



Pershing Limited

Pershing Securities Limited

PUBLIC DISCLOSURE

MIFIDPRU 8

December 31, 2023

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1 Introduction

This disclosure is published at an individual entity level for Pershing Limited ('PL') and Pershing Securities Limited ('PSL'), together referred to as the 'Companies', as at 31 December 2023. Disclosure is made in accordance with the requirements of the Investment Firms Prudential Regime¹ ('IFPR'). For completeness, the Companies share risk management and governance arrangements through their ultimate parent, Pershing Holdings (UK) Limited ('PHUK'), as well as with the other entities within Pershing Limited Consolidated ('PLC'), which comprises Pershing Limited ('PL'), Pershing Securities Limited ('PSL'), Pershing Securities International Limited ('PSIL') and Pershing Channel Islands Limited ('PCI').

IFPR is the prudential regime for UK firms authorised under the Markets in Financial Instruments Directive ('MiFID') replacing the prudential requirements under the CRR and CRD (collectively, 'CRD IV').

The overall objective of the IFPR is to streamline and simplify the prudential requirements for MiFID investment firms to better reflect the business models and activities of those firms. More specifically, the IFPR refocuses prudential requirements and expectations away solely from the risks firms face, to also consider and look to manage the potential harm firms can pose to consumers and markets.

This disclosure was approved for publication by the PHUK, PL and PSL Board of Directors (the 'Board') on 27 June 2024. PHUK and its Companies recognise the importance of risk management in the execution of their strategies and have defined the nature and levels of acceptable risk, which is formalised and monitored through stated risk appetites. PHUK and its Companies consider their risk management arrangements and systems are adequate with regards to their profile and strategy. The Companies will continue to monitor their risk profiles as part of their regular business activities. Further, the Companies have a Public Disclosure Policy and a control framework in place regarding the production and validation of MIFIDPRU 8 disclosures. Wherever possible and relevant, the Companies ensure consistency between public disclosures, own funds reporting, and ICARA content.

1.1 Scope of application

The IFPR framework comprises of three pillars; Own Funds (Pillar 1) sets out the minimum capital requirement that investment firms are required to meet under MIFIDPRU 3 and 4. Additional Own Funds (Pillar 2) concerns the supervisory review process within MIFIDPRU 7. Public Disclosure (Pillar 3) promotes market discipline through the disclosure of key information around the composition and management of own funds, approaches to risk management, and remuneration. Accordingly, this disclosure contains the qualitative and quantitative information as required under MIFIDPRU 8².

The Companies are assessed in accordance with MIFIDPRU 1.2 and are classified as non-SNI³. Therefore, these public disclosures focus on items required for disclosure by non-SNI investment firms at the disclosure date. With consideration to MIFIDPRU 8.1.8 disclosures also include, where appropriate, comparative figures for the prior year and an analysis of the more significant movements to provide greater insight into risk management. They provide specified information about own funds and other risks to the client, the market, and the firm, and presents details about the management of those risks and the approach to remuneration. The Companies do not meet the necessary criteria required for MIFIDPRU 8.7 disclosures on investment policy.

This disclosure has been prepared solely to meet the Companies' public disclosure requirements in accordance with the IFPR and for no other purpose. These disclosures do not constitute any form of financial statement of the Companies nor do they constitute any contemporary or forward looking record or opinion about the Companies. Unless indicated otherwise, information contained within this document has not been subject to external audit.

Disclosure will be made annually based on calendar year-end in conjunction with the preparation of the Annual Report and Financial Statements of PL and PSL, in accordance with MIFIDPRU 8.1.10. The Companies will reassess the need to publish some or all of the disclosures more frequently than annually in light of any significant change to the relevant characteristics of their businesses including disclosure about capital resources and adequacy, and information about risk and other items prone to rapid change, in accordance with MIFIDPRU 8.1.11. For completeness, other risks that the Companies are exposed to are also discussed in [Appendix 1](#).

Disclosures are published on the Pershing and The Bank of New York Mellon Corporation group websites which can be accessed using the links below, referring to the Additional Country Disclosures section.

[Pershing - Financial & Regulatory Disclosures](#) and [BNY Mellon Investor Relations - Pillar 3](#)

¹ Investment Firms Prudential Regime

² MIFIDPRU 8.1 Disclosure

³ MIFIDPRU 1.2 SNI MIFIDPRU investment firms

1.2 Scope of the companies

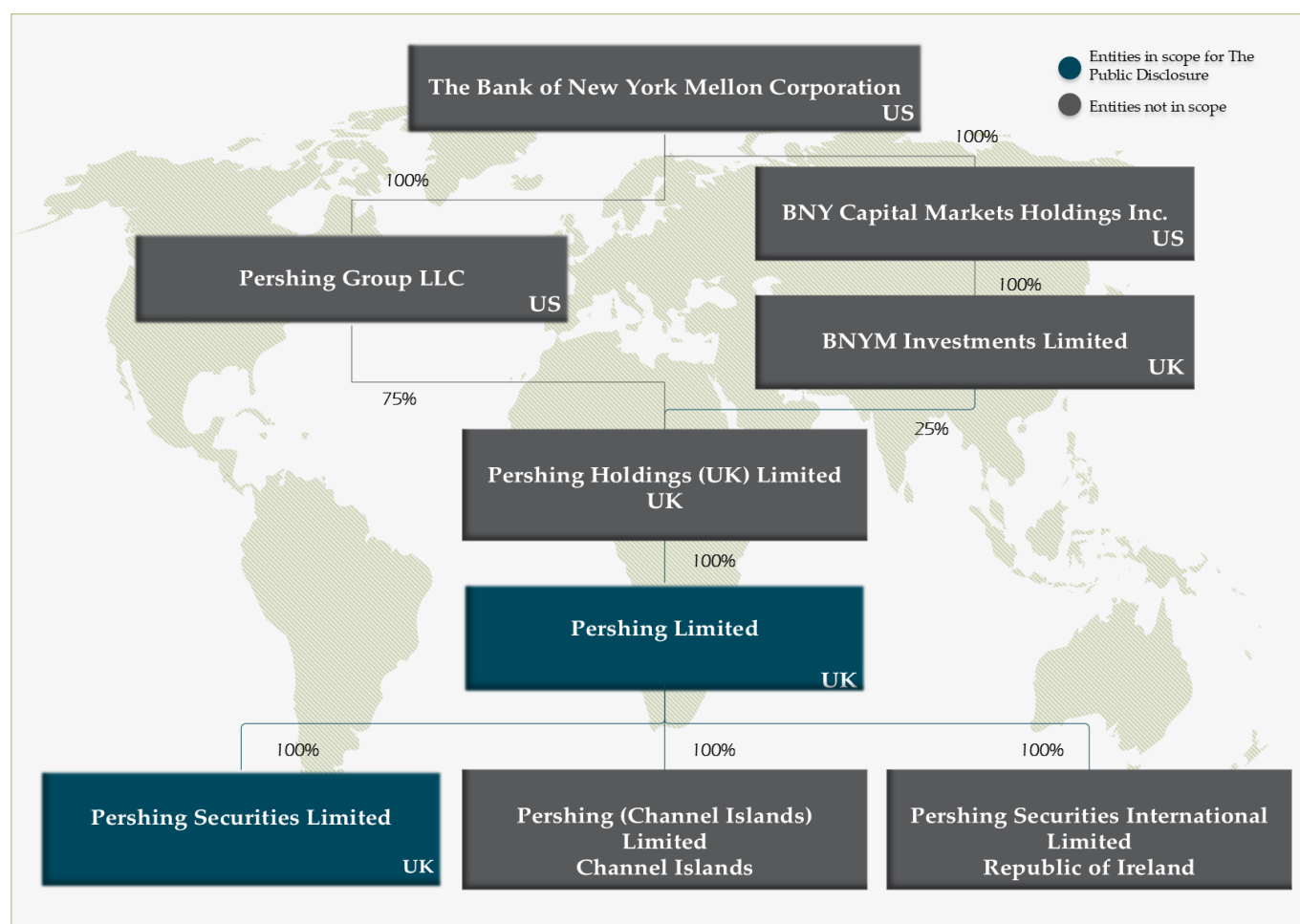
The Companies provide a full range of execution, middle-office and post-trade services, investment administration, Self-Invested Personal Pension ('SIPP') operation services and related services. With consideration to MIFIDPRU 8.1.8, the Companies are wholly owned significant subsidiaries of PHUK, a holding company. Their respective capital resources and requirements are covered in these disclosures. Disclosures under the IFPR framework are made on an individual basis in accordance with MIFIDPRU 8.1.7. Consequently, unless otherwise stated, qualitative disclosures apply to both PL and PSL as the management body and governance frameworks are both shared and managed at the PHUK level. Both companies have permanent minimum capital requirements of £750k. PL was de-regulated on 6th March 2024. From this date the Company can no longer provide regulated activities. This de-regulation is not anticipated to have a material impact on the current activities of the Company.

