



Pershing Securities International Limited

# Public Disclosure

IFR PART SIX

December 31, 2022

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## 1 Introduction

This disclosure is published for Pershing Securities International Limited ('PSIL', or the 'Company') as at 31 December 2022. Disclosure is made in accordance with the requirements of the Investment Firm Directive<sup>1</sup> ('IFD') and the Investment Firm Regulation<sup>2</sup> ('IFR'). For completeness, the Company's risk management and governance arrangements are shared with its ultimate parent, Pershing Holdings (UK) Limited ('PHUK' or 'PHUK Group'). EUR is the reporting currency for the Company.

IFD / IFR is the prudential regime for European investment firms authorised under the Markets in Financial Instruments Directive ('MiFID').

This disclosure was approved for publication by the PSIL Board of Directors (the 'Board') on 18 July 2023. The Company considers its risk management arrangements and systems are adequate with regards to its profile and strategy. The Company recognises the importance of risk management in the execution of its strategy and has defined the levels of acceptable risk. This is formalised and monitored through risk policies and procedures. The Company will continue to monitor the risk profile as part of regular business activities. Further, the Company has a Public Disclosure Policy and a control framework in place regarding the production and validation of IFR Public Disclosures. Wherever possible and relevant, the Company ensures consistency between public disclosures, own funds reporting, and ICARA content.

### 1.1 Scope of application

The IFR framework comprises of three pillars; Own Funds sets out the minimum capital requirement that investment firms are required to meet under IFR Part Two and Part Three. Additional Own Funds concerns the supervisory review process outlined in IFD to determine whether an investment firm needs to hold additional capital against risks not adequately covered in the basic Own Funds requirement. Public Disclosure promotes market discipline through the disclosure of key information around the composition and management of own funds, approaches to risk management, investment policy and ESG. Accordingly, this disclosure contains the qualitative and quantitative information as required under IFR Part Six<sup>3</sup>.

The Company does not meet the relevant criteria for disclosures in accordance with the requirements of Articles 52 & 53 IFR however the Company recognises the importance of maintaining a deep understanding of all risk drivers and vulnerabilities that may exist. The Company will continue to consider climate change-related risks in the execution of its business objectives and risk taking.

The Company is classified as a Class 2 Investment firm. Therefore, these public disclosures focus on items required for disclosure by Class 2 investment firms at the disclosure date. With consideration to Article 9 of Regulation (EU) 2021/2284<sup>4</sup> disclosures will 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.

This disclosure has been prepared solely to meet the Company's public disclosure requirements in accordance with IFR and for no other purpose. These disclosures do not constitute any form of financial statement of the Company nor do they constitute any form of contemporary or forward looking record or opinion about the business. 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, in accordance with Article 46(1) IFR. The Company 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 the business including disclosure about capital resources and adequacy, and information about risk and other items prone to rapid change.

For completeness, other risks that the Company is 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 - Disclosures - Financial & Regulatory Disclosures](#) and [BNY Mellon Investor Relations - Pillar 3](#)

<sup>1</sup> Investment Firms Directive

<sup>2</sup> Investment Firms Regulation

<sup>3</sup> Investment Firms Regulation Interactive Rulebook

<sup>4</sup> Implementing Technical Standards with regards to supervisory reporting and disclosures of investment firms

