



BNY MELLON

# DRIVING OPERATIONAL EXCELLENCE

CREDIT SUISSE  
FINANCIAL SERVICES FORUM 2013

**Presented by:**

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**February 13, 2013**



# Cautionary Statement

A number of statements in our presentations, the accompanying slides and the responses to your questions are “forward-looking statements.” These statements relate to, among other things, The Bank of New York Mellon Corporation’s (the “Corporation”) technology strategy and platform; operational excellence initiatives, including statements regarding business operations, technology and corporate services initiatives, projected program savings and annualized targeted savings; and statements regarding the Corporation’s aspirations, as well as the Corporation’s overall plans, strategies, goals, objectives, expectations, estimates, intentions, targets, opportunities and initiatives. These forward-looking statements are based on assumptions that involve risks and uncertainties and that are subject to change based on various important factors (some of which are beyond the Corporation’s control).

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**Non-GAAP Measures:** In this presentation we may discuss some non-GAAP measures in detailing the Corporation’s performance. We believe these measures are useful to the investment community in analyzing the financial results and trends of ongoing operations. We believe they facilitate comparisons with prior periods and reflect the principal basis on which our management monitors financial performance. Additional disclosures relating to non-GAAP measures are contained in the Corporation’s reports filed with the SEC, including the 2011 Annual Report and the 8-K filed on January 16, 2013, available at [www.bnymellon.com](http://www.bnymellon.com).

# Driving Operational Excellence

TECHNOLOGY IS AT THE CORE OF OUR PRODUCTS, SERVICE, EXCELLENCE

## By the Numbers

<b>13,000</b>	IT professionals globally
<b>~15-20%</b>	Percent of annual Non-interest Expense invested in Technology
<b>\$5.9T</b>	U.S. dollars and securities processed daily
<b>&gt;100MM</b>	Number of retail accounts serviced
<b>200,000</b>	Professionals accessing our portals daily

## Industry Recognition

### FTF News Technology Innovation Awards, 2012

- Best IT Initiative for Hedge Fund Operations
- Service Provider of the Year
- Best Enterprise-Wide Outsourcing Solution

### American Financial Technology Awards

- 2012 Best IT Team
- Five other BNY Mellon IT Teams named finalists in various categories

### 2012 Financial World Innovation Award

- *BNY Mellon Connect* Platform

### Global Investor/ISF Global Custody Survey, 2012

- BNY Mellon ranked #1 versus its peer group\* - Internet / Workstation Product

### InvestmentNews Survey - Adviser Technology Trends, 2012

- #1 portfolio management product - Albridge Wealth Reporting™ (Albridge Solutions)
- #1 industry app used by advisers - Pershing's NetX360 for iPad®

\*Peer Group = State Street, JPMorgan, Northern Trust and Citibank

IT = Information Technology

# Driving Operational Excellence

## HISTORY OF DELIVERING TECHNOLOGY ENABLED SOLUTIONS

FIRST BANK IN THE US TO INSTALL A **COMPUTER** ('56), AND THEN TO **AUTOMATE TELLER STATIONS** (60'S)

- Led industry in **automated trading**
- Created **digitized signatures** to verify checks enabling growth in money market
- Inaugural member of **SWIFT** network
- Among the first to install **ATMs**

FIRST TO EXECUTE SECURITIES INSTRUCTIONS THROUGH INTERNET

- First to launch **internet**-based work station for brokers and advisors
- Among first to launch **internet**-based retail trading
- Leveraged tri-party technology to **automate** U.S. municipal deposit collateral management
- First to **outsource** using new technology platform versus lift-out approach

LAUNCHED FIRST **MOBILE** SECURITIES PROCESSING APPLICATIONS

FIRST TO EXECUTE INTERNATIONAL **WIRES** DIRECTLY THROUGH FED TERMINAL

- Developed Prime Custody, enabled by **STP**
- First to launch professional **mobile** applications for financial advisors
- Among first to launch **global delivery center** for software development - iNautix India