The Companies and PHUK are incorporated in the UK and are operationally independent subsidiaries of Pershing Group LLC which is, in turn a subsidiary of the Bank of New York Mellon Corporation ('BNY Mellon'). As at 31 December 2023, Pershing Group LLC had over \$2.5 trillion in assets under administration / custody.

BNY Mellon is a global financial services company that helps make money work for the world – managing it, moving it and keeping it safe. For 240 years we have partnered alongside our clients, putting our expertise and platforms to work to help them achieve their ambitions. Today we help over 90% of Fortune 100 companies and nearly all the top 100 banks globally access the money they need. We support governments in funding local projects and work with over 90% of the top 100 pension plans to safeguard investments for millions of individuals, and so much more. As of March 31, 2024, we oversee \$48.8 trillion in assets under custody and/or administration and \$2.0 trillion in assets under management.

BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). We are headquartered in New York City, employ over 50,000 people globally and have been named among Fortune's World's Most Admired Companies and Fast Company's Best Workplaces for Innovators. Additional information is available on www.bnymellon.com. Follow us on LinkedIn or visit our Newsroom for the latest company news.

Figure 1: PHUK legal entity structure at 31 December 2023



Note: As of 6 March 2024 PL was de-regulated.

Basis of consolidation

Entity name	Consolidation basis	Services provided	Governing law (regulator)
Pershing Holdings (UK) limited ('PHUK')	Fully consolidated	Consolidated entity - PHUK is a holding company for a group of subsidiaries which provide a full range of execution, middle office and post trade services, investment administration, Self-Invested Personal Pension ("SIPP") operation services and related services.	England & Wales
Pershing Limited ('PL')	Fully consolidated	Subsidiary - PL provided a full range of execution, middle office and post trade services, investment administration, Self-Invested Personal Pension ("SIPP") operation services and related services.	England & Wales ('FCA')
Pershing Securities Limited ('PSL')	Fully consolidated	Subsidiary - PSL provides a full range of execution, middle office and post trade services, investment administration, Self-Invested Personal Pension ("SIPP") operation services and related services.	England & Wales ('FCA')

Note: As of 6 March 2024 PL was de-regulated.

For completeness, additional PHUK companies include Pershing (Channel Islands) Limited ('PCI') which is regulated by the Jersey Financial Securities Commission. Pershing Securities International Limited ('PSIL') is regulated by the Central Bank of Ireland whose standalone public disclosure is prepared in accordance with the Investment Firms Regulation ('IFR') and published separately¹.

PHUK and its Companies offer tailored solutions to a number of market segments and through its subsidiaries offers two flexible business models:

Business Process Outsourcing (Model A)	Fully Disclosed (Model B)
This model is operated by entities within PHUK acting as agent for the client and all settlement accounts, capital and liquidity requirements are maintained in the name of the client.	This model is operated by entities within PHUK assuming the settlement obligations, capital and liquidity requirements of its clients in the marketplace. A key feature of this model is that it creates a tripartite or direct relationship for custody with the end investors and all accounts must be set up on a fully disclosed basis.

PSL is a member of the London Stock Exchange and the Frankfurt Stock Exchange. It is a general clearing member of LCH Clearnet SA, Euronext and the European Multilateral Clearing Facility N.V.

In addition to a custody service in the UK, PHUK also offers offshore custody through its Jersey entity; PCI. Custody in European Union is provided through PSIL in Dublin.

Pershing Trading Services is an agency only model available in the following asset classes: funds, global equities, ETFs, bonds and currencies. The service includes electronic equities trading, advanced algorithmic technology and best of breed smart order routing technologies.

Risk

2 Risk management objectives and policies & Governance

2.1 Risk appetite and the approach to risk management

Risk is inherent in the Companies' business activities. The Board establishes an acceptable risk profile and sets limits on the aggregate level and nature of the risk that the Companies are willing to assume in achieving their strategic objectives.

The Risk Appetite Statement ('RAS') describes both the nature of, and tolerance for, the principal risks which are inherent in the business: Strategic Risk, Operational Risk, Credit and Liquidity Risk. Market, Reputational and Litigation risks typically arise as a consequence of another risk event and are key considerations within the overall risk management framework.

The RAS guides how the business strategy is pursued through defined decision-making processes while effectively managing risk collectively for PLC. Further, the RAS both informs and embodies the culture of PLC, characterised by prudent risk-taking and values around risk awareness, ownership and accountability. This is reinforced through policies, the Code of Conduct, human resource standards and our senior leaders, who set an appropriate 'tone from the top'.

The RAS is reviewed by the Board on at least an annual basis and is updated where necessary to ensure that it is focused on the key risks relevant to PHUK and its Companies. RAS metrics and thresholds are built into PLC's operating processes with business and control functions reporting performance against RAS limits to the Pershing Risk Committee with subsequent reporting and escalations to the Executive Committee and the Board as appropriate.

¹ Pershing Public Disclosures

Governance

2.2 Board of Directors

The Board is the senior strategic and decision making body and consists of senior representatives from BNY Mellon as well as PLC management. There are two independent non-executive directors on the Board.

The Board has overall responsibility for the establishment and maintenance of the Companies' risk appetite framework and for the approval of the Risk Appetite Statement. The Board ensures that strategic business plans are consistent with the approved risk appetite.

Whilst the Board is ultimately responsible for both the management and oversight of risks within PHUK and its Companies, together with the quality and effectiveness of internal controls, it delegates the day to day risk management oversight to the PLC Executive Committee ('ExCo'), supported by its risk management committees. It is also responsible for reviewing, challenging and approving all risk management processes including risk identification and assessment, stress testing and capital adequacy. The various control functions provide further support for the management of risk within the business.

The Board meets at least quarterly and the table below shows the members of the Board along with its committees as of 31 December 2023:

Board member	Function at PHUK Group	Other External Directorships (for profit organisations only)
J Jack ¹	Group Non-Executive Director	0
E Gilvarry	Independent Non-Executive Director	3
D Wallestad ²	Executive Director, Head of Pershing EMEA	0
M McPhail	Independent Non-Executive Director, Chair of PL, PSL and PHUK Boards	1

Notes:

¹ J Jack: Resigned effective 31 December 2023

² D Wallestad: Appointed Chief Financial Officer effective 11 July 2023 and appointed Executive Director effective 21 September 2023

A Roberts: Appointed Executive Director and Chief Financial Officer effective 26 February 2024

In accordance with MIFIDPRU 8.3.2 executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives or additional directorships within BNYM are not in scope.

No Board members have a material interest of more than 1% in the share capital of the ultimate holding company or its subsidiaries.

The Companies have an unwavering commitment to diversity, equity and inclusion in all its forms. This commitment is not only important to the culture of entities within PLC and to each Director as individuals, it is also critical to the ability and ultimate success of PLC to serve its clients and grow its business. The Companies recognise the benefits of having individuals with diverse backgrounds, experience and viewpoints on the Board for the different perspective and unique contributions they provide. Board appointments are based on an individual's knowledge, skills, experience, performance, and other valid role-related requirements. The Companies have agreed that the Board should aim for a target of gender diversity that is in line with FCA and European Parliament guidance of at least 40%. This target was achieved at the disclosure date. In addition, recognising the importance of reflecting its wider stakeholders and the communities served, PHUK and its Companies aim to include candidates from underrepresented racial groups on candidate shortlists when new Board Directors are sought.