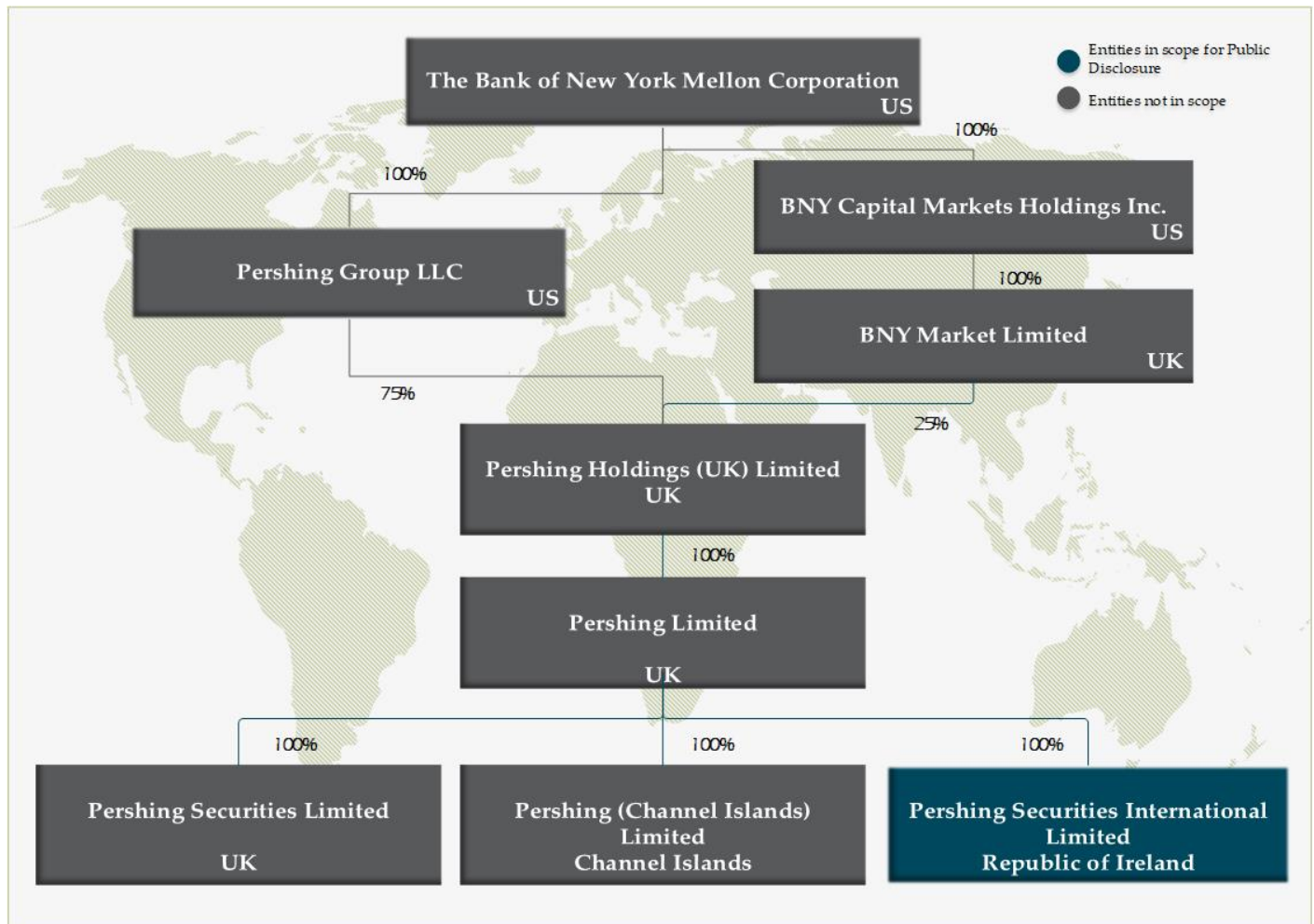
**1.2 Scope of the company**

With consideration to Article 11 of Regulation (EU) 2021/2284 the Company is a private company incorporated and domiciled in the Republic of Ireland offering clearing, settlement and custody services. The Company's immediate parent undertaking is Pershing Limited ('PL'), which is, in turn a subsidiary of PHUK Group, a holding company. Consequently, risk management and governance frameworks are both shared and managed at a PHUK Group level with additional local committees supporting the Company, see section 2.3 Risk committees for more details. The Company is regulated by the Central Bank of Ireland ('CBI'), it has a permanent minimum capital requirement of €150,000 and is authorised as an investment firm pursuant to the provision of MiFID (as amended). The PHUK Group together provides a full range of execution, middle-office and post-trade services, investment administration, Self-Invested Personal Pension ('SIPP') operation services and related services.

PHUK is incorporated in the UK and is an operationally independent subsidiary of Pershing Group LLC which is, in turn, a subsidiary of the Bank of New York Mellon Corporation ('BNY Mellon'). As at 31 December 2022, Pershing Group LLC had over \$2 trillion in assets under administration / custody.

BNY Mellon is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As of 31 December 2022, BNY Mellon had \$44.3 trillion in assets under custody and/or administration, and \$1.8 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). Additional information is available on [www.bnymellon.com](http://www.bnymellon.com). Follow us on Twitter @BNYMellon or visit our newsroom at [www.bnymellon.com/newsroom](http://www.bnymellon.com/newsroom) for the latest company news.

 **Figure 1: PSIL legal entity structure at 31 December 2022**



The Company's principal activities are the provision of middle office and post trade services, investment administration and related services to clients across EMEA. The Company's core solutions include sophisticated front-end technology supporting flexible middle office capabilities with clearing, settlement, and custody services. These are supported by a robust regulatory and compliance framework with dedicated client asset expertise and experience.

For completeness, additional PHUK Group companies include Pershing (Channel Islands) Limited ('PCI') which is regulated by the JFSC. Pershing Limited ('PL') and Pershing Securities Limited ('PSL') are regulated by the FCA and their standalone public disclosures are prepared in accordance with the Investment Firms Prudential Regime ('IFPR') and published separately <sup>1</sup>.

PHUK Group entities offer tailored solutions to a number of market segments and through its subsidiaries, including the Company, offers two flexible business models:

<b>Business Process Outsourcing (Model A)</b>	<b>Fully Disclosed (Model B)</b>
This model is operated by PSIL 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 PSIL 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 tri-partite or direct relationship for custody with the end investors and all accounts must be set up on a fully disclosed basis.

