

BNY Mellon Capital Markets EMEA Limited

Strategic report, Directors' report and financial statements

Registered number 03766757

31 December 2016

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BNY Mellon Capital Markets EMEA Limited

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BNY Mellon Capital Markets EMEA Limited

Board of Directors and other information

Directors

J Edwards

R Savchuk

Secretary

BNY Mellon Secretaries (UK) Ltd

160 Queen Victoria Street

London

EC4V 4LA

Auditor

KPMG LLP

15 Canada Square

London

E14 5GL

Registered Office

One Canada Square

London

E14 5AL

Company Number

03766757

BNY Mellon Capital Markets EMEA Limited

Strategic report

In accordance with Section 414A(1) of the Companies Act 2006, we have prepared the Strategic report which includes a review of BNY Mellon Capital Markets EMEA Limited ("the Company's") business and future developments, a description of the principal risks and uncertainties facing the Company and key performance indicators.

Business review

The Company generated a loss for the year of £788,000 (2015: £414,000 loss). This was materially aligned with the medium term profitability plan. There were no significant changes in the Company's core operations during the year. During 2016, the Company continued to trade in fixed income and equity securities on behalf of clients on a principal trading and agency basis. The Company's turnover increased by 74% to £4,264,000 (2015: £2,454,000). This consists of trading income earned on principal trading, commission charged on agency trades, underwriting and liquidation agent fees. Administrative expenses incurred during the year increased by 74% to £4,806,000 (2015: £2,761,000). These comprise transaction, execution and clearing fees paid to another BNY Mellon group company, further investment in the Company's trading and data technology platform and staff costs.

During 2016, QSR Management Ltd remained a 100% owned subsidiary of the Company. Both QSR Management Ltd and the Company remain under the common control of BNY Mellon International Financing Corporation.

Financial key performance indicators

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

	2016 £000	2015 £000	Change £000	Change %
Turnover	4,264	2,454	1,810	74%
Administrative expenses	4,806	2,761	2,045	74%
Net assets	34,001	34,780	(779)	(2)%

Turnover increased by £1,810,000 (74%) during the year. The Company continues to be in a growth phase, adding new clients, which has resulted in increased trading volumes and revenues.

Administrative expenses increased by £2,045,000 (74%) during the year as a result of business growth, and continued investment in its technology and support infrastructure to enhance its client offering.

Net assets decreased by £779,000 (2%) during the year, mainly reflecting the loss for the year.

Strategic report

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BNY Mellon Capital Markets EMEA Limited

Directors' report

The directors present their report and financial statements for the year ended 31 December 2016.

Principal activities

The principal activity of the Company is to act as a UK-based broker dealer serving clients in Europe, the Middle East, Africa and Asia Pacific regions.

Results and dividends

The loss for the year after taxation amounted to £788,000 (2015: £414,000 loss).

Interim dividends paid during the year amounted to £nil (2015: £nil). The directors do not recommend a final dividend for the year ended 31 December 2016 (2015: £nil).

Risk management

The Company is authorised by the Financial Conduct Authority ("FCA"). All the Company's activities during the year were regulated and conducted within the scope of permissions granted to the Company by the FCA.

The primary focus of the Company's capital management policy is to maintain a strong capital position and to remain a well capitalised institution under regulatory guidelines. The capital management strategy of the Company is to maintain appropriate capital commensurate with its risks and business strategy.

The Company's activities are considered in its ICAAP, the latest version of which was approved by the Board in 2016. The Company had significant surplus regulatory capital resources over its regulatory capital resources requirement throughout the year. There were no capital requirement breaches during the financial year (2015: none). At 31 December 2016, the regulatory capital as reflected within the Company's regulatory returns amounted to £28,148,899 (2015: £28,910,836).

The Company also undertakes five year stress and scenario testing of its main financial and operational risks to project its future capital and liquidity adequacy requirements.

Governance and policies

Policies and procedures are in place to govern and manage the business. 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.

Governance of the Company is ultimately the responsibility of the Board of Directors. The Board is responsible for the ongoing success and development of the Company's business as well as setting the risk appetite for the firm as part of the risk framework.

Key committees are in place to oversee compliance and risk management of the business to ensure adequate risk management and controls are in place. Each committee has clearly stated terms of reference and reporting lines. Significant issues arising from these committees may be reported up to the appropriate Investment Services Committee.

The key committees include:

- EMEA Senior Risk Management Committee
- BNY Mellon Capital Markets EMEA Operating Committee
- EMEA Asset and Liability Committee
- EMEA Asset & Liability Committee

BNY Mellon Capital Markets EMEA Limited

Directors' report

Risk management - continued

Governance and policies - continued

There are a number of key oversight committees in place as part of the U.S Corporate Global Risk Management Framework. The BNY Mellon Senior Risk Management Committee, which has an oversight responsibility covering the major risk sources, is the most senior committee. The BNY Mellon Senior Risk Management Committee is made up of senior business managers and risk and compliance officers. Reports are provided and reviewed covering the risk sources and issues that need monitoring.

