

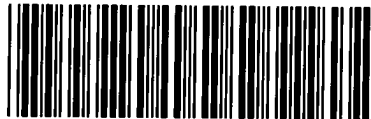
BNY Mellon Capital Markets EMEA Limited

Strategic report, Directors' report and financial statements

Registered number 03766757

31 December 2017

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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

J Tisdall

D Watkins

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 £880,000 (2016: £788,000 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 2017, 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 19% to £5,055,000 (2016: £4,264,000). 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 53% to £7,350,000 (2016: £4,806,000). 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 2017, 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:

	2017 £000	2016 £000	Change £000	Change %
Turnover	5,055	4,264	791	19%
Administrative expenses	7,350	4,806	2,544	53%
Total loss for the year	(880)	(788)	(92)	12%
Net assets	33,301	34,001	(700)	(2)%

Turnover increased by £791,000 (19%) 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 £2,544,000 (53%) during the year as a result of business growth, and continued investment in its technology and support infrastructure to enhance its client offering, consequently the total loss for the year increased by £92,000 (12%).

Net assets decreased by £700,000 (2%) during the year, mainly reflecting the financial result for the year.

BNY Mellon Capital Markets EMEA Limited

Strategic report

Principal risks and uncertainties

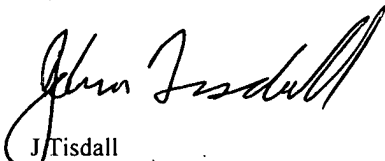
The principal risks and uncertainties affecting the business have been considered and addressed in the Directors' report on pages 4 to 8.

Business and future developments

The directors will continue to further develop the Company's business in 2018 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.

Approval

By order of the Board



J Tisdall
Director

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

23 April 2018

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 2017.

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 £880,000 (2016: £788,000 loss).

Interim dividends paid during the year amounted to £nil (2016: £nil). The directors do not recommend a final dividend for the year ended 31 December 2017 (2016: £nil).

Political Donations

The Company made no political donations or incurred any political expenditure during the year.

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 2017. 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 (2016: none). At 31 December 2017, the regulatory capital as reflected within the Company's regulatory returns amounted to £30,272,918 (2016: £28,148,899).

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.

BNY Mellon Capital Markets EMEA Limited

Directors' report

Risk management - continued

Governance and policies - continued

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
- Markets EMEA Business Risk Committee
- EMEA Asset & Liability Committee

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.

BNY Mellon Capital Markets EMEA Limited

Directors' report

Risk management process - continued

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.

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 13).

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 replacing 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 legal risk but excluding strategic and reputation risk). The Company has comprehensive internal controls in place to minimise the occurrence of, and to mitigate the impact of any operational risk events that may 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.

BNY Mellon Capital Markets EMEA Limited

Directors' report

Risk management process - continued

Conduct risk

Conduct risk is defined as the risk that detriment is caused to clients, the market, the Company or its employees because of inappropriate execution of our business activities or inappropriate behavior by the Company or its employees.

The Company is subject to the BNY Mellon group Conduct Risk Policy and Code of Conduct. It sets out clear expectations of the roles of senior management in setting the appropriate tone and includes examples of good and poor conduct. Employees receive periodic training/briefing on conduct related matters and are required to complete an annual process to confirm adherence to the Code of Conduct. Conduct related management information is captured and provided to the EMEA Senior Risk Committee and reviews of conduct related matters can be included in the scope of compliance monitoring and/or Internal Audit assurance reviews.

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>).

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 19), all based in the United Kingdom;
- b) Turnover (see disclosure note 2 on page 21), all generated in the United Kingdom;
- c) Number of employees on a full time equivalent basis (see disclosure note 4 on page 22), all located in the United Kingdom;
- d) Profit and loss before taxation (see page 12), all generated in the United Kingdom;
- e) Tax on profit or loss (see disclosure note 10 on page 24), all generated in the United Kingdom; and
- 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 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.

BNY Mellon Capital Markets EMEA Limited

Directors' report

Employees - continued

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 Savchuk	-	-
J Tisdall	6 July 2017	-
D Watkins	6 July 2017	-

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 (2016: not utilised).

