BNY Mellon

*Perspective of risk management from a systemically important financial utility*
About BNY Mellon

BNY Mellon helps individuals and institutions succeed in markets around the world

Who We Are

Established
One of the oldest, continuously operating financial institutions in the world

Resilient
Served clients through every economic cycle since our founding over 225 years ago

Strong
Rank among the highest debt ratings for financial firms globally¹

What We Do

Orchestrating
We manage and service financial assets for clients in markets around the world

Lead
Individuals and institutions seek our leadership in navigating global markets

Support
We provide a wide range of services for our clients

How We Do It

Collaboration
Close collaboration with clients is at the foundation of our sophisticated offerings

Innovation
Technology and thought leadership on the cutting edge of global finance

Access
Deep market access that connects clients directly to new opportunities

¹ Current credit ratings for The Bank of New York Mellon Corporation and its principal subsidiaries are posted at www.bnymellon.com/investorrelations/creditratings.html
Our Business

BNY Mellon is a leader in Investment Management and Investment Services

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<th>Investment Services</th>
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<td><strong>Institutional and retail investment management</strong></td>
<td><strong>Wealth management for individuals and families</strong></td>
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<td>$1.4 trillion assets under management¹,²</td>
<td>$178 billion in private client assets¹</td>
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<td><strong>7th largest</strong> US asset manager³</td>
<td><strong>Top 3</strong> ranked private bank in US⁵</td>
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<tr>
<td><strong>7th largest</strong> global asset manager⁴</td>
<td><strong>Top 10</strong> US wealth manager⁶</td>
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<td><strong>$1.4 trillion</strong> average payments processed daily¹</td>
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Expertise Across Our Efforts

- Design and deliver innovative products for managing and servicing investments
- Combine a wide range of financial services into a comprehensive, client-centered approach
- Provide access and opportunities in markets around the world

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Our Clients

BNY Mellon collaborates with and serves a diverse range of clients

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Why Clients Choose BNY Mellon

- Companywide focus on delivering value to clients
- Distinct range of services that are tailored to meet individual client needs
- We are looked upon as a leader, innovator and trusted business partner
Our Presence

BNY Mellon operates in 36 countries and over 100 markets

Global Service, Local Delivery

- Services delivered around the world
- Seamless global network for cross-border speed and convenience
- Our experts are located in-market for close collaboration with clients
Perspective of Risk Management from a Systemically Important Financial Utility

- In the current environment, regulators request “best-in-class” risk management programs
- There is a clear risk appetite statement at BNY Mellon with quantifiable thresholds
  - Capital ratios, operational losses, credit losses / non-performing assets, liquidity rations, VaR limits
- Clients look to BNY Mellon to remain strong and continue to deliver operational excellence and uninterrupted service globally, thus we are committed to maintaining a strong balance sheet and, consequently we assume less risk than most financial services companies
- Significant investments have been made, and will continue to be made, in business continuity, risk modelling, and data aggregation to ensure we remain best-in-class
- Given our designation as a Global Systemically Important Financial Institution (G-SIFI) and a Systemically Important Financial Utility (SIFU), BNY Mellon will play an important role in shaping the industry and managing systemic risks, making sound risk management a top priority
What are the Best Practices in Risk Management?

• Strong risk management culture by the Board of Directors down through the Executive Committee and the CEO

• Solid governance structure where material risks will be identified and escalated to the appropriate levels of management

• Usage of key risk indicators and metrics to monitor risks against established thresholds

• Accountability for risk tolerance breaches

• Business should partner with the control functions (Risk, Compliance, and Legal) to increase transparency

• The control functions should be involved in the early stages of new product development, significant business process changes, acquisitions / divestitures and business acceptance

• The risk reward needs to be evaluated everywhere in the risk appetite (i.e., market risk, operational risk and credit risk)

• Executive compensation has been changed to have a clear measured element for risk management that is considered during incentive compensation. Executives are no longer compensated solely on the bottom line
What are the Warning Signs of “Bad” Risk Management?

• Lack of an established risk management culture
• Risk awareness is not driven by the most senior levels
• Lack of accountability and transparency
• No established risk thresholds or metrics
• Frequent large financial losses or reputational events driven by excessive risk taking and failed or missing controls
• Compensation practices that reward risky behavior
The Board as a Strategic Advisor and Monitor

• Metrics should be used to measure risks vs. established thresholds. These metrics should be shared with the Board on a regular basis.

• The Board of a G-SIFI and SIFU have to set the stage for risk management and may be personally liable for risk taking behavior.

• As a G-SIFI and a SIFU, there are higher expectations to behave certain ways and have certain plans in place such as comprehensive business continuity plans.

• Issues that may have a significant financial, reputational or regulatory impact should be escalated.
Appendix
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2 Source: Global Finance Magazine

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