April 12, 2016

Mr. Gerald Hassell
Chairman and Chief Executive Officer
The Bank of New York Mellon Corporation
225 Liberty Street, 18th Floor
New York, New York 10286

Dear Mr. Hassell:

On July 1, 2015, the Board of Governors of the Federal Reserve System (Board) and the Federal Deposit Insurance Corporation (FDIC) (together, the Agencies) received the annual resolution plan submission (2015 Plan) of The Bank of New York Mellon Corporation (BNYM) required by section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), 12 U.S.C. § 5365(d), and the jointly issued implementing regulation, 12 CFR Part 243 and 12 CFR Part 381 (the Resolution Plan Rule). The Agencies have reviewed the 2015 Plan taking into consideration section 165(d) of the Dodd-Frank Act, the Resolution Plan Rule, the letter that the Agencies provided to BNYM in August 2014 (the 2014 Letter) regarding BNYM's 2013 resolution plan submission, the communication the Agencies made to BNYM in February 2015 clarifying the 2014 Letter (the 2015 Communication), other guidance provided by the Agencies, and other supervisory information available to the Agencies.

In reviewing the 2015 Plan, the Agencies noted improvements over prior resolution plan submissions of BNYM. Nonetheless, the Agencies have jointly determined pursuant to section 165(d) of the Dodd-Frank Act and section .5(b) of the Resolution Plan Rule that the

2015 Plan is not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code. Section II of this letter identifies the aspects of the 2015 Plan that the Agencies jointly determined to be deficient.

BNYM must provide a submission that addresses the deficiencies jointly identified by the Agencies and otherwise satisfies the requirements of section .5(c) of the Resolution Plan Rule by October 1, 2016 (2016 Submission). The 2016 Submission must include a separate public section that explains the actions the firm has taken to address the jointly identified deficiencies. The 2016 Submission will satisfy the informational requirements of BNYM's annual resolution plan submission for 2016 (i.e., the 2016 Submission is not required to contain informational content other than as specified in this letter). In the event that the 2016 Submission does not adequately remedy the deficiencies identified by the Agencies in this letter, the Agencies may jointly determine pursuant to section .6 of the Resolution Plan Rule that BNYM or any of its subsidiaries shall be subject to more stringent capital, leverage, or liquidity requirements, or restrictions on their growth, activities, or operations.

In addition, the Agencies have identified shortcomings in the 2015 Plan. The Agencies will review the plan due on July 1, 2017 (2017 Plan), to determine if BNYM has satisfactorily addressed the shortcomings identified in Section III below. If the Agencies jointly decide that these matters are not satisfactorily addressed in the 2017 Plan, the Agencies may determine jointly that the 2017 Plan is not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code. The 2016 Submission should include a status report on BNYM's actions to address the shortcomings. The public section of the 2016 Submission also should explain, at a high level, the actions the firm plans to take to address the shortcomings.

I. Background

Section 165(d) of the Dodd-Frank Act requires that each bank holding company with $50 billion or more in total consolidated assets and each designated nonbank financial company report to the Agencies the plan of such company for its rapid and orderly resolution in the event of material financial distress or failure. Under the statute, the Agencies may jointly determine, based on their review, that the plan is "not credible or would not facilitate an orderly resolution of the company under Title 11, United States Code."[1] The statute and the Resolution Plan Rule provide a process by which the deficiencies jointly identified by the Agencies in such a plan may be remedied.

In addition to the Resolution Plan Rule, the Agencies have provided supplemental written information and guidance to assist BNYM's development of a resolution plan that satisfies the requirements of section 165(d) of the Dodd-Frank Act. This information and guidance included:

- The April 2013 joint guidance to 2012 plan filers, which addressed a number of resolution plan issues and detailed five significant obstacles to orderly resolution in bankruptcy (multiple competing insolvencies, global cooperation, operations and interconnections, counterparty actions, and liquidity and funding).[2]

- The 2014 Letter, which outlined a number of shortcomings in the 2013 resolution plan submission and specific issues to be addressed in the 2015 Plan. The 2014 Letter explicitly reminded BNYM that failure to make demonstrable progress in addressing these shortcomings and in taking the additional actions set forth in the 2014 Letter could result in a joint determination that the BNYM's 2015 Plan is not credible or would not facilitate orderly resolution in bankruptcy.

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[1] 12 U.S.C. § 5365(d)(4).

