

# Understanding the Protection of Client Assets

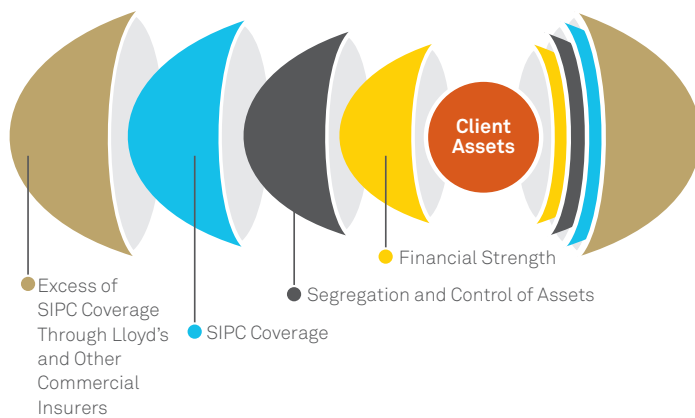
1ST QUARTER 2018

## Strength, Stability and Focus

The Bank of New York Mellon Corporation (BNY Mellon) is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. BNY Mellon's Pershing Advisor Solutions LLC (Pershing Advisor Solutions), works behind the scenes on behalf of your advisor to provide operational, technology and client-related support. Pershing Advisor Solutions also provides access to a combined brokerage and bank custody technology solution through a single integrated service model. Brokerage execution and custody are provided by Pershing Advisor Solutions through BNY Mellon's Pershing LLC (Pershing) and bank custody is provided by BNY Mellon, National Association (BNY Mellon, N.A.). We remain committed to the safekeeping, servicing, segregation and reporting of our global client assets.

## The Protection of Client Assets Remains at the Center of Our Focus

### Brokerage Custody: Pershing



### Bank Custody: BNY Mellon, N.A.



## Financial Strength—March 31, 2018

### BNY Mellon's Pershing

- › Approximately \$1.8 trillion in global client assets<sup>1</sup>
- › Net capital of over \$2.0 billion<sup>2</sup>—well above the minimum requirement

<sup>1</sup> Pershing LLC and its global affiliates, including Pershing Advisor Solutions LLC

<sup>2</sup> Pershing LLC

<sup>3</sup> Includes Pershing and BNY Mellon, N.A. global client assets

### The Bank of New York Mellon Corporation

- › \$33.5 trillion in assets under custody and/or administration<sup>3</sup>
- › \$1.9 trillion in assets under management



## Segregation and Control of Assets

### Brokerage Custody: Pershing

Pershing's core financial strength provides the first measure of protection for our global client assets. Our parent company, BNY Mellon, is one of the world's largest global custodians. While financial strength does not protect against loss due to market fluctuation, our internal controls and regulatory oversight help maintain our stability and focus.

Pershing protects client assets through rigorous internal control measures. An annual audit by a major independent audit firm and the audit team at our parent company, BNY Mellon, helps to monitor controls that are in place. In addition, a Service Organizations Control report conducted by an independent audit firm provides additional evaluation of the design and operating effectiveness of Pershing's internal controls.

Clients' fully paid-for physical assets are segregated from our own, with quarterly vault inspections conducted. In addition, we segregate cash and/or qualifying securities in special reserve bank accounts for the exclusive benefit of clients, to protect clients' funds in the unlikely event of Pershing's failure and liquidation.

Pershing is a FINRA member broker-dealer registered with the U.S. Securities and Exchange Commission, in all 50 states as well as the District of Columbia and Commonwealth of Puerto Rico, and certain foreign jurisdictions.

### Bank Custody: BNY Mellon, N.A.

BNY Mellon, N.A.'s structure requires clients' securities be segregated from the securities of the bank, and from those of other clients. The securities in a client's account with BNY Mellon, N.A. are the property of that client and are held in nominee name. As clients' assets and accounts are separately accounted for, creditors of The Bank of New York Mellon Corporation and those of BNY Mellon, N.A., and their subsidiaries do not have any rights to the securities in client accounts. Shares of money market mutual funds, as investment securities, also fall within this rule. Any asset, of course, is subject to losses or gains from an investment perspective.

There are also established regulatory controls that cover our institution. As a publicly traded company, The Bank of New York Mellon Corporation periodically files publicly available reports with the U.S. Securities and Exchange Commission. In addition, as a financial holding company, it is regulated by the Board of Governors of the Federal Reserve System. BNY Mellon, N.A. is regulated by the Office of the Comptroller of the Currency, which is part of the U.S. Department of the Treasury.

## Additional Protection

### Brokerage Custody

#### Securities Investor Protection Corporation® (SIPC®) Coverage

Pershing is a member of SIPC, which protects securities customers of its members up to \$500,000 (including \$250,000 for claims for cash). Explanatory brochure available upon request or at [sipc.org](http://sipc.org).

#### Excess of SIPC Coverage Through Underwriters at Lloyd's and Other Commercial Insurers

In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from certain underwriters in Lloyd's insurance market and other commercial insurers. The excess of SIPC coverage is valid through February 10, 2019 for Pershing LLC accounts. It provides the following protection for Pershing LLC's global client assets:

- › An aggregate loss limit of \$1 billion for eligible securities—over all client accounts
- › A per-client loss limit of \$1.9 million for cash awaiting reinvestment—within the aggregate loss limit of \$1 billion

SIPC and the excess of SIPC coverage do not protect against loss due to market fluctuation.

An excess of SIPC claim would only arise if Pershing failed financially and client assets for covered accounts—as defined by SIPC—cannot be located due to theft, misplacement, destruction, burglary, robbery, embezzlement, abstraction, failure to obtain or maintain possession or control of client securities, or to maintain the special reserve bank account required by applicable rules.

### Bank Custody

#### Federal Deposit Insurance Corporation (FDIC) Protection

BNY Mellon, N.A. clients holding bank cash deposits—which include a sweep account for bank custody products—receive separate protection.

The FDIC standard maximum insurance amount is \$250,000 per depositor, per insured bank, in each account ownership category. The FDIC rules are very specific. For a more complete explanation of the FDIC's regulations, we encourage our clients to visit [fdic.gov](http://fdic.gov).

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