

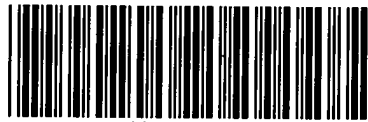
# **BNY Mellon Capital Markets EMEA Limited**

**Strategic report, Directors' report and financial statements**

**Registered number: 03766757**

**For the year ended 31 December 2014**

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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**

R J Gill  
J Johnston  
R Savchuk (Chair)

### **Secretary**

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

### **Auditor**

KPMG LLP  
15 Canada Square  
London  
E14 5GL

### **Registered Office**

One Canada Square  
London  
E14 5AL

### **Registered Number**

03766757

# BNY Mellon Capital Markets EMEA Limited

## Strategic report

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

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

	2014 £000	2013 £000	Change %
Turnover	1,264	234	440%
Administrative expenses	1,849	775	139%
Net assets	35,184	12,022	193%

During 2014, the Company traded fixed income securities and equities on behalf of clients on a matched principal and agency basis. Turnover for the year consists of trading income earned on matched principal trades, commission charged on agency trades, underwriting and liquidation agent fees. Administrative expenses incurred during the year comprise transaction execution and clearing fees paid to another BNY Mellon group company, data trading platform technology and staff costs in relation to the running of the business activity.

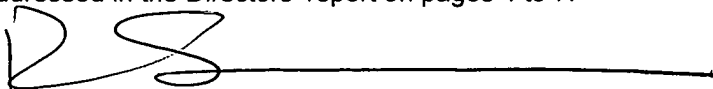
During 2014, QSR Management Ltd became a 100% owned subsidiary of the Company by means of a share for share exchange, for which the company issued 20m ordinary shares of £1 to BNY Mellon International Financing Corporation. The Company is considered a growth company while QSR Ltd is a mature business. The rationale for the reorganisation is that the combined capital of the two entities will support the future development of the Company. The change in ownership was ratified during February 2014 and filings were made with Companies House to formally register the change in ownership on 28<sup>th</sup> February 2014. Both QSR Management Ltd and the Company remain under the common control of BNY Mellon International Financing Corporation following the reorganisation.

## Future developments

The directors are seeking to further develop the Company's business by identifying and pursuing new growth opportunities arising as a result of developments in global capital markets, the regulatory and economic environment, and in response to evolving client requirements.

## Principal risks and uncertainties

The principal risks and uncertainties affecting the business have been considered and addressed in the Directors' report on pages 4 to 7.



R Savchuk  
Director

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

20 April 2015

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 2014.

### **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"). All the Company's activities during the year were regulated and conducted within the scope of permissions granted to the Company by the FCA.

### **Results and dividends**

The Profit for the year amounted to £3,107,000 (2013: loss of £527,000).

The directors do not recommend a dividend for the year ended 31 December 2014 (2013: £nil).

### **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 development of the Company's business under an appropriate risk management framework.

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 Investment Services 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 2013 application to the FCA 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.

# **BNY Mellon Capital Markets EMEA Limited**

## **Directors' report – continued**

### **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.

A significant part of the revenue of the Company is earned on matched principal 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.

### ***Market risk***

Market risk is the potential change in the value of a portfolio of financial instruments arising as a result of adverse movements in market rates, prices and volatilities, such as foreign exchange rates, interest rates, traded credit 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 the company 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.

### ***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.

# **BNY Mellon Capital Markets EMEA Limited**

## **Directors' report – continued**

### ***Compliance risk***

Compliance risk covers the risk to earnings or capital due to 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.

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**

Basel II Pillar 3 disclosures about the Company (capital and risk management) are covered by the BNY Mellon Investment Management Europe Holdings Limited disclosures which can be found on the group website(<http://www.bnymellon.com/investorrelations/filings/index.html>).

### **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 and 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 Forum. The Forum builds on existing communication channels and provides 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. Employees have the opportunity to purchase stock through the Group's Employee Stock Purchase Plan. More senior employees and those in regulated roles will have a portion of any incentive award subject to deferral with vesting over a period of time, some of which may be held in restricted stock or other vehicles which links their compensation to the growth in value and financial performance of the Company.

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. A number of initiatives are in place to highlight the value of and to encourage diversity in the workforce.