PIONEERED **ONLINE TRADING** ON PRODIGY, ONLINE SERVICE PREDATING INTERNET

- First tri-party repo trade with Goldman Sachs, enabled by **tri-party technology**

ATM = Automated Teller Machine

SWIFT = Society for Worldwide Interbank Financial Telecommunication

STP = straight-through-processing

# Driving Operational Excellence

## OUR TECHNOLOGY STRATEGY

- ✓ Listen to our clients to enhance their experience
- ✓ Develop a unified platform leveraging our service-oriented technology architecture
- ✓ Maintain a sound and secure infrastructure
- ✓ Innovate, innovate, innovate
- ✓ Optimize technology cost
- ✓ Enable operational excellence

# Driving Operational Excellence

## LISTENING TO CLIENTS – INTERNAL AND EXTERNAL



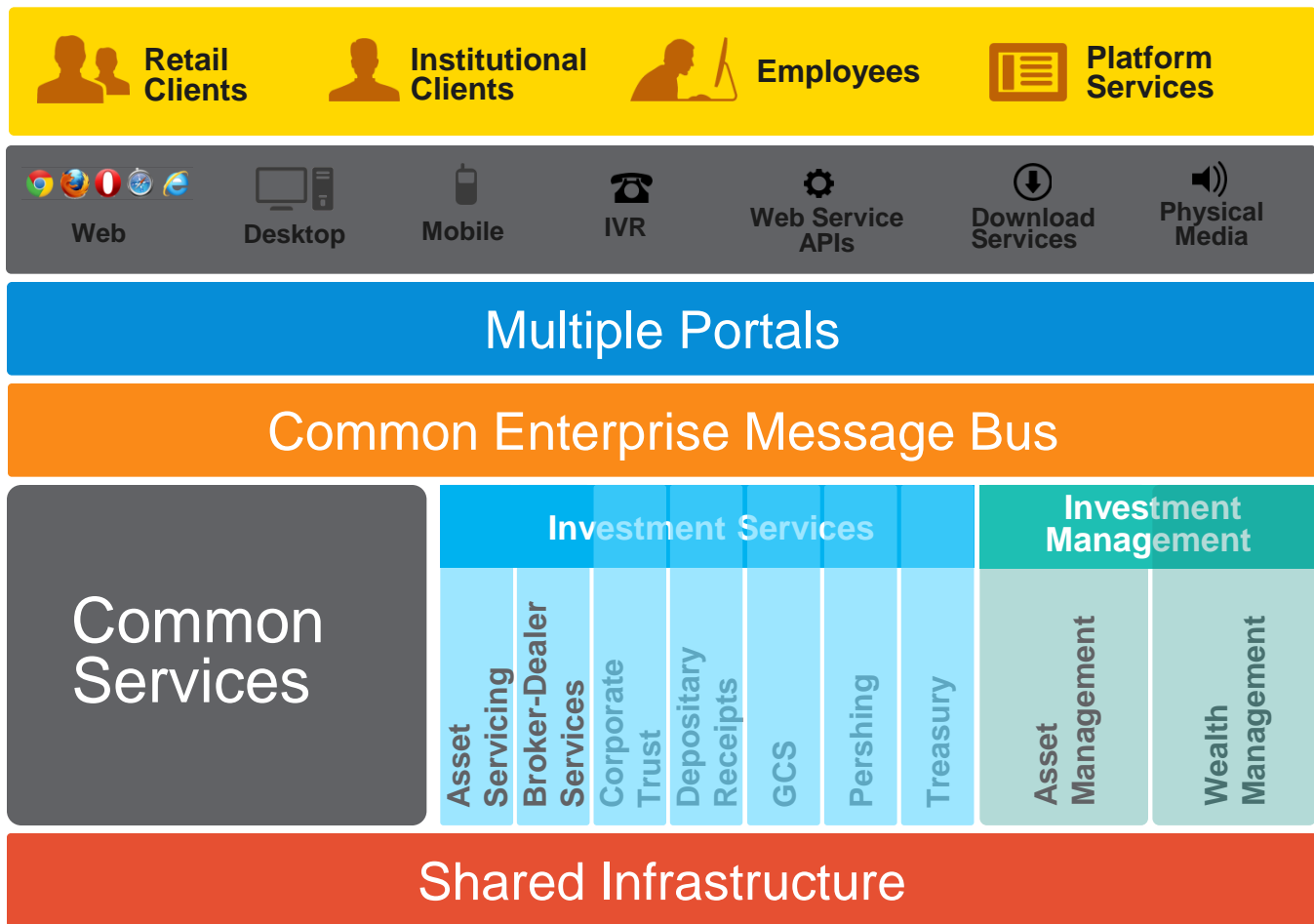
- Gain qualitative insight by listening to clients' goals and observing behaviors
- Validate by leveraging technology to monitor actual behaviors (e.g. features adoption)
- Use findings to improve clients experience and offer new solutions
- Make internal clients part of the equation

