

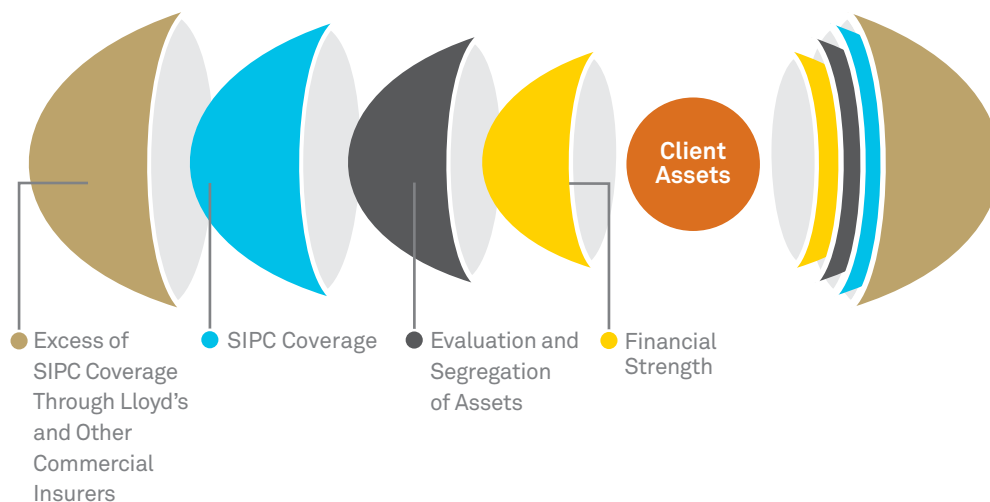
# Understanding the Protection of Client Assets

3RD QUARTER 2016

## Pershing's Strength, Stability and Focus

Pershing LLC (Pershing), a BNY Mellon company, has been a leading global provider of financial business solutions for over 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—September 30, 2016

Pershing's core financial strength provides the first 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. 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, a BNY Mellon company

- › Approximately \$1.5 trillion in global client assets<sup>1</sup>
- › Net capital of approximately \$2.0 billion<sup>2</sup>—well above the minimum requirement

#### BNY Mellon

- › \$30.5 trillion in assets under custody and/or administration
- › \$1.72 trillion in assets under management

<sup>1</sup> Pershing LLC and its global affiliates

<sup>2</sup> Pershing LLC

## Evaluation and Segregation of Assets

Pershing protects client assets through rigorous internal control measures. An annual audit by a major independent auditing firm and the audit team at our parent company, BNY Mellon, helps to monitor controls that are in place. In addition, an Annual Service Organizations report (as required) by a major independent auditing 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 and statements.

Clients' fully paid-for assets are segregated from our own, with quarterly vault inspections conducted. We maintain enough liquid assets, net of any liabilities, to protect clients' fully paid-for assets in the unlikely event of Pershing's failure and liquidation.

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

## 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 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, 2017 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.

Lloyd's currently holds an A+ rating from Standard & Poor's® (S&P®), an A rating from A.M. Best and an AA- rating from Fitch. These ratings are based on the financial strength of the company and are subject to change by the rating agencies at any time.<sup>3</sup> For more information about Lloyd's, please see [lloyds.com](http://lloyds.com).

<sup>3</sup> Ratings as of September 2016.

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