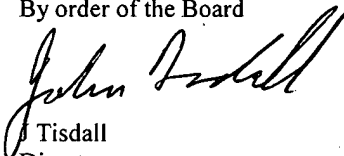
Disclosure of information to auditor

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


J Tisdall
Director

BNY Mellon Capital Markets EMEA Limited
One Canada Square
London
E14 5AL
Registered number: 03766757

23 April 2018

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 judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Opinion

We have audited the financial statements of BNY Mellon Capital Markets EMEA Limited ("the Company") for the year ended 31 December 2017 which comprise the Statement of profit and loss and other comprehensive income, Balance sheet, Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the Financial Reporting Council's ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; 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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

The purpose of our audit work and to whom we owe our responsibilities

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.

Alison Allen

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

Dated: *23 April 2018*

BNY Mellon Capital Markets EMEA Limited

Statement of profit and loss and other comprehensive income for the year ended 31 December 2017

		2017	2016
	Note	£000	£000
Turnover	2	5,055	4,264
Administrative expenses	3,4 & 5	(7,350)	(4,806)
Operating loss		(2,295)	(542)
Income from shares in Group undertakings	6	6,000	-
Impairment of fixed asset investment	7	(4,120)	-
Interest receivable and similar income	8	203	41
Interest payable and similar charges	9	(667)	(283)
Loss before taxation		(879)	(784)
Taxation	10	(1)	(4)
Total loss for the financial year		(880)	(788)

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.

BNY Mellon Capital Markets EMEA Limited

Balance sheet at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets			
Fixed asset investments	11	5,103	9,223
		<u>5,103</u>	<u>9,223</u>
Current assets			
Debtors	12	3,646	7,405
Cash at bank and in hand	13	81,223	49,065
		<u>84,869</u>	<u>56,470</u>
Creditors: amounts falling due within one year	14	(56,671)	(31,692)
Net current assets		<u>28,198</u>	<u>24,778</u>
 Total assets less current liabilities		<u>33,301</u>	<u>34,001</u>
Net assets		<u>33,301</u>	<u>34,001</u>
 Capital and reserves			
Called up share capital	17	30,273	30,273
Other reserves	17	217	37
Profit and loss account		<u>2,811</u>	<u>3,691</u>
Shareholders' funds		<u>33,301</u>	<u>34,001</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:



J Tisdall
Director

23 April 2018

Registered number: 03766757

BNY Mellon Capital Markets EMEA Limited

Statement of changes in equity

31 December 2017

	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
Total 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
Balance at 1 January 2017	30,273	37	3,691	34,001
Total loss for the year	-	-	(880)	(880)
Equity capital contribution reserve	-	180	-	180
Total contributions by and distributions to owners	-	180	-	180
Balance at 31 December 2017	30,273	217	2,811	33,301

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 2017

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 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 <https://www.bnymellon.com/us/en/investor-relations>. Accordingly the Company is a qualifying entity for the purpose of FRS 101 disclosure exemptions.

Therefore, 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 the 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 Statement of Cash Flows 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;
- Disclosure in respect of capital management; 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:

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2017

1 Accounting policies - continued

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

- **IFRS 9 Financial Instruments**

Introduction

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets and liabilities, and introduces an alternative hedge accounting model to that contained in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 and replaces much of IAS 39.

Classification of financial assets

IFRS 9 contains a revised classification and measurement approach that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, measured at fair value through Other Comprehensive Income (FVOCI) and measured at fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

For investments in equity instruments that are held for trading, an irrevocable election is available on initial recognition on an instrument-by-instrument basis to recognise all changes in fair value in Other Comprehensive Income ("OCI").

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not bifurcated; instead, the hybrid financial instrument as a whole is assessed for classification.

The Company's involvement with financial assets is limited to placement of its cash resources with financial institutions and therefore, the Company believes that the new classification requirements will not affect its accounting for financial assets.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model contained in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require judgment about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to debt instruments and financial guarantee contracts issued that are not measured at FVTPL. ECLs on instruments classified at FVOCI will be recognised in OCI rather than reducing the value of the instrument. No impairment loss will be recognised on equity instruments.

