


BNY Trust Company of Canada (BNYTCC)



# PILLAR 3 DISCLOSURES

For the period ended December 31, 2023

FOR FURTHER INFORMATION, PLEASE CONTACT:

PAUL BOYCE, CHIEF EXECUTIVE OFFICER OF BNYTCC

# Table of Contents

Category 3 SMSB Capital Ratios ..... 3

Modified CC1 - Composition of Capital for SMSBs\* ..... 4

ORA - General Qualitative Information on BNYTCC’s Operational Risk Framework ..... 6

## Category 3 SMSB Capital Ratios

*Dollars in CAD thousands*

### A Ratio Calculations

Common Equity Tier 1 (CET1) simplified risk-based capital ratio ratio (%)	
Tier 1 simplified risk-based capital ratio (%)	
Total simplified risk-based capital ratio (%)	

### Q4 2023

	73.57%
	73.57%
	73.57%

### B Capital

Net CET1 capital
Net Tier 1 capital
Total capital

	131,197
	131,197
	131,197

### C Adjusted Total Assets and Operational Risk RWA

Total Assets

	156,136
--	---------

CET1 capital deductions

	13,147
--	--------

Additional Tier 1 capital deductions

	-
--	---

Tier 2 capital deductions

	-
--	---

Adjusted Total Assets (CET1)

	142,989
--	---------

Adjusted Total Assets (Tier 1)

	142,989
--	---------

Adjusted Total Assets (Total Capital)

	142,989
--	---------

Operational Risk RWA

	35,329
--	--------

## Modified CC1 - Composition of Capital for SMSBs\*

(CAD\$ thousands)		Q4 2023	Q3 2023	Q2 2023
<b>Common Equity Tier 1 capital: instruments and reserves</b>				
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	10,000	10,000	10,000
2	Retained earnings	107,463	103,322	98,187
3	Accumulated other comprehensive income (and other reserves)	26,881	26,870	26,861
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to Federal Credit Unions)</i>	N/A	N/A	N/A
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	N/A	N/A	N/A
6	<b>Common Equity Tier 1 capital before regulatory adjustments</b>	144,344	140,192	135,048
<b>Common Equity Tier 1 capital: regulatory adjustments</b>				
28	<b>Total regulatory adjustments to Common Equity Tier 1</b>	(13,147)	(13,147)	(13,147)
29	<b>Common Equity Tier 1 capital (CET1)</b>	131,197	127,045	121,901
<b>Additional Tier 1 capital: instruments</b>				
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	N/A	N/A	N/A
31	of which: classified as equity under applicable accounting standards	N/A	N/A	N/A
32	of which: classified as liabilities under applicable accounting standards	N/A	N/A	N/A
33	<i>Directly issued capital instruments subject to phase out from Additional Tier 1 (applicable only to Federal Credit Unions)</i>	N/A	N/A	N/A
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	N/A	N/A	N/A
35	<i>of which: instruments issued by subsidiaries subject to phase out (applicable only to Federal Credit Unions)</i>	N/A	N/A	N/A
36	<b>Additional Tier 1 capital before regulatory adjustments</b>	-	-	-
<b>Additional Tier 1 capital: regulatory adjustments</b>				
43	<b>Total regulatory adjustments to additional Tier 1 capital</b>	N/A	N/A	N/A
44	<b>Additional Tier 1 capital (AT1)</b>	N/A	N/A	N/A
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	N/A	N/A	N/A
<b>Tier 2 capital: instruments and provisions</b>				
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	N/A	N/A	N/A
47	<i>Directly issued capital instruments subject to phase out from Tier 2 (applicable only to Federal Credit Unions)</i>	N/A	N/A	N/A
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	N/A	N/A	N/A
49	<i>of which: instruments issued by subsidiaries subject to phase out (applicable only to Federal Credit Unions)</i>	N/A	N/A	N/A
50	Collective allowances	N/A	N/A	N/A
51	<b>Tier 2 capital before regulatory adjustments</b>	-	-	-

(CAD\$ thousands)		Q4 2023	Q3 2023	Q2 2023
<b>Tier 2 capital: regulatory adjustments</b>				
57	<b>Total regulatory adjustments to Tier 2 capital</b>	N/A	N/A	N/A
58	<b>Tier 2 capital (T2)</b>	N/A	N/A	N/A
59	<b>Total capital (TC = T1 + T2)</b>	N/A	N/A	N/A
60	<b>Total risk-weighted assets</b>	178,318	169,997	160,925
60a	<b>Credit Valuation Adjustment (CVA) Risk-weighted Assets (RWA)</b>	-	-	-
<b>Capital ratios</b>				
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	73.57%	74.73%	75.75%
62	Tier 1 (as a percentage of risk-weighted assets)	73.57%	74.73%	75.75%
63	Total capital (as a percentage of risk-weighted assets)	73.57%	74.73%	75.75%
<b>OSFI target</b>				
69	Common Equity Tier 1 target ratio	7.00%	7.00%	7.00%
70	Tier 1 capital target ratio	8.50%	8.50%	8.50%
71	Total capital target ratio	10.50%	10.50%	10.50%
<b>Capital instruments subject to phase-out arrangements (For Federal Credit Unions only)</b>				
80	Current cap on CET1 instruments subject to phase-out arrangements	N/A	N/A	N/A
81	Amount excluded from CET1 capital due to cap (excess over cap after redemptions and maturities)	N/A	N/A	N/A
82	Current cap on AT1 instruments subject to phase-out arrangements	N/A	N/A	N/A
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	N/A	N/A	N/A
84	Current cap on Tier 2 instruments subject to phase-out arrangements	N/A	N/A	N/A
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	N/A	N/A	N/A

