

# **BNY Mellon Capital Markets EMEA Limited**

**Directors' report and financial statements**

**Registered number: 03766757**

**For the year ended 31 December 2012**



# **BNY Mellon Capital Markets EMEA Limited**

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# **BNY Mellon Capital Markets EMEA Limited**

## **Board of directors and other information**

### **Directors**

I Gass  
J M Johnston  
J McEleney  
C Mose  
J Roy

### **Secretary**

BNY Mellon Secretaries (UK) Limited  
160 Queen Victoria Street  
London  
EC4V 4LA

### **Auditor**

KPMG Audit Plc  
15 Canada Square  
London  
E14 5GL

### **Registered Office**

One Canada Square  
London  
E14 5AL

### **Registered Number**

03766757

# BNY Mellon Capital Markets EMEA Limited

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2012

## Principal activities

The principal activity of BNY Mellon Capital Markets EMEA Limited (the 'Company') is to act as a UK based broker dealer serving clients in Europe, the Middle East, Africa and Asia Pacific regions

The Company is authorised by the Financial Conduct Authority ("FCA") following the separation of the Financial Services Authority ('FSA') into the separate regulatory authorities on 1 April 2013. All the Company's activities during the year were regulated and conducted within the scope of permissions granted to the Company by the FSA. The principal activity of the Company was previously distribution of securities on behalf of BNY Capital Markets LLC, another group company.

## Results and dividends

The loss for the year amounted to £3,000 (2011: loss of £79,000)

The directors do not recommend a dividend for the year ended 31 December 2012 (2011: £nil)

## Business review

The Company's key financial and other performance indicators during the year were as follows

	2012	Restated 2011 (Note 1)	Change
	£000	£000	%
Turnover	-	-	-
Administrative expenses	45	27	67
Net assets	12,536	12,539	-

During 2012 the Company earned no revenue and incurred some nominal expenses in connection with its application to commence business as a limited licence broker-dealer.

In advance of the commencement of the Company's new principal activity, a review of the primary economic environment in which the Company will operate and generate net cash-flows was undertaken. Pounds Sterling was identified as the appropriate functional currency for the Company in accordance with relevant accounting standards. As a result, with effect from 1 January 2012 the functional currency of the Company changed from US Dollars to Pounds Sterling. At the transitional date, the comparatives in the profit and loss account and balance sheet have been represented using Pounds Sterling as the reporting currency at the closing rate at 31 December 2011 (GBP 1.54475/USD 1). All future financial statements will be prepared in Pounds Sterling.

## Future developments

The directors will develop the Company's new business as a limited licence broker dealer during 2013.

## Governance and policies

Policies and procedures are in place to ensure adequate governance and risk management of the Company's business. Governance of the Company is carried out through regular meetings of the Board of Directors ("the Board") and the Company's Operating Committee. The Board is responsible for the success and development of the Company's business under an appropriate risk management.

Key committees are in place to oversee the risk management function and to ensure adequate risk management and controls are established for BNY Mellon Group entities, including the Company. The key committees include:

# BNY Mellon Capital Markets EMEA Limited

## Directors' report – continued

### Governance and policies - continued

- Asset Liability Management Committee (‘ALCO’),
- Credit Portfolio Management Committee,
- Market Risk Committee, and
- Operational & Technology Risk Committee

The Company is a part of BNY Mellon's EMEA Region (Europe, Middle East, and Africa) and key EMEA oversight committees in addition to the Group BNY Mellon Global Risk Management Framework include

- The EMEA Senior Risk Management Committee, which consists of representatives from risk committees across EMEA legal entities, business groups and countries, and is a point of convergence for the risk committees. The Committee's main purpose is to receive, review and discuss risk and compliance matters relevant to EMEA legal entities and business groups, and to assess the regional impact,
- The BNYM EMEA Risk and Compliance Committee, the focus of which is to exercise responsibility and provide independent oversight for policies, processes and controls relating to all aspects of risk and compliance for the EMEA Region, and
- The EMEA Asset & Liability Committee (“EMEA ALCO”) which has oversight responsibility for balance sheet liquidity management of branches of BNY Mellon Corporation in the EMEA Region in addition to EMEA legal entities and is responsible for the efficient and effective functioning of local country asset and liability committees or branch liquidity committees in the EMEA Region

### Risk management process

As part of the application to the FSA on the new regulated activity, the Company submitted a document detailing its Internal Capital Adequacy Assessment Process (“ICAAP”), which provides an on-going assessment of the risks to which the Company is exposed. The Company's risk management and risk appetite frameworks describe how these risks are identified and managed.