Source: The User Is Always Right, Steve Mulder, 2007

# Our Strategic Product Platform

OPTIMIZED USER SOLUTIONS, MULTIPLE CHANNELS, ONE PLATFORM

## Target State



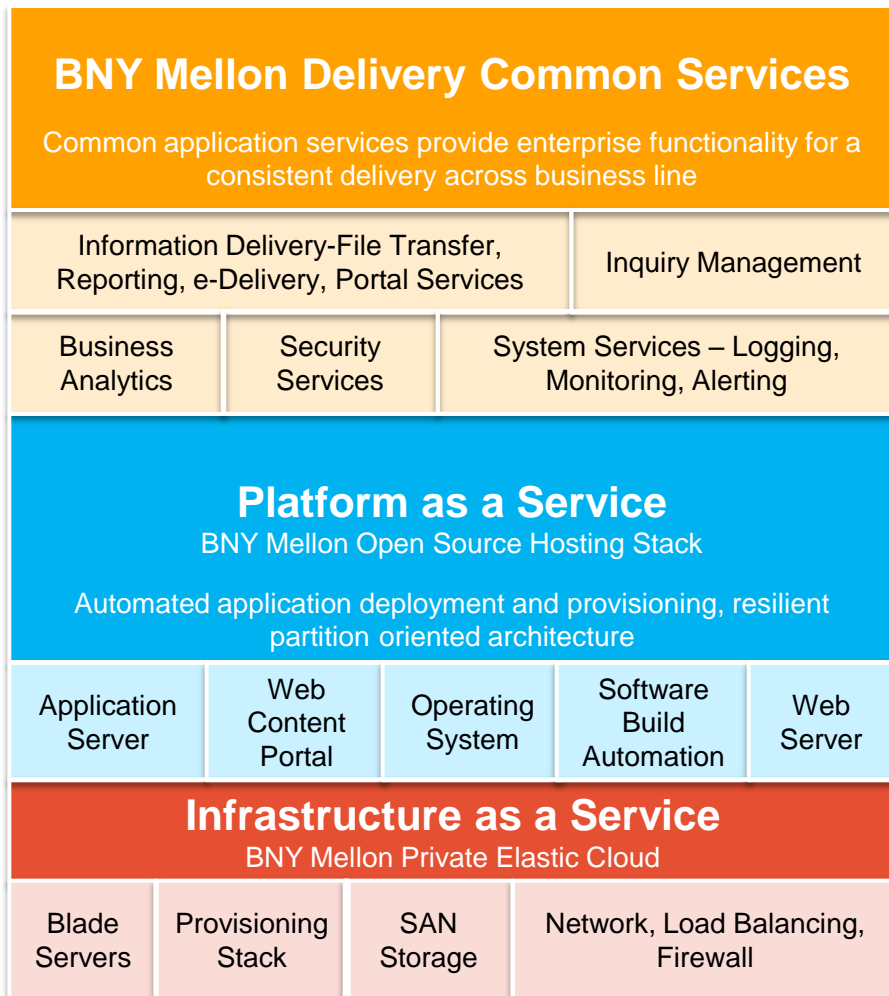
- **From:** Standalone solutions for different user groups and product segments
- **To:** One platform supporting optimized user solutions and multiple channels
- **Achieving:**
  - Better client experience
  - Lower time to market
  - Lower cost
  - Increased productivity
  - Better quality
  - Increased resiliency
  - Ability to leverage in global markets