The Operating Committee ("OpCom") has been entrusted with the general management of the Company. The OpCom normally meets monthly, and reports to the Board. The key responsibilities are: the day-to-day execution of the Company's business within the strategy and the general policy as defined by the Board; review of corporate initiatives including strategic initiatives, financial performance, new business initiatives, policy changes, controls and organisational development.

Risk management process

The Company is responsible for actively identifying the risks associated with its key business processes, business change or external threats, identifying and assessing the quality of controls in place to mitigate risk and assigning accountability for the effectiveness of those controls. The objective of this detailed self-assessment is to prevent or minimise:

- Errors or service delivery failures, especially those with impact on clients
- Financial losses
- Compliance breaches
- Reputational damage

The Company utilises the BNY Mellon Operational Risk Platform to achieve the above. The platform is used to maintain risk and control self-assessments, key risk indicators and tracking of operational risk events. Risk Management works in partnership with the business to ensure that there is adequate understanding and assessment of, and accountability for, all risks that relate to the Company.

The Risk Appetite at Bank of New York Mellon Corporation group ("the Group") level is set and owned by the BNY Mellon Board of Directors, giving the overall strategy and willingness to take on risk at a global level. The Company's risk appetite is commensurate with local business and regulatory requirements, within the guidance set by the group and in coordination with the relevant business expertise.

Risks of the Company are measured, reported and monitored quarterly as part of the risk management framework which has been adopted. The reporting measures risk and capital against their regulatory capital requirements as well as monitoring Pillar 2 risk assessments, the internal capital adequacy processes (ICAAP) and liquidity assessments.

Credit risk

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

A significant part of the revenue of the Company is earned on matched trades; where the Company is counterparty to both sides of a matched trade and consequently bears counterparty risk between trade date and settlement date (usually 2 days). To mitigate this risk, the Company undertakes trades on a Delivery versus Payment basis so that in the event of a default prior to settlement, exposure is limited to any mark to market loss that arises. Internal controls exist to identify any default situations as they arise, and normal operating policy is to eliminate any exposures arising by closing out positions in a short time frame.

BNY Mellon Capital Markets EMEA Limited

Directors' report

Risk management process - continued

Credit risk - continued

Cash at bank includes funds on deposit with a regulated banking entity within the BNY Mellon group or with third party regulated banks (see note 12).

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.

In the normal course of business, the Company does not hold financial securities on its balance sheet and will not carry market risk. In the case of a counterparty default, the Company will be exposed to market risk to the extent that the company is at risk of making good the defaulting leg of a matched trade or agency transaction. An adverse price movement of the traded security will therefore result in a loss for the Company.

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. The Company has comprehensive internal controls in place to minimise the occurrence of, and to mitigate the impact of any operational risk events that do arise.

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. Liquidity risk is mitigated through the daily monitoring of key liquidity ratios.

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. This risk is minimised through frequent Board and Operating Committee meetings, at which business performance against plan is monitored.

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. To mitigate against this risk, the Company has compliance staff responsible to ensure compliance with all relevant external, internal and best practice standards.

Pillar 3 risk disclosures

CRR Pillar 3 disclosures about the Company (capital and risk management) are covered by the BNY Mellon Capital Markets EMEA Limited disclosures which can be found on the group website (<https://www.bnymellon.com/us/en/investor-relations/other-regulatory.jsp>).

BNY Mellon Capital Markets EMEA Limited

Directors' report

EU Capital Requirements Directive IV disclosure

Institutions are required to publish details of their turnover, employment, profits, taxation and any public subsidies on a country by country basis under the EU Capital Requirements Directive IV ("CRD IV") from 1 January 2015.

Article 89 of CRD IV requires institutions to report the following information by member state and third countries in which it has an establishment:

- a) Nature of activities and geographical location (see 'Principal activities' on page 4 and Segmental reporting on page 17), all based in the United Kingdom;
- b) Turnover (see disclosure note 2 on page 18), all generated in the United Kingdom;
- c) Number of employees on a full time equivalent basis (see disclosure note 4 on page 19), all located in the United Kingdom;
- d) Profit and loss before taxation (see page 11), all generated in the United Kingdom;
- e) Tax on profit or loss (see disclosure note 9 on page 21), all generated in the United Kingdom;
- f) Public subsidies received (none).

Employees

The Company is committed to a best practice approach to consult with employees on matters that are likely to affect their interests. Information of general interest to employees is provided through the intranet, newsletters, notices and general dialogue between line managers and employees, all of which seeks to achieve a common awareness of the financial and economic factors which impact on the Company's performance. In addition the Company participates in the Group's Employee Information & Consultation Forums at both a local and European level. The Forums build on existing communication channels and provide more formal opportunities for dialogue between management and employees.