The Nomination Committee ('NomCo') is responsible for reviewing the structure, size and composition of the Board, including their skills, knowledge, experience and diversity, ultimately making recommendations to the Board with respect to any appointment. In identifying suitable candidates for a particular appointment, the Committee considers candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender.

Independent Directors are asked to obtain the agreement of the Chair of the Board before accepting additional Board or Committee commitments that might affect the time they are able to devote to their role as an independent non-executive director of the Company.

The BNY Mellon UK Board's Conflicts of Interest Register serves to support the Directors' responsibilities under the Companies Act 2006 to avoid a conflict of interest. Segregation of duties is a core internal control procedure at BNY Mellon and an essential component of the risk management strategy.

2.3 Risk committees

The ExCo delegates specific responsibilities to various committees and councils to provide an appropriate oversight and direction to various risk and regulatory processes and activities, including:

Pershing Risk Committee ('PRC') provides senior management oversight of the overall risk framework as well as the material risks which could potentially impact the entities within PLC. The PRC reports to the ExCo and forms a central point for the oversight and management of risk and the escalation of significant risk issues and events to PLC senior management, the ExCo and the relevant Boards. Subsidiary risk committees and councils listed below report to the PRC to ensure a consistent and effective reporting of risks.

PRC is co-chaired by the Chief Risk Officer and the Head of Pershing EMEA. Meeting frequency is monthly with no less than 10 times per year.

Pershing EMEA Credit and Market Risk Committee ('PECAM') oversees the review of all credit and market risk issues associated with and impacting on business undertaken by entities within PLC. This includes a review of the utilisation of borrowing and placing facilities against the limits set for funding and liquidity management. In addition, the Committee reviews and approves new client relationships for adherence to our standard credit policies and conducts ongoing reviews of existing Clients. Client review and credit limit setting is consistent across legal entities.

It is chaired by the Head of Credit & Market Risk of Pershing EMEA. Meeting frequency is fortnightly.

PLC Asset and Liability Committee ('ALCO') is responsible for overseeing the asset and liability management activities of the balance sheets of the PLC entities and for ensuring compliance with all treasury related regulatory requirements. The PLC ALCO is also responsible for ensuring that policy and guidance set through the Global ALCO and EMEA ALCO is understood and executed locally. This includes the strategy related to the investment portfolio, placements, interest rate risk, capital management and liquidity risk, monitored at a consolidated and a legal entity basis.

It is co-chaired by the Pershing EMEA Chief Financial Officer and BNY Mellon International Treasurer. Meeting frequency is monthly with no less than 10 times per year.

Business Acceptance Committee ('BAC') is an integral part of the new business process. It is responsible for the review and approval of all business acceptance events, new products/services (and significant or material changes to existing products/services), any request for Proposal/Request for Information which is non-standard, deviations from standard legal documentation/terms, incremental/amended business with existing clients, material changes to existing clients, client service level agreements, and all on and off-boarding and terminations. The BAC reports to the PRC on the appropriate escalation of risk related matters but derives its authority from the ExCo.

It is chaired by the Head of Pershing EMEA and includes representatives of all the risk and control functions, as well as line support functions. Meeting frequency is fortnightly.

Client Asset Council ('CAC') is responsible for the oversight and governance of client asset protection for PLC. The council reports to the PRC to confirm the adequacy of systems and controls in place.

Meeting frequency is monthly with no less than 10 times per year.

There are additional committees and councils focused on PSIL and PCI which are outside the scope of these UK investment firm focused disclosures.

2.4 Risk management framework

To facilitate the effective management of risks corresponding to the execution of the business strategy, PSL and PL have largely adopted the Group risk management framework to ensure that:

- Material risks are consistently and appropriately identified, assessed, quantified, and monitored;
- Risk limits are in place to govern risk-taking activities across the business;
- All strategic decision making takes place within defined governance structures and is evaluated against the stated risk appetite;
- Regular monitoring and reporting of key risk metrics to senior management and the Board occurs; and
- The capital and liquidity planning process takes account of all of the inherent risks as well as an additional stress testing component.

The Risk Identification ('Risk ID') process and the Risk and Control Self Assessments ('RCSAs') form core components of the risk management framework. The extent they are applied is dependent upon the services offered through the entities and provide a holistic overview of the Companies' risk profile and material controls. This output is discussed and challenged within the Pershing Risk Committee ('PRC') and Board meetings.

In line with Group policy, PSL and PL have adopted the 'Three Lines of Defence' model in deploying its risk management framework. The primary responsibility for risk management rests with the first line of defence. The second line of defence risk and compliance functions provide advice to the first line to promote effective management of the risks, whilst ensuring appropriate review and challenge. The third line of defence is Internal Audit, which independently provides assurance that the governance structures, risk management and internal controls in place are effective.

2.5 Capital planning and assessment, stress testing, recovery and resolution

Effective capital adequacy planning is integrated with the business planning process. The three-year profit and loss and balance sheet projections are consistent with the strategic plan and represent the framework upon which the stress scenario analysis is conducted. This provides the Board with the ability to assess the continuing adequacy of capital required to ensure that PHUK and its Companies can absorb the negative impact of both internal and external stress events without threatening the viability of the business. Capital planning is guided by a formal Capital Management Policy.

Ensuring the sufficient adequacy and quality of capital and liquid assets is performed through the business and risk strategies, capital and liquidity planning, risk identification processes, the risk appetite statement, limit systems, risk quantification methodologies, the stress-testing programme, and management reporting. The Board retains responsibility for the overall control and challenge of the ICARA. Capital adequacy assessment is guided by a formal ICARA Management Framework Procedure.

Capital stress scenario analyses are undertaken to monitor and quantify risk exposures and capital requirements to ascertain whether or not there are sufficient capital resources on a forward-looking basis. Scenario selection is driven by the material risks identified through the risk management framework and direct feedback received from the Board and its Risk Committee. The process involves developing stressed scenarios that identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to the Companies' risk profile and business activities.

PHUK and its Companies update their recovery plan annually, in accordance with regulatory guidance. The recovery plan is designed to ensure that the PHUK and its entities have credible and executable options to meet the challenges that may arise from potential future financial and/or operational crises.

3 Own Funds requirement

PL and PSL's capital adequacy risk appetite is defined by the need to have capital adequate in quantity and quality to meet the maximum of its regulatory capital requirements calculated in accordance with the criteria outlined in MIFIDPRU 4.3.

Additionally, to comply with the Overall Financial Adequacy Rule ('OFAR'), PHUK and its Companies are required to hold own funds that are at least equal to its own funds threshold requirement. PHUK and its Companies' internally assessed own fund threshold requirement is derived by supplementing the K-factors requirement with an 'additional own funds requirement' for material risks and potential harms identified and determined by the ICARA process as not captured or inadequately captured by the K-factors.

Under IFPR, PL and PSL are classified as non-SNI investment firms and must hold minimum own funds based on the higher of:

- permanent minimum capital requirement ('PMR'); or
- a quarter of their fixed overheads for the preceding year ('FOR'); or
- the sum of the requirement under the set of risk factors tailored to investment firms ('K-factors') which sets capital in relation to the risks in specific business areas of investment firms.

Permanent Minimum Capital Requirement

In accordance with MIFIDPRU 4.4, both PL and PSL's permanent minimum capital requirement is £750,000.

Fixed Overhead Requirement

PL's fixed overhead requirement is £18.96 million based on the audited 2023 accounts.

PSL's fixed overhead requirement is £21.89 million based on the audited 2023 accounts.

K-factor Requirement

IFPR outlines how investment firms are to calculate their own funds requirements by reference to the sum of K-factors which capture Risk-To-Client ('RtC'), Risk-to-Market ('RtM') and Risk-to-Firm ('RtF').

As part of the ICARA process, PHUK and its Companies are required to undertake risk assessment to identify, monitor and manage material risks and potential harms, and where appropriate have systems and controls in place to mitigate those potential risks and sources of harm arising from the ongoing operation of the business.