### **EU Capital Requirements Directive IV ("CRD 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 13);
- b) Turnover (see disclosure note 2 on page 15);
- c) Number of employees on a full time equivalent basis (see disclosure note 4 on page 15);
- d) Profit and loss before taxation (see disclosure note 3 on page 15);
- e) Tax on profit or loss (see disclosure 11 on page 17);
- f) Public subsidies received (No Public subsidies received)

# BNY Mellon Capital Markets EMEA Limited

## Capital Management

The Company is authorised and regulated by the FCA to carry on its business activities. As at 31 December 2014, the Company was a €730k Limited Activity firm. Capital and other financial returns are prepared and submitted to the FCA on a quarterly basis.

As at 31 December 2014, regulatory capital as reflected in the Company's regulatory returns amounted to £ 22,854,118 (2013: £12,536,000).

## Directors

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

	Appointment	Resignation
I Gass	-	21 November 2014
R J Gill	05 March 2014	-
J M Johnston	-	-
J McEleney	-	31 March 2015
M S Militello	04 March 2014	13 March 2015
J Roy	-	28 February 2014
R Savchuk	-	-

## 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 (2013: £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 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 2015  
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 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.

## **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 2014 set out on pages 10 to 22. 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 8, 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 2014 and of its profit 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 Strategic report and 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.



**Paul Furneaux (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*

15 Canada Square  
London  
E14 5GL

21 April 2015

# BNY Mellon Capital Markets EMEA Limited

## Profit and loss account

For the year ended 31 December 2014

	Notes	2014 £000	2013 £000
<b>Turnover</b>	2	1,264	234
Administrative expenses		(1,849)	(775)
<b>Operating loss</b>		(585)	(541)
Interest receivable and similar income	7	26	23
Interest payable and similar charges	8	(12)	(9)
Income from fixed asset investments	9	14,500	-
Impairment of fixed asset investments	10	(10,822)	-
<b>Profit/(loss) on ordinary activities before taxation</b>		3,107	(527)
Taxation on Profit/(loss) on ordinary activities	11	-	-
<b>Profit/(loss) for the financial year</b>		<u>3,107</u>	<u>(527)</u>

Notes 1 to 21 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.

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

# BNY Mellon Capital Markets EMEA Limited

## Balance sheet At 31 December 2014

	Notes	2014 £'000s	2013 £'000s
<b>Fixed assets</b>			
Investments	12	9,223	-
		<u>9,223</u>	<u>-</u>
<b>Current assets</b>			
Debtors	13	758	2,377
Cash at bank and in hand	14	26,431	9,998
		<u>27,189</u>	<u>12,375</u>
Creditors: amounts falling due within one year	15	(1,228)	(353)
<b>Net assets</b>		<u>35,184</u>	<u>12,022</u>
<b>Capital and reserves</b>			
Called up share capital	16	30,273	10,228
Equity Capital Contribution		23	13
Profit and loss account	17	4,888	1,781
<b>Shareholder's funds</b>		<u>35,184</u>	<u>12,022</u>

Notes 1 to 21 are integral to these financial statements.

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



R Savchuk  
Director

20 April 2015

Registered number: 03766757

# **BNY Mellon Capital Markets EMEA Limited**

## **Notes to the financial statements At 31 December 2014**

### **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.

There have been no significant changes to UK accounting policies during the year, however, the accounting framework is changing as from 1 January 2015 after which the Company will present its financial statements in accordance with FRS101.

#### **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.

The Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group financial statements as the Company and all its subsidiary undertakings are included in the consolidated financial statements for a larger group drawn up for the same date in a manner equivalent to that prescribed by the EU Seventh Directive (83/349/EEC). The group in which its results are consolidated is The Bank of New York Mellon Corporation group incorporated in the United States of America. These financial statements present information about the Company as an individual undertaking and not about its group.

#### **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 Strategic report on page 3. In addition, the Directors' report on pages 4 to 7 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.

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.

# **BNY Mellon Capital Markets EMEA Limited**

## **Notes to the financial statements – continued** **At 31 December 2014**

### **Turnover**

Revenue from all trading activity is recognised on a trade date basis.

### **Securities settlement**

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

### **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, derecognised when sold (assets) or extinguished (liabilities).

### **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.

### **Interest**

Interest income and expense is recognised on an accruals basis.

### **Post-retirement benefits**

The Company operates a defined contribution scheme and participates in a defined benefit scheme.

