



BNY MELLON

BNY Mellon Saudi Financial Company

Pillar 3 Disclosure

December 31, 2021

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1 Disclosure Regarding the Authorised Person and Financial Group

These Pillar 3 disclosures are prepared for the BNY Mellon Saudi Financial Company (the 'Company'), in accordance with the Prudential Rules of the Capital Market Authority of Saudi Arabia¹ ('CMA'). The document complements the annual disclosures in the financial statements.

These disclosures present the Company's regulatory metrics, its governance structure, and approach to risk management as at 31 December 2021 and were approved by the Company's Board of Directors (the 'Board') on 21 March 2022.

The Company is incorporated in Saudi Arabia with paid-in capital of SAR 50 million and holds a license to conduct custody related services approved by the CMA under license 20211-04 issued on 13 July 2020.

¹ [https://cma.org.sa/en/RulesRegulations/Regulations/Documents/Final%20Draft%20Prudential%20Rules%20\(English\).pdf](https://cma.org.sa/en/RulesRegulations/Regulations/Documents/Final%20Draft%20Prudential%20Rules%20(English).pdf)

1.1 Scope of Application

Pillar 3 disclosures are required at the highest level of consolidation in accordance with Article 67(b) of the CMA Prudential Rules. The Company does not have any subsidiaries and therefore its financial accounts and Pillar 3 disclosures are prepared on an individual basis. Financial statements are prepared in accordance with the International Financial Reporting Standards ('IFRS') which are submitted annually to the CMA.

When assessing the appropriateness of these disclosures the Company has ensured adherence to the following principles of:



Wherever possible and relevant, the Board will ensure consistency between Pillar 3 disclosures, Pillar 1 capital reporting and Pillar 2 Internal Capital Adequacy Assessment Process ('ICAAP') content. Unless indicated otherwise, information contained within the Pillar 3 disclosure has not been subject to external audit.

The Company seeks to comply with the Prudential Rules through adherence to the following principles:

Pillar 1 - Minimum capital requirement

Establishes rules for the calculation of minimum capital for credit risk, counterparty credit risk, market risk, liquidity risk, operational risk and capital resources requirements. The Company reports these metrics on a monthly basis to the CMA.

Pillar 2 - Supervisory review process

Requires firms and supervisors to undertake an internal capital adequacy assessment process to determine whether the financial institution needs to hold additional capital against risks not adequately covered in Pillar 1 and to take action accordingly.

Pillar 3 - Market discipline

Complements the other two pillars and effects market discipline through public disclosure demonstrating an institution's risk management policies, approach to capital management, capital resources and an analysis of its credit risk exposures. These disclosures are published on the Company's website and submitted to the CMA.

Pillar 3 disclosures are approved by the Company's Audit and Risk Committee and its Board, which collectively have verified that they are consistent with formal policies adopted regarding production and validation.

1.2 Purpose of Pillar 3

The aim of the Pillar 3 disclosures is to provide market participants with accurate and comprehensive information regarding the capital adequacy and risk profile of the Company. This includes key information on the scope of application, capital position, risk based exposures and assessment processes, which will ultimately enable the public to better understand and compare the Company's business, its risks and capital adequacy.

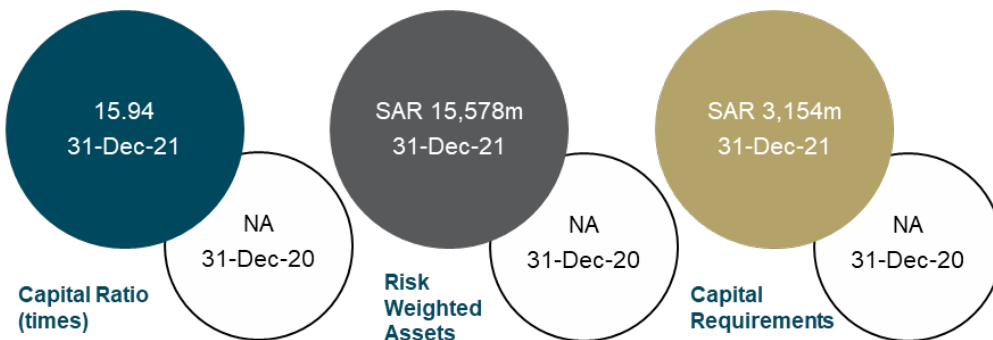
To that end, Pillar 3 principles require disclosure of risk management objectives and policies for each of the following categories of risk outlined in Annex 10 of the CMA's Prudential Rules alongside relevant quantitative disclosures:



Where appropriate, the disclosures will include comparatives for the prior periods once available and an analysis of the more significant movements to provide greater insight into the risk management practices of the Company and its risk profile.

The Company undertakes no obligation to revise or to update any forward-looking or other statement contained within this report regardless of whether or not those statements are affected as a result of new information or future events.

The following key metrics illustrate the purpose of these disclosures and are intended to be considered alongside qualitative disclosures in respect of the Company's risk profile:



Total capital ratio	= Capital Base ÷ Minimum Capital Requirements
Capital requirements	= 14% of Risk Weighted Assets

1.3 Frequency of disclosures

Disclosure will be made annually in accordance with Article 68(a) of the CMA Prudential Rules and will be published in conjunction with the date of publication of the financial statements where applicable. The Company will reassess the need to publish some or all of the disclosures more frequently in light of any significant change to the relevant characteristics of its business including disclosure about capital resources and adequacy, and information about risk exposure and other items prone to rapid change.

Disclosures are published on The Bank of New York Mellon corporate website which can be accessed using the link below:

[BNY Mellon Investor Relations - Pillar 3](#)

See the Additional Country Disclosures section.

The Company also has its own website found below, where the disclosures will also be published:

[BNY Mellon Saudi Financial Company Overview](#)

1.4 Governance: approval and publication

Pursuant to the BNY Mellon EMEA Pillar 3 disclosure standard, these disclosures were approved for publication by the Company's Board on 21 March 2022. The Board approved the adequacy of the Company's risk management arrangements, providing assurance that the risk management systems put in place are adequate with regard to the Company's profile and strategy.

Pillar 3 disclosures are prepared solely to meet Pillar 3 disclosure requirements and for no other purpose. These disclosures do not constitute any form of financial statement on the business nor do they constitute any form of contemporary or forward looking record or opinion about the business.