Please see [Table 4](#) for a consolidated view of PL and PSL's K-factor capital requirements. Note that due to the nature of PL and PSL's business not all K-factors are applicable.

3.1 Risk to Client

RtC covers risks arising from PL and PSL's business activities and services which could negatively impact clients by its failure to carry out operations correctly.

The K-factors under RtC capture client assets under management and ongoing advice ('K-AUM'), client money held ('K-CMH'), assets safeguarded and administered ('K-ASA'), and client orders handled ('K-COH'). K-factor capital requirements are calculated in accordance with MIFIDPRU 4.7-4.10.

Only PSL incurs K-ASA and K-CMH requirements. The Companies do not have assets under management though they do handle client orders, however due to the nature of their business such transactions assume principal liability and are therefore captured under the K-DTF K-factor.

Operational Risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The business model of PHUK and its Companies is to provide clearing & settlement, custody services and trading services to a variety of financial institutions. Operational risk is inherent within the business model and may arise from errors in transaction processing, breaches of compliance requirements, internal or external fraud, business disruption due to system failures, execution, delivery and process management failures or other events. Operational risk can also arise from potential legal or regulatory actions caused by non-compliance with regulatory requirements, prudential ethical standards or contractual obligations.

PHUK and its Companies seek to manage the inherent risk within its operational processes through an Operational Risk Management Framework ('ORMF') that is embedded into normal business practice. The ORMF relies on a culture of risk awareness, a clear governance structure, operational risk policies and procedures, which define the roles and responsibilities of the First, Second and Third line of Defence. These policies and procedures complement each other to ensure that the operational risks of the business are effectively identified, managed, mitigated (where possible) and reported to the appropriate governance committees on a monthly basis. The ORMF is guided by the BNY Mellon Operational Risk Framework Policy. PHUK and its Companies also retain a policy of collecting operational risk event data for all operational errors, regardless of financial impact.

Client Asset Protection Risk

This is the risk of loss of client money or assets which PSL holds in custody for clients. PHUK and its Companies do not use Safe Custody Assets or client money for their own account. The main risk of loss would come from the loss of assets or money held for clients within our sub-custody and bank networks through negligence in relation to due diligence processes, reconciliations and break management.

Further information on the risk management approach to client assets can be found in section 4 Concentration risk.

Title Transfer Collateral Agreements

A Title Transfer Collateral Agreement ('TTCA') is where a client transfers full ownership of assets to a firm for the purpose of securing or otherwise covering present or future, actual or contingent or prospective obligations.

There is a potential risk of harm to clients arising from the inappropriate use of TTCA's and the inability to return money to the client when required.

PHUK and its Companies have processes and procedures in place to ensure approval is obtained from Credit Risk, Legal and Compliance before a TTCA is put in place. PHUK and its Companies are exposed to credit risk and concentration risk on the cash received under a TTCA arrangement which is deposited with external credit institutions. These risks are captured and considered under Risk-to-Firm.

3.2 Risk to Market

RtM covers the potential to cause harm to traded markets arising from PHUK and its Companies' permission to deal on its own account, whether for itself or on behalf of clients, and other balance sheet positions that give rise to foreign exchange risk.

The K-factors under RtM capture net position risk ('K-NPR') in accordance with the market risk provisions outlined by MIFIDPRU 4.12 or, where permitted by the competent authority for specific types of investment firms which deal on own account through clearing members, based on the total margins required by an investment firm's clearing member ('K-CMG') in accordance with MIFIDPRU 4.13. Investment firms have an option to apply K-NPR and K-CMG simultaneously on a portfolio basis. K-factor capital requirements are calculated in accordance with MIFIDPRU 4.12-4.13.

PL and PSL calculate the K-NPR requirement to include FX exposures that are not in the trading book, namely the foreign currency exposures on their respective balance sheets, in accordance with the standard approach. No PHUK entity has applied for regulatory approval to use K-CMG.

Market Risk

This is the risk of losses resulting from adverse changes in the value of positions arising from movements in market prices of securities and currencies. PECAM sets overall limits for FX positions resulting from client generated exposure.

With the exception of foreign exchange ('FX'), the business model of PHUK and its Companies does not include taking proprietary trading positions but rather executing orders on behalf of clients. PHUK and its Companies primarily act as riskless principal between its clients and the markets and only holds residual FX positions as a result of facilitating this activity. Consequently PHUK and its Companies are not exposed to movements in market prices on client positions.

3.3 Risk to Firm

RtF covers the risks to PHUK and its Companies arising from business activities and operations, including those arising from the provision of execution, clearing and settlement services and balance sheet exposures.

The K-factors under RtF capture a firm's exposure to the default of their trading counterparties ('K-TCD') in accordance with simplified provisions for counterparty credit risk based on CRR. Concentration risk in a firm's large exposures to specific counterparties based on the provisions of that regulation that apply to large exposures in the trading book ('K-CON'). Operational risks from an investment firm's daily trading flow ('K-DTF'). K-factor capital requirements are calculated in accordance with MIFIDPRU 4.14-4.15 and MIFIDPRU 5.3.

PL and PSL do not expect to incur K-CON requirements. In terms of the monitoring obligation as required by MIFIDPRU 5.2, Pershing monitors and controls the concentration risk in relation to location of client assets, location of client money, location of own cash deposits and sources of earnings.

Credit Risk

This is the risk of losses arising from a client, underlying investor or counterparty failing to meet its obligations as they fall due. Credit risk and Counterparty credit risk predominantly lies with cash placements with third party credit institutions and the failure of clients, underlying investors, or counterparties to deliver stock or cash to meet their obligations when submitting orders for execution by PHUK and its Companies or through using PHUK and its Companies as a clearer.

The primary service offering of PHUK and its Companies is the provision of clearing, settlement and custody services. Credit risk can manifest itself as overnight credit exposure in the event that contractual obligations to PHUK companies either in whole or in part are not met. PHUK and its Companies reserve the right to sell securities that it has paid for and which have not been paid for by the client, the underlying investor or their counterparty.

Credit risk can arise from multiple sources including:

- Unsecured Lending: Where traded securities are not settled on a delivery-versus-payment basis. To support clearing and settlement activities PHUK and its Companies maintain deposit balances with highly rated institutions.
- Secured Lending: PHUK and its Companies facilitate stock borrows against collateral. Long/short positions must be margined under a TTCA.
- Settlement Fails: PHUK and its Companies may assume credit risk in the capacity of a settlement agent on behalf of clients.

- Long Settlement Transactions: Where a counterparty undertakes to deliver their obligation at a settlement or delivery date that is later than the market standard.
- Receivables and Prepayments: Credit risk exposures may arise from the failure of clients to settle fees or commissions receivable.

PHUK and its Companies manage credit risk exposure by a two-stage process:

- Setting minimum thresholds for the type of client acceptable to PHUK and its Companies including type of business to be conducted, markets and instruments intention. Any new relationship requires approval from the Business Acceptance Committee and the Credit and Market Risk Committee.
- Monitoring all exposure on a daily basis against various limits, including trade limits based on a variety of client related metrics, gross exposure limits and negative mark-to-market exposure. Breaches are reported to senior management which may lead to management action such as requesting additional collateral.

Settlement Risk (Counterparty Credit Risk)

This is the risk of loss arising from transactions which are unsettled after their due delivery dates where the difference between the agreed settlement price for the debt instrument, equity, or foreign currency in question and its current market value could involve a loss for the firm.

PL and PSL values and measures incidental exposures in financial instruments arising from failure by underlying investors or by market counterparties to settle trades by the intended settlement date on a daily mark-to-market basis from trade date.

Interest Rate Risk

Interest rate risk in the banking book ('IRRBB') is the risk of losses arising from adverse changes in the interest rates associated with banking book exposures. Sources of IRRBB are those assets and liabilities whose value is sensitive to interest rates.

IRRBB exposure in PHUK and its Companies is driven primarily by the government securities portfolio held for liquidity adequacy purposes. All other financial assets and liabilities are subject to short term variable interest rate resets. PHUK and its Companies mitigate the potential size of the interest rate sensitivity of the fixed interest securities position by only holding securities with a relatively short time to maturity.

