Treasury Services Update

Europe, Middle East & Africa Edition

BNY MELLON

A newsletter for treasury professionals.

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A Time for Reflection and Looking Forward

Driving Innovative Solutions to Support Long-term Business Sustainability

By Dominic Broom, BNY Mellon Treasury Services' head of Sales and Relationship Management for Europe, Middle East and Africa

The past 12 months have proved to be a particularly testing time for the finance industry and there can be little doubt that further challenges await. However, what has become more apparent in the broader industry is something BNY Mellon has long understood: the true relevance of transaction banking to the real economy, and its importance to global economic recovery.

This year's Sibos (the transaction banking industry's principal forum for dialogue and critical debate) put great emphasis on the sector's rise in profile, as well as the hurdles transaction banks must overcome in order to facilitate cross-border commerce. Many of these concerns: liquidity, regulation, commercial sustainability and the changing direction of global trade flows, have been focus areas for our organisation for some time. As we look to 2013 and these factors remain primary concerns for our financial institution partners, they will continue to form our chief areas of innovation and investment.

If the Sibos plenary debates, and indeed my own discussions with partners and peers, are anything to go by, liquidity is the number one priority for banks and financial institutions, and their clients. Optimising available cash resources and ensuring funding security is key to decreasing dependency on debt and promoting business sustainability. "Sustainability" has become a much-used term but, rather than being indicative of a mere trend, it reflects a shift in commercial mentality driven by ongoing market turbulence.

From a liquidity standpoint, long-term business sustainability depends on enhanced working capital management efficiencies and greater visibility and understanding of cash positions across the entire business cycle. Such factors enable companies to optimise available resources, particularly vital in credit-constrained times, and ensure access to funds in times of need.

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Improving cash and liquidity management efficiencies – particularly across borders – is chiefly a question of innovation. And innovation is one of BNY Mellon's core values, as discussed by Susan Skerritt, BNY Mellon Treasury Services' global head of Business Strategy and Market Solutions, in her piece on "The Essentials of Innovation" on page 13. For us, innovation does not mean abandoning tried-and-tested (and proven) techniques and methods to start from scratch. Rather, innovation lies in doing what our partners have always trusted us to do, only better. A chief example of this, discussed in greater detail on page 22 by my colleague Daniel Verbruggen (BNY Mellon Treasury Services head of Relationship Management, Developed Markets for Europe, Middle East and Africa [EMEA]), is our efforts in the multicurrency clearing space.

By leveraging and expanding our acknowledged strength as a processor of U.S. dollar payments, we aim to not only demonstrate our commitment to this space, but to set new standards for speed and operational efficiency, by giving partners across the globe access to a single solution regardless of currency or payment type.

This approach is in recognition of two things. Firstly, that moving money across borders is an increasingly complex and costly business, dependent on speed, security and stringent regulations that vary from market to market and the ability to withstand rising competition from non-bank payments providers. Secondly, commercial success increasingly depends on the ability to tap into new markets, and payments channels are one of the key ways that this can be achieved.

New markets, particularly (though not exclusively) Asia and Latin America, are widely considered to be vital to sustainability, especially as economic uncertainty in many of the more mature economies looks set to continue for the foreseeable future (see 'Powering Ahead: Brazil' by Dino Sani, BNY Mellon Treasury Services head of sales and relationship management for Latin America, on page 24). The growth of 'south-south' trade flows and the rising economic power of the emerging economies underline the importance of new markets and the need for truly global capabilities that can align with shifting geographical requirements.

In this respect, it is the ability to establish and nurture connections - across borders, between global providers and local partners and between trading counterparties - that defines the successful provision of treasury services today. In fact, the importance of connectivity, and its role at the heart of trade and commerce, is something that has remained a constant. Hand-in-hand with technology, connectivity has been an ever-evolving but core component to our industry, and is a subject that my colleague Peter Hazou (BNY Mellon Treasury Services head of Market Development, EMEA) explores further on page 9.

BNY Mellon has always been a leading trade facilitator, but as markets continue to evolve, so does our search for new ways of enhancing our services. Indeed, helping our partners and their clients make and support their own connections relies on a combination of reaching out to the market to better understand evolving client needs (an endeavour aided by our recent market attitudes survey, as detailed on page 6) and enhancing our own internal connections.

It is only by leveraging the full extent of these connections, and by drawing on human creativity and specialist expertise, that we can spark greater interconnectivity and collaboration throughout our organisations, and develop the most comprehensive and flexible services for our partners. Marc Librizzi (BNY Mellon's chief information officer, EMEA) reveals the activities taking place 'behind the scenes' on page 12.

Such efforts have proved invaluable in what has been, for many, another challenging year. By further enhancing communication and collaboration – within our organisation, with our partners, and between our partners and their clients – we can achieve even greater success, despite continued market turbulence and economic uncertainty.

Thank you for being our partners. May you have a restful end of year, and I look forward to continuing the conversation in the New Year.

Dominic Broom

BNY Mellon Treasury Services EMEA Expands Industry Expertise

Dhiru Tanna Joins the Team

Dhiru Tanna
BNY Mellon Treasury Services' Sales officer, EMEA

Dhiru Tanna has joined BNY Mellon Treasury Services. Reporting to Colin Robertson, Treasury Services sales manager for Europe, Middle East & Africa (EMEA), Dhiru will be responsible for the Broker-Dealer and Exchanges market segment for the region. In this role, Dhiru will work with clients and product managers to develop flexible solutions that address the needs of today's complex business environment.

Dhiru previously spent nine years at Bank of America Merrill Lynch, where – after a period as head of EMEA product management – he worked in sales to produce solutions for large corporates in the mining, oil, energy and power industries.

Dhiru's transaction banking career began at Citibank, where he spent nine years that culminated in his position as head of Cash Management and Trade for Citibank Egypt, based in Cairo. Dhiru holds an economics degree and trained as an economist at The Economic Intelligence Unit in London.

Industry Accolades

BNY Mellon Receives Top Regional Rankings

Awards Recognise Consistent Strengths, Holistic Solutions

For the third consecutive year, BNY Mellon has been named 'Best Transactional Bank for Financial Institutions in EMEA' by *EMEA Finance* magazine, as part of its 2012 Treasury Services Awards. The win – based on the results of an online survey completed by treasury professionals across the region – reflects BNY Mellon's strategic emphasis on reliable execution, customer focus and financial strength.

"The past 12 to 18 months have brought significant challenges to markets in the region," says Dominic Broom, managing director and head of Sales and Relationship Management for BNY Mellon Treasury Services EMEA. "These challenges are driving demand for enhanced risk management as well as innovations in data and treasury management, while at the same time making it difficult for some financial institutions to justify continued investment in peripheral business operations. Our collaborative approach provides a key way for local and regional financial institutions to overcome these pressures."

BNY Mellon was the only institution to receive recognition for its transactional banking services to financial institutions in this year's survey. Full coverage of the 2012 awards appears in the October/November issue of *EMEA Finance*.

BNY Mellon Receives Two Gold Medals in TFR Excellence Awards

BNY Mellon has attained the top position in two of this year's *Trade and Forfaiting Review* (TFR) Excellence Awards categories, winning 'Best Trade Services Provider' and 'Best Trade Bank in the Middle East'.

As 'Best Trade Services Provider' – a title that recognises the importance of a holistic approach to cash and trade – BNY Mellon's extensive reach, client-focused solutions and collaborative approach to partnerships have been recognised. In making the announcement, TFR also drew attention to BNY Mellon's key differentiator – its 'non-compete' approach.

"Our collaborative, non-compete approach means our local partner banks can leverage our abilities, secure in the knowledge that we will not compete for local corporate business," says Susan Skerritt, BNY Mellon Treasury Services' global head of Business Strategy and Market Solutions. This, combined with our ability to take a client-centric approach to innovation, has stood us in good stead, and we expect the growth we have achieved to continue throughout the remainder of 2012 and beyond."

BNY Mellon has also been recognised as 'Best Trade Bank in the Middle East' – an award all the more meaningful considering the socio-political challenges that have arisen in the region. The post-Arab Spring environment has intensified the need for banks to offer risk mitigation solutions for supply chains – and BNY Mellon's win is an acknowledgement of the bank's success in this respect.

"We have seen growing demand for trade solutions that unite the risk-mitigating properties of traditional trade instruments – such as letters of credit – with the increased transaction processing speed and efficiency that modern cross-border trade requires," says Dominic Broom. "BNY Mellon has continually invested in solutions to satisfy this demand, and works with its local partner banks on a collaborative basis to deliver these solutions to the market."