The Company adopts a total rewards and pay for performance remuneration philosophy. Any variable remuneration incentives are discretionary, based on individual and business unit performance together with other factors as determined from time to time in the context of the Company's operating plans and results and may be subject to deferral. Employees have the opportunity to purchase stock through the Group's Stock Accumulation Plan.

The Company is also committed to providing relevant training and development opportunities, to include achievement of professional qualifications, to enable each employee to successfully fulfil their job responsibilities, and in addition, meet regulatory requirements. The Company adheres to the principles of Equal Employment Opportunity, and is committed to facilitating employment opportunities for people with disabilities.

Directors

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

	Appointment	Resignation
J Edwards	-	-
R J Gill	-	10 February 2017
J Johnston	-	31 March 2017
R Saychuk	-	-

Directors' indemnity provision

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 (2015: not utilised).

BNY Mellon Capital Markets EMEA Limited

Directors' report

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.

Post balance sheet events

On the 16th of March 2017, the board of QSR Management Limited approved a dividend of £6,000,000 to BNY Mellon Capital Markets EMEA Limited.

Auditor

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

By order of the Board



R Savchuk
Director

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

20 April 2017
Registered number: 03766757

BNY Mellon Capital Markets EMEA Limited

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The directors are responsible for preparing the Strategic report, 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), including Financial Reporting Standard 101: *Reduced Disclosure Framework* ("FRS 101").

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, including FRS 101, 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2016 set out on pages 11 to 32. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 Statement of director's responsibilities set out on page 9, 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 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 website at 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 2016 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year are consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.

Alison Allen

Alison Allen (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London, E14 5GL
20 April 2017

BNY Mellon Capital Markets EMEA Limited

Statement of profit and loss for the year ended 31 December 2016

		2016	2015
	Note	£000	£000
Turnover	2	4,264	2,454
Administrative expenses	3, 4 & 5	<u>(4,806)</u>	<u>(2,761)</u>
Operating loss		(542)	(307)
Interest receivable and similar income	7	41	6
Interest payable and similar charges	8	<u>(283)</u>	<u>(113)</u>
Loss before tax		(784)	(414)
Taxation	9	<u>(4)</u>	<u>-</u>
Loss for the financial year		<u><u>(788)</u></u>	<u><u>(414)</u></u>

Notes 1 to 22 are integral to these financial statements.

All items dealt with in arriving at the Company's results for the financial year and prior year relate to continuing operations.

The Company has not prepared a separate statement of other comprehensive income as all the income and losses are reflected in the statement of profit and loss above.

BNY Mellon Capital Markets EMEA Limited

Balance sheet at 31 December 2016

	Note	2016 £000	2015 £000
Fixed assets			
Fixed asset investments	10	9,223	9,223
		<u>9,223</u>	<u>9,223</u>
Current assets			
Debtors	11	7,405	7,143
Cash at bank and in hand	12	49,065	42,201
		56,470	49,344
Creditors: amounts falling due within one year	13	(31,692)	(23,787)
Net current assets		<u>24,778</u>	<u>25,557</u>
Total assets less current liabilities		<u>34,001</u>	<u>34,780</u>
Net assets		<u>34,001</u>	<u>34,780</u>
<hr/>			
Capital and reserves			
Called up share capital	16	30,273	30,273
Other reserves	16	37	28
Profit and loss account		<u>3,691</u>	<u>4,479</u>
Shareholders' equity		<u>34,001</u>	<u>34,780</u>

Notes 1 to 22 are integral to these financial statements.

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



R Savchuk
Director

Registered number: 3766757

BNY Mellon Capital Markets EMEA Limited

Statement of changes in equity

31 December 2016

	Called up Share capital £000	Other reserves £000	Profit and loss account £000	Total £000
Balance at 1 January 2015	30,273	23	4,893	35,189
Loss for the year	-	-	(414)	(414)
Equity capital contribution reserve	-	5	-	5
Total contributions by and distributions to owners	-	5	-	5
Balance at 31 December 2015	30,273	28	4,479	34,780

	Called up Share capital £000	Other reserves £000	Profit and loss account £000	Total £000
Balance at 1 January 2016	30,273	28	4,479	34,780
Loss for the year	-	-	(788)	(788)
Equity capital contribution reserve	-	9	-	9
Total contributions by and distributions to owners	-	9	-	9
Balance at 31 December 2016	30,273	37	3,691	34,001

Notes 1 to 22 are integral to these financial statements.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies

1.1 Basis of preparation and statement of compliance with FRS 101

The Company is a private company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

The Company's ultimate parent undertaking, The Bank of New York Mellon Corporation includes the Company and all its subsidiary undertakings in its consolidated financial statements. The consolidated financial statements of The Bank of New York Mellon Corporation are prepared in accordance with U.S. Generally Accepted Accounting Principles, which are *equivalent* to Adopted IFRS. The Bank of New York Mellon Corporation's consolidated financial statements are available at www.bnymellon.com/investorrelations/annualreport/index.html. Accordingly, the Company is a *qualifying entity* for the purpose of FRS 101 disclosure exemptions.