4 Concentration risk

The risks arising from the strength or extent of a firm's relationships with, or direct exposure to, a single client or group of connected clients with the potential to produce: (i) losses large enough to threaten the firm's health or ability to maintain its core operations; or (ii) a material change in the firm's risk profile.

PHUK and Companies do not engage in proprietary trading activities but selected entities do have permission to trade on own account in its role as riskless principal when executing trades in its own name on behalf of its clients. As such, PHUK and its Companies does not hold proprietary open trading positions on their balance sheet and therefore does not attract K-CON own funds requirement relating to trading book activities.

However, concentration risk is not limited to trading book exposures but also includes any concentration in assets not recorded in the trading book and off-balance sheet items.

Client free money ('CFM')

PECAM sets, approves, and monitors CFM concentration limits in accordance with policy. PECAM may exceptionally approve an increased limit in respective CFM balances. Treasury reports CFM concentration balances on a daily basis at a legal entity level with oversight from Credit Risk.

Firm money

Whilst PSL maintains firm money deposits to manage its funding and liquidity requirements, it is recognised these balances can occasionally be elevated, dependent on prevailing client activity. Accordingly, firm money concentration risk is managed via credit limits. Credit Risk, via PECAM set, approve and monitor Firm money limits.

Client assets

In addition, PL and PSL have processes and procedures in place to meet regulatory requirements as outlined in the Client Assets Sourcebook ('CASS') in relation to its network of agent banks and sub-custodians.

Accurate and up-to-date records of client asset holdings are maintained where the amount, location, ownership status and type and value of assets and/or currency held can be readily verified. PSL is also required to create and maintain a Client Asset Resolution Plan which is used in the event of its insolvency. The Companies are audited annually by external auditors in compliance with CASS requirements.

5 Liquidity risk

The goal of liquidity risk management in PHUK and its Companies is to ensure that all liquidity risks are defined, understood and effectively managed through well-designed policies and controls. In this context, PHUK and its Companies have established a robust liquidity risk management framework that is fully integrated into BNY Mellon risk management processes and ensures that, with a high degree of confidence, PHUK and its Companies are in a position to meet their day-to-day liquidity obligations and withstand a period of liquidity stress, the source of which could be idiosyncratic, market-wide, or both.

PHUK and its Companies do not have significant asset liquidity risk.

Liquidity risks can arise from funding mismatches, market constraints from the inability to convert assets to cash, or contingent liquidity events. Changes in economic conditions or exposure to credit, market, legal, operational and reputational risks also can affect the liquidity risk profile of PHUK and its Companies and are considered in the liquidity risk framework.

PL and PSL maintain a strong liquidity profile by actively managing their liquidity positions and ensuring that there is sufficient funding in place to meet timely payment and settlement obligations under both normal and stressed conditions to ensure they maintain liquidity ratios within approved limits and compliance with FCA rules. The Board requires PHUK and its Companies to identify and conduct such stress tests and run these through event scenario analysis to demonstrate that the liquidity available is accessible and adequate to continue business and meet obligations as they fall due, and to ensure that existing and emerging risk scenarios continue to be mitigated and managed. This is guided by the PLC Internal Liquidity Assessment and accompanying Liquidity Policy and Contingency Funding Plan.

Further, a Contingency Funding Plan has been established by Senior Management which sets out the strategy for managing liquidity in stressed conditions with the aim being to ensure it will continue to support client operational activities and to have sufficient liquidity resources to meet liabilities as they fall due.

Own Funds

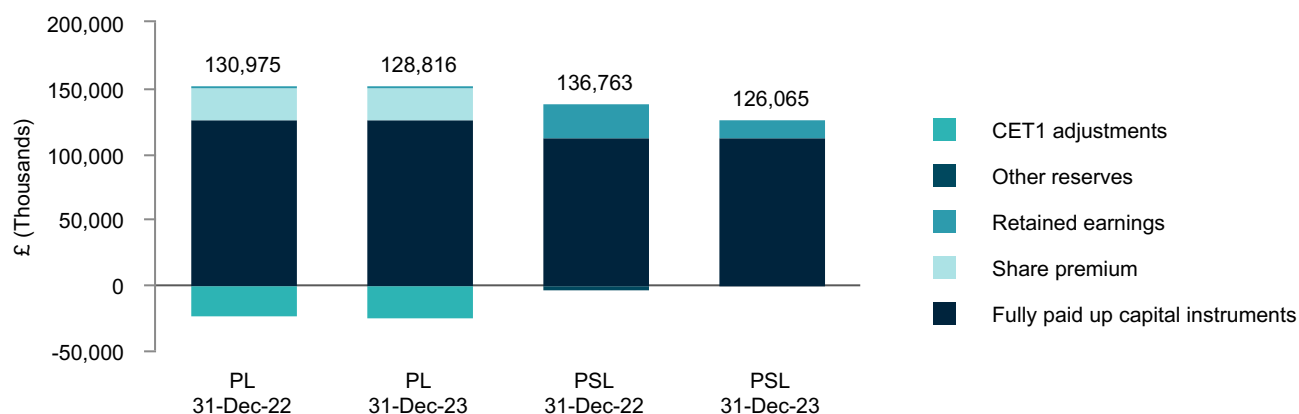
6 Own funds & Own funds requirements

This section provides an overview of the regulatory balance sheet and composition of PL and PSL's regulatory own funds. There are no material differences between the balance sheet prepared in accordance with International Financial Reporting Standards ('IFRS') and regulatory own funds calculated in accordance with prudential requirements.

Own funds comprise CET1, Additional Tier 1 and Tier 2 capital less deductions.

PL and PSL hold no Additional Tier 1 capital or Tier 2 capital.

This graph shows the composition of regulatory own funds on a net basis including all regulatory adjustments for the Companies (see Table 1: OF1 Composition of regulatory own funds).



Under the IFPR framework PL is not required to make an Own Funds deduction of its significant investment in a Financial Sector Entity ('FSE') as it meets all the criteria of MIFIDPRU 3.3.6. Equally, PL is required to deduct software assets in full under MIFIDPRU 3.3.6. The tables on the following pages illustrate the regulatory own funds composition of PL and PSL and where these can be identified in their respective balance sheets in accordance with MIFIDPRU 8 Annex 1R.

Table 1: OF1 Composition of regulatory own funds for PL

Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1 OWN FUNDS	128,815	
2 TIER 1 CAPITAL	128,815	
3 COMMON EQUITY TIER 1 CAPITAL	128,815	
4 Fully paid up capital instruments	127,092	(a)
5 Share premium	24,243	(b)
6 Retained earnings	1,929	(c)
7 Accumulated other comprehensive income	—	
8 Other reserves	(1)	
9 Adjustments to CET1 due to prudential filters	—	
10 Other funds	—	
11 (-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(24,448)	(d) ¹
19 CET1: Other capital elements, deductions and adjustments	—	
20 ADDITIONAL TIER 1 CAPITAL	—	
21 Fully paid up, directly issued capital instruments	—	
22 Share premium	—	
23 (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	—	
24 Additional Tier 1: Other capital elements, deductions and adjustments	—	
25 TIER 2 CAPITAL	—	
26 Fully paid up, directly issued capital instruments	—	
27 Share premium	—	
28 (-) TOTAL DEDUCTIONS FROM TIER 2	—	
29 Tier 2: Other capital elements, deductions and adjustments	—	

¹ Of which £23,634 (£000s) relates to intangible assets and £814 (£000s) within total debtors relates to deferred tax.

Table 1: OF1 Composition of regulatory own funds for PSL

Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1 OWN FUNDS	126,065	
2 TIER 1 CAPITAL	126,065	
3 COMMON EQUITY TIER 1 CAPITAL	126,065	
4 Fully paid up capital instruments	113,390	(a)
5 Share premium	—	
6 Retained earnings	12,948	(b)
7 Accumulated other comprehensive income	—	
8 Other reserves	(129)	(c)
9 Adjustments to CET1 due to prudential filters	—	
10 Other funds	—	
11 (-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(144)	(d) ¹
19 CET1: Other capital elements, deductions and adjustments	—	
20 ADDITIONAL TIER 1 CAPITAL	—	
21 Fully paid up, directly issued capital instruments	—	
22 Share premium	—	
23 (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	—	
24 Additional Tier 1: Other capital elements, deductions and adjustments	—	
25 TIER 2 CAPITAL	—	
26 Fully paid up, directly issued capital instruments	—	
27 Share premium	—	
28 (-) TOTAL DEDUCTIONS FROM TIER 2	—	
29 Tier 2: Other capital elements, deductions and adjustments	—	

¹ Of which £144 (£000s) relates to a Prudential Valuation Adjustment.