For defined contribution schemes, contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. A Group personal pension scheme is funded by a monthly payment to a third party insurer.

The Company participates in a Group wide pension scheme providing benefits based on final pensionable pay. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The assets of the schemes are held separately from those of the Company.

### **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.

# **BNY Mellon Capital Markets EMEA Limited**

## **Notes to the financial statements – continued** **At 31 December 2014**

### **Share based payments**

The cost of share based payment arrangements is measured by reference to the fair value of equity instruments on the date they are granted, recognised as an expense over the vesting period, with a corresponding credit to the equity capital contribution reserve. The fair value of equity instruments that are made available immediately, with no vesting period attached to the award, are expensed immediately. All share based payments are equity settled. 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.

Fair value is determined by using appropriate valuation models, taking into account the terms and conditions upon which the equity instruments were granted. Market performance conditions are reflected as an adjustment to the fair value of equity instruments at the date of grant, so that an award is treated as vesting irrespective of whether the market performance condition is satisfied, provided all other conditions are satisfied.

Market conditions for equity-settled transactions are reflected in the initial measurement of fair value. There is no "true up" (adjustment) if the expected and actual outcomes differ because of the market conditions. Additionally, like market conditions, non-vesting conditions are reflected in the initial measurement of fair value and there is no subsequent true up for differences between the expected and the actual outcome.

Vesting conditions, other than market performance 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.

Certain of our 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.

### **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 2014

### Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less any permanent diminution in value.

### 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. Turnover

Turnover consists of trading income and commission income on securities transactions.

## 3. Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging:

	2014 £000	2013 £000
Auditor's remuneration		
Audit of these financial statements pursuant to legislation	8	8
Other services pursuant to such legislation	5	5
	<u>13</u>	<u>13</u>

## 4. Staff costs

	2014 £000	2013 £000
Salaries and wages	590	302
Social security costs	61	92
Pension costs	44	21
Other staff costs	8	5
	<u>703</u>	<u>420</u>

The average monthly number of persons dedicated to the Company's business during the year was 5 (2013: 3), of whom 1 was a Director (2013: 1). 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 £79,000 (2013: £93,000).

## 5. Directors' emoluments

	2014 £000	2013 £000
Directors' emoluments	147	91
Amounts receivable under long term incentive schemes	-	4
Company contributions to defined benefit pension schemes	<u>17</u>	<u>9</u>

The aggregate of emoluments of the highest paid director was £147,000 (2013: £95,000) and company pension contributions of £17,000 (2013: £9,000) were made to a money purchase scheme on his behalf.

The emoluments disclosed above relate to One director of the Company (2013: 1 director). The emoluments of the other directors for their service as a director of the Company were borne by fellow group undertakings.



# BNY Mellon Capital Markets EMEA Limited

## Notes to the financial statements – continued At 31 December 2014

### Directors' emoluments- Continued

	Number of directors	
	2014	2013
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	1
The number of directors in respect of whose services shares were received or receivable under long term incentive schemes was	-	1

No directors exercised share options in the ultimate parent company, The Bank of New York Mellon Corporation, during the year (2013: nil).

### 6. Pension Costs

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

There are two multi-employer defined benefit schemes where the contributions made are affected by surpluses or deficits in the schemes. These are The Bank of New York Pension Plan and the Mellon Retirement Benefits Plan. However, the qualified independent actuaries have confirmed that they are unable to identify the share of the underlying assets and liabilities in the schemes that relate to persons employed by The Bank of New York Mellon London Branch but dedicated to the Company's business on a consistent and reasonable basis. As allowed by FRS 17, the Company has accounted for the contributions to the schemes as if they were defined contribution schemes. The defined benefit pension schemes costs and the present value of defined benefit obligations are calculated at the reporting date by the schemes' actuaries using the Projected Unit Credit Method. Any surpluses or deficits in the schemes are the responsibility of The Bank of New York Mellon London Branch which, in the past, has funded all special contributions required.

In respect of The Bank of New York Pension Plan (defined benefit section), the latest actuarial valuation was carried out as at 31 December 2014 for the purpose of FRS17 and this showed a deficit of £4.4 million (2013: deficit of £4.6 million). Contributions to the fund were determined at the rate of 22.3% to 46.9% of pensionable salaries, depending on member category (2013: 22.3% to 46.9%). The plan was closed to new defined benefit members effective 1 May 2000. From this date new joiners were eligible to join The Bank of New York Pension Plan (defined contribution section) and, from 1 June 2008, The Bank of New York Mellon Group Personal Pension Plan.