In addition to a custody service in Ireland, PHUK Group also offers custody through its Jersey entity; PCI. Custody in the UK is provided through PL and PSL.

Pershing Trading Services, provided by PSL based in the UK, is an agency only model available in the following asset classes: funds, global equities, ETFs, bonds, fixed income 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 Company's business activities. The Board establishes an acceptable risk profile and sets limits on the level and nature of the risk that the Company is willing to assume in achieving its strategic objectives.

The Risk Appetite Statement ('RAS') describes both the nature of, and tolerance for, the principal risks which are inherent in the Company's 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 Company's overall risk management framework.

The RAS guides how the Company pursues its business strategy through its decision-making processes while effectively managing risk. Further, the Company's RAS both informs and embodies its culture, 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 the Company's senior leaders, who set an appropriate "tone from the top".

The RAS is reviewed by the Board on an annual basis and has been refined to ensure that it is focused on the key risks relevant to the Company. RAS measures and thresholds are built into the Company's operating processes with business and control functions reporting against RAS metrics to the Ireland Compliance, Risk and Oversight Committee ('ICROC') with subsequent reporting to the Risk Committee of the Board ('RCoB') and the Board as appropriate.

The Company plays an important role in the financial markets in which it operates and to its clients. Because of this, the Company incorporates Operational Resiliency considerations into its business operations to mitigate the risk of service disruptions. This includes the development of business continuity and disaster recovery plans which can be activated in the event of a business disruptive incident. Although it is accepted that the business will be impacted by external events, the Company has a low appetite for service disruption and aims to minimise the disruption to client services as a result.

<sup>1</sup> Pershing Public Disclosures

## Governance

### 2.2 Board of Directors

The PSIL Board is the senior strategic and decision-making body and consists of senior PHUK Group and BNY Mellon representatives as well as two independent non-executive directors.

The PSIL Board has overall responsibility for the establishment and maintenance of PSIL's risk appetite and for the approval of its risk appetite statement. Notably the PHUK Group Board is responsible for setting overall group strategy and risk appetite which includes the Company. The PSIL Board retains responsibility for both the management and the oversight of its risks, together with the quality and effectiveness of internal controls, that said the PSIL Board delegates the day to day risk management oversight to the PHUK Group Executive Committee ('ExCo'), the PSIL RCoB (established in December 2022) and the PSIL ICROC, supported by the Pershing (UK) Risk Committee ('PRC'). 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 PSIL Board meets at least quarterly and the table on the following page shows the members of the Board along with its committees as of 31 December 2022:

Board member	Function at PSIL	Other Directorships
N Harrington	Chief Executive Officer	1 BNY Mellon entity
E Canning	Executive Director	6 BNY Mellon entities and 1 external entity <sup>1</sup>
K Molony	Chair and Independent Non-executive Director	15 external entities <sup>2</sup>
P Turpin	Independent Non-executive Director	3 external entities <sup>1</sup>
J Duffy	Non-executive Director	1 BNY Mellon entity and 2 external entities
P Kelleher	Non-executive Director	No other entities

Notes:

<sup>1</sup> Includes entities which do not pursue a predominantly commercial objective.

<sup>2</sup> Includes external directorships held within the same group(s) of companies.

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

PSIL has a commitment to diversity and inclusion. This commitment is not only important to PSIL's culture and to each director as individuals, it is also critical to PSIL's ability to serve its clients and grow its business. PSIL recognises 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. PSIL has set targets to increase female representation at both senior management level and in mid-level leadership with a target date of 31 December 2023.

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

### 2.3 Risk committees

The ICROC and the RCoB assist the PSIL Board and ExCo in overseeing the Company's compliance with its regulatory and legal obligations and with PHUK Group's Compliance and Oversight Policies (which includes the Company).

**Ireland Compliance, Risk and Oversight Committee ('ICROC')** assists the PSIL Board and ExCo in overseeing the Company's compliance with its regulatory, risk and legal obligations including adherence to applicable Irish laws, guidelines and notices effecting its operations, and regulatory requirements and guidelines issued by the CBI and with PHUK Group's compliance, risk and oversight policies. Meeting frequency is monthly with no less than 10 times per year.

**Risk Committee of the Board ('RCoB')** has been established by the PSIL Board to assist it in fulfilling its oversight responsibilities with regards to the risk appetite and risk management of the Company as well as compliance with legal and regulatory requirements and controls; and to ensure that the Company is in compliance with its capital and liquidity requirements relative to those risks. Meeting frequency is at least quarterly.



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 a senior management oversight to the overall risk framework and identified risk types that could potentially impact the entities of the PHUK Group. 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 PHUK Group senior management, the ExCo and the PHUK Group Boards. Subsidiary risk committees and councils report to the PRC to ensure a consistent and effective reporting of risks and these include the Pershing EMEA Credit and Market Risk Committee, and the Asset and Liability Committee. The Company has representation on the PRC and benefits from the regional governance of key risks and oversight of key risk indicators and metrics. Material risk issues can be escalated from the ICROC to PRC.

