

# UNDERSTANDING THE PROTECTION OF CLIENT ASSETS

2ND QUARTER 2014

## STRENGTH, STABILITY AND FOCUS

Pershing Advisor Solutions LLC is one of the world's leading providers of execution, custody, financing and business management solutions to help advisors manage their businesses efficiently and serve their clients effectively. Pershing Advisor Solutions is an affiliate of Pershing LLC (Pershing), a BNY Mellon company. BNY Mellon is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Pershing and BNY Mellon remain committed to the safekeeping, servicing, segregation and reporting of our global client assets.

### The Protection of Client Assets Remains at the Center of Our Focus

#### Brokerage Custody: Pershing



#### Bank Custody: BNY Mellon, N.A.



#### FINANCIAL STRENGTH—JUNE 30, 2014

##### Pershing, a BNY Mellon company

- › Over \$1 trillion in global client assets
- › Net capital of over \$1.5 billion—well above the minimum requirement

##### BNY Mellon

- › \$28.5 trillion in assets under custody and/or administration\*
- › \$1.6 trillion in assets under management
- › Total shareholders' equity: \$38.3 billion
- › Market capitalization: \$42.4 billion

\* Includes Pershing's global client assets

#### EVALUATION AND SEGREGATION OF ASSETS

## **Brokerage Custody: Pershing**

Pershing's core financial strength provides the first measure of protection for our global client assets. Our parent company, BNY Mellon, is a leading provider of financial services for institutions, corporations and high-net-worth individuals. While financial strength does not protect against loss due to market fluctuation, our internal controls and regulatory oversight help provide stability and focus.

Pershing protects client assets through rigorous internal control measures. An annual audit by a major independent audit firm and the audit team at our parent company, BNY Mellon, helps to monitor controls that are in place. In addition, an Annual Service Organizations report (as required) by a major independent audit firm provides additional evaluation of the design and operating effectiveness of Pershing's internal controls related to account transfers, billing, clearance and settlement, confirmations and cash management functions, corporate actions, foreign exchange and prime brokerage controls, interest, margin monitoring, order and trade processing, physical custody, pricing and statements.

Clients' fully paid-for assets are segregated from our own, with quarterly vault inspections conducted. We maintain enough liquid assets, net of any liabilities, to protect clients' fully paid-for assets in the unlikely event of Pershing's failure and liquidation.

Pershing is a broker-dealer registered with the U.S. Securities and Exchange Commission, all 50 states as well as the District of Columbia and Commonwealth of Puerto Rico, and certain foreign jurisdictions. Pershing is also a member of the Financial Industry Regulatory Authority, every major United States securities exchange and the Municipal Securities Rulemaking Board.

## **Bank Custody: BNY Mellon, N.A.**

BNY Mellon N.A.'s structure as a bank means that clients' securities are segregated from the securities of the bank, and from those of other clients. The securities in a client's account with BNY Mellon, N.A. are the property of that client and are held in nominee name. As clients' assets and accounts are separately accounted for, creditors of The Bank of New York Mellon Corporation and those of BNY Mellon, N.A., and their subsidiaries, do not have any rights to the securities in client accounts. Shares of money market mutual funds, as investment securities, also fall within this rule. Any asset, of course, is subject to losses or gains from an investment perspective.

There are also established regulatory controls that cover our institution. As a publicly traded company, The Bank of New York Mellon Corporation periodically files publicly available reports with the U.S. Securities and Exchange Commission. In addition, as a financial holding company, it is regulated by the Board of Governors of the Federal Reserve System. BNY Mellon, N.A. is regulated by the Office of the Comptroller of the Currency, which is part of the U.S. Department of the Treasury.

## ADDITIONAL PROTECTION

### Brokerage Custody

#### SECURITIES INVESTOR PROTECTION CORPORATION® (SIPC®) COVERAGE

Pershing is a member of SIPC, which protects securities customers of its members up to \$500,000 (including \$250,000 for claims for cash). Explanatory brochure available upon request or at [sipc.org](http://sipc.org).

#### EXCESS OF SIPC COVERAGE THROUGH UNDERWRITERS AT LLOYD'S

In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from certain underwriters in Lloyd's insurance market. The excess of SIPC insurance program is valid through February 10, 2015 for Pershing LLC accounts. It provides the following protection for Pershing LLC's global client assets:

- › An aggregate loss limit of \$1 billion for eligible securities—over all client accounts
- › A per-client loss limit of \$1.9 million for cash awaiting reinvestment—within the aggregate loss limit of \$1 billion

SIPC and the excess of SIPC insurance policy do not protect against loss due to market fluctuation.

An excess of SIPC claim would only arise if Pershing failed financially and client assets for covered accounts—as defined by SIPC—cannot be located due to theft, misplacement, destruction, burglary, robbery, embezzlement, abstraction, failure to obtain or maintain possession or control of client securities, or to maintain the special reserve bank account required by applicable rules.

Lloyd's currently holds an A+ rating from Standard & Poor's® (S&P®), an A rating from A.M. Best and an AA-rating from Fitch. These ratings are based on the financial strength of the company and are subject to change by the rating agencies at any time.<sup>1</sup> For more information about Lloyd's, please see [lloyds.com](http://lloyds.com).

### Bank Custody

#### FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) PROTECTION

BNY Mellon clients holding bank deposits—which include a sweep account for bank custody products—receive separate protection.

The FDIC standard maximum insurance amount is \$250,000 per depositor, per insured bank, in each account ownership category. The FDIC rules are very specific and vary. For a more complete explanation of the FDIC's regulations, we encourage our clients to visit [fdic.gov](http://fdic.gov).

---

<sup>1</sup> Ratings as of June 2014.

© 2014 Pershing Advisor Solutions LLC. Pershing Advisor Solutions LLC, member FINRA, SIPC, is a wholly owned subsidiary of The Bank of New York Mellon Corporation (BNY Mellon). Clearing, custody or other brokerage services may be provided by Pershing LLC, member FINRA, NYSE, SIPC. Pershing Advisor Solutions relies on its affiliate Pershing LLC to provide execution services.

Bank custody and private banking solutions provided by BNY Mellon, N.A., member FDIC, a wholly owned subsidiary of The Bank of New York Mellon Corporation. Except with respect to uninvested cash held in a bank deposit account chosen by client as part of a sweep election, assets custodied at BNY Mellon, N.A. are segregated from the general assets of BNY Mellon, N.A.

Trademark(s) belong to their respective owners.



One Pershing Plaza, Jersey City, NJ 07399  
OVR-PAS-SSF-2Q14-8-14