Table 2: OF2 Reconciliation of capital to the audited financial statements PL

These tables shows a reconciliation of PL and PSL's balance sheets prepared in accordance with UK law and Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101') with the components of its regulatory Own Funds under prudential rules.

	Balance sheet as in published/audited financial statements	Cross reference to template OF1
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements		
1 Tangible assets	2,907	
2 Intangible assets	23,634	(d)
3 Fixed asset investments	116,087	
4 Debtors	4,832	(d)
5 Cash at bank and in hand	38,575	
6 Total assets	186,035	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements		
1 Amounts falling due within one year	23,553	
2 Amounts falling due after more than one year	1,885	
3 Provisions	1,100	
4 Total liabilities	26,538	
Shareholders' Equity		
1 Called up share capital	127,092	(a)
2 Share Premium	24,243	(b)
3 Other reserves	6,233	
4 Profit and loss account	1,929	(c)
5 Deductions from Capital	—	
6 Total shareholders' equity	159,497	

Other reserves for PL comprise the equity capital contribution reserve that records the amortisation of share-based payments which are not eligible for inclusion in regulatory Own Funds. 2022: £5,307 (£000s).

Table 2: OF2 Reconciliation of capital to the audited financial statements PSL

	Balance sheet as in published/audited financial statements	Cross reference to template OF1
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements		
1 Fixed asset investments	—	
2 Debtors	167,060	
3 Current asset investments	170,670	(d)
4 Cash at bank and in hand	364,992	
5 Total assets	702,722	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements		
1 Amounts falling due within one year	576,483	
2 Provisions	30	
3 Total liabilities	576,513	
Shareholders' Equity		
1 Called up share capital	113,390	(a)
2 Other reserves	(129)	(c)
3 Profit and loss account	12,948	(b)
4 Deductions from Capital	—	
5 Total shareholders' equity	126,209	

Other reserves for PSL comprise the fair value reserve for current asset investments measured at fair value through other comprehensive income. 2022: -£2,178 (£000s).

Table 3: OF3 Main features of capital

This table provides a description of the main features of regulatory instruments issued and included as Tier 1 capital in Table 1 for PL and PSL. Selected non-applicable rows have not been presented.

Issuer	Pershing Limited	Pershing Securities Limited
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A
Public or private placement	N/A	N/A
Governing law(s) of the instrument	Law of England and Wales	Law of England and Wales
Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Ordinary shares
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	£127,092	£113,390
Nominal amount of instrument	£127,092	£113,390
Issue price	£1	£1
Accounting classification	Shareholders' equity	Shareholders' equity
Original date of issuance	10-November-1986	27-February-1990
Perpetual or dated	Perpetual	Perpetual
Maturity date	N/A	N/A
Issuer call subject to prior supervisory approval	No	No
Coupons / dividends		
Fixed or floating dividend/coupon	N/A	N/A
Existence of a dividend stopper	No	No
Convertible or non-convertible	Non-convertible	Non-convertible
Write-down features	No	No
Non-compliant transitioned features	No	No
Link to the full term and conditions of the instrument (signposting)	Available on request	Available on request

6.1 Internal Capital Adequacy and Risk Assessment

The Companies have an Internal Capital Adequacy and Risk Assessment process ('ICARA') which defines the risks they are exposed to, and sets out the associated capital and liquidity plan which aims to ensure that the Companies hold an appropriate amount of capital and liquidity to support their business model, through the economic cycle, given a range of plausible but severe stress scenarios. The plan is reflective of the Companies' commitment to a low risk appetite, with no proprietary trading, coupled with strong financial resources which gives the necessary confidence to clients in accordance with the overall financial adequacy rule in MIFIDPRU 7.4.7R.

The Companies use the Own Funds K-Factor requirement as the starting point when considering any additional capital requirements which take into account those risks that are not captured or inadequately captured by the K-Factors. Through its ICARA process, PHUK and its Companies have identified that additional own funds are required to be held. Further, additional own funds are required based on plausible stress scenarios.

Table 4: K-factor and Fixed Overhead capital requirements

The tables on the following page show the capital requirements calculated in accordance with MIFIDPRU 4.3, in aggregate form, for the K-factors applicable to PL and PSL. Similarly, the FOR determined in accordance with MIFIDPRU 4.5 is presented for the purpose of illustrating the highest overall value.

As a non-SNI investment firm, IFPR requires that the highest value attributed to the following calculations be deemed to be the Company's overall capital requirement:

- Permanent minimum capital requirement;
- Aggregate value of applicable K-factor requirements; and,
- Fixed Overheads Requirement ('FOR').

Pershing Limited

Type of risk and applicable K-factors (£000s)	Factor amount		Capital requirements	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Risk to client			—	2,985
K-AUM: Assets under management	—	—	—	—
K-CMH: Client money held - segregated	—	—	—	—
K-CMH: Client money held - non-segregated	—	—	—	—
K-ASA: Assets safeguarded and administered	—	7,463,669	—	2,985
K-COH: Client orders handled - cash trades	—	—	—	—
K-COH: Client orders handled - derivatives trades	—	—	—	—
Risk to market			76	144
K-NPR: Net positions risk requirement			76	144
K-CMG: Clearing margin given	—	—	—	—
Risk to firm			—	17
K-TCD: Trading counterparty default			—	8
K-DTF: Daily trading flow - cash trades	—	8,932	—	9
K-DTF: Daily trading flow - derivative trades	—	—	—	—
K-CON: Concentration risk requirement			—	—
Total K-factor requirement	—	7,472,601	76	3,146
Permanent minimum capital requirement			750	750
Fixed overhead requirement			18,957	18,603
Own funds requirement (Highest)			18,957	18,603
Total own funds			128,815	130,975

Due to rounding there may be immaterial variations between public disclosures and regulatory submissions.

PL de-regulated on 6th March 2024. Its activities which attracted capital requirements under the Risk to Client and Risk to Firm K-Factors were migrated to PSL during the year.

Pershing Securities Limited

Type of risk and applicable K-factors (£000s)	Factor amount		Capital requirements	
	31-Dec-23	31-Dec-22	31-Dec-23	31-Dec-22
Risk to client			36,947	34,961
K-AUM: Assets under management	—	—	—	—
K-CMH: Client money held - segregated	2,374,684	2,641,262	9,498	10,565
K-CMH: Client money held - non-segregated	—	—	—	—
K-ASA: Assets safeguarded and administered	68,621,847	60,990,891	27,449	24,396
K-COH: Client orders handled - cash trades	—	—	—	—
K-COH: Client orders handled - derivatives trades	—	—	—	—
Risk to market			2,143	1,446
K-NPR: Net positions risk requirement			2,143	1,446
K-CMG: Clearing margin given	—	—	—	—
Risk to firm			2,354	3,029
K-TCD: Trading counterparty default			122	111
K-DTF: Daily trading flow - cash trades	2,231,981	2,918,013	2,232	2,918
K-DTF: Daily trading flow - derivative trades	—	—	—	—
K-CON: Concentration risk requirement			—	—
Total K-factor requirement	73,228,512	66,550,166	41,444	39,436
Permanent minimum capital requirement			750	750
Fixed overhead requirement			21,887	2,562
Own funds requirement (Highest)			41,444	39,436
Total own funds			126,065	136,763

Due to rounding there may be immaterial variations between public disclosures and regulatory submissions.

Fixed overhead requirement has increased due to non repeat of contract-based profit arrangements which were previously eligible as a deduction under MIFIDPRU 4.5.3, driven by the strategic decision to deregulate PL.

