



Pershing: Your Business Without Limits

Mark Nelligan
Managing Director

21 August 2013

© 2013 Pershing LLC. Pershing LLC, member FINRA, NYSE, SIPC, is a wholly owned subsidiary of The Bank of New York Mellon Corporation (BNY Mellon). Trademark(s) belong to their respective owners. For professional use only. Not for distribution to the public. The information contained herein, including any attachments, is proprietary to, and constitutes confidential information of Pershing. It may not be reproduced, retransmitted or redistributed in any manner without the express written consent of Pershing LLC.

Agenda

1 Introduction to Pershing

2 Fully Disclosed Model

3 Investor Protection

4 Wealth Trends in Asia – Time for Managed Accounts?

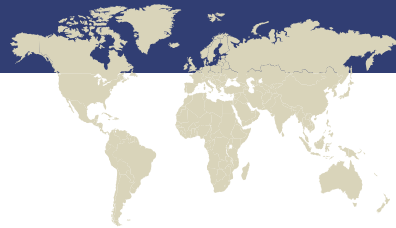
5 FATCA

Section 1

Introduction to Pershing

Pershing: A Global Leader in Financial Services Outsourcing

Global Leader



- > # 1 clearing firm
(*Investment News 2008-2012*)
- > Over \$1 trillion in global client assets

Strength and Stability

- > Net capital of approximately \$1.5 billion— well above the minimum requirement
- > Parent: The Bank of New York Mellon Corporation (“BNY Mellon”)
 - Market capitalization: \$32.3 billion
 - Total assets: \$359.8 billion



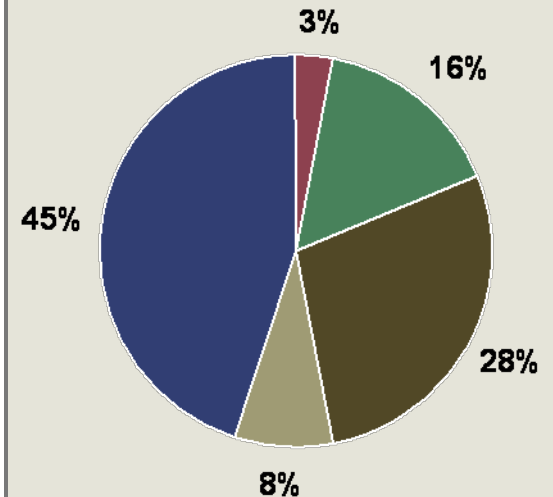
Depth of Resources

- > Trading services
- > Investment solutions
- > Operational support
- > Practice management
- > Flexible technology
- > Service excellence