PRC is co-chaired by the Chief Risk Officer and the Chief Operations Officer. 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 of the PHUK Group. The Company has representation on the PECAM committee. Client review and credit limit setting is consistent across legal entities.

It is chaired by the Head of Credit & Market Risk. Meeting frequency is weekly.

**Asset and Liability Committee ('ALCO')** is responsible for overseeing the asset and liability management activities of the balance sheets of PHUK Group entities and for ensuring compliance with all treasury related regulatory requirements. The Company has representation on the ALCO committee. Key liquidity, capital and funding issues are monitored at a consolidated and a legal entity basis.

It is co-chaired by the Chief Financial Officer and 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 and is responsible for the review and approval of all new clients, products/services and material changes to existing processes before they are executed or implemented and includes responsibility for the pricing of new and existing client activity, products and services. The BAC reports to the PRC on risk related matters. New client requests for the Company are also considered at BAC.

It is chaired by the Chief Executive Officer and includes representatives of all of the risk and control functions, as well as line support functions. Meeting frequency is bi-weekly.

**Client Asset Council ('CAC')** is responsible for the oversight and governance of PHUK Group, including the Company, and ensuring PSIL's adherence to the CBI custody and client money rules. 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.

## 2.4 Risk management framework

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The Company has a risk management framework that is designed to ensure that:

- risk tolerances (limits) are in place to govern its risk-taking activities across the business and risk types;
- risk appetite principles are incorporated into its strategic decision-making processes;
- an appropriate risk process is in place to identify, manage, monitor, and report on risk;
- monitoring and reporting of key risk metrics to senior management and the Board takes place; and,
- there is a capital planning process based on a stress testing programme.

Suitable policies and procedures have been adopted by the Company in order to ensure an appropriate level of risk management is directed at the relevant element of the business. In line with global policy, the Company has 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. Risk management advice to enable the first line to manage the risks in their area, as well as ensuring appropriate review and challenge, is provided by the second line of defence risk and compliance functions. 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

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Effective capital adequacy planning is integrated with the Company's 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 the Company can absorb the negative impact of both internal and external stress events without threatening the viability of the business. Capital planning within PSIL is guided by a formal Capital Management Policy at the PHUK Group level which includes the Company.

Effective capital adequacy and risk assessment is integrated with the business and risk strategies, capital plans, 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 at the PHUK Group level which includes the Company.

Capital Stress testing is undertaken at the Company to monitor and quantify risk exposures and capital requirements to ascertain whether or not there are sufficient capital resources on a forward-looking basis. The process involves developing stressed scenarios that identify an appropriate range of adverse circumstances of varying nature, severity and duration relevant to the Company's risk profile and business activities.

PHUK Group updates its recovery plan annually, in accordance with regulatory guidance. The recovery plan is designed to ensure that the PHUK Group has credible and executable options to meet the challenges that may arise from potential future financial and/or operational crises. The Company does not maintain a recovery plan due to its operational dependencies on other PHUK Group entities.

## 3 Own Funds requirement

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The Company'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 Article 11 IFR.

The Company's internally assessed own fund 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 IFR the Company is classified as a Class 2 investment firm 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 Article 14 IFR the Company's permanent minimum capital requirement is €150,000.

### Fixed Overhead Requirement

The Company's fixed overhead requirement is €2.7 million based on the audited 2022 accounts.

### K-factor Requirement

Article 15 IFR 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, the Company is 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 the Company's K-factor capital requirements. Note that due to the nature of the Company's business not all K-factors are applicable.



### 3.1 Risk to Client

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RtC covers risks arising from the Company'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 Articles 16-20 IFR.

The Company incurs K-CMH and K-ASA requirements as it holds client money and safeguards / administers assets in accordance with the CBI's Client Asset Regulations.

#### **Operational Risk**

This is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company's business model is to provide clearing & settlement, and custody 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 including outsourcing arrangements. Operational risk can also arise from potential legal or regulatory actions caused by non-compliance with regulatory requirements, prudential ethical standards or contractual obligations.

The Company seeks 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), escalated to senior management and reported to the appropriate governance committees. The ORMF is guided by the BNY Mellon Operational Risk Framework Policy. The Company also retains 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 the Company holds in custody for clients. The Company does not use Safe Custody Assets or client money for its own account. The main risk of loss would come from the loss of assets or money held for clients within the 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.

The Company does not utilise TTCA arrangements or otherwise use for its own account any client safe custody assets and has processes and procedures in place to ensure approval is obtained from Credit Risk, Legal and Compliance before a TTCA is put in place.

### 3.2 Risk to Market

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RtM covers the potential to cause harm to traded markets arising from PHUK Group's 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 Article 22 IFR 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 Article 23 IFR. 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 Article 21 IFR.