1.5 Organisational structure

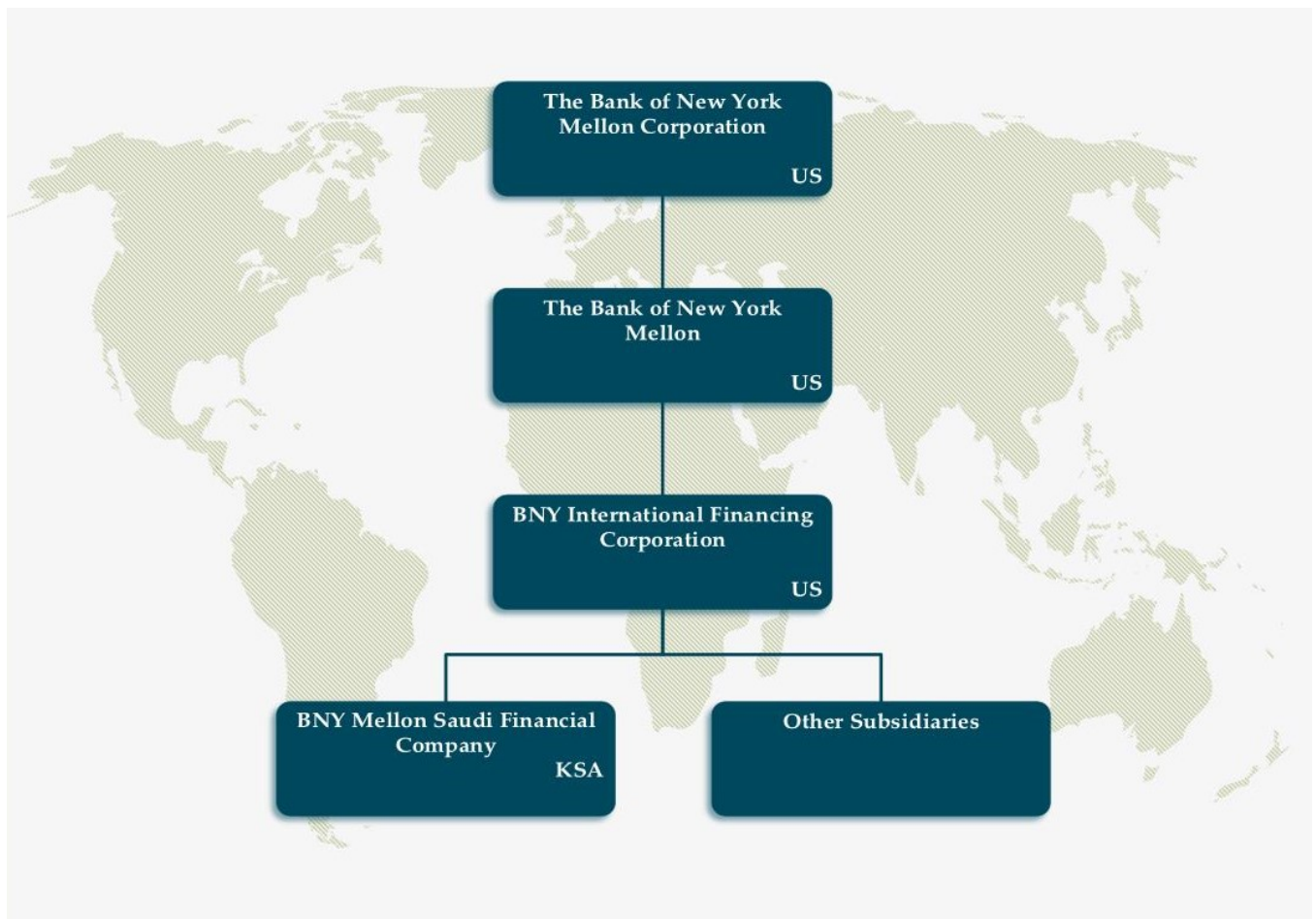
The Company is a single shareholder closed joint stock company based in Riyadh in the Kingdom of Saudi Arabia. It is licensed by the CMA to conduct Custody Services to Saudi clients and is permitted to establish branches, offices or agencies within or outside the Kingdom of Saudi Arabia.

The Company is a fully owned subsidiary of BNY International Financing Corporation (which owns 100.00% of the Company's share capital), a US company which is itself a subsidiary of The Bank of New York Mellon Institutional Bank being the banking entity of The Bank of New York Mellon Corporation, the ultimate parent company of the BNY Mellon Group ('BNY Mellon').

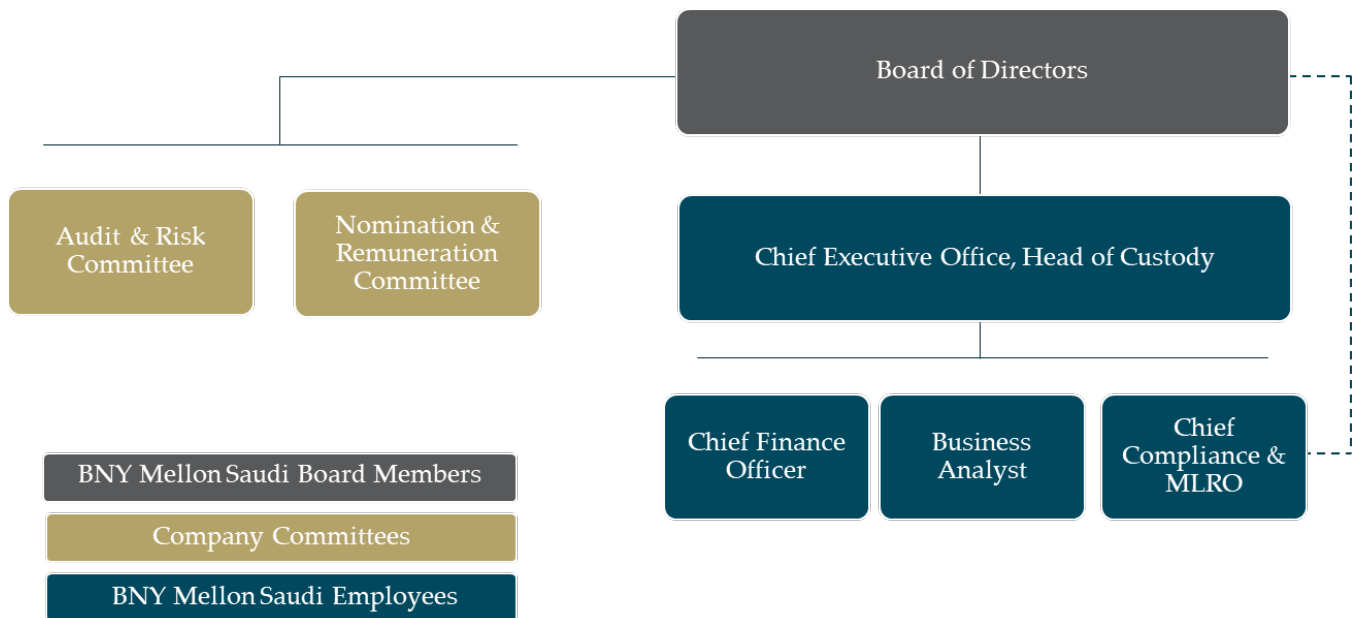
BNY Mellon Group is a global investments company dedicated to helping its clients manage and service their financial assets throughout the investment lifecycle. Whether providing financial services for institutions, corporations or individual investors, BNY Mellon delivers informed investment management and investment services in 35 countries and more than 100 markets. As of 31 December 2021, BNY Mellon had \$46.7 trillion in assets under custody and/or administration, and \$2.4 trillion in assets under management. BNY Mellon can act as a single point of contact for clients looking to create, trade, hold, manage, service, distribute or restructure investments. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation (NYSE: BK). Additional information is available on www.bnymellon.com. Follow us on Twitter [@BNYMellon](https://twitter.com/BNYMellon) or visit our newsroom at www.bnymellon.com/newsroom for the latest company news.

The legal entity structure of the Company is set out below in figure 1 with the governance structure presented in figure 2.

Figure 1: The Company's legal entity structure at 31 December 2021



 **Figure 2: The Company's governance structure at 31 December 2021**



1.6 Operating model

To create a more efficient operating model and to respond to increasing demands from regulators in the US, UK and EMEA, the BNY Mellon EMEA Operating Model is based on a Three Banking Entities model in EMEA. To facilitate the model, a global booking principle and a Dual Custody model will be implemented within BNY Mellon. This rationalized, more efficient and simple structure gives BNY Mellon flexibility for growth by freeing up capital and allowing greater capacity for new products and services, thereby allowing the Company to focus its business on core clients.

The rationales behind the EMEA Business Operating Model include:

- reduction of complexity in legal entity structure as well as respective contractual framework;
- improvement of resolvability by removing duplication, potential conflicts and improving transparency on risks;
- viability of businesses with appropriate client base, operations / balance sheet size, capital and management;
- appropriate alignment to client needs whilst improving client experience through more efficient service delivery; and,
- deliver shareholders value through more efficient use of resources, liquidity and capital and improved client growth and retention.