In respect of The Mellon Retirement Benefits Plan, the latest actuarial valuation was carried out as at 31 December 2014 for the purpose of FRS17 and this showed a deficit of £53.1 million (2013: deficit of £7.3 million). Contributions to the fund were determined at the rate of 18.5% to 25.7% of pensionable salaries, depending on member category (2013: 18.5% to 25.7%). The plan was closed to new members effective 30 September 2006. From this date new joiners are eligible to join the Bank of New York Mellon Group Personal Pension Plan. In addition to normal contributions there was also a lump sum funding of £10 million in 2013.

The rate of future contributions to both funds was determined by actuarial valuations undertaken in January 2015 and remain unchanged to the rates mentioned above.

The total pension cost for the period was £44,000 (2013: £21,000) and no amount (2013: £nil) was payable to the schemes at the year end.

# BNY Mellon Capital Markets EMEA Limited

## Notes to the financial statements – continued At 31 December 2014

### 7. Interest receivable and other income

	2014 £000	2013 £000
Interest receivable from group undertakings	5	17
Interest receivable from third party deposits	21	6
	<u>26</u>	<u>23</u>

### 8. Interest payable and similar charges

	2014 £000	2013 £000
Net foreign exchange losses	12	9
	<u>12</u>	<u>9</u>

### 9. Income from fixed asset investment

	2014 £000	2013 £000
Dividends received	14,500	-

### 10. Impairment of fixed asset investment

	2014 £000	2013 £000
Impairment of fixed asset investment (see note 12)	10,822	-

### 11. Taxation

	2014 £000	2013 £000
<i>Analysis of charge in period</i>		
Taxation is based on profit/(loss) before tax for the year and comprises:		
Current corporation tax charge/ (credit) for the year at 21.50% (2013: 23.25%)	-	-
Adjustment in respect of prior periods	-	-
Taxation on profit/(loss) on ordinary activities	<u>-</u>	<u>-</u>

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

The current corporation tax charge for the year is higher (2013: higher) than the standard rate for the year for the reasons set out in the following reconciliation:

	2014 £000	2013 £000
Profit/(loss) on ordinary activities before tax	3,107	*(527)
Tax Charge/ (credit) on profit/ (loss) on ordinary activities at standard rate 21.50% (2013: 23.25%)	668	(123)
Factors affecting tax charge/ (credit)		
- Expenses not deductible for tax purposes	6	-
- Dividend income not subject to tax	(3,117)	-
- Impairment charge not deductible for tax purposes	2,327	-
- Losses surrendered to group entities	116	123
Current corporation tax charge/ (credit) for year	<u>-</u>	<u>-</u>
*(536) have been amended to (527)		

# BNY Mellon Capital Markets EMEA Limited

## Notes to the financial statements – continued At 31 December 2014

### 11. Taxation – continued

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

The main rate of UK corporation tax was reduced from 23% to 21% effective from 1 April 2014 and results in a weighted average tax rate of 21.50% for 2014 (2013: 23.25%). In addition, Finance Act 2013 enacted a further reduction in the rate of UK corporation tax to 20% from 1 April 2015.

### 12. Investments

	2014 £'000s	2013 £'000s
Cost:		
At 1 January 2014	-	-
Additions	20,045	-
Disposals	-	-
Impairment	(10,822)	-
At 31 December 2014	9,223	-

During 2014, QSR Management Ltd became a 100% owned subsidiary of the company by means of a share for share exchange with BNY International Financing Corporation.

QSR Management Ltd distributed a dividend of £14,500,000 post acquisition.

Management have conducted an impairment review of the carrying value of the investments based on the net asset values of the subsidiaries and have concluded that an impairment of £10,822,286 exists at the balance sheet date.

### 13. Debtors

	2014 £000	2013 £000
Securities settlement amounts receivable	498	-
Loan to group undertakings	-	2,100
Due from fellow group undertakings	260	274
Other debtors	-	3
	758	2,377

Loan to Group undertaking of £2,100,000 was repaid on 31<sup>st</sup> January 2014.