API = Application Programming Interface

GCS = Global Collateral Services

# Underlying Technology Architecture

## PLATFORM-AS-A-SERVICE BUILT ON TOP OF OUR PRIVATE CLOUD



SAN = Storage Area Network

- Complete stack of infrastructure, platform and application common services for assembling our business solutions
- Private cloud technology
- Open source platform stack
- Full suite of services to lower cost, reduce time to market, and improve user experience
- Consistent service levels and capabilities across business lines

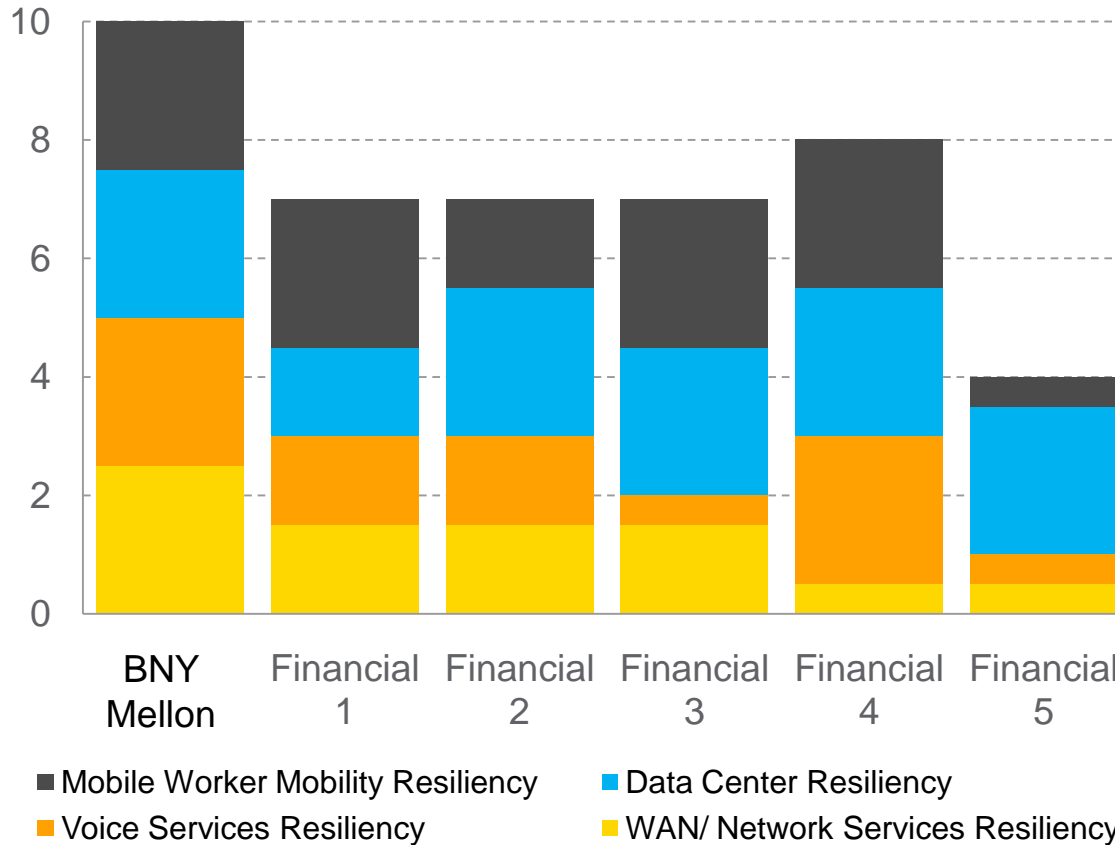


# State of the Art Infrastructure Solutions

## ENSURING BUSINESS CONTINUITY

### Financial Institution Hurricane Sandy Benchmarking\*

Rating 1 - 2.5 (low - good)



- A critical role in disaster recovery and business continuity planning
- Continuous testing and preparation