1.7 Core business lines

To facilitate its part in the operating model the Company primarily offers custody related services approved and regulated by the CMA, in particular:

- custody and securities lending services on an arrangement basis only;
- global risk solutions; and,
- global institutional accounting and foreign exchange services.

This array of asset servicing solutions are approved for and provided to local Saudi clients.

The Company is not a member of an exchange, clearing house or a central depository, and will not book any client related balances such as deposits, advances or overdrafts on its balance sheet.

In line with the custody arranger and introducer model, core services, most prevalently international custody and the other services, will be provided and contracted through the BNYM group.

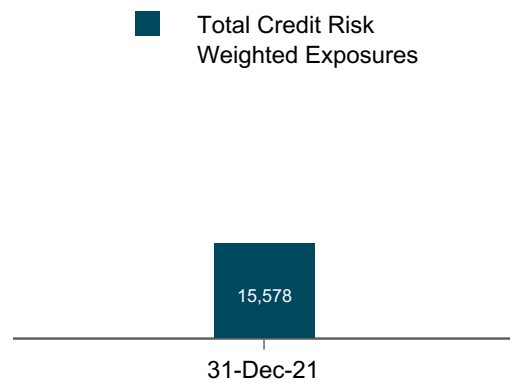
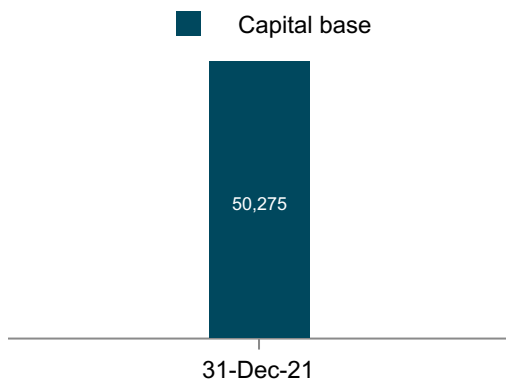


2 Disclosure Regarding Capital Base

The following key metrics reflect the Company's capital and risk profile:

Regulatory capital (SAR 000's)

Risk-weighted assets (SAR 000's)



 **Capital ratio**

▲ Total capital ratio (times)

▲
15.94

31-Dec-21

 **Capital requirements (SAR 000's)**

■ Credit Risk ■ Operational Risk

973

2,181

31-Dec-21

The Company's regulatory capital base is defined by the Prudential Rules and includes:

- **Tier 1 capital** which is the highest quality form of regulatory capital comprising paid-up capital and any related share premium, retained earnings and other reserves and capital contributions, less any specific regulatory adjustments. Note the Company does not deduct any items from Tier 1 capital.
- **Tier 2 capital** which includes subordinated loans, preference shares and revaluation reserves. The Company does not have any Tier 2 capital at the reporting date.

The Company abides by the following principle in managing its appropriate capital positions:

- Maintain adequate quantity and quality of capital to meet its risk appetite in relation to regulatory capital requirements under both expected (business as usual) and stressed conditions.

Adherence to these principles helps to ensure that the Company remains above the Board's approved capital risk appetite requirements and provides a guide in making decisions regarding capital.

The Company's capital management strategy is to maintain appropriate capital commensurate with the risks and business strategy of the Company and to ensure capital is sufficient to meet its risk appetite and regulatory requirements.

Known and anticipated increases in capital requirements shall be planned for, and taken into account when considering any capital actions. Decisions are made after comprehensive reviews of key capital ratios and metrics to ensure strategic and regulatory objectives are satisfied.

Key External Factors Influencing BNY Mellon Saudi Financial Company

Below are some of the key highlights of the Company's annual results and financial position:

At the end of December 2021 the net assets of the Company stood at SAR 69.3 million which included an increase of SAR 19 million on the initial equity seed capital recognised at the Company's launch.

The year to date pre-tax income ('PTI') was SAR 0.3 million. This Company's inter-affiliate fee revenue was partly offset primarily by direct staffing expenses, but also general admin costs namely depreciation of leased assets and misc licensing fees.

The Company is well-positioned against competition thanks to BNY Mellon Group's legal entities rationalization strategy. As a result, the Company has a unique selling proposition that fits the needs of our clients.


Table 1: Capital Base

The Company's capital base is presented in full below:

CAPITAL BASE	
SAR 000's	31-Dec-21
Tier-1 Capital	
Paid-up capital	50,000
Share premium	—
Reserves	30
Audited retained earnings	271
Deductions (-)	(26)
Tier-1 Capital	50,275
Tier-2 Capital	
Subordinated loans	—
Tier 2 debt securities	—
Cumulative preference shares	—
Revaluation reserves	—
Other deductions from Tier-2 (-)	—
Deduction to meet Tier-2 capital limit (-)	—
Tier-2 Capital	—
CAPITAL BASE	50,275

The Company's capital is represented by five million fully paid-up ordinary shares valued at SAR 10 each, representing a total value of SAR 50 million.

Saudi company law requires 10% of audited net profits after taxes to be allocated to Reserves until the balance is equal to 30% of paid-up capital.

3 Disclosure Regarding Capital Requirements

The Company applies the Prudential Rules to determine its Pillar 1 capital requirements for the types of risk to which it is exposed. For credit risk exposures, risk weights are based on the class to which the exposure is assigned and its credit quality. These risk-weights drive the calculation of capital requirements by applying a 14% requirement to the risk-weighted exposure.

A summary of the Company's capital requirements is presented below whilst the full calculation reported monthly to the CMA is also included in the appendix under Disclosure on Capital Adequacy. The Company does not have any off-balance sheet exposures and due to the nature of its business is not exposed to market, counterparty or commodities risk.

 **Table 2: Capital Requirements**

SAR 000's	31-Dec-21
Market Risks	—
Credit Risks	2,181
Exposures to corporates, administrative bodies, NPOs	77
Exposures to CMLs and banks	1,934
Other on-balance sheet exposures	170
Off-balance sheet commitments	—
Operational Risks	973
Minimum Capital Requirements	3,154
Capital Ratio (times)	15.94
Surplus	47,121

Note: Capital ratio represents a multiple of capital base over capital requirements.

The Company determines its Pillar 1 operational risk capital requirement using the expenditure-based approach, being 25% of overhead expenses from the last available audited accounts.

The Company concludes that its capital is sufficient at 31 December 2021 to face the risks of the entity.



4 Disclosure Regarding Risk

Given the critical role that BNY Mellon plays supporting clients and its status as a Global Systemically Important Financial Institution ('G-SIFI'), the financial stability of all of its constituent legal entities, throughout market cycles and especially during periods of market turbulence, is recognised at a BNY Mellon group level as an imperative. Clients and market participants need to have confidence that all of the BNY Mellon's legal entities will remain strong, continue to deliver operational excellence and maintain an uninterrupted service. Therefore, the Company and the BNY Mellon group as a whole are committed to maintaining a strong balance sheet and, as a strategic position, assumes less risk than many financial services companies.

Whilst BNY Mellon assumes less balance sheet risk than most financial services companies, it does assume an array of different risks as a result of its business model. As a consequence, BNY Mellon has developed an enterprise risk management programme that is designed to ensure that:

- risk limits are in place to govern its risk-taking activities across key businesses and risk types;
- risk appetite principles are incorporated into its strategic decision making processes;
- monitoring and reporting of key risk metrics to senior management and the Board takes place; and,
- there is a capital planning process which incorporates both economic capital modelling and a stress testing programme.

The Company is exposed to both financial risks (e.g. credit risk) and non-financial risks (e.g. operational risk). These risks are managed through a risk management framework, consistent with the BNY Mellon Group framework, through the Company's own risk management function, organization and governance.