Under IFRS 9, the Company generally will recognise loss allowances at an amount equal to 12-month ECL (the portion of ECL that results from default events that are possible within 12 months after the reporting date) unless there has been significant increase in credit risk since origination of the instrument, in which case ECLs are recognised on a lifetime loss basis. The Company therefore expects the impact of the impairment requirements of IFRS 9 to be immaterial.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2017

1 Accounting policies - continued

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

Transition

Changes in accounting arising from the adoption of IFRS 9 generally will be applied retrospectively; however, the Company plans to take advantage of the exception allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amount of financial instruments resulting from the adoption of IFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018;

- **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual periods beginning on or after 1 January 2018.

The Company has completed its evaluation of the potential impact of this guidance on its accounting policies, and based on that evaluation, the timing of its revenue recognition for fees and commissions will remain the same and expects no impact from the new standards. The Company plans to adopt the guidance as of 1 January 2018 using the cumulative effect transition method. The Company is currently developing the disclosures required around revenue and contract costs and finalising changes to internal control; and

- **IFRS 16 Leases**

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset, and a lease liability representing its obligation to make lease payments. IFRS 16 replaces existing guidance including IAS 17 Leases. The standard is effective for accounting periods beginning on or after 1 January 2019.

As a result of adopting the standard, the Company will recognise an increase in assets and liabilities as a result recording operating leases on balance sheet. Additionally, the Company expect the expense recognition pattern to be modified as a result of switching from a straight line approach, as required by the standard. The Company is currently evaluating the impact of the leasing standard on its financial statements.

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

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2017

1 Accounting policies - continued

1.2 Measurement convention

These financial statements have been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: financial instruments classified as fair value through the statement of profit or loss and liabilities for cash-settled share-based payments. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

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 12, 13 and 14.

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.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2017

1 Accounting policies - continued

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 amortised 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 and other comprehensive income within interest receivable or payable as appropriate.

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 and other comprehensive income 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 and other comprehensive income (see foreign currency accounting policy). Interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

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 and other comprehensive income 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.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2017

1 Accounting policies - continued

1.12 Share-based payment transactions

Share based payments

Certain employees are issued Restricted Stock Units (RSUs) in the shares of The Bank of New York Mellon Corporation (the Company's ultimate parent). 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. However, certain awards granted to MRT (Material Risk Takers under the European Banking Authority) are required to be marked to market due to discretionary claw back language contained in their grants.

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 amounts 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.

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.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2017

1 Accounting policies - continued

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.

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.

	2017	2016
	£000	£000
Net commission	2,726	1,605
Trading income	920	1,588
Underwriting fees	927	559
Other income	482	512
	<u>5,055</u>	<u>4,264</u>

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2017

3 Administrative expenses and auditor's remuneration

Auditor's remuneration:

	2017	2016
	£000	£000
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of these financial statements pursuant to legislation	23	20
CASS audit fees	16	17
All other services	2	-
	<u>41</u>	<u>37</u>

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year was 4 (2016: 4), of which none were directors (2016: 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 £226,000 (2016: £189,000).

The aggregate payroll costs of these persons were as follows:

	2017	2016
	£000	£000
Salaries and wages	720	852
Share based payments (see note 20)	180	10
Social security costs	131	67
Pension costs	44	33
Other staff costs	15	2
	<u>1,091</u>	<u>964</u>

5 Directors' emoluments

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.

	2017	2016
	£000	£000
Directors' emoluments	237	225
Amounts receivable under long term incentive schemes	27	71
Company contributions to money purchase pension plans	5	17
	<u>269</u>	<u>313</u>

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2017

5 Directors' emoluments - continued

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £245,000 (2016: £270,000), and Company pension contributions of £4,000 (2016: £16,000) 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	
	2017	2016
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	4	4
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	2	1

6 Income from shares in Group undertakings

	2017	2016
	£000	£000
Dividends received	6,000	-

7 Impairment of fixed asset investments

	2017	2016
	£000	£000
Impairment of fixed asset investment	(4,120)	-

8 Interest receivable and similar income

	2017	2016
	£000	£000
Net foreign exchange gain	-	17
Receivable from third parties on bank deposits	203	24
Total interest receivable and similar income	203	41