\* Third-party (vendor) assessment of performance of technical infrastructure in each of four areas, rated from 1 (low) to 2.5 (good)

WAN = Wide Area Network

# More Innovation

## LEVERAGING NEW TECHNOLOGIES

### Cloud

- Growing our private cloud
  - Adopting cloud-enabled, service-oriented platform
- 

### Big Data

- Faster access to data and improved search capabilities
  - Mining business data to gain business insight (TimeLab)
  - Business analytics - tracking manual transactions
  - Clients analytics - capturing client interactions
  - Fraud detection, compliance analysis, and monitoring
- 

### Mobile

- Expanding anytime, anywhere access to all our client solutions
- Building the digital workspace - anytime, anywhere productivity for our employees
- Focusing on pervasive computing

iPhone



hadoop

iPad



mongoDB



Lucene

Cassandra



ANDROID

# Lowering Technology Cost of Ownership

## CONTINUOUS IMPROVEMENT THROUGH FINANCIAL TRANSPARENCY

### Metrics

- Adopt measurements-driven improvement culture
  - Invest in IT financial analytics
- 

### Supply

- Lower infrastructure unit cost by optimizing usage and leveraging new technologies
  - Expand service-oriented architecture to create and use common services across businesses
  - Pursue vendor strategy to:
    - Reduce run-rate of hardware and software spend
    - Insource a portion of application development to retain knowledge and captive structure to generate cost advantage
- 

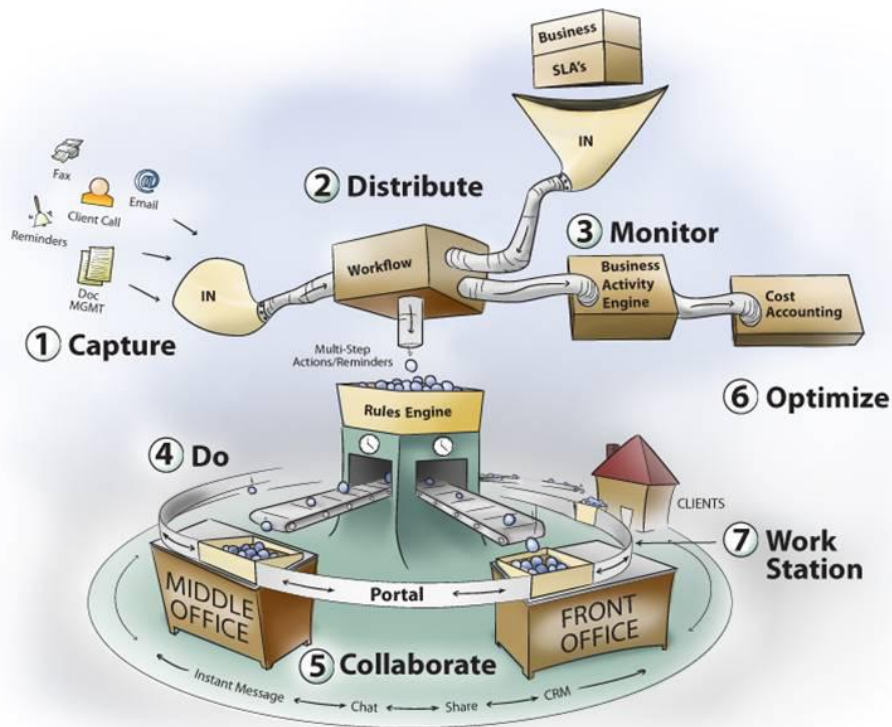
### Demand

- Shift investments from “lights on” to “strategic priorities”
- Work with businesses to reduce infrastructure consumption

IT = Information Technology

# Driving Operational Excellence

## TECHNOLOGY ENABLES OPERATIONAL EFFICIENCIES



### Business Process Management (BPM)

- Operational excellence through:
  - Operational efficiencies
  - Improved user experience
  - Cost optimization
  - Risk mitigation
- Example: Enterprise Client Inquiry
  - One simplified business process for all businesses in the firm
  - Reduced overall operating costs for Client inquiry technology
  - Tracking client activities and actions across all businesses