4.1 Risk objectives

The primary objectives of the Company's risk management framework are to:

- support the Board in discharging its risk oversight responsibilities;
- support senior management to achieve its strategic objectives in a controlled manner in line with risk appetite and regulatory requirements;
- support the Company to make informed decisions which are in line with the Company's vision, goals and risk appetite;
- maintain and continually promote the Company's strong risk culture; and,
- to allow the Board and senior management to effectively oversee the Company's risk exposures.

The conduct and culture expectations of staff are anchored in the BNYM Group Code of Conduct and the corporate values – passion for excellence, integrity, strength in diversity and courage to lead. Conduct and culture remains a key strategic priority for the Company.

4.2 Management body

The Board is responsible for the effective, prudent and ethical oversight of the Company, in addition to setting the business strategy and ensuring that risk and compliance are properly managed.

The responsibilities of the Board include, but are not limited to:

- on recommendation from the Audit and Risk Committee, approval of, inter alia, the risk management framework, the Legal Entity High Level Assessment, annual Risk Appetite Statement ('RAS') and risk metrics and tolerance limits including any material amendment to the RAS;
- oversee senior managements' effective execution of the Framework; and,
- setting the Business Strategy and approving the Business and Risk Strategies for the Company.

The Board is the highest escalation level for risk issues at the Company and has two direct sub-committees, being the Audit and Risk Committee and the Nomination and Remuneration Committee.

The Audit and Risk Committee ('ARC') has been established by the Board and is the most senior risk governance group at the Company and is responsible for assisting the Board in fulfilling its oversight responsibilities with regards to the risk appetite and the operational effectiveness of the risk management framework of the Company. It is also responsible for ensuring that the Company is in compliance with its capital requirements relative to those risks.

The responsibilities of the ARC include, but are not limited to:

- review of the following for recommending for approval by the Board: Risk Management Framework, Strategy, the RAS, High Level Assessment, Capital Plan, Wind-Down Plan, Conflicts of Interest.
- report to the Board on the effectiveness of the Company's risk management framework;
- review the Company's on-going internal capital assessment and associated inputs;
- make recommendations to the Board for the approval of risk policies (as per the Policy Management Framework), code of conduct and procedures for managing conflicts of interests;
- make recommendations to the Board on the appointment and dismissal of the Chief Risk Officer ('CRO') if any;
- review the results of all significant regulatory examination reports, if any, and Executive Management's responses thereto. Consideration to be given to potential significant legal, risk or regulatory sanctions; and,
- escalate material risks, issues and/or trends requiring attention to the Board.

The Nomination and Remuneration Committee ('NomCo') is responsible for keeping the composition of the Board and its Committees under review and leads the process for Board appointments, making recommendations to the Board. The Committee also ensures plans are in place for orderly succession to both the Board and senior management positions and oversees the development of a diverse pipeline for succession.

4.3 Risk governance

BNY Mellon Corporation risk management is coordinated at regional, legal entity and line of business levels. A formal governance hierarchy is in place to ensure effective escalation of issues through the regional and global structure.

Risk oversight and management are structured to cover regional level, legal entity and lines of business ('LOB'). A formal governance hierarchy is in place to ensure that all areas of the business can effectively escalate issues through the regional and global structure.

A regional level risk governance structure is in place to oversee all business and legal entity risk. Oversight and escalation is provided through the following key committees:

EMEA Senior Risk and Control Committee ('ESRCC') - The purpose of the Europe, Middle East and Africa ('EMEA') Senior Risk and Control Committee is to provide regional risk management oversight and act as a point of convergence for the co-ordination, transparency and communication of material pan-EMEA issues (live or emerging) within the region.

The Committee escalates to:

- Senior Risk and Control Committee ('SRCC')

With a number of committees reporting to it:

- EMEA Asset Liability Committee ('ALCO');
- EMEA Anti-Money Laundering Oversight Committee ('EAMLOC');
- EMEA European Portfolio Committee ('EPC'); and,
- EMEA Resilience and Resolvability Steering Committee ('ERRSC').

The Committee is empowered under authority delegated by the BNY Mellon SRCC but subject to constraints of both corporate policy and legislation and regulation as appropriate.

Further oversight of legal entity risk management is governed via risk management committees, namely:

Business Acceptance Committees ('BACs')

The BACs are responsible for and authorised to evaluate, accept and reject standard and non-standard business events. The committees review all business events for the level and type of risk and approve based on risk appetite. BACs are also responsible to review off-boarding events.

Business Risk Committees ('BRCs')

The BRCs provide a forum to regularly review and assess risk and control issues observed from existing business practices or activities or arising from new business practices or activities in the Lines of Business and supporting operations to assist business management and corporate staff in managing and monitoring risk and control issues.

Issues identified for escalation by the BRC are to be elevated, as appropriate, to the Operational Risk Committee ('ORC'), Technology and Information Risk Committee ('TIRC'), Strategic Risk Committee ('SRC'), Entity Governance Committee, Legal Entity Risk Management Committees, the SRCC, or other Senior Management Committees.

Product Approval and Review Committee ('PARC')

The PARC is the Management Committee responsible for reviewing and approving proposals to introduce new and modify or retire existing Products. The PARC is BNYM's primary Product Governance body and executes the specific responsibilities outlined in the Products Governance Policy.

The PARC escalates directly to the SRCC. The PARC, may at times, be presented with proposals that could introduce BNY Mellon to significant or systemic risks or deviate materially from BNY Mellon's strategic plan or risk appetite. The PARC Chair shall, in consultation with PARC members, and the Policy, identify such proposals and escalate them to the SRCC for further consideration prior to the PARC issuing an approval decision.

4.4 Risk management framework

Three Lines of Defense

The Company has adopted a 'Three Lines of Defense model' as a simple and effective way to enhance risk management by clarifying essential roles and responsibilities. The Three Lines of Defense can be summarized as follows:

- **The First Line of Defense** - Lines of Business ('LoB') and Legal Entities that provide products or services to meet the Firm's business needs and those of its customers. It also includes the associated Corporate Functions (excluding Audit, Risk & Compliance) that support the LoBs. The First Line of Defense owns the risk of their respective area of responsibility.
- **The Second Line of Defense** - The Risk & Compliance function, responsible for establishing policies, expectations and guidance for managing risk at BNY Mellon while also independently monitoring, reviewing and challenging the First Line.
- **The Third Line of Defense** - The Internal Audit function, an independent, objective assurance function that reports directly to the Audit Committee of the Firm's Board.

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

The Company's Risk Management Framework document has been developed to meet BNY Mellon's governance standards and extends across all its business.

4.5 High-level assessment ('HLA')

The Company utilises a Legal Entity High-Level Assessment ('LE HLA') on a quarterly basis to summarize the risk profile of the Company through material risk categories. This assessment plays an important role and represents the lens through which the Company identifies and assesses risk in order to monitor and manage its risk profile. Given its scope of business, the Company recognises operational and strategic risks as its most prominent risks.

The LE HLA incorporates a consolidated review of:

- each applicable risk type from the taxonomy (Operational, Credit, Liquidity and Strategic);
- the risk management data that analyses the risk profile of the Company;
- the quality of controls in place to mitigate risks;
- internal and external factors; and,
- specific Subject Matter Expert ('SME') input across the taxonomy.

The Legal Entity Risk Officer ('LERO') is responsible for:

- providing oversight and monitoring the execution of the LE HLA program;
- providing review and challenge of the 1LOD LE HLA;
- reviewing, challenging and sharing feedback on the LE HLA with their respective LE;
- escalating concerns regarding the highest priority risk issues to the ARC for remedial action; and,
- monitoring the progress of the remediation plan to mitigate significant issues identified during the creation of the LE HLA.

4.6 Risk Appetite Statement ('RAS')

The Company's RAS is owned and approved by the ARC and the Board. It describes the level of risk that the Board is willing to accept in its strategy and business activities, given its business objectives and obligations within its resource capacity. The is reviewed at least annually or when the Company's risk profile changes.