The Company does not operate a trading desk, nor does it trade on its own account either for itself or on behalf of a client. Equally the Company is not a General Clearing Member ('GCM') approved by a clearing house. These K-factors are not applicable.

### **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.

The Company's business model does not include taking proprietary trading positions or high-risk investments. Consequently PHUK Group companies are not exposed to movements in market prices on client positions.

### **3.3 Risk to Firm**

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RtF covers the risks to the Company 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 Article 24 IFR supported by Articles 25-33 IFR.

The Company does not operate a trading desk, nor does it have a trading book dealing on its own account, either for itself or on behalf of a client. These K-factors are not applicable. The Company does not expect to incur K-CON requirements. 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 the Company's cash placements with third party credit institutions and the failure of clients, underlying investors, or counterparties to deliver stock or cash to the Company to meet their obligations when using the Company as a clearer and settlement agent.

The Company's primary service offering is the provision of clearing, settlement and custody services. Credit risk can manifest itself as overnight credit exposure in the event that a client, underlying investor or counterparty fails to meet its contractual obligations to the Company either in whole (e.g. principal plus interest due) or in part. The Company reserves 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 the Company maintains deposit balances with highly rated institutions.
- **Secured Lending:** PHUK Group companies facilitate stock borrows against collateral. Long/short positions must be margined under a TTCA.
- **Settlement Fails:** The Company 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.

The Company manages credit risk exposure by a two-stage process:

- **Setting minimum thresholds** for the type of client acceptable to the Company 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** (both pre- and post-settlement) 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.

The Company 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. The Company may exercise its recourse to liquidate stock in order to cover a failed trade.

### **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 rate.

The Company's IRRBB exposure is driven primarily by its surplus cash deposits and failed trades. All other financial assets and liabilities are subject to short term variable interest rate resets.

## **4 Concentration risk**

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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 Company's health or ability to maintain its core operations; or (ii) a material change in the firm's risk profile.

The Company does not engage in proprietary trading activities and does not have permission to trade on its own account. As such, the Company does not hold proprietary open trading positions on its 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 with oversight from Credit Risk.

### **Firm money**

Whilst the Company 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, the Company has processes and procedures in place to meet regulatory requirements as outlined in the CBI's Client Assets Requirements ('CAR') 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.

The Company and its respective officers, establish, maintain, and regularly review appropriate management information and metrics related to client asset safety performance, compliance, operational resilience and redundancy, and incident management. The Company is also required to create and maintain a Client Asset Management Plan which is used in the event of its insolvency. The Company is audited annually by external auditors in compliance with these requirements.

## **5 Liquidity risk**

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The goal of PHUK Group's liquidity risk management is to ensure that all liquidity risks are defined, understood and effectively managed through well-designed policies and controls. In this context, PHUK Group has 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, the Company is in a position to meet its day-to-day liquidity obligations and withstand a period of liquidity stress, the source of which could be idiosyncratic, market-wide, or both.

The Company does not have significant asset liquidity risk. PSIL does not engage in proprietary trading activities or hold assets for resale on its balance sheet. The Company's business model is of a transaction processing nature and dictates that the Company maintains a prudent funding profile in order to support its clients trade activities.



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 the Company and are considered in the liquidity risk framework.

The Company maintains a strong liquidity profile by actively managing its 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. The Board requires the Company 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 PHUK Group's Internal Liquidity Assessment and accompanying Liquidity Policy and Contingency Funding Plan.

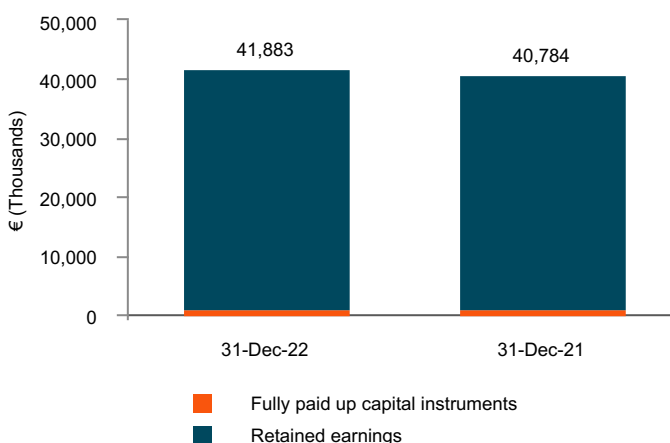
Further, the Contingency Funding Plan has been established by PHUK Group Senior Management which sets out the strategy for managing liquidity in stressed conditions with the aim being to ensure it will continue to support client operational activities and to have sufficient liquidity resources to meet 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 the Company'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 Tier 1 and Tier 2 capital less deductions. The Company holds no Additional Tier 1 capital or Tier 2 capital, similarly there are no adjustments to capital and no restrictions applied to the calculation of own funds in accordance with the IFR framework. The graph illustrates the composition of regulatory capital which is outlined in the table below and identifies where these elements can be identified on the Company's balance sheet in Table 2.