BNY Mellon was also awarded a silver medal in the 'Best Trade Bank in the World' category, and a bronze medal in the 'Best Trade Bank in Latin America' category.

For more information on these awards, please contact your local BNY Mellon Treasury Services Relationship officer.

BNY Mellon Voted Safest U.S. Bank by Global Finance

Top Standard Maintained in Annual Ranking

For the fourth year in a row, BNY Mellon has been ranked as the top U.S. bank according to *Global Finance* magazine's annual ranking of the world's 50 safest banks. The *Global Finance* rankings are based on an evaluation of long-term credit ratings from the principal rating agencies and total assets of the 500 largest banks worldwide. In the first-ever midyear update of the rankings, BNY Mellon maintained its standing as the safest bank in the U.S.

"More than ever, long-term creditworthiness is the key feature of banks for customers around the world," said *Global Finance* publisher Joseph D. Giarraputo. "The banks included in our ranking have solid capital positions and superior risk management capabilities."
The full report covers the safest banks in Western Europe, Central and Eastern Europe, Asia, the Middle East, North America, Latin America and Australia.

According to Gerald L. Hassell, chief executive officer of BNY Mellon, "Our top ranking for U.S. banks during the past four years reflects the successful execution of our strategic focus on capital creation and risk management. We've been there for our clients throughout this period, thanks in large part to our sustained financial strength."

Survey Gauges Transaction Banking Landscape

Evolving trade finance and cash management

By Dominic Broom, BNY Mellon Treasury Services' head of Sales and Relationship Management for Europe, Middle East and Africa

In the interest of encouraging sector dialogue as well as gauging the extent and effects of current market developments, BNY Mellon and Exporta (publishers of *Global Trade Review* and *EMEA Finance*) have collaborated to produce a major survey of attitudes in both the buy- and sell-side of the transaction banking space.

Conducted during September and October this year, the survey set out to analyse the "winds of change" sweeping across the industry. Change, what is more, that is ushering in a new era for both trade finance and cash management. The survey, called "Attitudes to Transaction Banking," was also a key element in our promotion of greater communication and collaboration in the transaction banking industry – encouraging dialogue with all sector players from banks and non-bank financial institutions (NBFIs), as well as major corporates, small-to-medium sized enterprises (SMEs) and government bodies.

There has been much discussion of the economic, regulatory and operational trends and developments that have emerged in the aftermath of the 2008 financial crisis, but our aim here has been to crystallise such anecdotal evidence into empirical data that creates a solid foundation on which to build further debate.

The Raft of Regulation

Unsurprisingly, the issue of regulation – its extent, content and impact – has manifested as the hot topic of the day, and the greatest concern of sector specialists. The negative perception of current and upcoming regulation has been most pronounced, with 68% of survey respondents believing planned regulations will have a negative impact on their business, and 70% believing that Basel III's implementation will result in "additional costs." Unassuaged fears that Basel III's stringent capital requirement ratios will drive up the cost of trade finance have been well documented, so it comes as no surprise that only 3% of companies believe the regulation's impact is likely to be positive.

Viewed in conjunction with other new regulatory initiatives, such as The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act Section 1073 (Dodd-Frank Act), the majority of respondents (64.5%) thought regulators were "somewhat" or even "overly" conservative. Meanwhile, 23.7% considered their approach to be "neutral", with only 11.7% viewing regulatory proposals as either "overly" or "somewhat liberal."

Finding the Funds

Just as topical is the concern around funding. It is well documented that traditional sources of liquidity levels have been greatly diminished, so our survey sought to measure the scale of funding concerns and identify the most popular methods of easing the liquidity crunch. Among respondents, 45% claimed they had seen a decrease in available funding over the course of the last year, while 27% believed levels had not changed, leaving only 28% reporting an increase from the previous year. These figures largely reflect the data procured via respondent

type as well, with 44% of banks responding reporting a decrease in the availability of external funding, and 36% of responses from multinational corporations also citing a decline.

Drilling down further to look at funding terms – such as tenors, security and pricing – 66% of respondents believe banking terms for funding have tightened. Perhaps because of this, respondents are becoming increasingly creative in the procurement of funds, with 41% of respondents saying that additional funding – other than from the banking market – is being found internally. Additional sources of funding include corporations (18%), government-sponsored schemes (18%), boutique financiers or specialist funds (10%) and forfaiters (3%).

Technology in Treasury

Technology has long been the mainstay of transaction banking, having evolved from process facilitator to vital enabler. But in today's economic climate, investment in technology must pay its way, and 29% of respondents stated their prime motivation for technology spend is related to driving down "costs." Of the remainder, 23% are seeking improved "control oversight", 21% are motivated by "accuracy" and 20% are seeking "reduced turnaround time."

With regard to where technology investments are being made, "risk management" – understandably in today's climate – came out on top with 30%, closely followed by "cash management" (29%) and "trade and supply chain finance" (21%).

The importance of technology in treasury management is underlined by the news that 32% of respondents, when asked what could improve the overall treasury function, opted for "automation", with second place going to "enhanced access to information" (30%) – both clearly technology dependent.

It is also interesting to note that, despite budgetary constraints, the amount of money directed towards technology seems to have remained stable. Among respondents, 41% are planning to spend between US$1 million and US$10 million on technological systems over the next year, and 14% are planning to spend over US$10 million.

Quality of Service

The now universal importance of technology perhaps explains why the overriding factor in differentiating between cash management providers is something more personal: the "quality of service." Indeed, when choosing a cash management provider, 30% of survey respondents would focus on service rather than "pricing" (20%), "counterparty risk" (22%) or even "understanding of business" (17%).

This overall trend was mirrored by the responses of banks, 31% of which would favour service quality over any other factor. Although financial institutions other than banks gave slightly different results – their percentages showed "service quality" was slightly behind "understanding of business" (27%) and "counterparty risk" – the consistently high values placed on this element means it is a key differentiator in today's industry.

Reading the Data

Alongside the air of caution that continues to pervade the market, there are a number of

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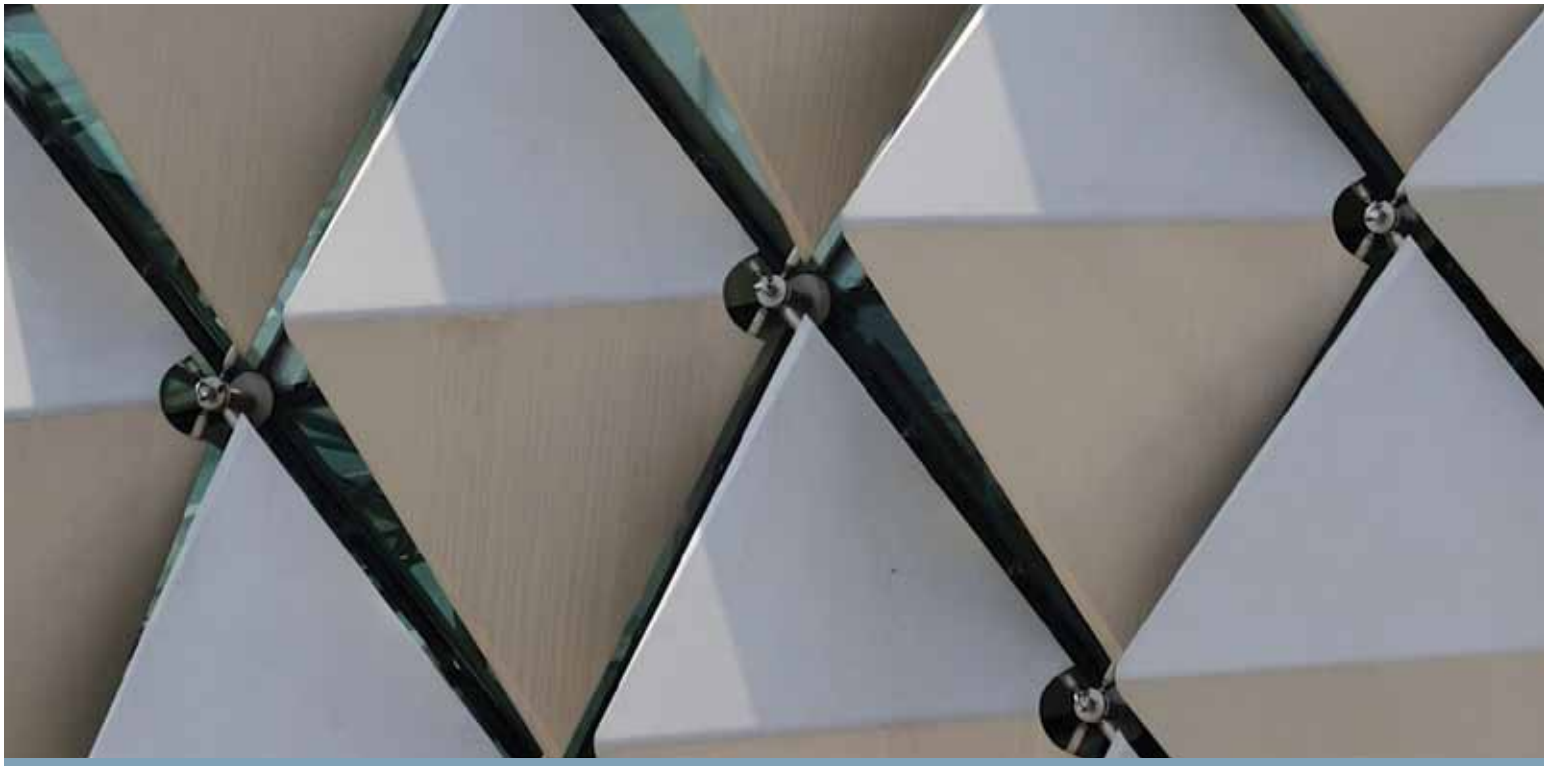
conclusions we can draw from the survey. The first is that there is a less than warm welcome for the regulatory response to the crisis, in anticipation that it will add to existing cost pressures and is, at best, somewhat conservative in its approach.

