

Press Release



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BNY Mellon-sponsored study by consultants itechx & FAROS highlights increasing demand among German institutional investors for sophisticated services

FRANKFURT, April 11, 2012 — Institutional investors in Germany are willing to pay extra for sophisticated new services over and above the standard custodian fee, according to a new study sponsored by BNY Mellon, the global leader in investment management and investment services, and conducted by German consultancy firms itechx Consulting and FAROS Consulting.

The German-language study – *Kostendruck: Finanzdienstleister in der Sackgasse? (Cost pressure: Financial Service Providers at a Dead End?)* – analyzed the latest demands for new products and services placed on custodians by institutional investors. These demands are only becoming more onerous as those institutional clients seek to get to grips with an increasingly complex and unpredictable operating environment.

Oliver Draeger, Senior Investment Consultant at FAROS, said: “The market survey clearly shows what institutional investors currently demand from depotbanks. We can answer the initial question – are depotbanks at a ‘dead end’ – with a definite ‘no’.”

Volker Braunberger, Managing Director of itechx, adds: “During the interviews, we have learned from institutional investors that depotbanks can generate new revenues and thereby counteract the cost pressures they now face.”

It is recognised that the German market has witnessed a significant decrease in fee levels over the past five years; at the same time, fee structures remain somewhat opaque and have historically often been based on cross-subsidisation across core and so-called ‘value-added’ services.

The study found that today the majority of institutional investors have a growing need for sophisticated services, particularly in the fields of transaction cost analysis, performance management and risk measurement.

Such innovative solutions are increasingly seen by clients as value-creating. According to the survey, institutional investors are willing to pay separately for such services as and when they are introduced. The study concludes that custodians are not taking full advantage of available opportunities to sell such new services on a stand-alone basis.

Other key findings include:

- Institutional investors recognise the current ramping up of regulatory requirements means increased levels of investment on the part of custodians. Against this background, institutional investors are willing to negotiate with custodians around enhancing remuneration for the services they provide if the cost factors are transparent.

This press release is issued by The Bank of New York Mellon SA/NV to members of the financial press and media.

All information and figures source BNY Mellon International unless otherwise stated as at December 31, 2011.

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- Relationships between institutional investors and custodians continue to be characterised by a high level of trust, despite the current financial crisis. Issues such as internal or external custodian ratings and the selection of depositories on the part of the depotbanks are of secondary importance to institutional investors.
- Price, perceived size and quality are key criteria identified by institutional investors in respect of their relationship with a custodian.

Michelle Grundmann, Managing Director at BNY Mellon Asset Servicing in Germany, said: “This new study confirms our long-held belief that an investment services model which offers clients not only a broad range of core services but also innovative value-added solutions tailored to their specific needs is the most effective one. Clear communication and partnership-based cooperation with clients is the key to continued success. And as the study shows, clients increasingly recognise the value of the cutting-edge solutions they need to solve the very complex challenges they face in today’s rapidly evolving business environment.”

The study surveyed 31 selected institutional investors representing a volume of almost EUR400 billion depotbank assets under administration.

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Notes to editors:

BNY Mellon has been serving clients in Germany since 1931. The company opened its first office in Frankfurt in 1972. Following its acquisition in August 2010 of BHF Asset Servicing and Frankfurter Service KAG, the company now has more than 550 employees in Germany. In addition to asset servicing, depotbanking, fund administration and asset management, BNY Mellon is active in Germany in the areas of corporate trust, treasury services, collateral management, depository receipts and client management. It has over 200 institutional relationships in Germany, including more than 20 DAX-listed corporations, and offers regional coverage for 14 countries in the German speaking and Central Eastern and South Eastern European region.

BNY Mellon Asset Servicing offers clients worldwide a broad spectrum of specialized asset servicing capabilities, including custody and fund services, securities lending, performance and analytics, and execution services. BNY Mellon is a global financial services company focused on helping clients manage and service their financial assets, operating in 36 countries and serving more than 100 markets. BNY Mellon is a leading provider of financial services for institutions, corporations and high-net-worth individuals, offering superior investment management and investment services through a worldwide client-focused team. It has \$25.8 trillion in assets under custody and administration and \$1.26 trillion in assets under management, services \$11.8 trillion in outstanding debt and processes global payments averaging \$1.5 trillion per day. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation. Additional information is available on www.bnymellon.com or follow us on Twitter @BNYMellon.

itechx GmbH, located in Saarbrücken and founded in 1998, is specialised in consulting and support in the fields of capital investment and securities services. By numerous projects, itechx extended its market position step by step and established itself as a thought leader in the depotbank and custody sector. Besides clients such as KAGs, banks and custodians, itechx increasingly serves institutional investors. Due to the high level of understanding for the perspective of providers and investors, itechx offers their clients an integrated consulting approach and guarantees a market- and customer-oriented perspective in every project. In 2011, itechx GmbH generated revenue of EUR2.9 million with 23 employees. Additional information about itechx is available on www.itechx.de.

FAROS Consulting was founded by Uwe Rieken in 2003. As an owner-managed and independent consultancy, FAROS Consulting advises institutional investors in Germany in the fields of asset liability management and strategic asset allocation, selection of Master KAG, depotbank, and asset manager as well as qualitative controlling and monitoring. Since the founding, project orders in the value of EUR9.4 billion have been concluded. Mandates amounting to EUR8.5 billion are managed permanently. Additional information about FAROS Consulting is available on www.faros-consulting.de.

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