The Company uses a variety of metrics to measure and monitor its risk-taking activities relative to its risk appetite. In addition, the legal entity High Level Assessment is also utilised to determine if the entity is outside of its qualitative appetite.

The Company defines Risk Appetite as the aggregate level of risk it is willing to assume after considering topics such as its strategic business objectives and business plan, the major risks facing it and its risk capacity.

4.6.1 Strategic risk

The Company is committed to executing on its strategic priorities to strengthen its presence in the country, grow profitable business by focusing on strategic relationships and solutions. Successful realization of the strategy requires that we provide expertise and continue to develop highly skilled and talented people. Successfully executing on key strategic initiatives is essential to managing strategic risk.

The Company is willing to accept there is a level of risk associated with entering into a new market, and appropriate external counsel have been engaged to support and mitigate against such risks. There is a risk inherent in doing business in new regulatory environment that accepted norms may change over time. Such changes may impact the viability of the Business Model, for example by requiring more business to be performed locally or by requiring additional capital, thereby increasing costs.

4.7 Risk assessment methodology and reporting systems

Risk processes are in place to ensure that risks are correctly and timely identified and monitored. Monitoring and controlling risk is primarily performed based on limits established by the Company. These limits reflect the business strategy and market environment of the Company as well as the level of risk that the Company is willing to accept.

The Company generally does not build its own risk infrastructure, data aggregation or reporting tools. In that sense, all the tools used by the risk experts are corporate tools, of which the building and maintenance is framed by policies and service level agreements.

An Internal Capital Adequacy Assessment Process ('ICAAP') document is produced at least annually for the Company. The process and document is owned by the Company's Management Team. The purpose of the ICAAP is to:

- provide on-going assessment and monitoring of the Company's capital risks such that they remain within the risk appetite established by the Company's Management Team;
- determine how much capital is likely to be necessary to support those risks at the moment the assessment is made and also over the firm's three-year planning horizon, both under baseline and stressed conditions; and,
- provide the necessary information so that senior management and the Company's Management Team can make decisions about the amount of capital that is required and the approach to risk management that should be adopted.

The ICAAP process aids to ensure there is sufficient capital to adhere to the Company's defined risk appetite for both internally defined and regulatory capital requirements under Business as Usual and stressed conditions. At the disclosure date, no additional capital was required as a result of this process.

Governance around new and modified businesses / products assessment process

New or modified products or businesses need to be reviewed and approved by appropriate committees (e.g. PARC, BACs, etc.). Refer to section 4.3 Risk governance for more details.

Significant new client process

Significant new clients are reviewed and approved by the corresponding BAC (Line of Business). Refer to section 4.3 Risk governance for more details.

Operational risk events

All operational losses and fortuitous gains exceeding USD10,000 are captured in the Risk Management Platform ('RMP') with completeness being verified by reconciliation to the General Ledger. Risk events are categorized by causal category. Refer to section 8 Disclosure Regarding Operational Risks for more details.

Credit risk monitoring process

All counterparties leading to credit risk exposures are assessed and allocated a borrower rating in accordance with the requirements outlined in Article 29 the CMA Prudential Rules. The Company subsequently assigns a credit quality step in line with Annex 11 of the Rules. Refer to section 5 Disclosure Regarding non-Trading Activities for more details.

Liquidity risk management process

The Company's overall approach to liquidity management is to ensure that sources of liquidity are sufficient in amount and diversity, such that changes in funding requirements can be accommodated routinely without a material adverse impact on earnings, daily operations, or on the financial condition of the Company. In this context, the Company has set certain practices, metrics, and limits to measure and manage liquidity risk. Through these measures, it seeks to ensure that the overall liquidity risk undertaken stays within its risk tolerance. Refer to section 6 Disclosure Regarding Liquidity Risks for more details.

Risk dashboard

The risk dashboard aims to provide a high-level view of the Company's risk profile and evolution over time. It is produced on a quarterly basis.

Key Risk Indicators

Key Risk Indicators ('KRIs') are used by business lines to evaluate control effectiveness and residual risk within a business process. Material risks are monitored by appropriate KRIs. The business lines utilise the corporate-wide KRI process to monitor the extent to which the probability of the high inherent risks materialising is changing and to ensure that appropriate actions are being taken.

Stress testing

Capital stress testing is a key process used in the preparation of the ICAAP and Capital Plan. Incorporating the projected earnings based on its business plan, the Company generates a three-year forecast, which forms the base foundation for financial modelling and capital stress testing used as part of the ICAAP process. The capital plan effectively incorporates a view of the Company's current business model and its risks. Refer to section 6.2 Liquidity stress testing for more details on liquidity stress testing.

4.8 Escalation of risks and issues

A robust framework exists for monitoring and escalation of issues and risks within the Legal Entity, including:

- identifying and documenting all material risks, assessing the effectiveness of control design, and ensuring that control gaps are closed;
- developing and implementing standards and policies appropriate for the business that conform to the principles and guidelines established by Risk;
- designing a limit hierarchy and governance guidelines to manage both financial and non-financial risks;
- establishment of key frameworks to govern our financial risks including specific governance committees, policies and stress testing;
- elevating, reporting and investigating operating errors, losses and near misses, identifying the root causes and implementing corrective actions;
- approving the process to accept new business, including 'Request for Proposal' preparation, contract acceptance and compliance, and challenging whether the Company is being compensated appropriately for the assumption of risk;
- reviewing the impact of changes in business processes on inherent risks and controls such as reorganisations, new products or processes, system conversions and acquisitions, etc.; and,
- ensuring that processes, risks and controls are continually reassessed for appropriateness and completeness.

5 Disclosure Regarding non-Trading Activities

Understanding, identifying and managing credit risk is a central element of BNY Mellon's successful risk management approach. The Company's credit risk is managed in line with BNY Mellon's Risk Appetite to minimise losses whilst identifying future potential risks. The Company's business model creates operational and limited credit risks. This section describes the effective governance of credit risk exposures in the Company.

5.1 Credit risk management framework

The Company's credit exposures are limited to the following:

- the placement of regulatory capital deposited with a local bank; and,
- intercompany trading balances. Such balances form part of working capital. No intraday or overnight credit risk will be generated by the activities of the Company.

The ARC and the Board will approve both an appropriate RAS and a Credit Risk Policy which details the roles and responsibilities and levels of delegated authority for each type of activity.

5.2 Monitoring and reporting

The metrics supporting the management of credit risk are monitored on a monthly basis and reported to the Company's senior management and the CMA.

5.3 Analysis of credit risk

Credit risk exposure is computed in accordance with the Prudential Rules. In general credit assessments are supplied by external credit assessment agencies ('ECAI') to determine risk weights, however since the Company has only a single exposure to a Saudi bank, this has been considered as Credit Quality Step 1 in accordance with regulatory guidance.

The following credit risk exposure table summarises the credit exposure for the Company by maturity profile. More detailed tables can be found in the appendix which present exposures by risk weight and credit quality step.

 **Table 3: Credit Risk Exposure by Contractual Maturity**

The following exposures are all stated as at their Exposure at Default ('EAD') value, inclusive of any applicable credit risk mitigation ('CRM').

31-Dec-21	SAR 000's		
Exposure Class	Total	Less than 12 months	Undated
Governments and Central Banks	—	—	—
Authorised Persons and Banks	69,065	69,065	—
Corporates	983	983	—
Other Assets	406	—	406
Total	70,454	70,048	406

CRM is defined as a technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection;

Residual maturity is defined as the period outstanding from the reporting date to the maturity or end date of an exposure.

5.4 Analysis of past due and impaired exposures

An aspect of credit risk management relates to problem debt management, which entails early problem identification through litigation and recovery of cash where there is no realistic potential for rehabilitation.