The second conclusion is one that BNY Mellon has long supported: the growing interdependence between the participants of a "value chain" or "ecosystem." Funding constraints have increased supply chain pressures, highlighting the need for increased internal efficiencies and stronger supply chain collaboration.

A leaner machine in this respect is no bad thing, nor is the third trend: the increasing focus on service quality. While technology remains a key focus – and a tool for reducing costs and increasing control – service is today the key differentiator between providers. Certainly, when times are tough, transaction banks' clients tend to look to their suppliers to increase the level of comfort by being both available and responsive.

If we therefore emerge from the crisis with a leaner machine focused on service – although with a platform that allows new players (and especially new funding sources) to thrive – we may have, in fact, come through the past few years in good shape.

A full overview of the Attitudes to Transaction Banking survey results – and what they reveal about the industry's current shape – can be found in the year-end edition of Global Trade Review *magazine.*



Making the Connection

Latest BNY Mellon Video Explores Connectivity via Client Solutions

Peter Hazou
BNY Mellon Treasury Services' head of EMEA Market Management, Business Strategy and Market Solutions

Since the financial crisis of 2008, BNY Mellon Treasury Services' research has examined the need of both local banks and their commercial clients to identify new revenue streams, lower their costs and enhance their risk management. Our research has focused on how adoption of the manufacturer-distributor model in three key areas of transaction services – trade finance, payments processing and liquidity services – can give local banks the connectivity and client service resources they need to deliver end-to-end solutions in tune with the new transaction ecosystem.

As part of our findings from this research, we've release the most recent installation of our online video series that focuses on the changing relationships between local banks and global processing banks. Featuring Peter Hazou, head of Market Management, Busines Strategy and Market Solutions for BNY Mellon Treasury Services, Europe, Middle East & Africa (EMEA), the video explores the pivotal role that communication plays in managing the connectivity between buyers and sellers in the development of global transaction banking networks.

As we look ahead to 2013, our focus is on communication, which lies at the heart of trade transaction. Bridging the geographical and market-imposed divides between buyers and sellers across the globe depends on a balance of sophisticated, flexible technological architecture and local market expertise. Strategic partnerships between local banks and global providers can combine the traditional, relationship aspects of trade with the latest developments in technology, and can therefore be the key to facilitating cross-border transactions in what is becoming a complex and fragmented world.

Download the video at http://www.bnymellon.com/helpingyou/treasuryresearch/index.html.

Meeting the Needs of Non-bank Financial Institutions

BNY Mellon Extends Services, to Address Evolving Challenges

By Colin Robertson, BNY Mellon's Treasury Services' Sales manager for Europe, Middle East and Africa

Non-bank financial institutions (NBFIs) are currently facing an unprecedented range of challenges – from very low interest rates and high levels of risk, to a number of far-reaching regulations, including Solvency II, European Market Infrastructure Regulation (EMIR) and The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act Section 1073 (Dodd-Frank Act). Such challenges are compounded by the rate of change – meaning that even with best efforts to adapt to or comply with market developments, many NBFIs may be overwhelmed by the task at hand.

In light of the challenges – and opportunities – emerging in this sector, BNY Mellon is extending its Treasury Services to NBFIs in Europe, Middle East and Africa (EMEA). This will replicate a strategy already successful in the U.S., and will bring a comprehensive array of expert solutions to a sector most in need of such assistance.

Many NBFIs are facing significant market upheavals. Most apparent is the forthcoming implementation of Solvency II – the new solvency regime for insurers, reinsurers and the insurance arms of "bancassurers" in 2014. These entities will need to meet a variety of requirements concerning capital tiering, risk weighting, capital charging of assets, asset de-risking, data analysis and transparency – all of which will have a profound impact on cash management and day-to-day working capital.

Alongside Solvency II is EMIR with its reporting and clearing obligations for over-the-counter (OTC) derivatives and, in the U.S., further regulation in the form of the Dodd-Frank Act.

Compounding such pressures is a more recent market development – the emergence of very low, or even zero, interest rates. Of course, interest rates – and returns on investment – have been restrained at best in the aftermath of the 2008 financial crisis, but flat-lining rates now call for very different market dynamics. And although risk mitigation remains key, such caution must be more carefully weighed against potential returns and the cost of deposits. Indeed, hoarding cash – in an effort to mitigate market and operational risk – is itself no longer without cost.

This is not to say that risk mitigation is any less vital. Ongoing volatility highlights the need for greater transparency and control over funds. But this must be achieved as part of a wider strategy that also looks to optimise resources and fuel future growth. For corporates seeking enhanced solutions and financial institutions looking to provide – and themselves use – the latest treasury techniques, a full treasury services offering that combines specialist expertise with wider capabilities is a must in today's market. The sheer breadth of changes faced by NBFIs therefore calls for an equally comprehensive set of treasury solutions.

Addressing the Issues

This is exactly the approach BNY Mellon is taking – pooling the skills of our treasury services team (across the full width of cash management, trade settlement, and insurance and fund management issues) with those of complementary business lines to provide sophisticated end-to-end solutions for NBFIs.

