

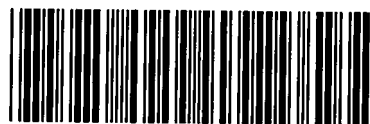
# **The Bank of New York Capital Markets Limited**

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

**Registered number: 01712753**

**For the year ended 31 December 2013**

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# **The Bank of New York Capital Markets Limited**

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# **The Bank of New York Capital Markets Limited**

## **Board of Directors and other information**

### **Directors**

J M Johnston

J Jack

### **Secretary**

BNY Mellon Secretaries (UK) Limited

160 Queen Victoria Street

London

EC4V 4LA

### **Auditor**

KPMG Audit Plc

15 Canada Square

London

E14 5GL

### **Registered Office**

One Canada Square

London

E14 5AL

### **Registered Number**

01712753

# The Bank of New York Capital Markets Limited

## Strategic report

In accordance with Section 414A(1) of the Companies Acts 2006, the directors have prepared the Strategic Report which includes a review of The Bank of New York Capital Markets Limited (the "Company") business and future developments, a description of the principal risks and uncertainties facing the group and key performance indicators.

## Business review

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

	2013 \$000	2012 \$000	Change \$000	Change %
Administrative expenses	16	13	3	23%
Net assets	75,245	75,222	23	-

The Company earned no revenue during 2013 (2012: \$nil). Administrative expenses were composed entirely of audit fees in both 2012 and 2013. The Company made a profit in 2013 largely due to interest income received from group undertakings.

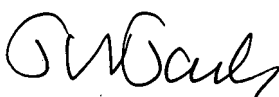
On 3 September 2013 the Company completed a capital restructure under which the number of ordinary \$1 shares was reduced from 16,117,000 to 1.

On 18 November 2013, the Company became a wholly owned subsidiary of The Bank of New York Mellon (International) Ltd.

For the main risks facing the Company refer to the Directors' report.

## Future developments

The BNY Mellon Group is currently reviewing the future of the Company as part of its overall plan to rationalise its legal entity structure.



J Jack  
Director  
25 July 2014

The Bank of New York Capital Markets Limited  
One Canada Square  
London  
E14 5AL

Registered number: 01712753

# The Bank of New York Capital Markets Limited

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2013.

## Principal activities

The Company was not engaged in any ongoing business activities during the year.

## Results and dividends

The profit for the year after taxation amounted to \$23,000 (2012: loss: \$86,000).

No interim dividend was declared and paid during the year (2012: \$nil). The directors do not recommend a final dividend for the year ended 31 December 2013 (2012: \$nil).

## Risk Management

### *Governance and policies*

Policies and procedures are in place to govern and manage the Company, which are common to all BNY Mellon entities. 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 the ultimate 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.

The Board of Directors is responsible for the oversight of the following:

- the risk management activities of the Company;
- the risks inherent in the business of the Company and the control and mitigation processes with respect to such risks; and
- the assessment and review of these risks including credit, market, fiduciary, regulatory, liquidity, reputational, operational, fraud, strategic, technology, data security, business continuity and other risks.

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.

The Company is also a part of BNY Mellon's EMEA (Europe, Middle East and Africa) Region and key regional oversight 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 all EMEA 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 assess the regional impact;
- The BNYM EMEA Risk and Compliance Committee, the focus of which is to exercise responsibility and provide independent oversight for policies, processes and controls relating to all aspects of risk and compliance for the EMEA Region; and
- The EMEA Asset & Liability Committee, which has oversight responsibility for the 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 and branch liquidity committees in the EMEA region.

# **The Bank of New York Capital Markets Limited**

## **Directors' report- continued**

### **Risk management process**

The lines of business are responsible for actively identifying the risks associated with their 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 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.

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

### ***Credit risk***

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

### ***Market risk***

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

### ***Operational risk***

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

### ***Liquidity risk***

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

### ***Business risk***

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

### ***Compliance risk***

Compliance risk covers the risk relating to earnings or capital from violation, or non-conformance with laws, rules, regulations, prescribed practices or ethical standards which may, in turn, expose the firm and its executors to fines, payment of damages, the voiding of contracts and damaged reputation.

# The Bank of New York Capital Markets Limited

## Directors' report- continued

### Directors

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

Directors	Appointment	Resignation
J Jack	07 August 2013	
J M Johnston		
J Roy		07 August 2013

### 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 (2012: \$nil).

### Post balance sheet events

There are no significant post balance sheet events.