 **Table 1: CC1 Composition of regulatory own funds**

At 31 December 2022 (€000s)	Amounts	Source based on reference numbers/letters of the balance sheet in the audited financial statements
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
1 <b>OWN FUNDS</b>	<b>41,883</b>	
2 <b>TIER 1 CAPITAL</b>	<b>41,883</b>	
3 <b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>41,883</b>	
4 Fully paid up capital instruments	1,000	(a)
5 Share premium	—	
6 Retained earnings	40,883	(b)
7 Accumulated other comprehensive income	—	
8 Other reserves	—	
9 Minority interest given recognition in CET1 capital	—	
10 Adjustments to CET1 due to prudential filters	—	
11 Other funds	—	
12 (-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	—	
13 (-) Own CET1 instruments	—	
14 (-) Direct holdings of CET1 instruments	—	
15 (-) Indirect holdings of CET1 instruments	—	
16 (-) Synthetic holdings of CET1 instruments	—	

17	(-) Losses for the current financial year	—
18	(-) Goodwill	—
19	(-) Other intangible assets	—
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	—
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	—
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	—
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	—
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	—
25	(-) Defined benefit pension fund assets	—
26	(-) Other deductions	—
27	CET1: Other capital elements, deductions and adjustments	—
28	<b>ADDITIONAL TIER 1 CAPITAL</b>	—
29	Fully paid up, directly issued capital instruments	—
30	Share premium	—
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	—
32	(-) Own AT1 instruments	—
33	(-) Direct holdings of AT1 instruments	—
34	(-) Indirect holdings of AT1 instruments	—
35	(-) Synthetic holdings of AT1 instruments	—
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	—
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	—
38	(-) Other deductions	—
39	Additional Tier 1: Other capital elements, deductions and adjustments	—
40	<b>TIER 2 CAPITAL</b>	—
41	Fully paid up, directly issued capital instruments	—
42	Share premium	—
43	(-) TOTAL DEDUCTIONS FROM TIER 2	—
44	(-) Own T2 instruments	—
45	(-) Direct holdings of T2 instruments	—
46	(-) Indirect holdings of T2 instruments	—
47	(-) Synthetic holdings of T2 instruments	—
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	—
49	(-) T2 instruments of financial sector entities where the institution has a significant investment	—
50	Tier 2: Other capital elements, deductions and adjustments	—

 **Table 2: CC2 Own funds reconciliation with audited financial statements**

This table shows a reconciliation of the Company's balance sheet prepared in accordance with Irish law and Financial Reporting Standard 101: Reduced Disclosure Framework ('FRS 101') with the components of its regulatory own funds under prudential rules.

At 31 December 2022 (€000s)	Balance sheet as in audited financial statements	Cross reference to EU IF CC1
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</b>		
1	Fixed asset investments	—
2	Debtors	20,060
3	Cash at bank and in hand	46,542
4	<b>Total assets</b>	<b>66,602</b>
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</b>		
1	Amounts falling due within one year	24,597
2	<b>Total liabilities</b>	<b>24,597</b>
<b>Shareholders' Equity</b>		
1	Called up share capital	1,000 (a)
2	Other reserves	122
3	Profit and loss account	40,883 (b)
4	Deductions from Capital	
5	<b>Total shareholders' equity</b>	<b>42,005</b>

Other reserves represent restricted stock awards which are not eligible for inclusion under Own Funds.



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

1 Issuer	Pershing Securities International Limited
2 Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3 Public or private placement	N/A
4 Governing law(s) of the instrument	Irish Law and Regulations (FRS 101)
5 Instrument type (types to be specified by each jurisdiction)	Ordinary shares
6 Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	€1m
7 Nominal amount of instrument	€1m
8 Issue price	€1
10 Accounting classification	Shareholders' equity
11 Original date of issuance	07-February-2003
12 Perpetual or dated	Perpetual
13 Original maturity date	N/A
14 Issuer call subject to prior supervisory approval	No
<b>Coupons / dividends</b>	
17 Fixed or floating dividend/coupon	N/A
19 Existence of a dividend stopper	No
24 Convertible or non-convertible	Non-convertible
31 Write-down features	No
36 Non-compliant transitioned features	No
38 Link to the full term and conditions of the instrument (signposting)	Available on request

## 6.1 Internal Capital Adequacy and Risk Assessment

The Company has an Internal Capital Adequacy and Risk Assessment process ('ICARA') which defines the risks it is exposed to, and sets out the associated capital and liquidity plan which aims to ensure that the Company holds an appropriate amount of capital and liquidity to support the business model, through the economic cycle, given a range of plausible but severe stress scenarios. The plan is reflective of the Company's commitment to a low risk appetite, with no proprietary trading, coupled with strong financial resources which gives the necessary confidence to clients.