The Board sets the strategy and policies for the management of these risks and is responsible for risk identification, management and monitoring.

### Risk management framework

The Company's risk management framework provides an integrated forward-looking risk assessment, management information reporting, risk appetite and capital adequacy process consistency.

The Board adopts a prudent appetite to all elements of risk to which the Company is exposed. The business activities will continue to be managed and controlled in a manner consistent with the Board's stated tolerance using defined quantitative and qualitative measurements.

Financial risks and other principal risks relevant to the Company are discussed below.

### *Credit risk*

Credit risk covers default risk from counterparties or clients for deposits and securities, and other assets where realisation of the value of the asset is dependent on counterparties ability to perform.

# **BNY Mellon Capital Markets EMEA Limited**

## **Directors' report – continued**

### **Governance and policies - continued**

#### ***Market risk***

Market risk is the risk of loss due to adverse changes in the financial markets. Market risk arises from foreign exchange exposure in respect of revenue, expenses, deposits and borrowings, and interest rate exposure on cash balances, deposits and borrowings.

#### ***Operational risk***

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events including the potential for loss that arises from problems with operational processing, human error or omission breaches in internal controls, fraud, and unforeseen catastrophes.

#### ***Liquidity risk***

Liquidity risk is the risk that a firm, although balance sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

#### ***Business risk***

Business risk includes risk to a firm arising from changes in its business, including the risk that the firm may not be able to carry out its business plan and its desired strategy.

#### ***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 executors to fines, payment of damages, the voiding of contracts and damaged reputation.

### **Capital Management**

The Company is regulated by the FSA. As at 31 December 2012 the Company was a €50k Limited Activity firm, this was modified on 22 January 2013 to €730k BIPRU Full Scope Firm. Capital and other financial returns are prepared and submitted to the regulator on a monthly basis. At 31 December 2012, regulatory capital as reflected within the Company's regulatory returns amounted to £12,579,000 (2011: £12,569,000).

# BNY Mellon Capital Markets EMEA Limited

## Directors' report – continued

### Directors

The directors who served during the year and up to the date of the report were as follows

	Appointment	Resignation
I Gass	16 October 2012	-
J M Johnston	-	-
J McEleney	16 October 2012	-
C Mose	16 October 2012	-
J Roy	-	-

### Directors' indemnity provisions

The articles of association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the year but have not been utilised by the directors (2011 £nil)

### Post balance sheet events

There are no significant post balance sheet events

### Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office

By order of the Board



Director **JOHN JOHNSON**

BNY Mellon Capital Markets EMEA Limited  
One Canada Square  
London  
E14 5AL  
18 April 2013

Registered number 03766757

# **BNY Mellon Capital Markets EMEA Limited**

## **Statement of directors' responsibilities in respect of the Directors' report and the financial statements**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



# BNY Mellon Capital Markets EMEA Limited

## Independent auditor's report to the members of BNY Mellon Capital Markets EMEA Limited

We have audited the financial statements of BNY Mellon Capital Markets EMEA Limited for the year ended 31 December 2012 set out on pages 9 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



**Richard Scott-Hopkins (Senior Statutory Auditor)**  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
*Chartered Accountants*

15 Canada Square  
London  
E14 5GL

18 April 2013

# BNY Mellon Capital Markets EMEA Limited

## Profit and loss account

For the year ended 31 December 2012

		2012	Restated 2011 (Note 1)
	Notes	£000	£000
Turnover		-	-
Administrative expenses		(45)	(27)
Operating loss		(45)	(27)
Interest receivable and similar income	5	42	1
Interest payable and similar charges	6	-	(57)
Loss on ordinary activities before taxation		(3)	(83)
Taxation on loss on ordinary activities	7	-	4
Loss for the financial year		(3)	(79)

Notes 1 to 14 are integral to these financial statements

The Company has not prepared a separate statement of total recognised gains and losses as all gains and losses are reflected in the profit and loss account above