9 Interest payable and similar charges

	2017	2016
	£000	£000
Net foreign exchange loss	44	-
Interest payable to Group undertakings	623	283
Total interest payable and similar charges	667	283

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2017

10 Taxation

Recognised in the profit and loss account

	2017		2016	
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Adjustments in respect of prior years	-		4	
	-		4	
Total current tax		-		4
<i>Deferred tax (see note 15)</i>				
Adjustments in respect of prior years	1		-	
	1		-	
Total deferred tax		1		-
Tax on profit/loss		1		4

Reconciliation of effective tax rate

	2017	2016
	£000	£000
Total loss for the year	(880)	(788)
Total tax expense	1	4
Loss excluding taxation	(879)	(784)
Tax using the UK corporation tax rate of 19.25% (2016: 20.00%)	(169)	(157)
Non-deductible expenses	829	-
Income not subject to tax	(1,155)	-
Losses surrendered to Group entities	495	157
Adjustments in respect of prior years	1	4
Total tax expense	1	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 substantively enacted on 6 September 2016. This will reduce the company's future tax charge accordingly. The deferred tax asset/liability at 31 December 2017 has been calculated based on these rates.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2017

11 Fixed asset investments

	Subsidiaries £000	Total £000
Cost		
At 1 January 2017	9,223	9,223
At 31 December 2017	9,223	9,223
Amortisation and impairment		
Impairment losses	4,120	4,120
At 31 December 2017	4,120	4,120
Net book value		
At 31 December 2017	5,103	5,103

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 10% (2016: 11%). The directors have concluded that in 2017 there was an impairment of £4,120,000 (2016: nil) 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 2017	Ownership 2016
QSR Management Ltd	England & Wales	One Canada Square, London, E14 5AL	Administration services	Ordinary £1	100%	100%

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2017

12 Debtors

	2017	2016
	£000	£000
Securities settlement amounts receivable	2,709	6,532
Amounts owed by Group companies	557	622
Other debtors	311	251
Prepayments and accrued income	69	-
Total debtors	3,646	7,405
Due within one year	3,646	7,405

Other debtors includes deferred tax asset amounts, see note 15.

13 Cash at bank and in hand

	2017	2016
	£000	£000
Cash at bank and in hand	81,223	49,065

Cash at bank and in hand did not include any funds on deposit with a regulated banking entity within the BNY Mellon Group (2016: £1,380,000).

14 Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Securities settlement amounts payable	2,708	6,531
Amounts owed to Group undertakings*	53,445	24,877
Accruals and deferred income	517	282
Other creditors	1	2
	56,671	31,692

* Amounts owed to Group undertakings includes a GBP 30,000,000 loan repayable at a fixed interest rate of 0.53694% p.a. and a USD 30,000,000 loan repayable at a fixed interest rate of 1.72472% p.a. Both loans are from another Group member company, The London Branch of the Bank of New York Mellon, and are repayable on April 23, 2018.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2017

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	Assets		Net	
	2017	2016	2017	2016
	£000	£000	£000	£000
Share-based payments	-	1	-	1
Net tax asset	-	1	-	1

Movement in deferred tax

	1 January 2017	Recognised in income	Recognised in equity	31 December 2017
	£000	£000	£000	£000
Share-based payments	1	(1)	-	-
	1	(1)	-	-

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

16 Employee benefits

The total pension cost for the period was £44,000 (2016: £33,000) relating to the defined contribution plan. No amount (2016: £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. This scheme is funded by monthly payments to a third party insurer.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2017

17 Capital and reserves

Share capital

	2017 £000	2016 £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 £217,000 (2016: £37,000) is comprised of restricted stock.

18 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;
- 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 2017. 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.

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2017

18 Financial risk management - continued

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 may include funds on deposit with a regulated banking entity within the BNY Mellon Group or with third party regulated banks (see note 13).