The Companies significantly exceed the minimum capital ratios required to maintain a well-capitalised status and to ensure compliance with regulatory requirements at all times. The Company sets the internal capital target levels higher than the minimum regulatory requirements to ensure there is a buffer which reflects balance sheet volatility. These ratios have been determined to be appropriate, sustainable and consistent with the capital objectives, business model, risk appetite and capital plan.

7 Remuneration policy and practices

7.1 Governance

Pershing EMEA provides a broad range of financial services which include global execution, custody, clearing and settlement services, investment administration and related services to banks and broker dealers, wealth managers, intermediaries and financial institutions located in the UK, Channel Islands, and Ireland.

The governance of remuneration matters for BNY Mellon and its group entities, including Pershing, is overseen by four committees, each with separate responsibilities in respect of remuneration as summarised below:

Human Resources and Compensation Committee of BNY Mellon ('HRCC') is responsible for overseeing BNY Mellon's employee compensation and benefits policies and programs globally. It reviews and is responsible for the compensation plans, policies and programs in which the senior officers participate and has general oversight for the other incentive, retirement, welfare and equity arrangements for all employees globally. The members of the HRCC are non-executive members of BNY Mellon's Board of Directors, acting on behalf of the BNY Mellon Board of Directors.

Compensation Oversight Committee of BNY Mellon ('COC') is responsible for overseeing all incentive plans and regulatory matters related to company incentive plans and ensuring compensation plans are based on sound risk management. It provides governance and risk oversight and advises the HRCC on any compensation risk issues. The members of the COC are senior members of BNY Mellon management, including the Chief People Officer, the Chief Risk Officer, the Chief Financial Officer ('CFO') and the Head of Compensation & Mobility.

EMEA Remuneration Advisory Committee ('ERAC') is a regional governance body which oversees the development and implementation of remuneration policies and practices in line with specific regulatory provisions that apply to EMEA entities as well as ensuring consistency with BNY Mellon's principles.

Incentive Compensation Review Committee ('ICRC') is the coordinating body of senior executives responsible for the oversight of the process to evaluate and recommend compensation reductions for all employees. These decisions are based on feedback regarding risk, compliance, audit and legal outcomes as well as situations of an employee engaged in fraud or directly or indirectly to have contributed to a financial restatement or other irregularity. The ICRC is a management-level committee that reports its actions to the HRCC. Ex ante adjustments are recommended by the employee's management for review and approval by the committee and ex post adjustments are formulated by the committee. The Chief People Officer chairs the committee supported by the Global Head of Compensation and Mobility. Voting members include the Chief Risk Officer, Chief Auditor, CFO and General Counsel.

The Company has delegated responsibility for overseeing the development and implementation of the Company's remuneration policies and practices in accordance with the relevant remuneration rules to the ERAC.

The implementation of BNY Mellon's remuneration policies is subject to an annual independent internal review by the internal audit function.

7.2 Aligning pay with performance

BNY Mellon's compensation philosophy is to offer a total compensation scheme that supports its values (integrity, strength in diversity, courage to lead). The Company pays for performance, both at the individual and corporate level. The Company values individual and team contributions and rewards based on how both contribute to business results. In support of this philosophy, variable compensation is used as a means of recognising performance.

Through BNY Mellon's compensation philosophy and principles, PHUK and its Companies align the interests of its employees and shareholders by encouraging actions that contribute to superior financial performance and long-term shareholder value; by rewarding success; and by ensuring that PHUK and its Companies' incentive compensation arrangements do not encourage its employees to take unnecessary and excessive risks that threaten the value of BNY Mellon or benefit individual employees at the expense of shareholders or other stakeholders. BNY Mellon's compensation structure is comprised of an appropriate mix of fixed and variable compensation that is paid over time. PHUK and its Companies aim to ensure that both fixed and variable compensation are consistent with business and market practice, fixed compensation is sufficient to provide for a fully flexible variable compensation program, and variable compensation is in the form of annual and/or long-term incentives, and, where appropriate, granted over equity to align employee remuneration with that of shareholder growth.

7.3 Variable compensation funding, risk adjustment and severance

Employees are eligible to be awarded variable compensation but have no entitlement to such awards which are discretionary in nature.

The incentive pools for Investment Services and Corporate Staff functions are discretionary. The baseline pool is determined based on prior year actuals, taking into account growth and productivity savings. The final pool is determined by the CEO and CFO, taking into account a number of factors, including Corporate Performance, Business Performance, Productivity and Risk Management. The pool is subject to adjustment based on overall corporate performance achievement, and awards are made from the pool based on individual performance.

The remuneration for key control functions is set independently of the businesses they oversee and is based primarily on their respective control functions' objectives.

Variable compensation may consist of both cash and equity and both upfront and deferred components and is determined by the functional hierarchy of the business or business partner service to which the individual staff member belongs, and in accordance with the terms and conditions of the incentive compensation plan that is applicable for the business or business partner service.

For Material Risk Takers ('MRTs'), the variable compensation portion of an award comprises: upfront cash, upfront equity and deferred equity, in order to comply with local regulations. The deferred compensation component awarded in the form of BNY Mellon restricted stock units aligns a portion of the variable compensation award with the management of longer-term business risk.

Variable compensation is determined by the business performance as outlined above and an individual's performance as measured against feedback, results-based goals and behaviors (BNY Mellon's corporate goals include Risk & Compliance, Diversity, Equity & Inclusion, Values & Behaviors).

BNYM may choose to make an award of 'guaranteed variable remuneration' (being remuneration that is not linked to performance) only in two clearly defined and limited situations, as follows:

New employees: In exceptional circumstances it may be necessary to guarantee variable remuneration for a new hire in order to remove a barrier to hiring. This can take one of three forms:

- An incentive guarantee for their first year of employment; or
- A buy-out award; or
- A sign-on payment.

These awards are subject to senior review and approval by the relevant Executive Committee Members.

Termination Payments may be made where the employment contract is terminated early at the initiative of the employer. The payments will be subject to general standards that are dependent on a number of factors which may include the seniority of the individual, their length of service, the circumstances surrounding the termination and any applicable legal requirements and shall not reward failure or misconduct. Termination payments do not reward failure (personal or corporate) or misconduct and will be considered variable remuneration for the purposes of this Remuneration Framework where required by the EBA. Termination payments are made in line with applicable legal requirements.

MRTs are subject to an additional layer of performance assessment, referred to as the Risk Culture Summary Scorecard ('RCSS'). The RCSS score for each individual is based on separate ratings of five risk factor areas.

To ensure effective risk adjustment, BNY Mellon requires employees who receive variable remuneration awards (both upfront and deferred) to agree to delay, forfeiture and clawback of such awards in the event of fraud, misconduct or actions contributing to the detriment of business interests, including competing with the business, soliciting employees or clients and failing to meet appropriate standards of fitness and propriety. Where required by regulations, awards to MRTs are subject to more stringent risk adjustment, including, but not limited to, forfeiture and clawback in the event of employee misbehaviour, material error, material downturn in business unit performance, material failure of risk management, actions resulting in significant increase to the regulatory capital base or regulatory sanctions.

7.4 Deferral policy and vesting criteria

Corporate Policy (General): Awards are delivered to employees entirely in cash (payable shortly after the date of award), except where the employee's total incentive award exceeds a particular threshold (or where they are of a particular level of role). (This is set out in the table below). In this case, a portion of the annual incentive award is deferred over a period of at least four years - this portion vests in equal portions on the first, second, third and fourth anniversary of the date of award (subject to the employee remaining in employment on each of these dates).

Level	Total incentive award (US\$000)				
	< 50.0	50.0 to 149.9	150 to 249.9	250 to 499.9	>= 500.0
Vice President/Senior Vice President	—	10.0%	15.0%	20.0%	25.0%
Director	—	20.0%	25.0%	30.0%	35.0%
Senior Director/Managing Director	—	30.0%	35.0%	40.0%	50.0%

Regulatory Policy: For identified MRTs, in receipt of variable remuneration above £167,000 and/or variable remuneration greater than one third of total remuneration, the Corporate Deferral Rules are superseded by the Regulatory Deferral Rules as follows:

- At least 40% of variable remuneration is deferred unless variable remuneration exceeds £500,000, in which case 60% of variable remuneration is deferred;
- Variable remuneration is deferred for 3-5 years depending upon the MRT category; and,
- At least 50% of variable remuneration (upfront and deferred) is delivered in shares or equivalent instruments.