The Company uses 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, the Company has identified that additional own funds are required to be held.



The table on the following page shows the capital requirements calculated in accordance with Article 15 IFR, in aggregate form, for the K-factors applicable to the Company. Similarly, the FOR determined in accordance with Article 13 IFR is presented for the purpose of determining the highest overall value.

As a class 2 investment firm, IFR allows for different approaches for calculating capital requirements. The calculation yielding the highest capital requirement from the following approaches is 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').



Type of risk and applicable K-factors (€000s)	Factor amount		Capital requirements	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
<b>Risk to client</b>			<b>12,850</b>	<b>12,159</b>
K-AUM: Assets under management	—	—	—	—
K-CMH: Client money held - segregated	1,465,743	1,335,529	5,863	5,342
K-CMH: Client money held - non-segregated	—	—	—	—
K-ASA: Assets safeguarded and administered	17,468,169	17,041,674	6,987	6,817
K-COH: Client orders handled - cash trades	—	—	—	—
K-COH: Client orders handled - derivatives trades	—	—	—	—
<b>Risk to market</b>			—	—
K-NPR: Net positions risk requirement	—	—	—	—
K-CMG: Clearing margin given	—	—	—	—
<b>Risk to firm</b>			—	—
K-TCD: Trading counterparty default	—	—	—	—
K-DTF: Daily trading flow - cash trades	—	—	—	—
K-DTF: Daily trading flow - derivative trades	—	—	—	—
K-CON: Concentration risk requirement	—	—	—	—
<b>Total K-factor requirement</b>	<b>18,933,912</b>	<b>18,377,203</b>	<b>12,850</b>	<b>12,159</b>
<b>Permanent minimum capital requirement</b>			<b>150</b>	<b>150</b>
<b>Fixed overhead requirement</b>			<b>2,721</b>	<b>3,024</b>
<b>Own funds requirement (Highest)</b>			<b>12,850</b>	<b>12,159</b>
<b>Total own funds</b>			<b>41,883</b>	<b>40,784</b>

The Company significantly exceeds 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.

## Human resources

### 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 programmes 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 Human Resources Officer, the Chief Risk Officer, the Chief Financial Officer and the Head of Compensation & Benefits.

**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 Company 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 recommendations 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 Human Resources Officer chairs the committee supported by the Global Head of Compensation and Benefits. Voting members include the Chief Executive Officer, Chief Risk Officer, Chief Compliance & Ethics Officer, Chief Auditor, Chief Financial Officer 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.

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## 7.2 Aligning pay with performance

BNY Mellon's compensation philosophy is to offer a total compensation scheme that supports its values, Passion for Excellence, Integrity, Strength in diversity and Courage to lead. BNY Mellon offers a total rewards program that is externally competitive, internally equitable (gender neutral), and tied both to employee contributions and company success. We are committed to paying our employees fairly, and we offer pay and benefits that allow us to hire, reward, and retain the best talent available in each of the locations in which we operate. The company monitors its gender pay gap and carries out pay equity reviews.

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, PSIL aligns 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 the Company's 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 Group aims 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.

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## 7.3 Variable compensation funding, risk adjustment and clawback

The employees of the Company 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.

Variable compensation is determined by the business performance as outlined above and an individual's performance as measured against feedback, results-based goals and behaviours (BNY Mellon's global competencies and values; Risk & Compliance obligations; and a Diversity/Inclusion goal).

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
J, K and L	—	15.0%	20.0%	25.0%	30.0%
M	—	25.0%	30.0%	35.0%	40.0%
S	—	32.5%	40.0%	45.0%	50.0%

#### 7.5 Ratio between fixed and variable pay

Under the Remuneration Rules firms must set an appropriate ratio between fixed and variable remuneration awarded to MRTs. For MRTs of PSIL it is 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 remuneration<sup>1</sup> of MRTs for the Company (regardless of employing entity) for the year ending 31 December 2022 are presented on the following page. No individuals were remunerated EUR 1 million or more.

The remuneration amounts are presented on a gross basis, regardless of the time spent by BNY Mellon staff in respect of the Company. In regards to 2022 awards, the Company did not award any sign-on payments or severance packages. The Company did award a guarantee within 2022, however we are unable to disclose the details on the grounds of confidentiality.



At 31 December 2022 (€000s)		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Number of identified staff	6	8	13	2
2	Fixed remuneration	1,312	1,035	2,840	304
3	Of which: cash-based	1,312	1,035	2,840	304
9	Number of identified staff	4	8	13	2
10	Total variable remuneration	641	235	1,972	104
11	Of which: cash-based	213	193	694	90
12	Of which: deferred	—	—	—	—
EU-13a	Of which: shares or equivalent ownership interests	428	42	1,278	14
EU-14a	Of which: deferred	234	42	883	14
17	<b>Total remuneration</b>	<b>1,953</b>	<b>1,270</b>	<b>4,812</b>	<b>408</b>

Note: Selected non-applicable rows have not been presented

<sup>1</sup> Includes base salary and other cash allowances, plus any incentive awarded for full year 2022. Pension contribution is not included.