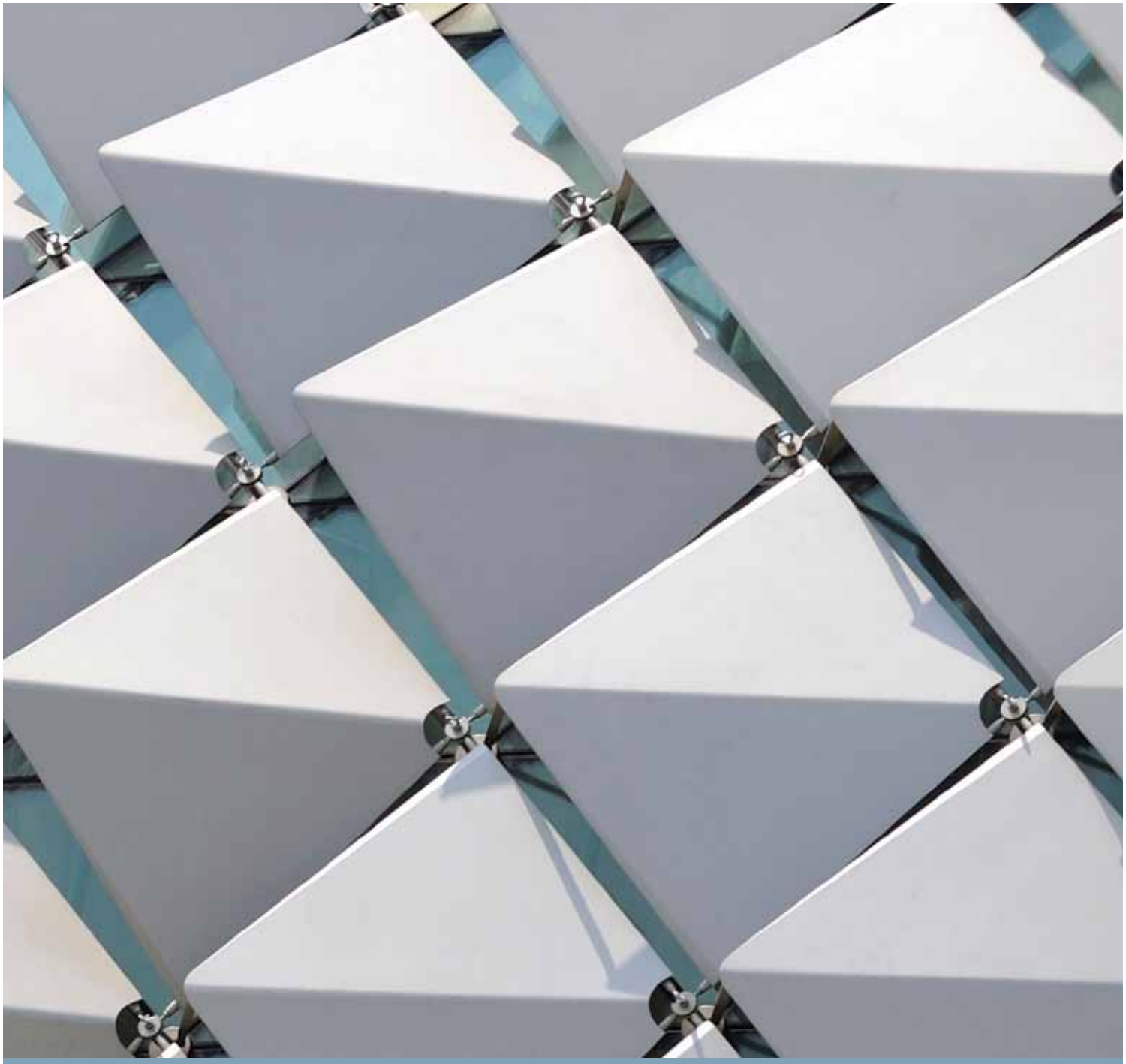
A significant element of this approach lies in the expansion of our clearing services to include European currencies (see my colleague Daniel Verbruggen's article titled, "Multi-Currency Solutions for Modern Needs" on page 22 for more information on this expansion). This will enhance our abilities to streamline the transaction and settlement processes of broker-dealers, clearing counterparties (CCPs) and exchanges, for example. Our efforts will also be focused on fund concentration services – identifying ways to maximise returns while continuing to mitigate risk.

Working with NBFIs is nothing new to BNY Mellon. But the expansion of our capabilities within EMEA, and the growing challenges affecting NBFIs, means the time is now right to make the solutions of our Treasury Services department available to NBFIs operating in the region. By combining our local expertise and on-the-ground presence in London with the strength of our global capabilities, U.S.

operations and U.S. dollar services, we can assist NBFIs of all sizes – those operating within EMEA, and those looking to leverage truly global capabilities.

That said, developing and implementing solutions in this area requires more than just specialist knowledge, sophisticated technology and international reach. Equally important are relationships – nurturing new and existing client relationships, in order to leverage the full breadth of BNY Mellon's skill sets to the benefit of our clients.

As we enhance our offering to clients by extending our partnership credentials to NBFIs, it is the relationships built by our team – myself along with Dhiru Tanna for broker dealers and exchanges (please see the article on page 3 for more information on Dhiru, who recently joined our team), Mauro Bonacina for insurance firms, and Jonathan Roy for funds and asset management – that will ensure our solutions continue to adapt to client needs, and are placed to best meet the challenges of today's market.



Behind the Scenes with Social Technology

Growing Interest Surrounds Workplace Integration

By Marc Librizzi, BNY Mellon's chief information officer for Europe, Middle East and Africa

The importance of technology to transaction banking – and its critical role in modern client solutions – is well known. But less noticeable is its expanding role behind the scenes – not just in facilitating processes and the development of solutions, but in breaking down the barriers between internal business "silos" to promote more effective communication and spark greater collaboration.

Indeed, social technology – which has long-been popular outside the workplace – has great potential within the business world. As the benefits have become more apparent in recent years, banks and corporates are displaying greater interest in incorporating social technology into the workplace. And in recognition of the benefits such innovation can bring – and its power to potentially transform the way we work – BNY Mellon is actively developing and integrating such tools throughout the corporation. Certainly, by enabling us to work better and smarter than ever before, social technology will benefit ourselves and our clients.

Changing the Way We Work

Of course, the umbrella term "social technology" covers an extensive (and ever evolving) range of tools, solutions and modes of communication – with "communication" being the vital element. Specific tools include video conferencing, instant messaging, live Web streaming, corporate networking platforms and content management products.

Furthermore, many of these products are multifaceted. For example, a corporate networking platform – designed to allow employees to share information and expertise in a more efficient manner – can support features such as personal profiles, message boards, discussion forums and blogs. Message boards and forums can be both business line specific and more expansive, and blogs enable senior management to interact with – and solicit feedback from – the broader organisation in a less formal and more efficient way. Additionally, through "tagging", employees can conduct searches based on key words to find specific expertise or experience within the organisation.

Reaping the Benefits

Such tools offer a number of benefits – both direct and indirect. One such advantage is the potential for cost reduction. In today's climate, companies must be keenly focused on driving down the ever-escalating costs associated with data storage – and social technology has the potential to significantly reduce data storage consumption. For example, instant messaging can reduce the dependency on e-mail, which in turn can reduce the costs associated with the mandatory archiving of e-mails. In addition, content management and file-sharing tools can eliminate the need to transmit – and replicate the storage of – shared documents.

Another clear saving opportunity is in the better and more efficient use of time. Video and Web conferencing tools – which enable virtual meetings – eliminate the time (and financial) cost of long-distance travel, while simplifying the means of communication between international outposts and retaining the value of – and human preference for – face-to-face interaction.

As important as cost and time efficiencies are, there is a wider advantage here, and one that lies at the heart of BNY Mellon's approach – the enhancement of communication and collaboration. Indeed, social technology – far from being a dramatic upheaval of working systems – is intended to do just that: enhance communication practices in a fluid and intuitive manner by replicating natural communication preferences and boosting their power and scope through the use of modern technology.

Breaking Down the Barriers

This all fits in with our wider strategy of "delivering the whole company" – that is, optimising our ability to deliver holistic end-to-end solutions to our clients by better leveraging the pools of specialist expertise and ideas we have across our business lines. BNY Mellon has long held the belief that

breaking down internal business "silos" is vital to improving working practice and the client experience – by enhancing communication along and across our business lines and thereby sparking greater collaboration. Certainly, it is only with such a high degree of connectivity that we can provide the most innovative and comprehensive solutions to meet the growing and fast-changing challenges of today.

As we continue to implement social technology – a process of technological maturation and employee education – we look forward to extending these capabilities beyond the company to improve communication with our clients. Conversation and collaboration with our clients is vital to ensuring today's needs are accurately met, so enhancing our abilities in this respect will be a step forward in enabling greater marketplace dialogue, and a driver for continued success.

The Essentials of Innovation

Best Practices for Creating and Maintaining a Culture of Innovation

By Susan Skerritt, BNY Mellon Treasury Services' global head – Business Strategy and Market Solutions

Innovation. The word conjures images of tablets and mobile phones, electric cars, "cloud" technology, robotic surgery and other breakthroughs far too numerous to list. In virtually every industry, advances ranging from incremental enhancements to real game-changers are rapidly and routinely transforming the way we live and work – and there's no end in sight. Innovation is a nearly universal aspiration, but as Einstein once said, "Invention without execution is hallucination."

Companies like Apple, Google, Xerox and Disney seem to have the formula down pat. But at many other organizations, some really great concepts don't get further than the proverbial drawing board. What does it take to successfully commercialize your creativity on a recurring basis? Based on our experience in bringing new products and services to the marketplace, BNY Mellon believes there are eight essentials for success.

The 8 Essentials of Innovation

1. **Enlist support from executive management.** Innovation requires investment – of time, money, subject matter expertise and numerous other sought-after resources. For the past several years, a tumultuous economy has led many companies to focus primarily on controlling expenses and minimizing risks. The problem is, while you may find some smart ways to cut costs in the process, in the medium term there's no new revenue, no ROI, generated by that approach. As economic conditions improve, companies may no longer be as reluctant to consider putting some money into R&D, acquisitions or hiring to build their expertise. But they may be behind the eight ball if they've let their innovation program lapse.