## ORA – General Qualitative Information on BNYTCC’s Operational Risk Framework

BNY Trust Company of Canada (BNYTCC), through its affiliate, The Bank of New York Mellon (BNYM), maintains an Enterprise Risk Management Framework Policy (“Framework”) which defines the standards and requirements regarding the identification, measurement, management, monitoring and escalation of credit, market, liquidity, capital, operational, regulatory, reputation and strategic risks across the enterprise. The Framework provides assurance to directors, shareholders and regulators that there is an appropriate risk management structure in place within BNYTCC and across the enterprise.

The Framework encompasses all senior management committees and requires that the Risk Management Group have direct access to, or membership on these committees. The structure of the Framework, in conjunction with the oversight provided by the Governance Partners, the Risk Committees and management ensures that BNYTCC manages risk to remain aligned with the Board-approved Risk Appetite Statement.

The BNYM Operational Risk Management Framework (ORMF) is incorporated into a number of supporting procedures, including capital stress testing, which outlines standards and requirements around the performance and management of stress testing activities within BNYTCC. Elements of this procedure are principles-based, consistent with The Office of the Superintendent of Financial Institution’s (OSFI) E-18 Stress Testing Guideline.

The Risk Management Group is responsible for providing oversight and ongoing monitoring of the ORMF, and for appropriately disclosing the risk metrics, review and analysis of those metrics and an escalation of major risk issues to senior management and the Board.

In providing a comprehensive array of products and services, we may be exposed to operational risks. To address these risks, we maintain comprehensive policies and procedures and an internal control framework designed to provide a sound operational environment. For information on our various risk activities and groups, including operational risks, board oversight and governance, operational risk management, and accountability of businesses, see “Risk Management” in [BNYM’s 2023 Annual Report](#).

### Operational Risk Tools

Several enterprise-wide tools are used to identify, assess and monitor operational risk. The business environment and internal control factors tools include a detailed risk and control self-assessment and high-level self-assessment program. Key risk and key performance indicators help us to proactively assess changes to the risk environment. Internal operational loss data capture drives root cause analysis and lessons learned for continuous improvement.

Operational losses are captured in the general ledger accounts that are mapped to the seven operational risk event categories specified in the U.S. capital rules. Our policies require that information on operational risk events with a financial impact of US\$10,000 or greater be maintained in a central database. Business managers are required to escalate to senior management within 72 hours operational risk events where the most likely outcome based on available information is a financial impact of US\$50,000 or greater. This notification is sent to the Business / Corporate Staff Senior Manager, the Business / Corporate Staff Chief Risk Officer, the Chief Operational Risk Officer, the Business Legal Representative/General Counsel, and for higher threshold amounts, the Chief Risk Officer (CRO), the Chief Financial Officer (CFO), and the Corporate General Counsel of BNYM are also notified. The event information from the central database is input to the operational risk capital model along with external loss data.

Operational losses are reviewed and reported monthly to the Chief Operational Risk Officer, the Business Chief Risk Officers, and the Operational Risk Officers. The reporting provides commentary on trends or drivers of losses, total losses by sector and losses expressed as a percentage of revenue.

**Risk and Control Self-Assessments (“RCSAs”)**

RCSAs are completed by the business/business partner to identify the risks associated with their key business practices. The RCSA policy includes a matrix which is a qualitative guideline to assist the risk owner when assessing inherent risk, quality of controls and residual risk.

**Scenario Analysis**

Scenario analysis helps management contemplate events that may reasonably be anticipated to occur, but have not yet occurred, so that remedial action plans can be dynamic.

**Business Continuity**

We regularly assess and monitor operational risk in our business and provide for disaster and business recovery planning, including geographical diversification of our facilities. For information on our business continuity strategies, see “Risk Factors” in BNYM’s 2023 Annual Report.

**Simplified Risk-Based Capital Approach**

BNYTCC’s Regulatory Capital Requirements follow the Simplified Risk-Based Capital Approach (SRCA calculated using Total Adjusted Assets and Operational Risk RWAs). The Standardized Approach was used to assess Operational Risk Capital requirements. The ICAAP also introduces an Internal Capital Assessment forecast, which includes consideration of a capital stress test.

**Use of Insurance for the Purpose of Mitigating Operational Risk**

BNY Mellon mitigates operational risk with a broad range of insurance policies that cover operational events. The insurance policies that BNY Mellon holds include Financial Institutions Bond, Bankers Professional Liability, Directors’ and Officers’ Liability, All Risk Property policies, and Enterprise Cyber/Privacy Liability. Operational loss data are provided to our Corporate Insurance Group in order to raise awareness of significant operational risk issues to ensure appropriate insurance coverage is in place or to enhance existing insurance policies. An operational risk management policy is in place that describes the process for reporting operational loss data to the Corporate Insurance Group. Although we maintain insurance policies to mitigate operational events, insurance recoveries are not included in the loss information used in our operational risk capital model.

BNY Trust Company of Canada  
1 York Street, 6<sup>th</sup> Floor  
Toronto, Ontario M5J 0B6  
Canada  
+1 (416) 933-8500  
[bnymellon.com](http://bnymellon.com)