The Company considers past due and impaired exposures using the following definitions:

- **past due** exposure is when a counterparty has failed to make a payment when contractually due; and,
- **impaired exposure** is when the Company does not expect to collect all the contractual cash flows when they are due.

As at 31 December 2021, the Company had no materially impaired exposures for which a specific or general provision was required. There were no assets past due greater than 90 days. The Company did not incur any write-offs of bad debts or make any recovery of amounts previously written-off during the reporting period. Further, the Company did not carry any exposures considered forborne and consequently did not obtain any collateral through taking possession.

5.5 Collateral valuation and management

The Company did not hold any collateral at the reporting date in respect of its credit risk exposures and its business model does not necessitate the holding of collateral.

5.6 Guarantors and credit derivative counterparty

There are no exposures covered by credit derivatives at 31 December 2021. Using guarantees has the effect of replacing the risk-weight of the underlying exposure with that of the institution providing the credit protection. Guarantors are primarily rated as investment grade.

5.7 Wrong-way risk

Wrong-way risk results when the exposure to the counterparty increases when the counterparty's credit quality deteriorates. The Company takes particular care to ensure that wrong-way risk between collateral and exposures does not exist. The Company did not hold any collateral at the reporting date and is not subject to wrong-way risk.

5.8 Credit concentration risk

Credit Concentration risk is the risk of loss resulting from insufficient diversification (including single name, industry and country concentration risk). Credit Concentration risk within the Company originates mostly through the Company's placement of regulatory capital with a local bank. However, such exposures are not included upon calculation of an authorized person's exposures pursuant to Article 54(5) of the CMA Prudential Rules. Consequently, concentration risk within the Company is low.

6 Disclosure Regarding Liquidity Risks

Liquidity risk is the risk to an institution's financial condition or safety and soundness arising from its inability to meet its contractual obligations in a timely manner.

6.1 Organisational requirements

The Company's overall approach to liquidity management is to ensure that sources of liquidity are sufficient in amount such that changes in funding requirements can be accommodated routinely without material adverse impact on earnings, capital, daily operations, or the Company's financial condition.

The Company has a governance structure in place commensurate with the range of its activities and its liquidity profile. Liquidity risk is managed and monitored from a legal entity and functional perspective through various committees and forums. The Company's Liquidity Policy provides the framework for identifying, measuring, monitoring, and managing liquidity risk for the Company. This policy has been prepared in accordance with the BNY Mellon Liquidity Policy and regulatory guidelines taking into account the capital structure, risk profile, complexity, activities and size of the Company.

The governance structure includes oversight committees (including the ALCO), the Risk and Audit Committee of the Board and the Board) that are responsible for review and approval of the liquidity management strategy, policies and practices and that ensures that senior management effectively implements and controls these elements.

The Company has an embedded set of processes that cover the identification, measurement, monitoring, control and mitigation of liquidity risk. Processes are supported by IT platforms, management information systems and an organizational structure that includes independent control functions.

The Company has a management reporting and escalation framework in place where risks are communicated to senior management and oversight committees through periodical reporting and circulation of committee meeting minutes, including a defined escalation process in case of exceptions to internal triggers, regulatory breaches or emergency situation.

6.2 Liquidity stress testing

The purpose of liquidity stress testing is to identify and measure the Company's liquidity risk under different scenarios and make sure that the exposure to liquidity risk is consistent with the established risk tolerance as required by Article 59 of the CMA Prudential Rules.

The Company does not have any material liquidity risk due to the nature and scope of its business activities. It is not obligated to report liquidity metrics to the CMA and does not take customer deposits or book loans onto its balance sheet. Given this scope, liquidity stress testing presently extends only to ongoing working capital requirements.

Management formally declares adequacy of its liquidity risk management framework at the reporting date. The Company therefore considers itself to be compliant with its own and BNY Mellon Group policies and therefore believes that the liquidity management process in place is adequate.

The Company performs liquidity stress testing on a quarterly basis by comparing liquid assets against forecast expenditure over a six month period to ensure the Company has excess liquidity levels above BNYM Group thresholds. The results of these tests are presented to the ALCO.

6.3 Contingency funding plan

Due to the scope of the Company's activities, with the only liquidity requirement related to working capital expenses, the Company would rely on funding from BNYM Group in the event of any funding requirement for its working capital expenses.

7 Disclosure Regarding Counterparty Risks

The Company does not engage in trading related activities. Consequently, the Company is not exposed to counterparty credit risk and as such the requirements of the Prudential Rules are not applicable in this regard.

8 Disclosure Regarding Operational Risks

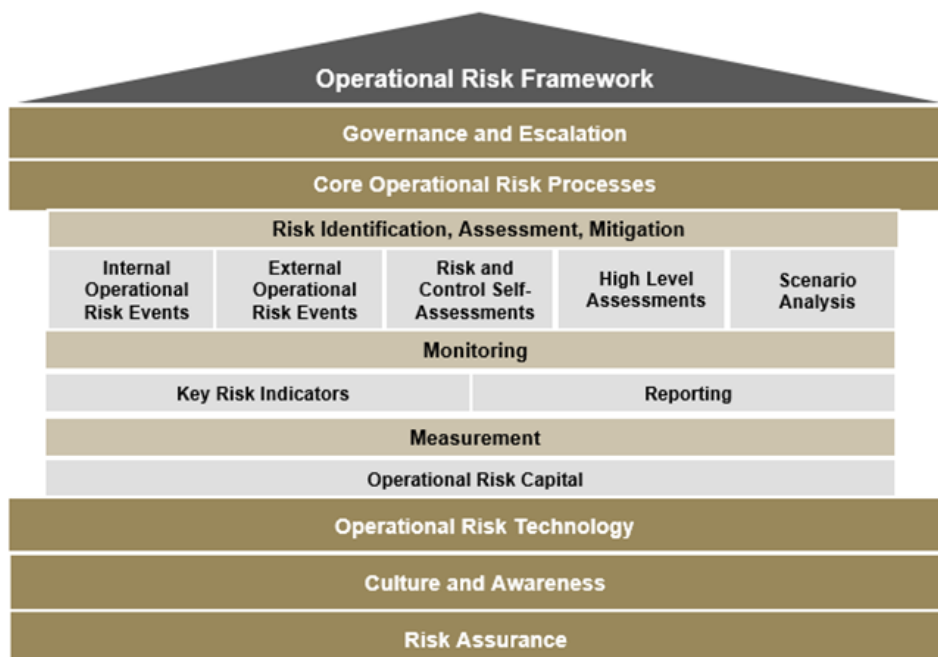


Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems, or from external events (including legal risk but excluding strategic and reputational risk).

Operational risk may arise from errors in transaction processing, breaches of internal control systems and compliance requirements, internal or external fraud, damage to physical assets, and/or business disruption due to systems failures or other events. Operational risk can also arise from potential legal or regulatory actions as a consequence of non-compliance with regulatory requirements, prudent ethical standards or contractual obligations.

8.1 Operational Risk Management Framework

BNY Mellon’s Operational Risk Management Framework provides the processes and tools necessary to fulfil a strategy of managing operational risk through a culture of risk awareness, a clear governance structure and well-defined policies and procedures. The framework ensures appropriate reporting and monitoring to allow effective identification, management and mitigation of risks within appropriate forums and governance bodies. To support this activity, a number of risk management activities are prescribed through both the Enterprise and Operational Risk Management programmes.



The Company uses the Operational Risk Management Framework ('ORMF') to effectively identify, manage, mitigate (where possible), monitor and report the risks in an organised way to the appropriate governance bodies.

The ORMF defines roles and responsibilities through the global policy, using the Three Lines of Defense model as a foundation. Thus, responsibility for the management of operational risk sits first and foremost with the business and functions.