2. **Don't stop innovating – no matter what!** During difficult times, it can be challenging to have the fortitude to focus on innovation. However, history provides many examples of how urgency actually breeds greater creativity – and spawns some profitable products and services. During the Depression, for example, sales of refrigerators rose by 30 percent from 1929 to 1933 right in the midst of the crisis. The benefit of refrigeration – a significant innovation at the time – was clearly important enough to consumers to outlay their cash during a period of intense scarcity.

3. **Tie innovation closely to company strategy.** To be truly effective, innovation must be treated as an integral component of your business plan. To do that, it's crucial, according to Booz & Company, for companies to ensure that innovation programs operate in sync with their other efforts to grow and to treat it as one more aspect of their active pursuit of success. Booz experts state that companies "must also excel in areas outside R&D, including manufacturing, logistics, sales, marketing

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and human resources. And their innovation efforts must be in sync with their overall corporate strategy. They must integrate the right innovation capabilities with the right set of firm-wide capabilities, as determined by their overall strategy."

4. **Implement a well-understood process to capture and act on ideas.** A significant obstacle to innovation lies in the absence of a standard mechanism for gathering, selecting and prioritizing the ideas contributed. One of the world's most widely used methods – and one successfully employed for many years by BNY Mellon – is the Stage-Gate® process, developed by Dr. Robert G. Cooper. As its name implies, Stage-Gate is designed to provide companies with a disciplined step-by-step process they can employ to transform their best ideas into commercialized products or services, while readily identifying concepts that should be abandoned early on in the process so as not to waste resources.*

   BNY Mellon operates an Intranet-based system called the "i-zone" where employees can find information about how the company defines innovation, how it is related to our overall strategic vision, a running inventory of ideas submitted and in the evaluation queue, and an easy to use portal for submitting an idea. The system works; currently, we have collected more than 4,000 ideas and 100 are now in development. (Some of our current innovations are described at the end of this article).

5. **Be willing to take appropriate risks.** Even when the best ideas make it through a process like Stage Gate, there is always some level of risk involved in taking the next step. There are several things you can do to specifically reduce your chances of failure and to monitor your level of exposure ongoing.

   - Pilot your product or service with a few trusted clients before you officially launch. Their real-life user perspectives can help you adjust your offering early on.

   - Establish metrics by which you will measure success. To sort out the home runs from initiatives that should go "back to the drawing board" for improvement, it's important to know what you are aiming to achieve before you begin development.

   - Use what you've learned from past failures. In dissecting your mis-steps, you may be able to identify what you could have done better, sooner, or more thoroughly. A formal post mortem process is crucial - and it may in fact result in a resurrection of a new and improved product or service that appeared to be DOA.

6. **Understand the real needs of clients.** Successful innovation largely hinges on meeting a client need - making a process less painful, simplifying an onerous task, or improving accessibility to information or systems. To attain this knowledge, you really need to connect with clients to truly understand what challenges them day to day and what they might be willing to pay for to alleviate or improve the situation.

   BNY Mellon has had great success in using what we call Customer Advisory Boards (CABs) - small groups composed of customers who represent our entire base or a specific target industry segment, like banks, insurance companies, broker dealers or healthcare organizations. The groups meet every few months to tackle a set agenda of topics pulled together by our business development experts. The CABs provide great value in helping us assess our own ideas and by uncovering additional opportunities where we might want to focus going forward to meet a current or upcoming challenge that has made it onto clients' radars.

7. **Reward and recognize success.** For many, financial rewards may seem like the natural choice for idea recognition – but money isn't necessarily the most effective option or the most practical given that concepts don't immediately generate revenue to offset expenditures.

   At BNY Mellon, we match the type of reward given to the stage of an innovation idea. For instance, when an idea is

submitted, a simple acknowledgement and various workplace recognitions are provided to the employee, thanking them for their initiative and letting them know what the next steps will be. The most creative and those that promise to generate the most revenue or significantly reduce costs may result in the employee receiving a cash award or a percentage of the value attained by the company.

In the process of rewarding and recognizing contributors, we have learned some important lessons, such as acknowledging all ideas, including those important but non-revenue generating concepts, as well as those that may not make the final cut.

8. **Encourage collaboration among businesses, and within business functions.** You'll gain a diversity of perspectives. That's important because a concept that your Sales team considers a home run may not be as clear cut when your IT, product development, legal and risk management staff weigh in. Multidisciplinary teams - with their wide range of specialized expertise - should be involved early on in your concept evaluation process.

   To foster collaboration, BNY Mellon has created a cross departmental IT innovation council that meets bimonthly. The council's responsibilities include managing, reviewing and approving proposed ideas, developing potential business solutions and participating in specific business prototypes. It also promotes innovation through proactive management education on opportunities created by emerging technologies. Council members represent senior staff from our IT area as well as our numerous businesses.

   Another tool that has proven useful at BNY Mellon is our "superuser" online network - a simple yet effective method of connecting employees with a special interest in innovation from across our businesses. The superuser network is an online community designed to increase the process, pace and culture of innovation across our company. Its nearly 700 members check in regularly to share their ideas, read and comment on their colleagues' concepts, and catch up with current thinking about innovation.

Embracing Our Best Ideas

BNY Mellon's is strongly committed to innovation. By applying the methods described herein, some of our most cutting edge initiatives include:

- Multicurrency Exchange Settlements – BNY Mellon Treasury Services is teaming with our colleagues in the company's Broker Dealer Services area to combine high value multicurrency payments with broker dealer collateral management services. Our new enhanced offering will expand our current USD settlement capabilities for Futures Commission Merchants (FCMs) to include 18 currencies in all. The new service will offer FCMs the opportunity to gain a timely mechanism for meeting original and variation margin calls from Futures Exchanges.

- Mobile Electronic Bill Presentment and Payments (EBPP) – Ready or not, your consumer clients like the speed and convenience of mobile technology – for paying bills and facilitating many other interactions with your organization. BNY Mellon has enhanced our EBPP solution to enable our business clients to offer their consumer payers the option to view statements and make payments via a variety of mobile devices. The outcomes: accelerated receivables, faster access to cash and more satisfied customers. Our mobile Web services can also be integrated with a company's own payment application to facilitate data collection and reconciliation as well as payment collection.

  Over the past year-plus, BNY Mellon has rolled out several new institutional mobile options that enable our clients to accomplish a variety of financial activities any time, anywhere. From the convenience of a tablet, smart phone or other mobile device, our clients can now complete a variety of tasks, such as securely reviewing and releasing payments; funding investments; keeping tabs on account balances and ongoing transactions;