# DRIVING OPERATIONAL EXCELLENCE

**Presented by Ed Watson**



# Driving Operational Excellence

## STRATEGY

**Drive Operational Excellence to support BNY Mellon business objectives/priorities.**

**Cost/Productivity**

**Quality/Client Satisfaction**

**Control**

## ENABLERS

### People

- Right people in right seats
- Capability and capacity management
- Key skills

### Technology

- Common technology platforms
- “Leverageable” skills
- Reduce reliance on subject matter Experts through automation

### Financials Management Framework

- Process level cost transparency
- Benefit realization & performance metrics

## OBJECTIVES

Deliver results across the three dimensions of Clients, Employees, and Shareholders.

### Clients

- Higher customer satisfaction
- Increase brand loyalty
- Deeper wallet penetration
- More client referrals
- A client-focused organization

### Employees

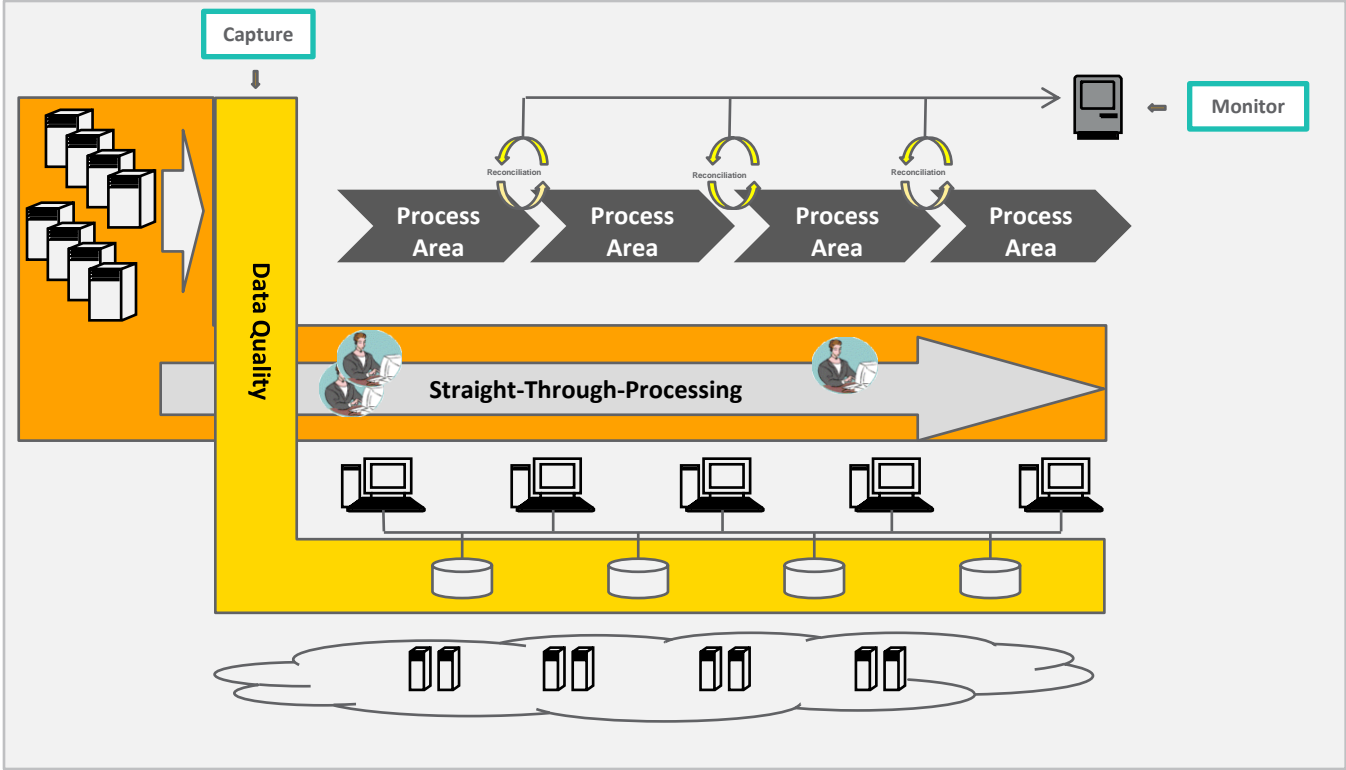
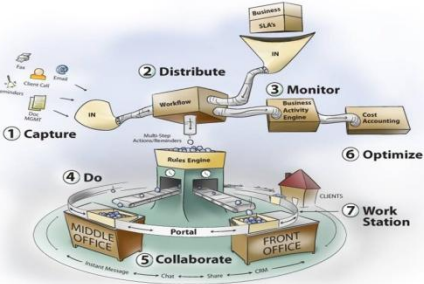
- Increase employee engagement
- Managerial accountability
- A performance culture
- Employees being empowered
- A culture of continuous process improvement