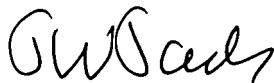
### Disclosure of information to auditor

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 that each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Our auditor, KPMG Audit Plc has instigated an orderly wind down of business. The Board has decided to put KPMG LLP forward to be appointed as auditor. A resolution concerning their appointment will be put to the forthcoming board meeting of the Company.

By order of the Board



J Jack  
Director  
25 July 2014

The Bank of New York Capital Markets Limited  
One Canada Square  
London  
E14 5AL

Registered number: 01712753

# **The Bank of New York Capital Markets 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).

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.

# **The Bank of New York Capital Markets Limited**

## **Independent auditor's report to the members of The Bank of New York Capital Markets Limited**

We have audited the financial statements of The Bank of New York Capital Markets Limited for the year ended 31 December 2013 set out on pages 9 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

### **Respective responsibilities of directors and auditor**

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

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website 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 2013 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.



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

15 Canada Square  
London  
E14 5GL

25 July 2014

# The Bank of New York Capital Markets Limited

## Profit and loss account for the year ended 31 December 2013

	Notes	2013 \$000	2012 \$000
Turnover		-	-
Administrative expenses	2	(16)	(13)
<b>Operating loss</b>		(16)	(13)
Interest receivable and similar income	5	47	7
Interest payable and similar expense	6	(1)	(7)
<b>Profit / (loss) on ordinary activities before taxation</b>		30	(13)
Taxation on profit / (loss) on ordinary activities	7	(7)	(73)
<b>Profit / (loss) for the financial year</b>		23	(86)

Notes 1 to 15 are integral to these financial statements.

All items dealt with in arriving at the Company's results for the financial year relate mainly to interest income.

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.

# The Bank of New York Capital Markets Limited

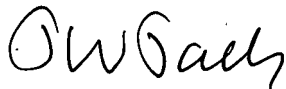
## Balance sheet at 31 December 2013

	Notes	2013 \$000	2012 \$000
<b>Current assets</b>			
Debtors	8	8,013	4
Cash at bank and in hand	9	67,254	75,228
Creditors: amounts falling due within one year	10	(22)	(10)
<b>Net assets</b>		<u>75,245</u>	<u>75,222</u>
<b>Capital and reserves</b>			
Called up share capital	11	*	16,496
Other distributable reserves	12	16,496	-
Profit and loss account	13	<u>58,749</u>	<u>58,726</u>
<b>Shareholders' funds</b>	13	<u>75,245</u>	<u>75,222</u>

\*One \$1 share. Capital reduction completed 3 September 2013.

Notes 1 to 15 are integral to these financial statements.

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



J Jack  
Director  
25 July 2014

# The Bank of New York Capital Markets Limited

## Notes to the financial statements at 31 December 2013

### 1. Accounting policies

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

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

- The Companies Act 2006 (Strategic report and Directors' report) Regulations 2013, applying to financial years ending on or after 30 September 2013.

#### **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.

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

As the Company is a wholly owned indirect subsidiary of the ultimate parent company, The Bank of New York Mellon Corporation, the Company 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 includes the Company's objectives, policies and processes for managing its capital and its financial risk management objectives.

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.

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

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

# The Bank of New York Capital Markets Limited

## Notes to the financial statements - continued at 31 December 2013

### 1. Accounting policies - continued

#### 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. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

#### Taxation

Income tax comprises current tax. Income tax is recognised in the profit and loss account. 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 the 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.

### 2. Administrative expenses

	2013 \$000	2012 \$000
Audit of these financial statements pursuant to legislation	16	13

### 3. Staff costs

The Company had no employees during the year ended 31 December 2013 (2012: \$nil).

### 4. Directors' emoluments

The directors did not receive any remuneration for their services in respect of the Company (2012: \$nil).