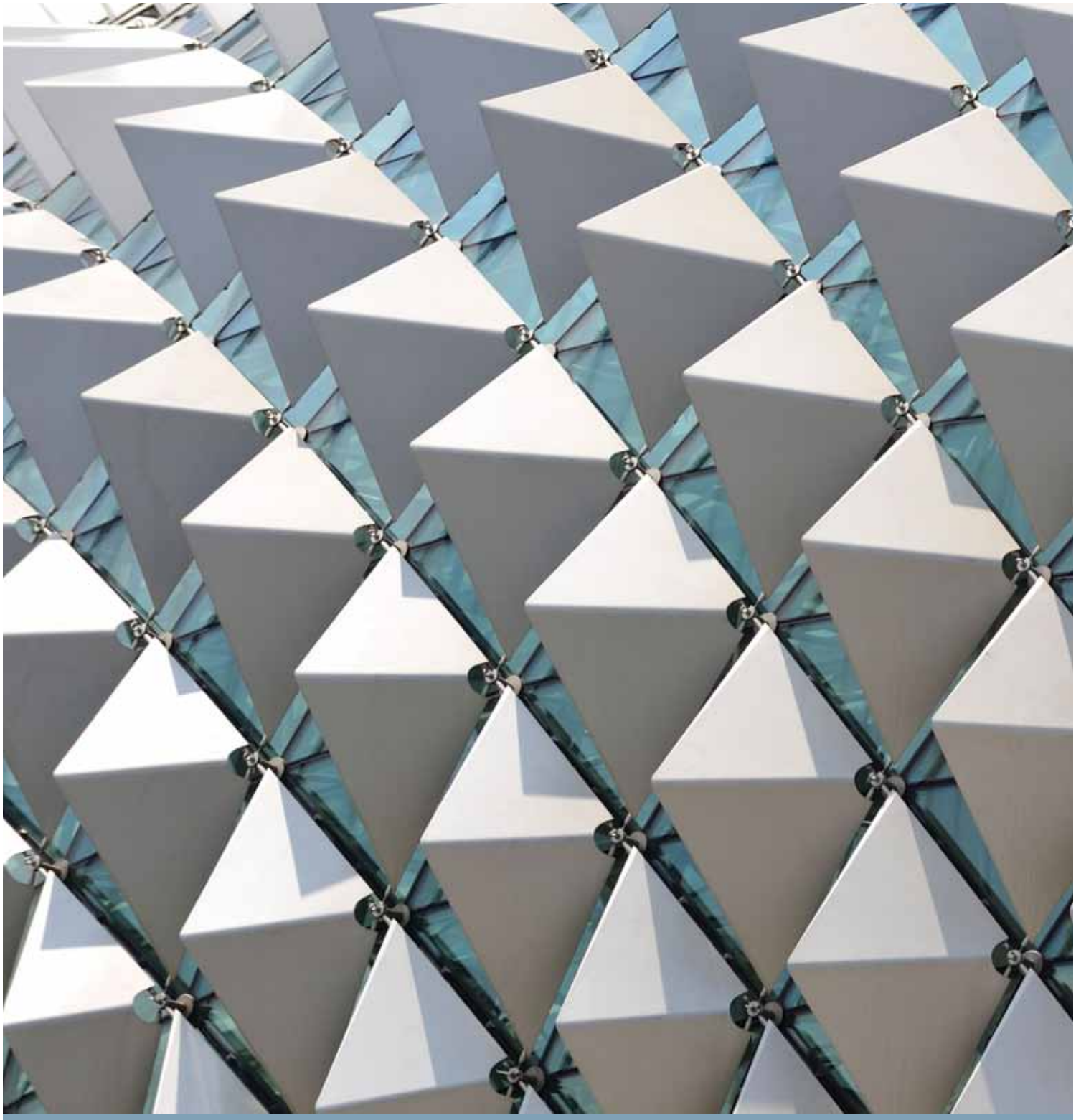
Continued on next page.

transferring money between accounts; and receiving alerts about time-critical transactions.

Our President and CEO Gerald Hassell has called for active participation in our innovation program by every business and business partner group in every region where we operate. As you can see, innovation is alive and well at BNY Mellon.

If you would like to receive more information on these products and services, or if you have an unmet challenge where we could apply our expertise, please send an e-mail to foresight@bnymellon.com. We would welcome your thoughts about innovation and where we may be able to apply our creativity to help your organization excel.

**Learn more about the Stage-Gate process at http://www.stage-gate.com/knowledge_pipwhat.php*



Post-U.S.-election Economic Update

Fiscal Cliff Looms Large

By Richard B. Hoey, BNY Mellon chief economist

The world economy was in a global growth recession in 2012 and we expect that to persist in 2013, especially in the early part of the year. Global GDP grew by 5% in 2010, 3.8% in 2011 and is expected by the IMF to grow by 3.3% in 2012 and 3.6% in 2013. Given the aggressively easy monetary policy in many countries, we do expect global growth to be slightly faster in 2013 (especially later in the year) than in 2012. However, our most likely outlook for global GDP is for a growth rate of about 3% in 2012 and 3.3% in 2013. A modest acceleration of global growth in late 2013 and in 2014 appears likely since (1) uncertainties about U.S. fiscal policy are likely to ease somewhat, (2) some further healing of the European financial crisis is likely, and (3) a modestly stronger pace of growth is likely in emerging markets, in lagged response to easy financial conditions.

We view the U.S. economy as recuperative in the aftermath of a severe financial crisis. U.S. real GDP growth has averaged about 2.2% in the current economic recovery, roughly half the normal pace of growth in post-recession recoveries. We expect a similar outcome for 2013, with U.S. real GDP growth likely to be weaker in the first half and stronger in the second half. Growth in the early part of 2013 is likely to be restrained by the effects both of fiscal uncertainties and of some actual fiscal tightening. We believe that fiscal consolidation of 1% to 1.5% of GDP for 2013 will prove more likely than the fiscal tightening of 5% of GDP for 2013 which would occur if the entire fiscal cliff took place and was not modified for the entire year.

There are three main fiscal issues in the U.S.: (1) the unsustainable multiyear pattern of persistent deficits and a rising debt-to-GDP ratio, (2) the uncertainty about the new tax rules which will prevail once a tax compromise is reached and (3) the fiscal cliff amounting to 5% of GDP for 2013, consisting of the expiration of all the Bush tax cuts, expiration of the temporary 2% Social Security tax cut, the failure to pass the Alternative Minimum Tax (AMT) "fix" for the 2012 tax year, the sequester of defense and non-defense spending and a number of other items.

The results of the 2012 election are likely to influence the mix of tax increases and spending growth slowdowns which are likely to be adopted over a period of years to slowly reduce the size of budget deficits. Given the re-election of President Obama, we expect that the major upward shift in the Federal spending share of GDP in recent years will become permanent and the Federal tax share of GDP will be rising over time to somewhat reduce U.S. budget deficits. In the negotiations over the long-term budget deficits, we believe that a "small bargain" should prove more likely in 2013 than a "grand bargain." The political pressure for a larger bargain is limited, since persistent budget deficits are currently easy to finance for now given aggressively easy Federal Reserve policy. A "small bargain" would be less likely to deliver a major fiscal shock to the U.S. economy in the short run, but would also be less likely to sharply reduce future budget deficits. We believe efforts to reduce multiyear U.S. budget deficits are likely to be embodied in a succession of laws over the coming years, rather than in a single "grand bargain" in 2013.

If the U.S. goes over the fiscal cliff and does nothing about it for the 365 days of 2013, the calendar 2013 fiscal tightening of 5% of GDP would be very likely to generate a recession. The economic impact would be much smaller if the U.S. legislates a postponement of the fiscal cliff in the last days of 2012 or goes over the fiscal cliff followed by an agreement to fix it several days later. We believe that if the tax hikes and spending cuts of the fiscal cliff do go into effect, the odds that they will be ameliorated within a few days are quite high. This is sometimes called the "bungee jump" scenario. It may prove easier to finalize a fiscal cliff deal in the first few days of January 2013 than in the last few days of 2012, since members of the House of Representatives would then be voting for tax cuts rather than for tax increases on the top two brackets.

While the 2012 election generated a status quo election, the political context has changed. The failed budget negotiations after the 2010 Congressional election occurred in a political context in which Republicans could plausibly

Continued on next page.

claim that the mandate of public support had shifted from President Obama to the Republicans in Congress. No such view is credible in the aftermath of the 2012 election. The status quo election of 2012 continues the "double veto" context whereby either President Obama or the Republican House of Representatives can block legislation they oppose. We believe that successful negotiation is therefore required to avoid a recession. The sequence of failed negotiations in the first term of the Obama Administration increases the pressure on both parties to achieve a successful resolution. Given that Washington politicians would be blamed for an avoidable recession if the fiscal cliff is not dealt with by early 2013, we expect the eventual success of negotiation to reduce the size of fiscal tightening in 2013.

In addition to the tax hikes from the expiration of the Bush tax cuts beginning with 2013 income and the spending cuts from the defense and non-defense portions of the sequester, rolling over the fiscal cliff without corrective legislation would increase the number of households subject to the AMT on their 2012 income from 4.4 million to about 33 million on some estimates. An estimated 28 million households could owe additional taxes payable in 2013 on 2012 income, an unpleasant surprise unlikely to be popular with American voters as they begin to file their tax returns for 2012. This is one reason for our view that a legislative fix to the fiscal cliff is extremely likely to occur by very early in 2013 at the latest. So far, fiscal uncertainties have had a different effect on companies than on consumers. As fears of the fiscal cliff have grown, corporate decision-makers have shown a tendency to postpone the placement of capital spending orders. Such a negative response has not yet spread to consumers, although there is a risk that could occur this holiday season. So far, however, consumers have shown a willingness to purchase consumer goods and housing, despite slow income growth. One potential explanation is that layoffs have dropped, bolstering the job confidence of those still employed. During periods of labor market weakness, it has been weak hiring rather than intensified layoffs which have explained the weakness. The U.S. labor market has shown a sustained subdued expansion. Despite sub cycles of shorter and faster growth, non-agricultural payroll employment has risen at a 157,000 per month pace so far this year, little changed from the 153,000 per month pace in 2011.