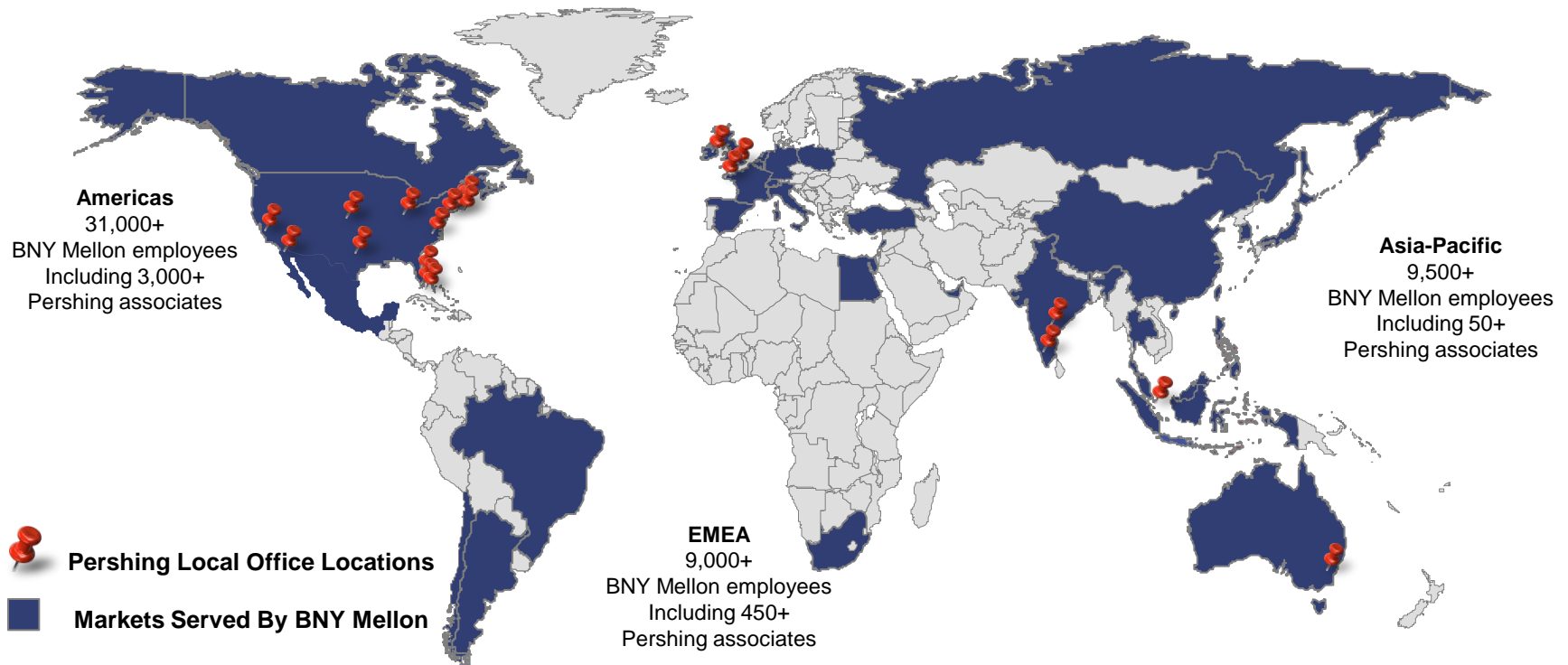
As of June 30, 2013

Diverse Client Segments

- Self-Directed
- Independent Broker-Dealers
- Institutional
- Banks
- Full Service/Wealth Management



Expansive Global Footprint



- > BNY Mellon operates in 35 countries and over 100 markets
- > A global leader in securities services and asset management custody
 - > Clearance in more than 60 markets
 - > Order execution in 45 markets
 - > Foreign exchange in 51 currencies
- > Multi-currency solutions, offshore products, global reporting and regulatory expertise

Our Strength and Stability



Long history in the financial industry

- > The Bank of New York, its earliest predecessor, is the first bank in the U.S.

World's largest custodian

- > \$26.2 trillion in assets under custody and/or administration
- > \$1.4 trillion in assets under management

Financial strength and stability

- > BNY Mellon's debt ratings rank among the highest for financial firms globally.* (*Current ratings for The Bank of New York Mellon Corporation and its principal subsidiaries are posted at <http://www.bnymellon.com/investorrelations/creditratings.html>)
 - > Market capitalization: \$32.3 billion
 - > Total assets: \$359.8 billion



As of June 30, 2013



Long history in the financial industry

- > Over 70 years experience serving financial services intermediaries
- > Tenured, experienced management team with an average of over a decade of experience with Pershing

#1 ranked clearing firm by *Investment News*

- > Over \$1 trillion in global client assets
- > Net capital of approximately \$1.5 billion— well above the minimum requirement
- > More than 1,600 financial organizations, broker-dealers, registered investment advisory firms, fund managers and asset managers
- > Approximately 5.6 million active investor accounts
- > Over 4,000 associates in 23 locations dedicated to providing business solutions

Financial strength and stability

- > Well capitalized with capital ratios exceeding those required by regulators
- > Assets held in custody protected by SIPC and excess of SIPC

Global Reach

- > A global leader in securities services and asset management custody
- > Delivers solutions to clients with operations in 35 countries and in 100 markets
- > Multi-currency solutions, offshore products, global reporting and regulatory expertise

