

# **Pershing Securities International Ltd**

## **Pillar 3 Disclosures for the year ended 31<sup>st</sup> December 2010**

## **About Pillar 3 Disclosures**

### **A. Policy and approach**

These disclosures have been prepared to comply with the Central Bank of Ireland ('CBI') CRD Implementation Notice and are in addition to the Pershing Holdings (UK) Ltd Consolidated Disclosures, prepared for the UK Regulated entities as per the FSA's BIPRU requirements.

These Pillar 3 disclosures have been approved by the Board of Directors who have verified that they are consistent with formal policies adopted regarding production and validation.

Information in this disclosure has been prepared solely to meet the disclosure requirements about Basel II and to provide certain specified information about capital and other risks and details about the management of those risks and for no other purpose. This paper does not constitute any form of financial statement on the business nor does it constitute any form of contemporary or forward looking record or opinion about the business.

Unless indicated otherwise, information contained within this document has not been subject to external audit.

This report will henceforth be made on an annual basis as at the Accounting Reference Date, 31<sup>st</sup> December and publication will take place as soon as practicable and additionally during the year as market or business conditions dictate.

These disclosures along with the Consolidated Disclosures are published on Pershing's website ([www.pershing.ie](http://www.pershing.ie)) under Financial and Regulatory disclosures.

Disclosures can also be found on The Bank of New York Mellon Corporation (BNY Mellon) website ([www.bnymellon.com](http://www.bnymellon.com)). See section Investor relations, Financial reports, other regulatory filings.

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## **1. Background**

Sections 1 – 11 of this document serve as the Basel II Pillar 3 disclosure of Pershing Securities International Limited ('Pershing') in accordance with the CBI Notice on Implementation of the CRD and the implementing measures for the CRD in Ireland referred to below.

Pershing implemented the Basel II standardised approach for measuring Regulatory Capital in January 2008. This Pillar 3 disclosure is a compulsory and integral part of our Basel II implementation.

### ***Purpose of Pillar 3***

Basel II is the international banking accord intended to strengthen the measurement and monitoring of financial institutions' capital. The Basel II framework was implemented in the EU through the Capital Requirements Directive (CRD) which was passed into law by Statutory Instruments 660 and 661 of 2006. The Basel II framework establishes a more risk sensitive approach to capital management and is comprised of three pillars:

- **Pillar 1** establishes rules for the calculation of minimum capital for Credit, Market and Operational Risk.
- **Pillar 2** is an internal discipline to evaluate the adequacy of the regulatory capital requirement under Pillar 1 and other non Pillar 1 risks. This pillar requires the CBI to undertake a supervisory review to assess the robustness of Pershing's internal assessment.
- **Pillar 3** complements the other pillars and effects market discipline through public disclosure. Expanded disclosure about capital and risk enables interested parties to better understand the risk profile of individual banks and to make comparison.

## **2. Scope and Application of Capital Requirements Directive**

Pershing Securities International Limited is the Dublin based, wholly owned subsidiary of Pershing Limited, which is, in turn, a subsidiary of Pershing Holdings (UK) Ltd with the Bank of New York Mellon Corporation as the ultimate parent.

As a full scope investment firm regulated by the CBI, Pershing Securities International Limited is required to operate under the CBI's Basel II implementation rules, which include the disclosures provided in this document.

There are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities among the parent undertaking and its subsidiary undertakings.

### 3. Risk Management Objectives and Policies

Pershing shares a common framework of risk management objectives and policies with other subsidiaries of Pershing Holdings (UK) Limited. Please refer to section 3 of the Consolidated Disclosures for further details of the Risk management objectives and policies implemented.

Steps are being taken to put in place policies to comply with the CBI remuneration regulations.

### 4. Capital Requirements and Adequacy

The following table summarises the company's capital requirements by exposure class and capital adequacy surplus as at 31 December 2010 and 2009.