Decisions about what to do about the financial crisis and recession in the Eurozone have been made relatively slowly, reflecting the differing interests among and within the 17 countries of the Eurozone. The Draghi plan at the European Central Bank has reduced the "tail risk" of a full-scale financial meltdown in Europe, but many underlying problems (relative competitiveness, balance of trade deficits and legacy debt burdens) have been managed rather than solved. We expect a "less worse" economy in Europe in 2013, with a modest improvement from a full-scale recession in 2012 to flat economic activity in 2013.

We believe that the potential GDP growth rate of China has decelerated due to both internal and external factors. The overhang of debt in industrial countries should slow both their own growth rates and the sustainable rate of growth of Chinese exports. Domestically, the slowing of new entrants to the labor market reflects the early stage of a longterm demographic deceleration. We believe that Chinese economic policy has adjusted appropriately to this structural shift. As the evidence accumulates that inventory liquidation in China has run its course, fears of a full-scale hard landing should fade. Sustained growth at a more moderate pace is the likely outlook for China.

This article is dated November 7, 2012. Please see the back cover of this publication for essential disclaimers to this article.

Industry Regulatory Issues

Cross-border Remittance Transfer Implications of the Dodd-Frank Act

Non-U.S. Financial Institutions Impacted Indirectly

The U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act Section 1073 (Dodd-Frank Act) and resulting amendments to Regulation E address various aspects of consumer remittance transfers to countries outside of the U.S. The new rules on remittance transfers, which take effect in the spring of 2013, are far-reaching, and have an impact on financial institutions both directly and indirectly. A majority of non-U.S. financial institutions may be indirectly affected, as defined below.

Direct Versus Indirect Impact

Financial institutions directly affected by the new rules include those that have a direct U.S. presence, have U.S.-domiciled consumer accounts, and provide any form of consumer cross-border transfers electronically (online) or by telephone to consumers located in the U.S. that send payments to a party outside of the U.S.

To support the new disclosure and transparency requirements, financial institutions not falling within these guidelines (i.e., those "indirectly" affected), are being asked to send BNY Mellon information on all applicable fees; taxes or other liabilities required to be withheld; and delivery dates and exchange rates for remittance transfers. We have developed procedures for acquiring this information and are contacting institutions that are indirectly affected.

Qualifying Transactions

Remittance transfers generally subject to the new rules include, for example, those that exceed US$15, have been transferred electronically, are initiated by a consumer located in the U.S. and are sent to a designated recipient (consumer/individual or company) located outside of the U.S. The rules apply to many types of remittance transfers, including wire transfers and international ACH transactions.

The new rules, according to the amendments to Regulation E, require provisions for qualifying transactions such as:

Transparency – Providers should furnish consumers with complete and detailed information concerning the net amount of funds that will be delivered and when those funds will be available to the recipient.

Disclosure – Providers are required to produce a retainable document for consumers detailing the specifics of qualifying transfers (from gross to net) containing contact information for error resolution.

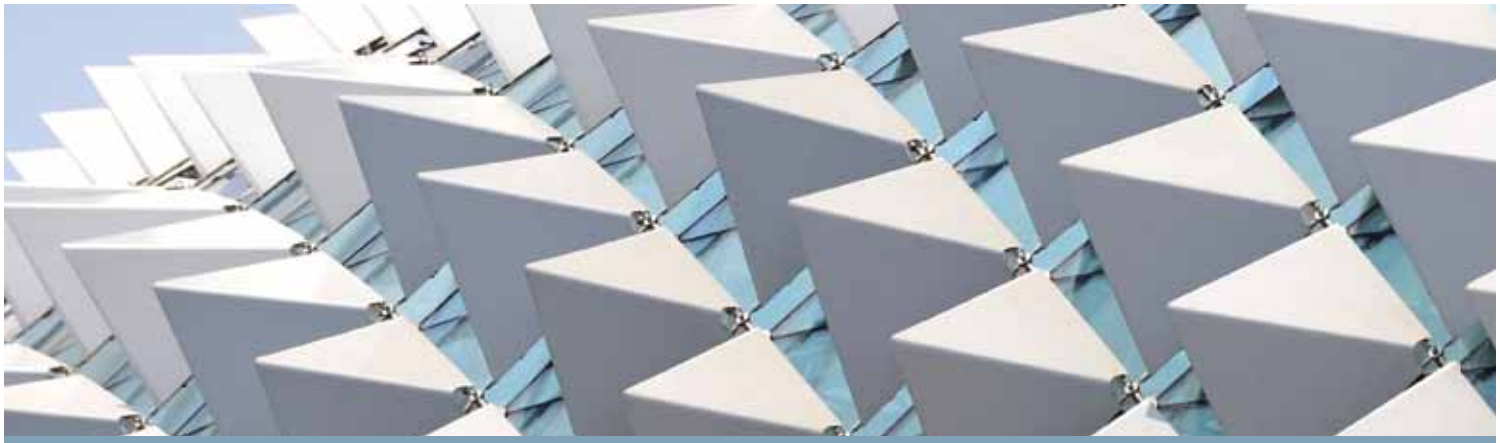
Rights – Providers must allow for a comprehensive set of consumer protections, including a 30-minute cancellation period and up to a 180-day period in which an error can be reported.

Continued on next page.

Let Us Help

To assist in navigating the new rules and regulations, BNY Mellon Treasury Services has established a Remittance Transfer Resource Centre. This password-protected Web site is exclusively dedicated to providing information on our initiatives surrounding the Dodd-Frank Act as it applies to remittance transfers. It also contains links to informative industry and U.S. government sites related to these new rules and regulations.

The site will be continually updated with new information as the compliance date approaches. You can also send questions about the Resource Centre, its contents, and any general information about the impact of the Dodd-Frank Act on remittance transfers via the Web site. Call your Treasury Services Relationship Officer today to obtain the site's password and visit the Web site at www.bnymellon.com/treasuryservices/cao.



Spotlight on Services

BNY Mellon to Provide Innovative Global Payments Platform

Enterprise Payment Hub Supports Global Currencies, Payment Channels and Geographic Regions

BNY Mellon Treasury Services has begun a major initiative to develop an Enterprise Payment Hub (EPH) for clients globally. Comprehensive in scope and ultimately supporting all currencies, payment channels and geographic regions, the innovative platform's new design and technology will set new standards for speed and efficiency.

"Our Enterprise Payment Hub will allow us to apply our acknowledged strengths as a processor of USD denominated payments to global payments – irrespective of their currency denomination," said Susan Skerritt, global head – Business Strategy and Market Solutions for BNY Mellon Treasury Services.

"Being designed from the outset as a comprehensive solution, it will reflect our strengths across multiple payment products and channels. As it evolves, EPH will give global clients access to a single global solution regardless of currency or payment type."
This extensive multi-year initiative reflects BNY Mellon's commitment to providing effective, customer focused payment processing and payment information management services as part of our integrated treasury services solutions.
Initial EPH development work is focused on delivering Euro and Sterling services in Frankfurt, London, Brussels and Luxembourg for the company's global customer base.

Later stages will address clearing opportunities in Asia and Latin America. BNY Mellon is collaborating with Clear2Pay* on the development of EPH, leveraging Clear2Pay's Open Payment Framework technology.

For more information on BNY Mellon's EPH, please contact your local BNY Mellon Treasury Services Relationship officer.

**Clear2Pay provides payment and payment-related solutions for financial institutions and their clients.*

Multicurrency Solutions for Modern Needs

Expanding Clearing Services Create Holistic Approach

By Daniel Verbruggen, BNY Mellon Treasury Services' head of Relationship Management, Developed Markets for Europe, Middle East and Africa

The ability to operate in different currencies has always been the cornerstone to successful cross-border trade. But continuing globalisation, the shift of economic power from west to east, the growing strength of intra-emerging market trade and the rise of intra-regional commerce have made multicurrency capabilities more important than ever. Indeed, the scale of modern cross-border demands and the ebb and flow of historic and developing trade connections has made it imperative that today's treasury service providers offer payment clearing in a wide range of international currencies, and be able to facilitate the transition between them smoothly and efficiently. Furthermore, such capabilities are all the more important in light of continuing economic volatility and the subsequent desire of treasurers to move their cash between regions more easily.