Section 2

Fully Disclosed Model

Supporting Indian Residents Investing Abroad

- > Annual maximum limits
- > Contract notes only for Indian securities



- SET UP OFFSHORE AFFILIATE?
- REFER CLIENTS TO OFFSHORE 3RD PARTY

Fully Disclosed Model

Conceptual Operating Platform

■ Pershing

▲ Broker-Dealer

▲■ Broker-Dealer and Pershing

Investment Professional and Client Experience ▲

Service delivery
Investment management

Products and service solutions
Client fee schedules

Channel and segment management
Marketing

Practice management
Customer communication

Oversight and Program Management ▲

KYC and suitability
Best execution

Service provider management
Customer account agreement

OFAC and USA PATRIOT Act

Service level agreements and quality management oversight

Vendor management

Technology Solutions

- > Client onboarding ▲ ■
- > Single integrated platform with third-party providers ■
 - > Straight-through processing with smart workflow ■
 - > Document management ■
 - > Managed account infrastructure ▲ ■
 - > Flexible testing environment ■
 - > Client and financial consultant mobile solutions ■
- > 24/7 client account access through your Web site ■
 - > Robust security entitlement management ■

Trading and Execution

- > Bi-directional Bloomberg Link (UTF) ■
- > DMA/OMS connectivity ■
- > Real-time processing ■
- > Rules-based exception processing ■
- > Algo trading tools ■
- > Client online trading tools ■
- > Equity, fixed income, options, international execution ■
- > Best execution ▲ ■
- > Order routing ▲ ■
- > Managed account block trade support ▲ ■

Clearance and Settlement

- > Clearing memberships ■
- > FICC/GSCC/MBSCC netting memberships ■
- > Post-trade regulatory reporting ■
 - > Global trade settlement ■
- > Trade processing ■
- > Confirm creation ■
- > Exception reporting ■
- > Annuity processing ■
 - > Alternative investments ■
- > Settlement matching utility ■
- > Support proprietary product processing ■
- > Prime brokerage ■

Regulatory Compliance Reporting

- > Cost basis maintenance and reporting ■
- > Integrated compliance and surveillance (trade and AML) ■
- > SASE 16 audits ■
- > Tax compliance and reporting ■
- > TRACE and MSRB reporting ■
- > OATS reporting ■
- > Reg SHO reporting ■
- > Blue Sheet reporting ■
- > Depository capital requirements ■
- > Regulatory audit ready reporting ■

Credit and Finance

- > Margin lending ▲ ■
- > Non-purpose loans ▲ ■
- > Fully paid lending ▲ ■
- > Collateral management and funding ▲ ■
- > Proprietary cash management solutions ▲
- > Proprietary asset management account credit cards/debit cards ▲
- > Securities lending ■

Brokerage Custody

- > Books and records ■
- > Proxy services ■
- > Asset servicing ■
- > Mutual fund networking ■
 - > Corporate action processing ■
- > Safekeeping and custody services ■
- > Household wealth reporting ■
- > Business intelligence ■
- > Legacy Phase 3 account number storage ■
- > English and Spanish investor communications and Web sites ■

Global Trading and Investment Services



- > Global execution and securities lending and financing solutions and access to market specialists

- > Open architecture technology

- Proprietary and third-party trading tools
- FIX and SWIFT connectivity
 - Direct market access

- > Best execution steering committee and reporting

- > Experienced management team and proactive service model

- 175+ people globally
- 24/6 coverage

| Equities | Fixed Income | Collateral Management | Fund Solutions |
|---|--|--|--|
| <ul style="list-style-type: none"> > Execution in more than 60 markets; local or U.S. currency > Market making in 6,500+ stocks > Extensive trading support <ul style="list-style-type: none"> – Agency Desk – NYSE Floor Direct – Options Desk – Foreign Equity Desk – Non-Dollar Agency Desk – Foreign Exchange Desk > Advanced electronic trading tools | <ul style="list-style-type: none"> > Online access to 30,000+ bonds from 90+ dealers > Access to syndicate, new issue and secondary markets > CDs, structured products and non-dollar instruments > Fixed Income Desk > Portfolio analytic tools | <ul style="list-style-type: none"> > Securities lending > Repo financing > Fully-paid securities lending > Access to hard-to-borrow securities | <ul style="list-style-type: none"> > 600 fund families through FundCenter® > 5,000 no-transaction-fee funds from more than 250 respected families available through FundVest® > Money market mutual funds and FDIC-insured products > 140 sweep options from six different fund managers |