Accordingly, in preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Share based payments – IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by 1 January 2014.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries and with other members of the Group;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of compensation of Key Management Personnel.

The following standards are not yet effective, and are not expected to have a material impact on these financial statements:

- IFRS 9 *Financial Instruments*, the Company is currently assessing the potential impact of the standard as part of its IFRS 9 project, initiated in 2016, and plans to adopt the new standard when mandatorily effective. Analysis of the application of the classification and measurement requirements of the standard was completed in 2016. Overall, the results show no impact from those requirements on the measurement of in-scope financial instruments for the Company. An IFRS 9 impairment project is currently being implemented and preliminary analysis of the application of IFRS 9 to the Company has identified no significant impact from the new impairment model;

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies - continued

1.1 Basis of preparation and statement of compliance with FRS 101 - continued

- IFRS 15 *Revenue from Contracts with Customers*, the Company is currently assessing the impact of the standard as part of its IFRS 15 project, initiated in 2016, and plans to adopt the new standard when mandatorily effective, for annual periods beginning on or after 1 January 2018. Preliminary analysis of the application of IFRS 15, including contract reviews and disclosure requirements has been performed and no significant areas of impact to the Company's revenue recognition policies were identified; and
- IFRS 16 *Leases*, the Company is currently assessing the impact of the standard as part of its IFRS 16 project, initiated in 2016, and plans to adopt the new standard when mandatorily effective, for annual periods beginning on or after 1 January 2019. Preliminary analysis of the application of IFRS 16, including leasing inventory identification and review of existing vendors, has been performed and no significant areas of impact to accounting for leases in the Company were identified.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.2 Measurement convention

These financial statements have been prepared on the historical cost basis.

1.3 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 Strategic report on page 2. In addition, the Directors' report on pages 4 to 8 includes the Company's objectives, policies and processes for managing its capital; its financial risk management objective and its exposures to credit and liquidity risk.

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

Based on the above assessment of the Company's financial position, liquidity and capital, the directors have concluded that the Company has adequate resources to continue in operational existence 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.

1.4 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 IAS 24 and has therefore not disclosed transactions or balances with entities which form part of the Group. Balances with other members of the Group are disclosed within notes 11, 12 and 13.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies - continued

1.5 Turnover

Turnover consists of trading income and commission income on securities transactions. Revenue from all trading activity is recognised on a trade date basis.

1.6 Securities settlement

The Company accounts for securities transactions on its balance sheet on a settlement date basis. If unmatched trades occur, either as a result of error or counterparty default, then balances are marked to market through the income statement until settlement occurs.

1.7 Financial instruments

Financial assets are initially recognised at fair value and classified as fair value through profit and loss, as available-for-sale or as held-to-maturity. Financial assets are subsequently measured at fair value except for loans and receivables and held to maturity investments which are carried at amortized cost. Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost, except for trading liabilities which are measured at fair value through profit and loss. Financial assets and liabilities are derecognised when the obligation is discharged, or derecognised when sold (assets) or extinguished (liabilities).

1.8 Foreign currency

The Company's functional currency is GBP. The Company's presentational currency is also GBP. Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are reported net in the statement of profit and loss within interest receivable and similar income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Any resulting exchange differences are reported net in the profit and loss account within interest receivable or payable as appropriate.

1.9 Interest receivable and interest payable

Interest income and interest payable are recognised in the statement of profit and loss as they accrue, using the effective interest method. Interest payable and similar charges include interest payable and net foreign exchange gains or losses that are recognised in the statement of profit and loss (see foreign currency accounting policy). Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies - continued

1.10 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of profit and loss in the periods during which services are rendered by employees.

1.11 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.

1.12 Share-based payment transactions

Share based payments

Certain employees are issued Restricted Stock Units (RSUs) and options in The Bank of New York Mellon Corporation (the Company's ultimate parent) shares. All share-based payments issued under these plans are equity settled.

The grant date fair value of share based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

RSUs are measured based on grant date fair value of the shares of The Bank of New York Mellon Corporation. Options are measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted.

Vesting conditions are not factored into the initial estimate of the fair value at the grant date. They are taken into account by adjusting the number of equity instruments included in the measurement of the transaction, so that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. On a cumulative basis, no expense is recognised for equity instruments that do not vest because of a failure to satisfy non-market performance or service conditions.