### 14. Cash at bank and in hand

	2014 £000	2013 £000
Cash at bank	26,431	9,998

Cash at bank included £554,829 (2013: £141,000) of funds on deposit with a UK regulated banking entity within the BNY Mellon group. The remaining funds are held with third party UK regulated banks.

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

	2014 £000	2013 £000
Securities settlement amounts payable	500	-
Due to group undertakings	506	185
Other creditors	218	166
Taxation	4	2
	1,228	353

# BNY Mellon Capital Markets EMEA Limited

## Notes to the financial statements – continued At 31 December 2014

### 16. Called up share capital

	2014 £000	2013 £000
Authorised, allotted, called up and fully paid:		
20,044,981 ordinary shares of £1 each (2013: 2)	20,045	-
15,750,000 ordinary shares of \$1 each (2013: 15,750,000)	10,228	10,228
	<u>30,273</u>	<u>10,228</u>

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

### 17. Movement in reserves

	Called up share capital	Profit and loss account	Reserves	Total
	£'000s	£'000s	£'000s	£'000s
<b>2014</b>				
At 1 January	10,228	1,781	13	12,022
Equity Capital Contribution	-	-	10	10
Profit for the financial year	-	3,107	-	3,107
Share Capital issued	20,045	-	-	20,045
At 31 December	<u>30,273</u>	<u>4,888</u>	<u>23</u>	<u>35,184</u>

	Called up share capital	Profit and loss account	Reserves	Total
	£'000s	£'000s	£'000s	£'000s
<b>2013</b>				
Balance at 1 January	10,228	2,308	-	12,536
Equity Capital Contribution	-	-	13	13
Loss for the financial year	-	(527)	-	(527)
At 31 December	<u>10,228</u>	<u>1,781</u>	<u>13</u>	<u>12,022</u>

### 18. Financial risk management

#### Overview

The Company is not significantly exposed to liquidity or market risk.

#### 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**

## **Notes to the financial statements – continued** **At 31 December 2014**

### **18. Financial risk management – continued**

A significant part of the revenue of the Company is earned on matched principal 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.

#### ***Fair value of financial assets and liabilities***

The fair value of financial assets and liabilities which are not valued at fair value at 31<sup>st</sup> December 2014 approximates their carrying value due to the short term nature of the balances.

#### ***Capital Management***

The Company's capital management is discussed in the section 'capital management' on page 7.

### **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. Details of all options existing during the year are shown below.

#### **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 the specified vesting 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. All restricted stock and RSUs are to be settled by physical delivery of shares.

# BNY Mellon Capital Markets EMEA Limited

## Notes to the financial statements – continued At 31 December 2014

### 19. Share based payments – continued

#### Stock options - 2014

	Shares subject to option Number of shares	Weighted average exercise price \$
Balance outstanding at 1 January	2,048	24.73
Transfer	2,472	30.25
Exercised	(2,472)	30.25
Balance outstanding at 31 December	<u>2,048</u>	<u>24.73</u>
Exercisable at 31 December	<u>1,304</u>	<u>25.62</u>

#### Stock options - 2013

	Shares subject to option Number of shares	Weighted average exercise price \$
Balance outstanding at 1 January	-	-
Transfer	2,048	24.73
Balance outstanding at 31 December	<u>2,048</u>	<u>24.73</u>
Exercisable at 31 December	<u>863</u>	<u>23.29</u>

#### Stock options outstanding at 31 December 2014

Range of exercise price (\$)	Number outstanding 31 Dec	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)
11-20	491	4.2	18.02
21-30	638	7.1	22.03
31-40	919	4.2	30.19
	<u>2,048</u>	<u>5.1</u>	<u>24.73</u>

#### Stock options outstanding at 31 December 2013

Range of exercise price (\$)	Number outstanding 31 Dec	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)
11-20	491	5.2	18.02
21-30	638	8.1	22.03
31-40	919	6.6	30.19
	<u>2,048</u>	<u>6.8</u>	<u>24.73</u>

# **BNY Mellon Capital Markets EMEA Limited**

## **Notes to the financial statements – continued** **At 31 December 2014**

### **19. Share based payments – continued**

During 2014, £1,050 was charged to the profit and loss account in respect of share based option plans settled in equity (2013: £1,582).

### **20. Transactions involving directors and officers**

At 31 December 2014 there were no loans and other transactions made to directors and officers of the Company (2013: £nil).

### **21. 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 2014 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