This table shows the total deferred remuneration<sup>2,3</sup> 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 adjustment during the financial year due to ex post implicit adjustments (i.e. changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
At 31 December 2022 (€000s)								
1 <b>MB Supervisory function</b>	<b>939</b>	<b>475</b>	<b>464</b>	—	—	—	<b>475</b>	<b>464</b>
2 Cash-based	202	51	151	—	—	—	51	151
3 Shares or equivalent ownership interests	737	424	313	—	—	—	424	313
7 <b>MB Management function</b>	<b>202</b>	<b>74</b>	<b>128</b>	—	—	—	<b>74</b>	<b>128</b>
8 Cash-based	—	—	—	—	—	—	—	—
9 Shares or equivalent ownership interests	202	74	128	—	—	—	74	128
13 <b>Other senior management</b>	<b>1,559</b>	<b>458</b>	<b>1,102</b>	—	—	—	<b>458</b>	<b>1,102</b>
14 Cash-based	125	24	101	—	—	—	24	101
15 Shares or equivalent ownership interests	1,434	433	1,001	—	—	—	433	1,001
25 <b>Total amount</b>	<b>2,700</b>	<b>1,007</b>	<b>1,694</b>	—	—	—	<b>1,007</b>	<b>1,694</b>

Note: Selected non-applicable rows have not been presented

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

<sup>3</sup> Total unvested equity is valued as at 1 February 2023.

## Appendix 1 - Other risks

### Group risk

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

The Company maintains 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 Group 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 Group has contractual and governance arrangements in place to ensure senior management consider and mitigate risks resulting from any associated internal or external dependencies.

The benefit the Company gains from being owned by a Global Systemically Important Financial Institution (G-SIFI), along with the accompanying supporting infrastructure, is considerable. Through this, the Company also gains 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.

### Business risk

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Business risk is the risk to the Company arising from changes in its business including the acute risk to earnings posed by falling or volatile income; and the broader risk of the Company's business model or strategy proving inappropriate due to macroeconomic, geopolitical, industry, regulatory or other factors; or its remuneration policy.

The Company's business model has been clearly defined, in place for a number of years, is relatively transparent and contained within its business sector. This is not envisaged to change. The Company 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 the Company's business objectives are undertaken by the ExCo and approved by the Board.

### Residual risk

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Residual risk may arise from the partial performance or failure of credit risk mitigation techniques for reasons, such as ineffective documentation, a delay in payment or the inability to realise collateral held by the underlying client in a timely manner.

Given the nature of the Company's business, residual risk occurs only in respect of the right to use securities as collateral, therefore, includes the potential impact of residual risk.

Any shortfall remaining after the application of the collateral may be covered by:

- legal recourse to pursue either the Company's 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, the Company retains the right to restrict or terminate a relationship that presents an unacceptable risk to its business.

### Compliance and conduct risk

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#### Compliance risk

Compliance risk covers the risk relating to earnings or capital from violation, or non-conformance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose the firm and its executives to fines, payment of damages, the voiding of contracts and damaged reputation.

The Company's compliance arrangements are inherently risk-based. The arrangements are supported by regular compliance assessments which identify and measure areas of compliance risk and help drive the Compliance Monitoring plan which focuses on those areas of the business identified as being of higher risk. The compliance arrangements also include a programme to identify and support the implementation of regulatory change items of relevance to the firm. In addition, the Company ensures that all staff receive adequate compliance training so that they understand their regulatory responsibilities and the relevance of compliance risk to their roles.

**Conduct risk**

Conduct risk is defined as the risk that detriment is caused to clients, the market, the Company or its employees because of inappropriate execution of business activities or inappropriate behaviour by the Company or its employees.

The Company is subject to the Group Conduct Risk Policy and Code of Conduct. It sets out clear expectations of the roles of senior management in setting the appropriate tone and includes examples of good and poor conduct. Employees receive periodic training on conduct related matters and are required to complete an annual process to confirm adherence to the Code of Conduct.

Conduct related management information is captured and provided to the Pershing Risk Committee and reviews of conduct related matters can be included in the scope of Compliance Monitoring and/or Internal Audit assurance reviews.

**Pension obligation risk**

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

The Company does not have a defined benefit scheme. Since the obligations on pensions are not those of a defined benefit scheme, the Company is not exposed to Pension Obligation Risk.

**Securitisation risk**

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The risk arising from securitisation transactions in relation to which the firm is investor, originator or sponsor are not relevant to the Company as they have never issued, traded or invested in a securitised debt instrument. The Company's 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 the Company is not exposed to securitised debt instruments.





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