### 5. Interest receivable and similar income

	2013 \$000	2012 \$000
Receivable from group undertakings	47	7
Net foreign exchange gains	-	-
	47	7

# The Bank of New York Capital Markets Limited

## Notes to the financial statements - continued at 31 December 2013

### 6. Interest payable and similar expense

	2013 \$000	2012 \$000
Net foreign exchange losses	1	7

### 7. Taxation

	2013 \$000	2012 \$000
<i>Analysis of charge in period</i>		
Taxation is based on profit before tax for the year and comprises:		
Current corporation tax charge for the year at 23.25% (2012: 24.5%)	7	-
Adjustments in respect of prior periods:		
- UK corporation tax	-	73
Taxation on profit/(loss) on ordinary activities	7	73

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

The current corporation tax charge for the year is consistent (2012: higher) with the standard rate for the reasons set out in the following reconciliation:

	2013 \$000	2012 \$000
Profit / (loss) on ordinary activities before tax	30	(13)
Tax charge on profit/(loss) on ordinary activities at standard rate of 23.25% (2012: 24.5%)	7	(3)
Factors affecting tax charge:		
- Adjustments in respect of prior periods	-	73
- Losses surrendered	-	3
Current corporation tax charge for year	7	73

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

The main rate of UK corporation tax was reduced from 24% to 23% effective from 1 April 2013 and results in a weighted average tax rate of 23.25% for 2013 (2012: 24.5%). During 2013, Finance Act 2013 enacted further reductions in the rate of UK corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015.

# The Bank of New York Capital Markets Limited

## Notes to the financial statements - continued at 31 December 2013

### 8. Debtors

#### Debtors: amounts falling due within one year

	2013 \$000	2012 \$000
Amounts due from group undertakings	13	4
	<u>13</u>	<u>4</u>

#### Debtors: amounts falling due after more than one year

	2013 \$000	2012 \$000
Loan due from group undertakings	8,000	-

The Company has issued an unsecured loan of \$8,000,000 to The Bank of New York Mellon (International) Limited on 23 August 2013. Interest is charged at 3 month US Dollar LIBOR plus 1.5%. The loan is repayable on 23 August 2016.

### 9. Cash at Bank

	2013 \$000	2012 \$000
Cash at bank	67,254	75,228

Cash at bank includes \$67,254,000 (2012: \$75,228,000) of funds on deposit with a UK regulated banking entity within the BNY Mellon group.

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

	2013 \$000	2012 \$000
Corporation tax	6	-
Amounts due to group undertakings	-	2
Accruals and deferred income	16	8
	<u>22</u>	<u>10</u>

# The Bank of New York Capital Markets Limited

## Notes to the financial statements - continued at 31 December 2013

### 11. Called up Share capital

	2013 \$000	2012 \$000
Allotted, called up and fully paid:		
2012: 250,000 ordinary shares of £1 each at par translated at £1 = US\$1.5153. (2013: 0 shares)	-	379
2012: 16,117,000 ordinary shares of \$1 each at par. (2013: * one \$1 share)	*	16,117
	<u>*</u>	<u>16,496</u>

#### Summary of share capital before 3 September 2013

Class of Shares	Nominal Value	Number of issued, Allotted and fully paid shares	Issued, allotted and fully paid share capital
Ordinary Shares	GBP 1	250,000	£250,000
Ordinary Shares	USD 1	16,117,000	\$16,117,000

#### Summary of share capital on/after 3 September 2013

Class of Shares	Nominal Value	Number of issued, Allotted and fully paid shares	Issued, allotted and fully paid share capital
Ordinary Shares	GBP 1	0	£0
Ordinary Shares	USD 1	1	\$1

### 12. Other distributable reserves

	2013 \$000	2012 \$000
Other distributable reserves	16,496	-
	<u>16,496</u>	<u>-</u>

Other distributable reserves created as a result of the capital restructuring that took place on 3 September 2013.

# The Bank of New York Capital Markets Limited

## Notes to the financial statements - continued at 31 December 2013

### 13. Movement in reserves

	Called up share capital \$000	Profit & loss account \$000	Other distributable reserves \$000	Total \$000
<b>2013</b>				
At 1 January	16,496	58,726	-	75,222
Share capital reduction	(16,496)	-	16,496	-
Profit for the financial year	-	23	-	23
At 31 December	*	58,749	16,496	75,245

	Called up share Capital \$000	Profit & loss account \$000	Other distributable reserves \$000	Total £000
<b>2012</b>				
At 1 January	16,496	58,812	-	75,308
Loss for the financial year	-	(86)	-	(86)
At 31 December	16,496	58,726	-	75,222

\*One \$1 share.

### 14. Transactions involving Directors, Officers and others

At 31 December 2013 there were no loans and other transactions made to directors and officers of the Company (2012: \$nil).

### 15. Parent company

The immediate parent of the Company is The Bank of New York Mellon (International) Limited, a company registered in England & Wales, with registered office at One Canada Square, London, E14 5AL.

The ultimate parent company as at 31 December 2013 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