In line with this, BNY Mellon is expanding its multicurrency clearing capabilities, and doing so via key currency centres. This is not to say that BNY Mellon's role as a multicurrency service provider to banks, corporates and non-bank financial institutions (NBFIs) has been any less important in the past. On the contrary, we have provided international clearing capabilities for over a decade, and have retained our position as one of the top five clearing firms for U.S. dollars (USD). But the time is now right to round out our clearing capabilities – via centres in London, Frankfurt, Hong Kong, Singapore and Tokyo – for a number of reasons.

First, and already touched upon, is the growing and rapidly-evolving needs of our clients. We have long-held strong relationships with local currency clearers across the globe, providing multicurrency clearing capabilities – via a centralised system – with a particular focus on the all-important USD. But as client demand increases and on-the-ground local expertise grows in importance, the time has come to internalise and decentralise this process in order to offer clearing directly – in a wider range of currencies – and thereby optimise our client service.

Second, there is the effect of substantial changes in regulation. For systemically-important banks (including BNY Mellon, custodian for US$26 trillion worth of assets) the looming deadline for compliance to Basel III – and more specifically its Capital Requirement Directive (CRD) – has cemented the need to become a full participant in clearing services.

Third, there is the question of operational efficiency and risk management. At a time when cost pressures and market volatility place the spotlight on enhanced efficiency and greater risk mitigation, internalising our payment capabilities will streamline both the in-house processes and the end-to-end solutions we offer our clients, as well as enhance security. Certainly, from an operational perspective, being able to offer these services directly – and expand them in accordance with demand for a greater range of currencies – will enable us to more ably develop flexible solutions better-suited to changing client needs.

Alongside the strength of partner relationships, heavyweight technical capabilities and global reach, stands the fourth pillar of BNY Mellon's philosophy – the non-compete approach. And this remains unchanged – indeed, it should be emphasised that in enhancing our multicurrency clearing, we are in no way entering the clearing space to compete with major deposit banks. On the contrary, the development and decentralisation of our offering is for the benefit of our existing client base, to strengthen the capabilities we already offer and to enhance our current solutions.

In this vein, the expansion of our clearing capabilities to other currencies will predominantly leverage existing resources in Frankfurt (where clearing has already gone live), London (we expect to roll out our sterling-based payment and clearing solutions through 2012) and Hong Kong (where on- and off-shore renminbi capabilities will follow).

Furthermore, strengthening our multicurrency payments offering is itself part of a wider story. As client dynamics, regulatory change

and market developments bring the need for in-house and enhanced clearing, this expansion will be followed by like-minded upgrades across the full product suite of fund management and brokerage focused solutions.

This in turn dovetails with our much-promoted strategy of 'delivering the whole bank'. By pooling the wide-ranging skills, specialist capabilities and existing infrastructure we have across the globe, we can overcome the barriers of discrete business lines to offer enhanced and more extensive solutions to the benefit of our clients. Such internal collaboration is vital – alongside strong bank-client relationships and greater market-wide dialogue – to ensure the needs and preferences of our clients are met (on a non-compete approach) no matter what regulations, economic hurdles or shifts in trade occur in the future. And as current market dynamics come together and emphasise the need for these efforts, rounding out our multi-currency capabilities in this way is the first step towards providing a more holistic offering that is better placed to meet changing market needs.

Treasury Around the World

Powering Ahead: Brazil

Sustaining Growth and Meeting Challenges

Dino Sani
BNY Mellon head of Treasury Services for Latin America

Powered by the strength and diversity of its commodities sector, Brazil recently overtook the UK to become the world's sixth largest economy. Dino Sani, head of Treasury Services for Latin America at BNY Mellon, recently sat down with representatives of FX-MM magazine to provide his perspective on the country's impressive economic growth and some of the problems the country needs to overcome to sustain this trend.

FX-MM: Brazil is now the world's sixth largest economy. What are its competitive advantages?

SANI: I see three key competitive advantages for Brazil. First is the financial system, which is far stronger in Brazil than in other BRIC countries, helped by Brazil's learning from its history of many financial crises. Given this, it survived - and even prospered - during the recent global financial crisis.

Second is the need for infrastructure in Brazil, which is heralding a wave of inward long-term investment in the country. Additionally, the World Cup (2014) and Olympics (2016) are acting as spurs for investment and helping spotlight the country as a place to invest. Third, is the openness of the Brazilian economy generally - successive political regimes have enacted legislation to both open the country to investment and to create transparency. Again, other BRIC countries are a little more opaque when it comes to their economies.

FX-MM: How can Brazil close the competitiveness gap with India and China?

SANI: Education is a key gap that needs to be filled. India particularly places an enormous emphasis on education, especially in mathematics, accounting and IT. This is a strong cultural advantage. Brazil's present need is not so much education generally, but rather a specialized workforce with specific, necessary skills.

Also, Brazil's economy has been commodities-driven, for the good reason that the nation is commodities-rich, but it needs to balance this with an increased industrial production. Brazil is well aware of this and great strides in that direction are being made. Another disadvantage is the unit labour costs of Brazilian production, which are high compared to competitor countries. Updating the country's infrastructure will be an important step towards bringing down these costs.

FX-MM: How developed are Brazil's capital markets and what is being done currently to develop them further?

SANI: The sophistication of Brazil's capital markets is not yet that of the more developed countries, but it is increasing and much further along than other countries in the region. As a result, companies from a variety of sectors

are looking to gain access to these markets. This is an enormous advantage for Brazil and places it well ahead of countries such as China. Brazil's capital markets are the most transparent of the BRIC countries and also the region's most international. They have kept pace with regulatory trends and corporate governance, allowing for long-term and stable investment. FDI is encouraged and "hot money" discouraged, which is the correct balance.

FX-MM: How would Brazil's economy cope with a stronger real?

SANI: In fact, the government has been making strenuous efforts to keep the real competitive. Brazil's priority is to support internal growth, which means stronger exports, and necessitates preventing the real from gaining too much value. New rules and taxes were imposed recently to restrict "hot money" investments that may inflate the currency, and the central bank's interest rate policies aim to prevent the real from becoming uncompetitive. So far the policies are working.

FX-MM: What is the longer-term outlook for the country's banking sector?

SANI: The banking sector is a bright spot for Brazil. Brazilian banks are the strongest in the region – well regulated, well capitalised and highly sophisticated – and they are expanding their presence into all the major Latin American economies. They are strong performers and have an extremely positive outlook.

A version of this article first appeared in the May 2012 issue of FX-MM *magazine.*

Corporate Responsibility

BNY Mellon Volunteers Help Heather Regeneration on Reigate Heath

Ongoing Commitment to Environmental Sustainability and Community Involvement

By Fiona McBride, BNY Mellon Treasury Services Market Management for Europe, Middle East & Africa

BNY Mellon's corporate social responsibility (CSR) programme is fundamental to the company's culture and core values – reflecting the social and environmental sustainability commitments we make to clients, shareholders and employees, as well as to communities around the world. Where possible, our CSR programme also ties in with our thought leadership and strategic direction, and this was certainly true of the BNY Mellon Treasury Services Europe, Middle East and Africa (EMEA) group's team-building exercise back in May of this year.

On May 15th, 33 Treasury Services staff members – in conjunction with Reigate and Banstead Borough Council's Countryside Rangers Sally Jones and Richard Townsley – raked and cleared nearly 5.5 tonnes of leaf litter and shrubland vegetation as part of Reigate Heath's ongoing heathland restoration project.

Reigate Heath is a rare example of lowland heath and for this reason is designated an official Site of Special Scientific Interest: one of the UK's most important wildlife designations. The habitat is also a Local Nature Reserve and the Council is legally responsible for its protection and maintenance, although dependent on volunteers. Tree-felling – to reduce nutrient build-up – and the clearance of invasive vegetation and thinning of scrub are vital to the preservation of this precious local habitat.

The exercise was part of a BNY Mellon Treasury Services EMEA 'off-site', and contributing to this cause seemed an obvious choice for two reasons: BNY Mellon's long-standing commitment to environmental sustainability and community involvement, and our replication of natural ecosystems – in terms of adaptation and connectivity – to address issues affecting the transaction banking business today.

View other highlights on BNY Mellon's Coporate Social Responsibility at http://www.bnymellon.com/about/csr/2011/index.html?pg=csr&source=home.

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Important addendum information to the article titled "Post-election Economic Update" on page 17:

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