Global Operational Support



- > Leverage a 70-year commitment to exceptional operational support
- > Securely manage financial assets in more than 60 markets worldwide
- > Gain one-stop access to multicurrency capabilities
- > Deliver clear, effective client brokerage account statements
- > Streamline billing and record keeping

| Global Clearance and Settlement | Compliance Tools | Custody and Reporting |
|--|--|--|
| <ul style="list-style-type: none"> > Equities > Fixed and variable annuities > Fixed income > Money market funds > Mutual funds, including offshore > ETFs > Foreign ordinaries > Options > Foreign exchange | <ul style="list-style-type: none"> > The Rules Engine™, our proprietary rules-based compliance system > AML systems and alerts > Trade Reporting and Compliance Engine (TRACESM) reports > Items for Attention, notifying you of events for which action is required > Order Audit Trail SystemSM reports for orders executed through Pershing | <ul style="list-style-type: none"> > Corporate actions > Dividend and income processing > Proxy services that allow voting by mail, telephone, or via the Internet > Customizable statements and confirmations > Performance reporting > Billing services > SWIFT capabilities |

Section 3

Investor Protection

SEC Rule 15c3-3 – Customer Protection Rule

- > Pershing assets segregated from introducing broker (IB) assets
- > IB assets segregated from each other on Pershing's books
- > IB assets segregated from its clients' assets
- > Fully paid securities are segregated from custodian's own assets
- > Custodian (Pershing) maintains possession and control of customer securities
- > Special reserve bank account for the benefit of customers: reserve formula calculation

Securities Investor Protection Corporation (SIPC®)

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.

Excess of SIPC Coverage Led by Lloyd's

In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from certain underwriters at Lloyd's, in conjunction with another commercial insurance company.¹ The excess of SIPC insurance program is valid through February 10, 2014 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 \$1B

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.

The leader of the excess of SIPC coverage program is Lloyd's, which 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.² For more information about Lloyd's, please see www.lloyds.com.

¹ Pershing's excess of SIPC insurance coverage is provided by certain underwriters at Lloyd's insurance market (\$950M) and Axis Specialty Europe Ltd. (\$50M).

² Ratings as of July 2012.

Section 4

Wealth Trends in Asia – Rise of Managed Accounts?

Wealth Trends in Asia*

- > Rapid expansion in HNWI populations in Asia
 - Asia is world's 2nd largest private wealth market at US\$12.0 trillion
 - and, still the world's fastest growing private wealth market at 12.2%
 - Perception that HNWI profile in Asia different from that in other markets
 - many 1st/2nd generation entrepreneurs, risk-takers and “self-directed”

- > Unprecedented growth in Affluent populations
 - An even more significant opportunity
 - Emerging Affluent segment in Asia now forms >30% of world's US\$100k-1m investors
 - and in most Asian markets, ±80% of Affluent derived wealth through employment
 - High income and savings from professional careers rather than own businesses

- > Many Affluent investors seek wealth management advice
 - Not investment experts but well-informed and more sophisticated
 - demand more transparency, options and expertise
 - Younger profile
 - prefer technology, convenience, real-time interaction

* Capgemini/Merrill World Wealth Report 2013

Challenges in Asia

- > Profitability of banks in Asia
 - High cost-to-income ratios
 - > High-touch, high-expense
 - Not-scalable, high front-office expense
 - Dearth of quality talent
 - Highly fragmented regulatory jurisdictions

- > Limited transparency, clients have little control

- > Lack of alignment = lack of trust

A Solution – Managed Accounts

- > Client's own individual account
- > Transparency of underlying securities within the account
 - Clients directly own their securities
 - View holdings as and when
- > Third-party institutional-quality investment strategies and managers
 - Strategies can be personalised to individual needs and circumstances
- > Separate custody of securities from manager and investment professional
- > Alignment of interests
 - Investment professional focus on core competencies of client service and asset allocation
 - All fees associated with advice are wrapped into a single fee

Section 5

FATCA

FATCA – Challenge or Opportunity?



FATCA

**Foreign
Account
Tax
Compliance
Act**