Therefore, the monitoring and reporting of operational risks occurs within the business, entity and EMEA-region risk oversight functions as well as decision-making forums, such as the Audit and Risk Committee ('ARC').

The tools utilised include but are not limited to:

Risk and Control Self Assessments ('RCSA')

Tool used by the Businesses and Select Corporate Staff Departments to identify risks associated with their key business processes and to complete a detailed risk and control self-assessment.

High Level Risk Assessment ('HLA')

Note: The HLA is discussed under section 4.5 High-level assessment ('HLA').

Operational risk events ('ORE')

An ORE is the materialization of an Operational Risk event. ORE data is the collection of internal losses, gains and near misses that provides meaningful information for assessing the Firm's exposure to Operational Risk and the effectiveness of internal controls. Analysis of loss events provides insight into the root cause and information on whether a control weakness is isolated or potentially more systemic. Operational Risk Events ('OREs') are mapped to Basel II Operational Risk event categories and the impact to the Company is identified.

Information on operational risk event losses or gains exceeding USD10,000 are analysed to understand root cause(s) and to identify improvements needed in order to reduce the recurrence and/or magnitude of future events. All OREs (over USD10,000) are reviewed for root cause and possible mitigating actions are reported to the ARC.

Key risk indicators ('KRI')

Key risk metrics designed to monitor activities which could cause financial loss or reputation damage to the BNYM Group. Periodic and consistent monitoring of KRIs ensures that deviations from predetermined standards can be identified. Refer to section 4.7 Risk assessment methodology and reporting systems for more details.

The BNYM Group has established a Risk Assurance ('RA') Team as part of the organisation's governance and control environment within the BNY Mellon Risk Management Group. RA will assess the company's Operational Risk Management methodologies, processes and governance as well as the inputs, scenarios and related estimation methods to the measurement systems / models. This team's evaluations will cover conceptual soundness of the overall operational risk framework as well the effectiveness of the controls across both the 1LOD and 2LOD in execution across this framework.

Appendix
Table 4: Disclosure on Capital Adequacy

Exposure Class	31-Dec-21			
	SAR 000's			
	Exposures before CRM	Net exposures after CRM	Risk Weighted Assets	Capital Requirement
Credit Risk				
<i>On-Balance Sheet Exposures</i>				
Governments and Central Banks	—	—	—	—
Authorised Persons and Banks	69,065	69,065	13,813	1,934
Corporates	983	983	548	77
Retail	—	—	—	—
Investments	—	—	—	—
Securitisation	—	—	—	—
Margin Financing	—	—	—	—
Other Assets	406	406	1,217	170
Total on-balance sheet exposures	70,454	70,454	15,578	2,181
<i>Off-Balance Sheet Exposures</i>				
OTC/Credit Derivatives	—	—	—	—
Repurchase agreements	—	—	—	—
Securities borrowing / lending	—	—	—	—
Commitments	—	—	—	—
Other off-balance sheet exposures	—	—	—	—
Total Off-Balance Sheet Exposures	—	—	—	—
Total On and Off-Balance Sheet Exposures	70,454	70,454	15,578	2,181
Prohibited Exposure Risk Requirement	—	—	—	—
Total Credit Risk Exposures	70,454	70,454	15,578	2,181
Market Risk				
	Long Position	Short Position		
Interest rate risks	—	—		—
Equity price risks	—	—		—
Risks related to investment funds	—	—		—
Securitisation / resecuritisation positions	—	—		—
Excess exposure risks	—	—		—
Settlement risks and counterparty risks	—	—		—
Commodities risks	—	—		—
Total Market Risk Exposures	—	—		—
Operational Risk				973
Minimum Capital Requirements				3,154
Surplus in capital				47,121
Total Capital Ratio (times)				15.94

Table 5: Disclosure on Risk Weighted Assets
31-Dec-21
Exposures after netting and Credit Risk Mitigation - SAR 000's

Risk Weights	Governments and Central Banks	Administrative bodies & NPO	Authorised Persons & Banks	Margin Financing	Corporates	Retail	Past Due Items	Investments	Securitisation	Other Assets	Off-Balance Sheet Commitments	Total Exposure after netting & Credit Risk Mitigation	Total Risk Weighted Assets
0%	—	—	—	—	—	—	—	—	—	—	—	—	—
20%	—	—	69,065	—	—	—	—	—	—	—	—	69,065	13,813
50%	—	—	—	—	974	—	—	—	—	—	—	974	487
100%	—	—	—	—	—	—	—	—	—	—	—	—	—
150%	—	—	—	—	—	—	—	—	—	—	—	—	—
200%	—	—	—	—	—	—	—	—	—	—	—	—	—
300%	—	—	—	—	—	—	—	—	—	406	—	406	1,217
400%	—	—	—	—	—	—	—	—	—	—	—	—	—
500%	—	—	—	—	—	—	—	—	—	—	—	—	—
714% (include prohibited exposure)	—	—	—	—	9	—	—	—	—	—	—	9	61 ¹
Average Risk Weight	— %	— %	20 %	— %	56 %	— %	— %	— %	— %	300 %	— %	22 %	
Deduction from Capital Base	—	—	—	—	—	—	—	—	—	26	—	26	

¹ Presented in SAR 000s but calculated as SAR 8.5 at 714%.

Table 6: Disclosure on Credit Risk Ratings - Long Term
31-Dec-21

	Long term ratings of counterparties - SAR 000's							Unrated
	Credit quality step	1	2	3	4	5	6	
	S&P	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Fitch	AAA TO AA-	A+ TO A-	BBB+ TO BBB-	BB+ TO BB-	B+ TO B-	CCC+ and below	Unrated
	Moody's	Aaa TO Aa3	A1 TO A3	Baa1 TO Baa3	Ba1 TO Ba3	B1 TO B3	Caa1 and below	Unrated
Exposure Class	Capital Intelligence	AAA	AA TO A	BBB	BB	B	C and below	Unrated
On and Off-balance sheet exposures								
Governments and Central Banks		—	—	—	—	—	—	—
Authorised Persons and Banks		69,065	—	—	—	—	—	—
Corporates		—	974	—	—	—	—	9
Retail		—	—	—	—	—	—	—
Investments		—	—	—	—	—	—	—
Securitisation		—	—	—	—	—	—	—
Margin Financing		—	—	—	—	—	—	—
Other Assets		—	—	—	—	—	—	406
Total		69,065	974	—	—	—	—	415

Table 7: Disclosure on Credit Risk Ratings - Short Term
31-Dec-21

		Short term ratings of counterparties - SAR 000's				
Exposure Class	Credit quality step	1	2	3	4	Unrated
	S&P	A-1+, A-1	A-2	A-3	Below A-3	Unrated
	Fitch	F1+, F1	F2	F3	Below F3	Unrated
	Moody's	P-1	P-2	P-3	Not Prime	Unrated
	Capital Intelligence	A1	A2	A3	Below A3	Unrated
On and Off-balance sheet exposures						
Governments and Central Banks		—	—	—	—	—
Authorised Persons and Banks		69,065	—	—	—	—
Corporates		—	974	—	—	9
Retail		—	—	—	—	—
Investments		—	—	—	—	—
Securitisation		—	—	—	—	—
Margin Financing		—	—	—	—	—
Other Assets		—	—	—	—	406
Total		69,065	974	—	—	415

Glossary of terms

The following acronyms are a range of terms which may be used in BNY Mellon EMEA Pillar 3 disclosures:

