOLLOWING DIAGRAM DEMONSTRATES OUR SERVICE OFFERING AS REGARDS TAX RECLAIM AND RELIEF AT SOURCE:



Where a reclaim must be processed, our system creates a reclaim accrual with the appropriate income credits. This automatically prompts tax reclaim personnel to file the reclaim with the relevant tax authorities as and when appropriate. We use the most efficient and time effective method, including electronic filing, where the local tax authorities allow this method.

Once filed, we track the progress of the claim and produce management control reports for outstanding reclaims. Our tax operations team actively pursues claims with our sub-custodian or the local tax authority as appropriate. We also work closely with our global network management team to provide the necessary support to meet local registration requirements or appoint local administrators and/or tax advisors as needed.

Tax transparent pooling vehicles have increased in popularity due to the benefits available of tax saving, economies of scale, diversification, related cost savings and fund consolidation.

BNY Mellon has an industry-leading service model offering for tax transparent funds which has been enhanced to satisfy both regulatory and market changes, and in order to satisfy our client needs. This model can accommodate any type of TTF and is supported by a solid team with extensive experience and expertise in this product.

BNY MELLON GLOBAL TAX AND REGULATORY SERVICES

BNY Mellon's Global Tax and Regulatory Services team provides support to navigate the global tax and regulatory environment throughout the investment lifecycle. Our team of professionals monitor and research tax and regulatory developments impacting BNY Mellon Asset Servicing clients, working proactively to support them through the development and enhancement of tax and regulatory products and services. Our engagement with regulators and tax authorities around the world, and our active participation in industry associations, gives us early insight into developing legislation and enables us to directly advocate for clients' best interests. We share these insights with clients through frequent thought leadership papers, tax and regulatory forums, communications and events.

LEARN MORE

If you would like to receive further information, please contact your BNY Mellon Relationship Manager or a member of the BNY Mellon Global Tax and Regulatory Services team.

BNY MELLON GLOBAL TAX AND REGULATORY SERVICES CONTACTS

Mariano Giralt Head of Global Tax and Regulatory Services
Tel: +44 207 163 6463
E: mariano.giralt@bnymellon.com

Christopher Mitchell Head of U.K. Tax Services
and Tax Transparent Fund Lead
Tel: +44 207 163 3016
E: christopher.mitchell@bnymellon.com

Gildine Cassou Senior Tax Pooling Manager
Tel: +44207 163 8389
E: gildine.cassou@bnymellon.com

Lorraine White Global Head of Securities Tax Research
& Client Tax Solutions
Tel: +44 207 163 3029
E: lorraine.white@bnymellon.com

Pieter Strik Product Manager
Tel: +31 76 760 2306
E: pieter.strik@bnymellon.com

David O'Callaghan Product Manager
Tel: +353 1 900 8532
E: david.ocallaghan@bnymellon.com



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