Each tranche of deferred vested equity is subject to a retention period post vesting before it may be sold of six months - twelve months depending upon the MRT category.

40% Deferral Table		
	Upfront	Deferred
Cash	30.0%	N/A
Equity	30.0%	40.0%

60% Deferral Table		
	Upfront	Deferred
Cash	20.0%	N/A
Equity	20.0%	60.0%

7.5 Ratio between fixed and variable pay

Under the remuneration code firms must set an appropriate ratio between fixed and variable remuneration awarded to MRTs. For MRTs of the Pershing UK entities it was set at 1:2.

7.6 Fixed remuneration

Fixed remuneration is composed of (i) salary, (ii) any additional non-performance related amounts paid as a result of contractual obligations or applicable law, or as a result of market practice, including role-based allowances, and (iii) any benefits in kind which are awarded as a result of the responsibilities of the job rather than the performance within the job.

The fixed remuneration of an employee is determined by the job performed, its level of complexity and responsibility, and the remuneration paid in the market for that type of job. It is set, for all staff, at a rate to be at all times sufficient to provide for full flexibility with regards to any variable remuneration element, including zero variable remuneration.

Employees who are directors of other BNY Mellon group entities are not remunerated separately in their capacity as a director of those entities. Independent directors of BNY Mellon only receive fixed remuneration, as disclosed in the Company's annual Proxy Statement to shareholders.

7.7 Variable remuneration of control function staff

The variable compensation awarded to control function staff (for example: audit, compliance and risk) is dependent on performance that is assessed according to the achievement of objectives specific to their functional role that is independent of the activities they oversee. Remuneration is benchmarked against the market level and funded independently of individual business line results and adjusted based on BNY Mellon's overall annual financial performance.

7.8 Quantitative disclosures

Details of the aggregate remuneration¹ of MRTs for PHUK and its Companies (regardless of employing entity) for the year ending 31 December 2023 are presented below.

The remuneration amounts are presented on a gross basis, regardless of the time spent by BNY Mellon staff in respect of the Company.

The tables below show the combined remuneration data for fourteen Senior Manager MRTs, and nine Other MRTs.

MRTs categorised as 'Senior Managers' carry out a senior management function as determined by the relevant regulators.

Table 5: REM1 Remuneration awarded for the financial year

At 31 December 2023 (£000s)		Senior management	Other material risk takers	Other staff
	Number of identified staff	14	9	
Fixed remuneration	Total fixed remuneration	3,240	1,220	26,985
	Of which: cash-based	3,240	1,220	26,985
	Number of identified staff	12	7	
Variable remuneration	Total variable remuneration	2,780	307	2,402
	Of which: cash-based	821	252	2,329
	Of which: deferred	—	—	—
	Of which: shares or equivalent ownership interests	1,959	55	73
	Of which: deferred	1,306	55	73
Total remuneration		6,020	1,527	29,387

Note: Selected non-applicable rows have not been presented

¹ Includes base salary and other cash allowances, plus any incentive awarded for full year 2023. Pension contribution is not included.

Table 6: REM3 Deferred remuneration

This table shows the total deferred remuneration^{2,3} for MRTs outstanding from previous years.

Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year
At 31 December 2023 (£000s)						
Senior management	2,716	662	2,054	—	—	662
Cash-based	307	65	242	—	—	65
Shares or equivalent ownership interests	2,409	597	1,812	—	—	597
Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—
Other forms	—	—	—	—	—	—
Other material risk takers	165	47	118	—	—	47
Cash-based	—	—	—	—	—	—
Shares or equivalent ownership interests	165	47	118	—	—	47
Share-linked instruments or equivalent non-cash instruments	—	—	—	—	—	—
Other forms	—	—	—	—	—	—
Total amount	2,881	709	2,172	—	—	709

Note: Selected non-applicable rows have not been presented

² Includes total vested cash and equity. Equity portion is valued as at the date the award vested.

³ Total unvested equity is valued as at 1 February 2024.

In accordance with MIFIDPRU 8.6.8R (7)(b) the Company is not required to disclose quantitative information regarding severance payments to prevent identification of an individual MRT.

For 2023, the Companies did not award any guaranteed variable remuneration awards or sign-on payments.

Appendix 1 - Other risks

Group risk

This is the risk that the financial position of PHUK and its Companies may be adversely affected by their relationships (financial or non-financial) with other entities in the BNY Mellon group or by risk which may affect the financial position of the whole group, including reputational contagion.

PHUK and its Companies maintain appropriate oversight and ownership of all processes and activities outsourced to other group entities. A primary source of Group Risk is the performance of EMEA's Technology and associated Operations area. This area is managed from within PHUK and its Companies and thus the dependency on BNY Mellon Group, as well as other third parties, is more limited. That notwithstanding, senior management do ensure that PHUK and its Companies have contractual and governance arrangements in place to ensure senior management consider and mitigate risks resulting from any associated internal or external dependencies.

The benefit PHUK and its Companies gains from being owned by a Global Systemically Important Financial Institution (G-SIFI), along with the accompanying supporting infrastructure, is considerable. Through this, PHUK and its Companies also gain considerable benefit in tackling industry wide issues such as Cyber-crime, given the scale of investment, as well as expertise, across the BNY Mellon group applied to mitigating such risks.

Strategic Business risk

Strategic business risk is the risk to PL and PSL arising from changes in their business including the acute risk to earnings posed by falling or volatile income; and the broader risk of PL and PSL's business models or strategies proving inappropriate due to macroeconomic, geopolitical, industry, regulatory or other factors; or PHUK and its Companies' remuneration policies.

The business models of PHUK and its Companies have been clearly defined, in place for a number of years, is relatively transparent and contained within their business sector. These are not envisaged to change. PHUK and its Companies is committed to maintaining a relevant business strategy that continues to meet the business requirements and needs of its clients and responds to the changing needs of the financial industry. The ExCo established a robust governance structure and oversight to seek to ensure that all business plans are designed and executed in a controlled and prudent manner. The development of business objectives for PHUK and its Companies are undertaken by the ExCo and approved by the Board.

Residual risk

Residual risk is the risk that credit risk mitigation techniques used by PHUK and its Companies prove less effective than expected. For PHUK and its Companies, residual risk occurs in respect of a scenario whereby the collateral held is insufficient to cover the exposure generated.

This is mitigated by:

- legal recourse to pursue either the client or the underlying investor, while also retaining the right to proceed against the other party in respect of any shortfall in the amount recovered;
- ultimately, PHUK and its Companies retain the right to restrict or terminate a relationship that presents an unacceptable risk to its business.

Pension obligation risk

The risk arising from defined benefit pension schemes and defined contribution schemes offering guaranteed returns that are not fully matched by underlying investments.

PHUK and its Companies do not have a defined benefit scheme. All assets and liabilities of a former scheme were transferred to Mellon Retirement Benefits Plan ('MRBP'). The sponsor of the plan is the London Branch of The Bank of New York Mellon Institutional Bank. The current staff of PHUK and its Companies who are active members of the MRBP are all employed by BNY Mellon London Branch and are not employees of PHUK or its Companies. PHUK and its Companies are not a participating employer or a sponsoring employer of the MRBP scheme.

The funding deficit of the MRBP scheme is funded by BNY Mellon and there is no recourse to PHUK or its Companies for the funding deficit or a portion thereof.

Since the obligations on pensions are not those of a defined benefit scheme, PHUK and its Companies are not exposed to Pension Obligation Risk.

Securitisation risk

The risk arising from securitisation transactions in relation to which the firm is investor, originator or sponsor are not relevant to PHUK and its Companies as they have never issued, traded or invested in a securitised debt instrument. PHUK and its Companies' collateral policy does not permit the acceptance of bonds issued by securitisation vehicles. Furthermore, the collateral policy is specific about asset types that are eligible for collateral purposes and securitised debt instruments are not listed as eligible. Hence PHUK and its Companies are not exposed to securitised debt instruments.



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