# BNY Mellon Capital Markets EMEA Limited

## Balance sheet

At 31 December 2012

	Notes	2012 £000	Restated 2011 (Note 1) £000
<b>Current assets</b>			
Debtors	8	4	-
Cash at bank and in hand	9	12,539	12,553
<b>Total assets</b>		<u>12,543</u>	<u>12,553</u>
Creditors amounts falling due within one year	10	(7)	(14)
<b>Net assets</b>		<u>12,536</u>	<u>12,539</u>
<b>Capital and reserves</b>			
Called up share capital	11	10,228	10,228
Profit and loss account	12	2,308	2,311
<b>Shareholders' funds</b>	12	<u>12,536</u>	<u>12,539</u>

Notes 1 to 14 are integral to these financial statements

The financial statements were approved by the Board of Directors and were signed on its behalf by



Director **JOHN JOHNSON**

18 April 2013

# **BNY Mellon Capital Markets EMEA Limited**

## **Notes to the financial statements At 31 December 2012**

### **1. Accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

The following amendments to standards have been adopted in these financial statements for the first time and have not had a material impact

- The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) (Amendment) Regulations 2012 (mandatory for periods starting on/after 1 October 2011)
- The Companies (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012 (mandatory for periods starting on/after 1 October 2011)

### **Basis of preparation**

The financial statements have been prepared on the going concern basis in accordance with applicable UK accounting standards and under the historical cost accounting rules

### ***Functional currency***

With effect from 1 January 2012 the functional currency of the Company changed from US Dollars to Pounds Sterling, therefore all future financial statements will be prepared in Pounds Sterling. At the transitional date, the comparatives in the profit and loss account and balance sheet have been represented using GBP as the reporting currency at the closing rate at 31 December 2011 (GBP 1.54475/USD 1).

### ***Related party transactions***

As the Company is a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, it has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group.

### ***Cash flow statement***

The Company is a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996).

### ***Going concern***

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report on page 3. In addition, the Directors' report includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives and its exposures to credit and liquidity risk.

The directors perform an annual going concern assessment that considers, under a stress test scenario, the Company's ability to meet its forecast financial obligations as they fall due, for a period of at least twelve months after the date that the financial statements are signed. The Company has adequate liquidity and capital, and appropriate cash flow management. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

# BNY Mellon Capital Markets EMEA Limited

## Notes to the financial statements – continued At 31 December 2012

### 1. Accounting policies- continued

#### *Going concern - continued*

Based on the above assessment of the Company's financial position, liquidity and capital, the directors have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the Company to continue as a going concern for the foreseeable future (for a period of at least twelve months after the date that the financial statements are signed) Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements

#### **Turnover**

Turnover, which is stated net of value added tax, is accrued over the basis for which these services are provided

#### **Segmental reporting**

A segment is a distinguishable component of the Company which is specific to either the type of product or service (business segment), or to products and services provided within a particular economic environment (geographical segment), where the risks and rewards are different from those of other segments

Currently the directors consider that the Company's services comprise one business segment (being the provision of broker dealer services) and that it operates in the UK market which is not geographically segmented

#### **Interest, fees and commission**

Interest, fees and commission, both income and expense, are recognised on an accruals basis

#### **Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

#### **Taxation**

Income tax comprises current tax and deferred tax Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in the statement of total recognised gains and losses, in which case it is recognised directly in the statement of total recognised gains and losses Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of previous years Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists

Deferred tax is recognised without discounting on timing differences between treatment of certain items for taxation and accounting purposes Deferred tax liabilities are generally recognised and deferred tax assets are recognised to the extent that it is probable that they will be recoverable Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the balance sheet date Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when a legal right to offset exists in the entity

# BNY Mellon Capital Markets EMEA Limited

## Notes to the financial statements – continued At 31 December 2012

### 1. Accounting policies- continued

#### Dividends

Dividends are recognised as a liability at the date that they are declared, to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

### 2. Notes to the profit and loss account

Loss on ordinary activities before taxation is stated after charging

	2012 £000	Restated 2011 (Note 1) £000
Auditor's remuneration		
Audit of these financial statements pursuant to legislation	8	8
Other services pursuant to such legislation	5	4
	<u>13</u>	<u>12</u>

### 3. Staff costs

The Company had no employees during the year ended 31 December 2012 (2011: nil)

### 4. Directors' emoluments

The directors did not receive any remuneration for their services in respect of the Company (2011: £nil)

### 5. Interest receivable and similar income

	2012 £000	Restated 2011 (Note 1) £000
Receivable from group undertakings	42	1
	<u>42</u>	<u>1</u>

### 6. Interest payable and similar charges

	2012 £000	Restated 2011 (Note 1) £000
Net foreign exchange losses	-	(57)
	<u>-</u>	<u>(57)</u>