The fair value of equity instruments that are made available immediately, with no vesting period attached to the award, are expensed immediately. Certain of the share based payment awards vest when the employee retires. For grants of share based payments with this feature, the award is fully expensed by the first date that the employee is eligible to retire. If an employee voluntarily leaves the company before the awards are fully vested, then the shares in relation to the employee are forfeited, with a credit to the income statement and a debit to equity. Where an employee has transferred between different Companies within the BNY Mellon Group, current and future years' amortisation of all types of share based payments issued in prior years will be charged to the new Company from the year of transfer.

The Company took advantage of the option available in IFRS 1 to apply IFRS 2 only to equity instruments that were granted after 7 November 2002 and that had not vested by the transition date.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

1 Accounting policies - continued

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.14 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any permanent diminution in value.

1.15 Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under FRS 101, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

2 Turnover

Turnover consists of trading income, commission income on securities transactions and underwriting fees.

	2016	2015
	£000	£000
Net commission	1,605	1,411
Trading income	1,588	780
Underwriting fees	559	70
Other income	512	193
	<u>4,264</u>	<u>2,454</u>

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

3 Expenses and auditor's remuneration

Auditor's remuneration:

	2016 £000	2015 £000
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of these financial statements pursuant to legislation	20	14
CASS audit fees	17	6
	<u>37</u>	<u>20</u>

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 4 (2015: 4), of which none were directors (2015: none). All staff are employed by The Bank of New York Mellon London Branch with costs recharged to the Company. Salaries and wages include Non-Sales Incentive Plan costs amounting to £237,000 (2015: £39,000).

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Salaries and wages	852	440
Share based payments (see note 19)	10	6
Social security costs	67	48
Pension costs	33	31
Other staff costs	2	5
	<u>964</u>	<u>530</u>

5 Directors' remuneration

The aggregate amount of remuneration paid to or receivable by directors in respect of qualifying services is disclosed below. Qualifying services include services as a director of the company, as a director of any of its subsidiary undertakings or otherwise in connection with the management of the affairs of the Company or any of its subsidiary undertakings. The amounts are disclosed irrespective of which BNY Mellon group company actually makes the payment to the directors. Previously, only remuneration paid by this Company had been included in the disclosure. The comparatives have therefore been amended.

	2016 £000	2015 £000
Directors' emoluments	225	135
Amounts receivable under long term incentive schemes	71	56
Company contributions to money purchase pension plans	17	11
Company contributions to defined benefit pension plans	-	1
	<u>313</u>	<u>203</u>

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

5 Directors' remuneration - continued

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £270,000 (2015: £156,000), and Company pension contributions of £16,000 (2015: £10,000) were made to a money purchase scheme on their behalf. During the year, the highest paid director received shares under a long term incentive scheme but did not exercise any share options.

	Number of Directors	
	2016	2015
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	4	6
Defined benefit schemes	-	1
Number of directors in respect of whose services shares were received or receivable under long term incentive schemes	4	4
Number of directors who exercised share options in the ultimate parent company, The Bank of New York Mellon Corporation, during the year	1	1

6 Impairment of fixed asset investments

A detailed impairment review using discounted cash flows and taking into consideration projected revenue flows of the subsidiary entity, has indicated no permanent impairment of the carrying value of the investment in QSR Management Ltd.

7 Interest receivable and similar income

	2016	2015
	£000	£000
Net foreign exchange gain	17	-
Receivable from third parties on bank deposits	24	6
Total interest receivable and similar income	41	6

8 Interest payable and similar charges

	2016	2015
	£000	£000
Net foreign exchange loss	-	25
Interest payable to group undertakings	283	88
Total interest payable and similar charges	283	113

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

9 Taxation

Recognised in the profit and loss account

	2016 £000	£000	2015 £000	£000
<i>UK corporation tax</i>				
Adjustments in respect of prior periods	4		-	
	4		-	
Total current tax		4		-
Tax on profit/loss		4		-

Reconciliation of effective tax rate

	2016 £000	2015 £000
Loss for the year	(788)	(414)
Total tax expense	4	-
Loss excluding taxation	(784)	(414)
Tax using the UK corporation tax rate of 20.00% (2015: 20.25%)	(157)	(84)
Non-deductible expenses	4	5
Losses surrendered to group entities	157	79
Total tax expense	4	-

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was enacted on 26 October 2015 and a further reduction to 17% (effective from 1 April 2020) was enacted on 6 September 2016. This will reduce the company's future tax charge accordingly. The deferred tax asset/liability at 31 December 2016 has been calculated based on these rates.

10 Fixed asset investments

	Subsidiaries £000	Total £000
Cost		
At 1 January 2016	9,223	9,223
At 31 December 2016	9,223	9,223
Net book value		
At 31 December 2016	9,223	9,223

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

10 Fixed asset investments - continued

The directors consider the value of this investment in subsidiary undertaking to be at least the balance sheet carrying value. Investments are assessed on an annual basis by management for signs of impairment using expected future profitability and expected future cash flows. A discounted cash flow model is used which uses assumptions of a discount rate of 11% (2015: 10.5%). The directors have concluded that there is no impairment (2015: none) in the investment in QSR Management Ltd.