### Shareholders

- Increase shareholder value

# Driving Operational Excellence

## COMMON TECHNOLOGY PLATFORMS AS AN ENABLER



*Future state infrastructure will enable increased straight-through-processing, enhanced control, and operational efficiencies*

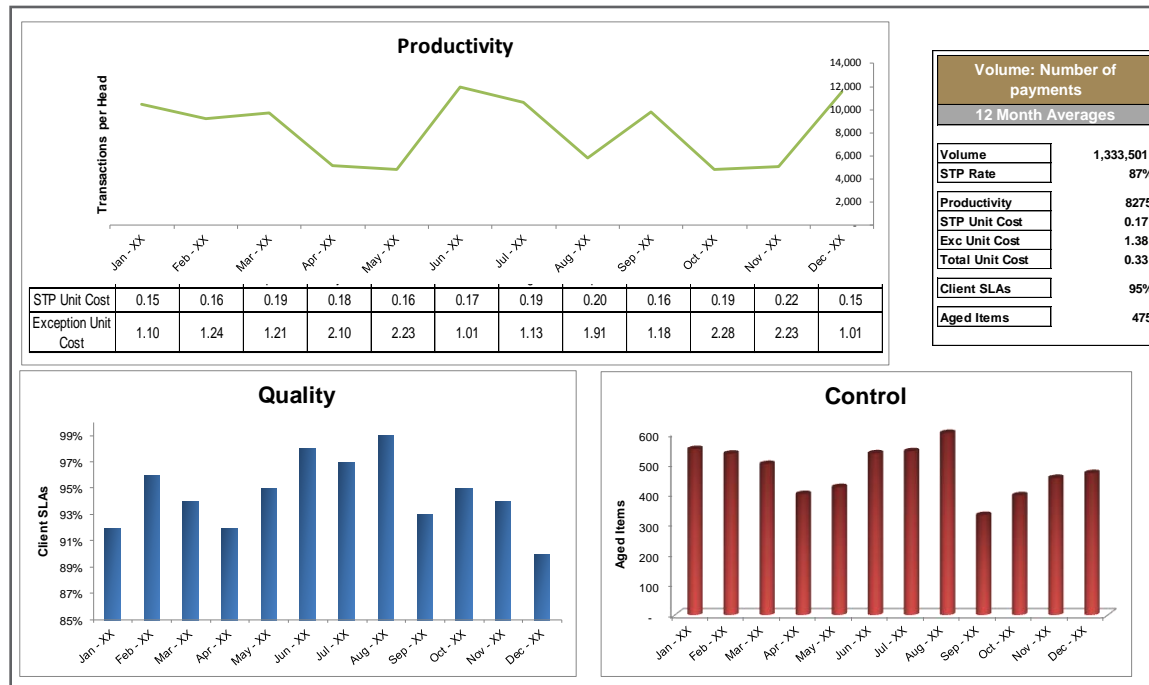
# Driving Operational Excellence

## FINANCIAL TRANSPARENCY AS KEY MANAGEMENT TOOL

### Continue to drive to an activity based costing model that enables us to:

- ✓ Understand Operations and Technology costs embedded throughout the operational process
- ✓ Optimize utilization of our scarce resources (i.e. dollars and human capital)
- ✓ Enable fact-based decisions
- ✓ Identify risks and opportunities – through metrics, trend, and data analysis
- ✓ Proactive and efficient management of the business (*manage the numbers, don't let the numbers manage us*)