Exposure class (Unaudited)	Notes	As at 31 December 2010	As at 31 December 2009
		€000's	€000's
<b>Credit risk - Standardised approach</b>			
Institutions (Banks, Insurance and NBF1)		278	196
Corporates		11	0
Other Items		21	43
<b>Total Credit Risk</b>		<b>310</b>	<b>239</b>
<b>Operational Risk - Standardised approach</b>		<b>1,017</b>	<b>1,198</b>
<b>Market risk - Trading book risk not subject to models</b>			
Foreign currency Position Risk Requirement		19	128
<i>Total capital requirement for trading book risks not subject to models</i>		<b>19</b>	<b>128</b>
<b>Total Market Risk</b>		<b>19</b>	<b>128</b>
<b>Total variable capital requirements</b>	<b>1</b>	<b>329</b>	<b>367</b>
<b>Total fixed overhead capital requirements</b>	<b>2</b>	<b>1,017</b>	<b>1,198</b>
<b>Total Capital Surplus</b>		<b>4,706</b>	<b>3,790</b>
<b>Solvency Ratio</b>		<b>563%</b>	<b>416%</b>

Notes:

1. Pershing does not take trading positions and does not have market risk exposure except for foreign currency exposure arising from day to day activities.
2. As per the CBI regulations this is the base capital requirement and if greater than the Variable Capital Requirement, then this is used to work out the total capital surplus.

Pershing shares a common Pillar 2 assessment (ICAAP) process with other entities within the Pershing Holdings (UK) Limited. Please refer to section 5 on the consolidated disclosures for further details on Pershing Holdings (UK) Limited's ICAAP process and risk descriptions.

In 2010 and 2009, Pershing paid a dividend to Pershing Limited.

## **5. Credit Risk and Dilution Risk**

Pershing shares a common Credit Risk management framework with other subsidiaries of Pershing Holdings (UK) Limited. Please refer to section 6 on the consolidated disclosures for further details.

## **6. Standardised Risk Weighting**

Credit exposure is computed under the Standardised Approach for all subsidiaries of Pershing Holdings (UK) Limited including Pershing. Please refer to section 7 of the consolidated disclosures for further details.

## **7. Operational Risk**

Pershing shares a common Operational Risk framework with other subsidiaries of Pershing Holdings (UK) Limited. Please refer to section 6 of the consolidated disclosures for further details.

Due to reasons of operational efficiency Pershing outsources many of its processing and support activities to other entities within the PHUK Group. The outsourced processing activities include: the clearing and settlement of trades executed by the clients of Pershing; treasury and cash management; global custody; and portfolio administration. The support activities outsourced consist of the various risk and control functions that enables Pershing Management to provide an ongoing oversight of their activities on an ongoing basis and include Compliance monitoring support to the local Pershing Compliance Officer; Operational Risk Management; Credit and Market Risk Management; Finance; and Internal Audit.

Pershing management generally exercise their oversight responsibilities on a daily basis and interaction with the various PHUK functions on a frequent informal basis. A more formal oversight by Pershing of outsourced activities is undertaken in a manner consistent with the organisational framework in operation throughout PHUK for managing risk. There is a strong risk culture in place within the Group that incorporates governance and risk management activities. In exercising oversight of outsourced activities Pershing leverages off the structures already in place within the Group. The Pershing Compliance and Oversight Committee provides the appropriate senior management support in meeting its regulatory obligations and overseeing the appropriateness of its risk management framework. In addition, Pershing management receives various management information, including risk, control and production data and analysis, minutes of regular meetings and general project briefings.

## **8. Interest Rate Risk in the Non Trading Book**

Pershing has similar non-trading book activities as the rest of the subsidiaries of Pershing Holdings (UK) Limited. Please refer to section 9 of the consolidated disclosures for further details.

## **9. Non Trading Book Exposures in Equities**

Pershing does not have any non-trading book equity exposures.

## **10. Credit and Market Risk Mitigation**

Pershing employs similar Credit and Market Risk Mitigation techniques as other subsidiaries of Pershing Holdings (UK) Limited. Please refer to section 11 of the consolidated disclosures for further details.

## **11. Disclosures Not Relevant**

The same categories of non-relevant disclosures apply to Pershing as to the other subsidiaries of Pershing Holdings (UK) Limited. Please refer to section 12 of the consolidated disclosures for further details.

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