Subsidiaries

The Company has the following investments in subsidiaries:

	Country of incorporation	Registered office	Principal activity	Class of shares held	Ownership 2016	Ownership 2015
QSR Management Ltd	England & Wales	One Canada Square, London, E14 5AL	Administration services	Ordinary £1	100%	100%

11 Debtors

	2016 £000	2015 £000
Securities settlement amounts receivable	6,532	6,692
Amounts owed by group companies	622	324
Other debtors	251	127
Total debtors	7,405	7,143
 Due within one year	 7,405	 7,143

Other debtors includes deferred tax asset amounts, see note 14.

12 Cash at bank and in hand

	2016 £000	2015 £000
Cash at bank and in hand	49,065	42,201

Cash at bank and in hand included £1,380,000 (2015: £24,000) of funds on deposit with a regulated banking entity within the BNY Mellon group.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

13 Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Securities settlement amounts payable	6,531	6,579
Amounts owed to group undertakings*	24,877	17,119
Accruals and deferred income	282	88
Other creditors	2	1
	<u>31,692</u>	<u>23,787</u>

* Amounts owed to group undertakings includes a \$30,000,000 loan from another group member company, The London Branch of the Bank of New York Mellon at a fixed interest rate of 1.1034% p.a. The loan is repayable on April 24, 2017.

14 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	Assets		Net	
	2016	2015	2016	2015
	£000	£000	£000	£000
Share-based payments	1	5	1	5
Net tax assets/(liabilities)	<u>1</u>	<u>5</u>	<u>1</u>	<u>5</u>

Movement in deferred tax

	1 January 2016	Recognised in income	Recognised in equity	31 December 2016
	£000	£000	£000	£000
Share-based payments	5	(4)	-	1
	<u>5</u>	<u>(4)</u>	<u>-</u>	<u>1</u>

	1 January 2015	Recognised in income	Recognised in equity	31 December 2015
	£000	£000	£000	£000
Share-based payments	7	(2)	-	5
	<u>7</u>	<u>(2)</u>	<u>-</u>	<u>5</u>

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

15 Employee benefits

The total pension cost for the period was £33,000 (2015: £31,000) and no amount (2015: nil) was payable to the schemes at the year end.

Defined contribution plans

Employees of the Company are eligible to join The Bank of New York Mellon Group Personal Pension scheme. The group personal pension scheme is funded by a monthly payment to a third party insurer.

16 Capital and reserves

Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
20,044,981 ordinary shares of £1 each	20,045	20,045
15,750,000 ordinary shares of \$1 each	10,228	10,228
	<u>30,273</u>	<u>30,273</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The balance in other reserves of £37,000 (2015: £28,000) is comprised of restricted stock.

17. Financial risk management

The Company has policies and procedures 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 development of the Company's business under an appropriate risk management framework.

The Board sets the strategy and policies for the management of these risks and is responsible for risk identification, management and monitoring. 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 leverages 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 to discharge its responsibilities. These committees 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;

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

17 Financial risk management - continued

- The Markets EMEA Business Risk Committee, whose purpose is to enhance transparency of the key risk and control issues facing Markets in EMEA and to provide a forum for raising, discussing, approving and escalating these issues; 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.

As part of the 2013 application to the FCA on the Company's regulated activity, the Company submitted a document detailing its Internal Capital Adequacy Assessment Process ("ICAAP") the latest version of which was approved by the Board in 2016. This document 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.

Credit risk

The Company's exposure to credit risk includes the default risk from counterparties or clients for loans, commitments, securities, and other assets where realisation of the value of the asset is dependent on the counterparties' ability to perform.

A significant part of the revenue of the Company is earned on matched trades, where the Company is counterparty to offsetting buy and sell trades of the same security and consequently bears counterparty risk between trade date and settlement date (usually 2 days). To mitigate this risk, the Company undertakes trades on a Delivery versus Payment basis so that in the event of a default prior to settlement, exposure is limited to any mark to market loss that arises. Internal controls exist to identify any default situations as they arise, and normal operating policy is to eliminate any exposures arising by closing out positions in a short time frame.

Cash at bank includes funds on deposit with a regulated banking entity within the BNY Mellon group or with third party regulated banks (see note 12).

(a) Securities settlement amounts receivable

The credit risk policy for securities settlement amounts receivable is to monitor the level of past due receivables on a daily basis. Provisions are raised where the recovery of a debt is considered to be unlikely. All clients with whom the Company deals are subject to detailed credit analysis and a high level assessment of market counterparties is carried out prior to allowing clients to trade.