### ILLUSTRATIVE





# Driving Operational Excellence

## SIGNIFICANT ACCOMPLISHMENTS TO DATE

### Efforts Underway

- Leverage Global Delivery Centers
- Headcount management
- Process simplification and consolidation
- Application simplification and consolidation
- Technology demand management
- Risk functions moved from vertical to horizontal models

### Accomplishments To Date

- ✓ Continued global footprint positions migration, lowering operating costs as we ramped up Global Delivery Centers
- ✓ Consolidated Treasury Services functions in our Pittsburgh Service Center
- ✓ Re-engineered Dreyfus and Global Fund Accounting operations
- ✓ Realized synergies by integrating our custody and clearing operations related to the Global Investment Servicing (“GIS”) acquisition.
- ✓ These accomplishments have enabled us to absorb new business and regulatory volumes

*...and move the dial on cost, quality and control*

# Driving Operational Excellence

## STRATEGIC CORNERSTONES TO QUALITY SERVICE DELIVERY

### Vertical to Horizontal

#### **Consolidate, Standardize and Scale Core Processes**

- *Client Onboarding, Client Inquiry tracking, SWIFT Messaging, Billing, Loan Servicing, Operational Risks and Controls, Cash Processing, Project Management, Global Footprint, Spans and Layers*

### Ongoing Automation

#### **Deliver “Efficient” Operational Performance**

- *Business Process Management (BPM), Reconciliation, Business Rules Engine, Business Activity Monitoring and Document Management*

### Data Quality & Performance

#### **Ensure Data Quality; Establish Shared Metrics**

- *Data quality standards and ownership, fact-based decision support, data architect for cross-business solutions; performance metrics (e.g. STP rates, defect repair rates, activity-based costing, etc.) and quality culture; compliance reporting*

SWIFT = Society for Worldwide Interbank Financial Telecommunication

STP = straight-through-processing

# Driving Operational Excellence

## WHAT CAN YOU EXPECT...

### Cost/Productivity

- Increase straight-through-processing rates
- Reduce unit cost and drive better transparency in financials
- Increase maturity in leveraging metrics to help manage the organization
- Expand enterprise capabilities by leveraging common technology platform and simpler infrastructure

### Quality/Client Satisfaction

- Improve data quality to reduce operational risks with client impacts
- Continually improve performance against client service level expectations
- Reduce frequency, severity and time to resolve operations and technology incidents
- Increase consistency and reliability of output and processes

### Control

- Reduce dependency on subject-matter experts
- Lower operational errors and associated costs
- Improve the remediation of identified risks
- Expand processes and technologies to incorporate risk management into their design

*Driving cultural change through continuous improvement, supported through metrics and measurement*

# Driving Operational Excellence

## TRANSFORMING OPERATIONS, TECHNOLOGY & CORPORATE SERVICES

	Programs	Total Gross Savings	
		2012	2015 Target
<b>BUSINESS OPERATIONS</b>	<ul style="list-style-type: none"> <li>✓ Leveraging global delivery centers</li> <li>✓ Re-engineering and automation</li> <li>✓ Combining common functions</li> </ul>	\$238MM	\$415-\$450MM
<b>TECHNOLOGY</b>	<ul style="list-style-type: none"> <li>✓ Simplifying infrastructure</li> <li>✓ Rationalizing business applications</li> </ul>	\$82MM	\$135-\$145MM
<b>CORPORATE SERVICES</b>	<ul style="list-style-type: none"> <li>✓ Centralizing sourcing and procurement</li> <li>✓ Optimizing global real estate footprint</li> <li>✓ Controlling shared services expenses</li> </ul>	\$77MM	\$100 - \$105MM
		<b>\$397MM</b>	<b>\$650 - \$700MM</b>



**BNY MELLON**