

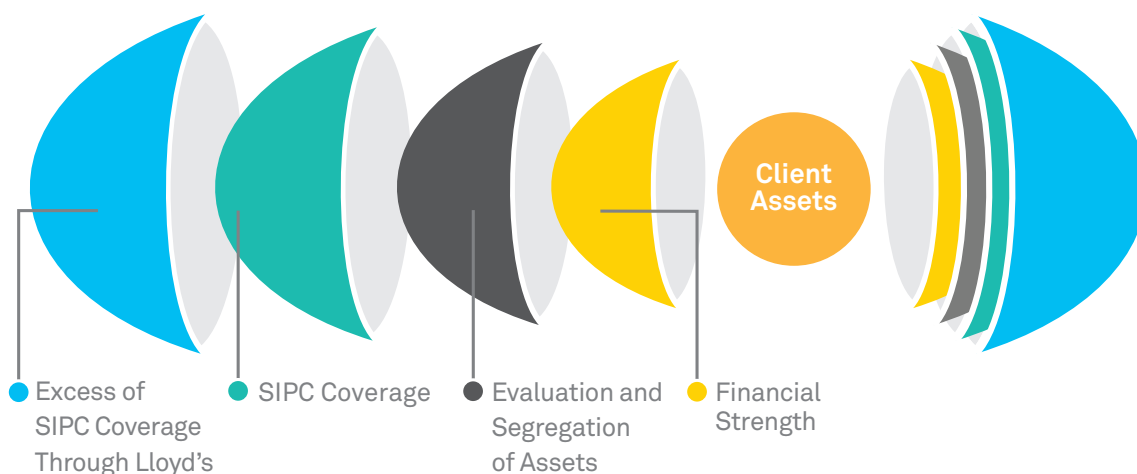
# UNDERSTANDING THE PROTECTION OF CLIENT ASSETS

4TH QUARTER 2013

## PERSHING'S STRENGTH, STABILITY AND FOCUS

Pershing LLC (Pershing), a BNY Mellon company, has been a leading global provider of financial business solutions for 75 years and serves many of the world's most respected financial organizations. 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



### FINANCIAL STRENGTH—DECEMBER 31, 2013

Pershing's core financial strength provides the foremost measure of protection for our global client assets. Our parent company, BNY Mellon, is a leading provider of financial services for institutions, corporations and high-net-worth individuals. Pershing's financial strength does not protect against loss due to market fluctuation.

### Pershing, a BNY Mellon company

- › Over \$1 trillion in global client assets
- › Net capital of over \$1.5 billion—well above the minimum requirement

### BNY Mellon

- › \$27.6 trillion in assets under custody and/or administration
- › \$1.6 trillion in assets under management
- › Total shareholders' equity: \$37.5 billion
- › Market capitalization: \$39.9 billion

## EVALUATION AND SEGREGATION OF ASSETS

As required, Pershing segregates clients' fully paid-for assets from our own to ensure the return of client assets in the unlikely event of the financial failure of Pershing. Pershing also takes the following measures to protect client assets:

- › Annual audit by a major independent audit firm and the audit team at our parent company, BNY Mellon
- › Annual Service Organizations report (as required) by a major independent audit firm provides additional evaluation of the design and operating effectiveness of Pershing's internal controls related to:
  - Account transfers
  - Billing
  - Clearance and settlement
  - Confirmations and cash management functions
  - Corporate actions
  - Foreign exchange and prime brokerage controls
  - Interest
  - Margin monitoring
  - Order and trade processing
  - Physical custody
  - Pricing
  - Statements
- › Maintenance of enough liquid assets, net of any liabilities, to ensure the return of clients' fully paid-for assets in the event of Pershing's failure and liquidation
- › Quarterly vault inspection and securities verification to confirm custody of fully paid-for client assets

## SECURITIES INVESTOR PROTECTION CORPORATION (SIPC®) COVERAGE

Pershing is a member of the 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

In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from certain underwriters in Lloyd's insurance market. The excess of SIPC insurance program is valid through February 10, 2015 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 insurance policy 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.

Lloyd's currently holds A+ ratings from Fitch Ratings and Standard & Poor's® (S&P®), and an A rating from A.M. Best. These ratings are based on the financial strength of the company and are subject to change by the rating agencies at any time.<sup>1</sup> For more information about Lloyd's, please see [www.lloyds.com](http://www.lloyds.com).

<sup>1</sup> Ratings as of November 2013.

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