The aging of securities settlement amounts receivable that were not impaired at the balance sheet date was as follows:

	2016	2015
	£000	£000
Neither past due nor impaired	6,304	3,667
Past due up to one month	228	3,025
	<u>6,532</u>	<u>6,692</u>

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

17 Financial risk management - continued

Credit risk - continued

The concentration of credit risk for securities settlement amounts receivables at the balance sheet date by geographical region was predominantly European.

The concentration of credit risk for securities settlement amounts receivables at the balance sheet date by type of customer was:

	2016	2015
	£000	£000
Clients	4,754	6,664
Market counterparties	1,778	28
	<u>6,532</u>	<u>6,692</u>

(b) Cash and balances at bank

The credit risk policy for cash and balances at bank is to maintain bank accounts with banks having an average rating of A-/A3 from external rating agencies.

The concentration of credit risk for cash and cash equivalents at the balance sheet date by geographical region was:

	2016	2015
	£000	£000
United Kingdom	49,028	42,201
Europe	37	-
	<u>49,065</u>	<u>42,201</u>

Market risk

The Company is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises from open positions in currency and securities, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices.

In the normal course of business, the Company does not hold financial securities on its balance sheet and will not carry market risk. In the case of a counterparty default, the Company will be exposed to market risk to the extent that it is at risk of making good the defaulting leg of a matched-principal or agency transaction. An adverse price move of the traded security will therefore result in a loss for the Company.

(a) Foreign currency risk

The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

17 Financial risk management - continued

Market risk - continued

The Company's exposure to foreign currency risk is shown below:

	Sterling	Euro	US Dollar	Other	Total
	£000	£000	£000	£000	£000
2016					
Current assets	25,664	4,210	25,853	743	56,470
Current liabilities	(1,018)	(4,125)	(25,834)	(715)	(31,692)
Total exposure	24,646	85	19	28	24,778

	Sterling	Euro	US Dollar	Other	Total
	£000	£000	£000	£000	£000
2015					
Current assets	25,664	5,400	17,766	514	49,344
Current liabilities	(255)	(5,367)	(17,651)	(514)	(23,787)
Total exposure	25,409	33	115	-	25,557

A 5% weakening of the following currencies against the pound sterling at 31 December would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

A 5% strengthening of the currencies would have an equal but opposite effect, on the basis that all other variables remain constant.

	Equity	Profit or loss	Equity	Profit or loss
	2016	2016	2015	2015
	£000	£000	£000	£000
Euro	4	4	2	2
US Dollar	1	1	6	6

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Management have concluded that the impact of interest rate risk on the Company is minimal due to the short-term duration of interest bearing instruments as evidenced in the tables below.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

17 Financial risk management - continued

Market risk - continued

The profile of the Company's interest-bearing financial instruments is as follows:

	2016 £000	2015 £000
Fixed rate instruments		
Financial liabilities - loan from group company	24,345	16,894
Variable-rate instruments		
Financial assets - cash	49,065	42,201

The interest rate profile of the Company's interest-bearing financial instruments by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date is as follows:

	Carrying amount £000	Less than 3 months £000	3-6 months £000	1-5 years	More than 5 years £000
2016					
Assets					
Cash and cash equivalents	49,065	49,065	-	-	-
	<u>49,065</u>	<u>49,065</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities					
Loan from group company	(24,345)	-	(24,345)	-	-
	<u>(24,345)</u>	<u>-</u>	<u>(24,345)</u>	<u>-</u>	<u>-</u>
2015					
Assets					
Cash and cash equivalents	42,201	42,201	-	-	-
	<u>42,201</u>	<u>42,201</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities					
Loan from group company	(16,894)	-	(16,894)	-	-
	<u>(16,894)</u>	<u>-</u>	<u>(16,894)</u>	<u>-</u>	<u>-</u>

The Company has performed sensitivity analysis and determined that a 1% increase in interest rates at the reporting dates would increase profits before tax for the Company by £247,000 (2015: £422,000). However, in the current low interest environment, further declines in interest rates will not have a significant impact on the results of the Company.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

17 Financial risk management - continued

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due.

Liquidity risk is governed by a liquidity policy approved by the Board of Directors. The principal objective of the policy is to ensure that at all times there are sufficient liquid assets to satisfy the Company's payment obligations to pay business liabilities, as they fall due without incurring unacceptable losses. This objective is achieved by careful and effective management of the balance sheet within agreed limits as laid down by the Board of Directors.

The Company conducts quarterly liquidity stress testing. In order to manage a liquidity shortfall observed in a worst case liquidity scenario the Company continues to hold four month term funding of \$30,000,000 from The Bank of New York Mellon, this is rebooked monthly to ensure the remaining term is greater than 3 months.