(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:

	2017	2016
	£000	£000
Neither past due nor impaired	2,684	6,304
Past due up to one month	25	228
	<u>2,709</u>	<u>6,532</u>

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:

	2017	2016
	£000	£000
Clients	1,953	4,754
Market counterparties	756	1,778
	<u>2,709</u>	<u>6,532</u>

BNY Mellon Capital Markets EMEA Limited

Notes to the financial statements for the year ended 31 December 2017

18 Financial risk management - continued

Credit risk - continued

(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:

	2017	2016
	£000	£000
United Kingdom	81,223	49,028
Europe	-	37
	<u>81,223</u>	<u>49,065</u>

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 it is at risk of replacing 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 2017

18 Financial risk management - continued

Market risk - continued

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

	Sterling £000	Euro £000	US Dollar £000	Other £000	Total £000
2017					
Current assets	59,716	2,204	22,896	53	84,869
Current liabilities	(31,111)	(2,099)	(23,441)	(20)	(56,671)
Total exposure	28,605	105	(545)	33	28,198

	Sterling £000	Euro £000	US Dollar £000	Other £000	Total £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

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 2017 £000	Profit or loss 2017 £000	Equity 2016 £000	Profit or loss 2016 £000
Euro	5	5	4	4
US Dollar	(27)	(27)	1	1

(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 2017

18 Financial risk management - continued

Market risk - continued

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

	2017 £000	2016 £000
Fixed rate instruments		
Financial liabilities - loan from Group company	52,569	24,345
Variable-rate instruments		
Financial assets - cash	81,223	49,065

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:

2017	Carrying amount £000	Less than 3 months £000	3-6 months £000	1-5 years £000	More than 5 years £000
Assets					
Cash and cash equivalents	81,223	81,223	-	-	-
	<u>81,223</u>	<u>81,223</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities					
Loan from Group company	(52,569)	(399)	(52,170)	-	-
	<u>(52,569)</u>	<u>(399)</u>	<u>(52,170)</u>	<u>-</u>	<u>-</u>

2016	Carrying amount £000	Less than 3 months £000	3-6 months £000	1-5 years £000	More than 5 years £000
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>

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 £96,000 (2016: £82,000). However, in the current low interest environment, further changes 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 2017

18 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 holds an amount of £30,000,000 and an amount of \$30,000,000 of four month term funding from The Bank of New York Mellon, which are 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
2017	£000	£000	£000	£000	£000	£000	£000
Non-derivative liabilities							
Securities settlement amounts payable	(2,708)	(2,708)	(2,708)	-	-	-	-
Amounts due to group undertakings	(53,445)	(53,494)	(875)	(52,619)	-	-	-
Accruals & deferred income	(517)	(517)	(517)	-	-	-	-
Other creditors	(1)	(1)	(1)	-	-	-	-
	<u>(56,671)</u>	<u>(56,720)</u>	<u>(4,101)</u>	<u>(52,619)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-derivative assets							
Bank, cash and cash equivalents	81,223	81,246	81,246	-	-	-	-
Securities settlement amounts receivable	2,709	2,709	2,709	-	-	-	-
Amounts owed by group undertakings	557	557	557	-	-	-	-
Other debtors	380	380	380	-	-	-	-
	<u>84,869</u>	<u>84,892</u>	<u>84,892</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 2017

18 Financial risk management - continued

Contractual cash flows

2016	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	(6,531)	(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>

19 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.

There 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 2017

19 Financial instruments - continued

Financial instruments that are not carried at fair value:

	Carrying Value		Fair value	
	2017	2016	2017	2016
	£000	£000	£000	£000
Financial assets				
Fixed asset investment – subsidiary	5,103	9,223	5,103	14,233
Financial liabilities				
Loan due to fellow Group undertaking	52,569	24,345	48,068	22,239

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)

20 Share based payments

Certain employees dedicated to the Company's business participate in a Group long-term incentive plan which issues shares in BNY Mellon.

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. However, certain awards granted to MRT (Material Risk Takers under the European Banking Authority) are required to be marked to market due to discretionary claw back language contained in their grants.

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

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Notes to the financial statements for the year ended 31 December 2017

21 Transactions involving directors, officers and others

At 31 December 2017 there were no loans or other transactions made to directors and officers of the Company (2016: none).

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 2017 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