Acronym	Description	Acronym	Description
ABS	Asset-Backed Securities	CIS	Collective Investment Scheme
ACPR	Autorite de Controle Prudentiel et de Resolution	CMA	Capital Market Authority
AFR	Available Financial Resources	COC	Compensation Oversight Committee
AIF	Alternative Investment Fund	COOC	CASS Operational Oversight Committee
ALCO	Asset and Liability Committee	COREP	Common Reporting
AML	Anti-Money Laundering	CQS	Credit Quality Steps
AS	Asset Servicing	CRD	Capital Requirements Directive
AT1	Additional Tier 1	CRM	Credit Risk Mitigation
AUC	Assets Under Custody	CROC	Credit Risk Oversight Committee
BAC	Business Acceptance Committee	CRR	Capital Requirements Regulation
BAU	Business as usual	CSD	Client Service Delivery
BaFin	Federal Financial Supervisory Authority / Bundesanstalt für Finanzdienstleistungsaufsicht	CSRSFI	Committee for Systemic Risks and System-relevant Financial Institutions
BDAS	Broker-Dealer and Advisory Services	CSSF	Commission de Surveillance du Secteur Financier
BDF	Banque De France	CSTC	Capital and Stress Testing Committee
BEMCO	Belgium Management Council	CT	Corporate Trust
BI	Banca D'Italia	CTS	Client Technology Solutions
BNY Mellon	The Bank of New York Mellon Corporation	DB	Deutsche Bank
BNY Mellon SA/NV	The Bank of New York Mellon SA/NV	DNB	De Nederlandsche Bank
BNY Mellon TDUKL	BNY Mellon Trust & Depositary (UK) Limited	DVP	Delivery versus Payment
BNYIFC	BNY International Financing Corporation	EAD	Exposure at default
BNY Mellon KG	BNY Mellon Service Kapitalanlage-Gesellschaft mbH	EC	European Commission
BRC	Business Risk Committee	ECL	Expected Credit Losses
CASS	Client Asset Sourcebook Rules	ECAP	Economic Capital
CBI	Central Bank of Ireland	ECB	European Central Bank
CCF	Credit Conversion Factor	ECM	Embedded Control Management
CEO	Chief Executive Officer	EEC	EMEA Executive Committee
CEF	Critical Economic Function	EHQLA	Extremely High Quality Liquid Assets
CET1	Common Equity Tier 1	EMEA	Europe, Middle East and Africa
CGB	CASS Governance Body	ERGC	EMEA Remuneration Governance Committee
		ESRMC	EMEA Senior Risk Management Committee
		EU	European Union
		EUR	Euro
		EWI	Early Warning Indicators

Acronym	Description	Acronym	Description
ExCo	Executive Committee	MNA	Master Netting Agreements
FCA	Financial Conduct Authority	MRMG	Model Risk Management Group
FMUs	Financial market utilities	MRT	Material Risk Taker
FRS	Financial Reporting Standard	NAV	Net Asset Value
FSMA	Financial Services and Markets Authority	NBB	National Bank of Belgium
FX	Foreign Exchange	NomCo	Nomination Committee
G-SIFI	Global Systemically Important Financial Institution	NSFR	Net Stable Funding Ratio
GCA	Global Custody Agreement	O-SII	Other systemically important institution
GSP	Global Securities Processing	OCI	Other Comprehensive Income
HLA	High-level Assessment	OEICs	Open-ended Investment Companies
HQLA	High Quality Liquid Assets	ORMF	Operational Risk Management Framework
HRCC	Human Resources Compensation Committee	ORSA	Operational Risk Scenario Analysis
IAS	International Accounting Standards	P/L	Profit and Loss
IASB	International Accounting Standards Board	PFE	Potential Future Exposure
ICA	Internal Capital Assessment	PRA	Prudential Regulatory Authority
ICAAP	Internal Capital Adequacy Assessment Process	RAS	Risk Appetite Statement
ICRC	Incentive Compensation Review Committee	RCoB	Risk Committee of the Board
IFRS	International Financial Reporting Standards	RCSA	Risk and Control Self-Assessment
ILAAP	Internal Liquidity Adequacy Assessment Process	RM	Risk Manager
ILG	Individual Liquidity Guidance	RMC	Risk Management Committee
IRRBB	Interest Rate Risk on Banking Book	RMP	Risk Management Platform
IMMS	International Money Management System	RRP	Recovery and Resolution Planning
ISDA	International Swaps and Derivatives Association	RW	Risk-weight
ISM	Investment Services and Markets	RWA	Risk Weighted Assets
IT	Information Technology	SA	Standardised Approach
KRI	Key Risk Indicator	SFT	Security Financing Transaction
KYC	Know your customer	SLD	Service Level Description
LCR	Liquidity Coverage Ratio	SREP	Supervisory review and evaluation process
LERO	Legal Entity Risk Officer	SRO	Senior Risk Officer
LOB	Line of Business	T&D	Trust & Depositary
LOD	Line of Defense	T1 / T2	Tier 1 / Tier 2
MiFID II	Markets in Financial Instruments Directive II	TCR	Total Capital Requirements
		TRC	Technology Risk Committee
		TLAC	Total Loss-Absorbing Capacity
		UCITS	Undertakings for Collective Investment in Transferable Securities
		VaR	Value-at-Risk

The following terms may be used across BNY Mellon EMEA Pillar 3 documents:

Capital Market Authority ('CMA'): The statutory body responsible for the prudential supervision of Authorised Persons in Saudi Arabia

Common Equity Tier 1 capital: The highest quality form of regulatory capital comprising common shares issued and related share premium, retained earnings and other reserves excluding the cash flow hedging reserve, less specified regulatory adjustments

Credit risk mitigation ('CRM'): A technique to reduce the credit risk associated with an exposure by application of credit risk mitigants such as collateral, guarantees and credit protection

Derivatives: A derivative is a financial instrument that derives its value from one or more underlying assets, for example bonds or currencies

Exposure: A claim, contingent claim or position which carries a risk of financial loss

Exposure at default ('EAD'): The amount expected to be outstanding, after any credit risk mitigation, if and when a counterparty defaults. EAD reflects drawn balances as well as allowance for undrawn amounts of commitments and contingent exposures over a one-year time horizon

High-level Assessment ('HLA'): An assessment of the quality of controls in place to mitigate risk and residual risk. Residual risk is assessed as high, moderate to high, moderate, moderate to low and low with direction anticipated

Internal Capital Adequacy Assessment Process ('ICAAP'): The group's own assessment of the levels of capital that it needs to hold through an examination of its risk profile from regulatory and economic capital viewpoints

Key Risk Indicator ('KRI'): Key Risk Indicators are used by business lines to evaluate control effectiveness and residual risk within a business process

Master Netting Agreement: An agreement between two counterparties that have multiple contracts with each other that provides for the net settlement of all contracts through a single payment in the event of default or termination of any one contract

Pillar 3: Sets out information Authorised Persons must disclose about their risks, the amount of capital required to absorb them and their approach to risk management. The aim is to encourage market discipline and improve the information made available to the market

Residual maturity: The period outstanding from the reporting date to the maturity or end date of an exposure

Risk appetite: A definition of the types and quantum of risks to which the firm wishes to be exposed

Risk and Control Self-Assessment ('RCSA'): Risk and Control Self-Assessment is used by business lines to identify risks associated with their key business processes and to complete a detailed assessment of the risk and associated controls

Risk Governance Framework: The risk governance framework has been developed in conjunction with BNY Mellon requirements. Key elements of the framework are:

- Formal governance committees, with mandates and defined attendees
- Clearly defined escalation processes, both informally (management lines) and formally (governance committees, board, etc.)
- A clear business as usual process for identification, management and control of risks
- Regular reporting of risk issues

Risk Management Committee ('RMC'): A committee which meets monthly to provide governance on risk related items arising from the business of the group

Risk-weighted Assets ('RWA'): Assets that are adjusted for their associated risks using weightings established in accordance with CMA requirements

Tier 2 capital: A component of regulatory capital under, mainly comprising qualifying subordinated loan capital, related non-controlling interests and eligible collective impairment allowances



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