# BNY Mellon Capital Markets EMEA Limited

## Notes to the financial statements – continued At 31 December 2012

### 7. Taxation

	2012	Restated 2011 (Note 1)
	£000	£000
<i>Analysis of charge in period</i>		
Taxation is based on loss before tax for the year and comprises		
Current corporation tax credit for the year at 24.5% (2011: 26.5%)	-	-
Adjustment in respect of prior periods	-	(4)
Taxation on loss on ordinary activities	-	(4)

#### *Factors affecting the tax charge for the current period*

The current corporation tax charge for the year is higher than (2011: higher) the standard rate for the year for the reasons set out in the following reconciliation

	2012	Restated 2011 (Note 1)
	£000	£000
Loss on ordinary activities before tax	(3)	(83)
Tax credit on loss on ordinary activities at standard rate 24.5% (2011: 26.5%)	(1)	(22)
Factors affecting tax credit		
- Utilisation of tax losses	-	17
- Losses surrendered to group entities	1	-
- Adjustments in respect of prior periods	-	9
Current corporation tax credit for year	-	(4)

#### *Factors that may affect future current and total tax charges*

The UK government had announced that the main rate of corporation tax for the year beginning 1 April 2012 would be reduced from 26% to 24% to be followed by further 1% reductions per annum to 22% for the year beginning 1 April 2014. The reduction in the corporate tax rate to 24% was substantively enacted in March 2012 and this results in a weighted average tax rate of 24.5% for 2012 (2011: 26.5%). The reduction to 23% was enacted through the 2012 Finance Act in July 2012. In the 2013 Budget the Chancellor confirmed the announcement made in the 2012 Autumn statement that the main rate of corporation tax will reduce to 21% in April 2014. In addition the Chancellor announced a further reduction to the main rate of corporation tax to 20% from April 2015 which is not expected to be material. These changes are expected to be enacted through the Finance Act 2013.

### 8. Debtors

	2012	Restated 2011 (Note 1)
	£000	£000
Taxation	4	-
Other debtors	-	-
	4	-

# BNY Mellon Capital Markets EMEA Limited

## Notes to the financial statements – continued At 31 December 2012

### 9. Cash at bank and in hand

	2012	Restated 2011 (Note 1)
	£000	£000
Cash at bank	12,539	12,553

Cash at bank included £11,539,000 (2011 £12,553,000) of funds on deposit with a UK regulated banking entity within the BNY Mellon group

### 10. Creditors: amounts falling due within one year

	2012	Restated 2011 (Note 1)
	£000	£000
Taxation	-	2
Other creditors	7	12
	7	14

### 11. Called up share capital

	2012	Restated 2011 (Note 1)
	£	£
Authorised, allotted, called up and fully paid		
2 ordinary shares of £1 each (2011 2)	2	2
15,750,000 ordinary shares of \$1 each (2011 15,750,000)	10,227,937	10,227,937
	10,227,939	10,227,939

The £ and \$ ordinary shares are separate classes of shares but rank pari passu in all respects



# BNY Mellon Capital Markets EMEA Limited

## Notes to the financial statements – continued At 31 December 2012

### 12. Movement in reserves

	Called up share capital £000	Profit and loss account £000	Total £000
<b>2012</b>			
Restated balance at 1 January	10,228	2,311	12,539
Loss for the financial year	-	(3)	(3)
At 31 December	10,228	2,308	12,536

	Called up share capital £000	Profit and loss account £000	Total £000
<b>2011</b>			
Restated balance at 1 January	10,228	2,390	12,618
Restated loss for the financial year	-	(79)	(79)
Restated balance at 31 December	10,228	2,311	12,539

### 13. Transactions involving directors and officers

At 31 December 2012 there were no loans and other transactions made to directors and officers of the Company (2011 £nil)

### 14. Parent Company

The immediate parent of the Company is BNY International Financing Corporation incorporated in the United States of America

The largest group in which the results of the Company are consolidated is that headed The Bank of New York Mellon Corporation, incorporated in the United States of America. The smallest group in which they are consolidated is that headed by BNY International Financing Corporation incorporated in the United States of America.

The ultimate parent company as at 31 December 2012 was The Bank of New York Mellon Corporation, incorporated in the United States of America. The consolidated accounts of the ultimate parent company may be obtained from

The Secretary  
The Bank of New York Mellon Corporation  
One Wall Street  
New York, NY  
10286  
USA