A maturity analysis of financial liabilities, including estimated interest payments and excluding the effect of netting agreements is shown below:

Contractual cash flows

	Carrying amount	Gross nominal inflow/ (outflow)	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years
2016	£000	£000	£000	£000	£000	£000	£000
Non-derivative liabilities							
Securities settlement amounts payable	(6,531)	(6,531)	(6,531)	-	-	-	-
Amounts due to group undertakings	(24,877)	(24,899)	(532)	(24,367)	-	-	-
Accruals & deferred income	(282)	(282)	(282)	-	-	-	-
Other creditors	(2)	(2)	(2)	-	-	-	-
	<u>(31,692)</u>	<u>(31,714)</u>	<u>(7,347)</u>	<u>(24,367)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-derivative assets							
Bank, cash and cash equivalents	49,065	49,076	49,076	-	-	-	-
Securities settlement amounts receivable	6,532	6,532	6,532	-	-	-	-
Amounts owed by group undertakings	622	622	622	-	-	-	-
Other debtors	251	251	251	-	-	-	-
	<u>56,470</u>	<u>56,481</u>	<u>56,481</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

17 Financial risk management - continued

Contractual cash flows

2015	Carrying amount £000	Gross nominal inflow/ (outflow) £000	Less than 3 months £000	3-6 months £000	6-12 months £000	1-5 years £000	More than 5 years £000
Non-derivative liabilities							
Securities settlement amounts payable	(6,579)	(6,579)	(6,579)	-	-	-	-
Amounts due to group undertakings	(17,119)	(17,135)	(226)	(16,909)	-	-	-
Accruals & deferred income	(88)	(88)	(88)	-	-	-	-
Other creditors	(1)	(1)	(1)	-	-	-	-
	<u>(23,787)</u>	<u>(23,803)</u>	<u>(6,894)</u>	<u>(16,909)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-derivative assets							
Bank, cash and cash equivalents	42,201	42,210	42,210	-	-	-	-
Securities settlement amounts receivable	6,692	6,692	6,692	-	-	-	-
Amounts owed by group undertakings	324	324	324	-	-	-	-
Other debtors	127	127	127	-	-	-	-
	<u>49,344</u>	<u>49,353</u>	<u>49,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

18 Financial instruments

Fair values are determined according to the following hierarchy:

- Level 1 – quoted market price: financial instruments with quoted prices for identical instruments in active markets.
- Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

The are no financial assets and liabilities carried at fair value.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

18 Financial instruments - continued

Financial instruments that are not carried at fair value:

	Carrying Value		Fair value	
	2016 £000	2015 £000	2016 £000	2015 £000
Financial assets				
Fixed asset investment – subsidiary	9,223	9,223	14,233	11,915
Financial liabilities				
Loan due to fellow group undertaking	24,345	16,894	22,239	15,419

Financial instruments whose carrying amount is a reasonable approximation of fair value because, for example, they are short-term in nature:

Financial Assets

Cash at bank and in hand
Debtors

Financial Liabilities

Creditors: amounts falling due within one year (other than loans due to fellow group undertakings)

19 Share based payments

Certain employees dedicated to the Company's business participate in two group long-term incentive plans which issue shares in BNY Mellon.

Stock options

These awards provide for the issuance of stock options at fair market value at the date of grant. Generally, options vest in tranches over a specified period, expire after 10 years from the grant date and are subject to forfeiture until certain restrictions have lapsed, predominantly continued employment by The Bank of New York Mellon Group for a specified period. All options are to be settled by physical delivery of shares.

Restricted stock and restricted stock units (RSU)

These awards are granted at no cost to the recipient. Generally restricted stock and RSUs vest in tranches over a specified period, expire on vesting and are subject to forfeiture until certain restrictions have lapsed, predominantly continued employment by The Bank of New York Mellon Group for a specified period. The recipient of a share of restricted stock is entitled to voting rights and generally is entitled to dividends on the common stock. An RSU entitles the recipient to receive a share of common stock after the applicable restrictions lapse. The recipient generally is entitled to receive cash payments equivalent to any dividends paid on the underlying common stock during the period the RSU is outstanding but does not receive voting rights. The fair value of restricted stock and RSUs is equal to the fair market value of The Bank of New York Mellon common stock on the date of grant.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2016

19 Share based payments - continued

All restricted stock and RSUs are to be settled by physical delivery of shares.

No share options were exercised during 2016 (2015: 1,623 were exercised at a weighted average price of \$24.91).

20 Transactions involving directors, officers and others

At 31 December 2016 there were no loans or other transactions made to directors and officers of the Company (2015: none).

21 Subsequent event

On the 16th of March 2017, the board of QSR Management Limited approved a dividend of £6,000,000 to BNY Mellon Capital Markets EMEA Limited.

22 Ultimate parent company and parent company of larger group

The immediate parent undertaking of the Company is BNY International Financing Corporation, a company incorporated in the United States of America. The Company's registered address is 225 Liberty Street, New York, NY, 10286, USA.

The ultimate parent company as at 31 December 2016 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
225 Liberty Street
New York, NY
10286
USA.