[2] *See* "Guidance for 2013 §165(d) Annual Resolution Plan Submissions by Domestic Covered Companies that Submitted Initial Resolution Plans in 2012" (2013 Guidance), issued jointly by the Agencies on April 15, 2013. The 2013 Guidance further noted that "this list of Obstacles is not exhaustive and does not preclude other Obstacles from being identified by the Agencies in the future, nor does it preclude Covered Companies from identifying and addressing other weaknesses or potential impediments to resolution."

- The 2015 Communication, which provided additional staff guidance in response to BNYM's December 2014 submission describing certain proposed elements of the 2015 Plan. Among other things, the 2015 Communication reminded firms to make conservative assumptions and provide substantial supporting analysis concerning certain of the proposed 2015 Plan elements.

Furthermore, since the release of the 2014 Letter, the Agencies have made staff available to answer questions related to the 2015 Plan.

In July 2015, the Agencies received the 2015 Plan and began their review. The Agencies reviewed BNYM's 2015 Plan to determine whether it satisfies the requirements of section 165(d) of the Dodd-Frank Act and the Resolution Plan Rule. As part of their review, the Agencies assessed whether the 2015 Plan addressed each of the items identified in the 2014 Letter and the 2015 Communication, including whether the firm has made demonstrable progress to improve resolvability under the U.S. Bankruptcy Code based on the actions that the firm had completed by the 2015 Plan date against the firm's full implementation schedule. Firms were expected to provide a timetable for completion of the remaining actions after the 2015 Plan date that included well-identified interim achievement benchmarks against which the Agencies can measure progress. Planned future actions are generally expected to be fully implemented by the date of the firm's 2017 Plan or earlier.[3]

Progress Made by BNYM

Over the past several years, BNYM has taken important steps to enhance the firm's resolvability and facilitate its orderly resolution in bankruptcy, including:

- BNYM has improved its funding structure and liquidity capabilities by increasing its firm-wide high-quality liquid assets (HQLA). It has completed numerous

[3] The 2015 Communication explicitly advised that remaining actions required by the Agencies in the 2014 Letter and the 2015 Communication to improve resolvability generally are expected to be completed no later than July 1, 2017.

projects related to intraday liquidity risks (including the development of the intraday dashboard), reduced intraday funds related to tri-party repo, and implemented the first phase of its intraday liquidity monitoring and reporting system. BNYM has also taken measures to reduce the potential for ring-fencing by foreign regulators by pre-positioning funding and reducing certain intracompany fund flows.

- Since the 2015 Plan submission, BNYM has complied with the clean holding company guidance from the 2014 Letter and 2015 Communication. In addition, the firm has improved its overall capital position.

- BNYM has strengthened its governance related to resolution through the continuing development of a governance playbook, which addresses how its board of directors would execute its resolution strategy and address potential conflicts and stress events. BNYM has also developed a communication plan to address regulators and other constituencies in resolution, as well as an employee retention plan that identifies critical staff.

- BNYM has implemented a number of projects to provide for a less complex and more rational structure, [redacted]; initiating a project to move BNYM International Operations India under its main bank, which will result in [redacted]; [redacted] and reducing the overall number of legal entities in its organization.

- The firm has adhered to the International Swaps and Derivatives Association 2015 Universal Resolution Stay Protocol.

II. Deficiencies and Remediation

Notwithstanding the noted progress BNYM has made to date, the Agencies jointly identified three aspects of the 2015 Plan that are deficient.

OPERATIONAL

The Agencies identified two operational deficiencies in the 2015 Plan.

Shared Services: As provided in both the 2014 Letter and the 2015 Communication, the Agencies expected the 2015 Plan to reflect that BNYM has established service level agreements

(SLAs) and contingency arrangements between material entities,[4] as well as between material entities and third parties, to ensure surviving entities would have continued access to services that support critical operations. As explained below, the Agencies have jointly determined that the failure of the 2015 Plan to reflect sufficient progress toward identifying shared services and establishing SLAs and contingency arrangements that are critical to the successful execution of the bridge bank strategy described in the 2015 Plan is a deficiency.

The identification of shared services is a fundamental first step toward achieving basic capabilities related to the continuation (including transfer or wind-down) of critical operations in resolution. Failure to have completed the identification of the shared services that support critical operations (Critical Services) raises uncertainty about BNYM's ability to maintain critical operations and execute its preferred resolution strategy. In addition, the 2015 Plan relied on the rapid divestiture of certain entities in resolution. The entities BNYM would divest itself of in its resolution strategy rely primarily on the Bank of New York Mellon (the Institutional Bank) and other affiliates for shared services and systems, which would need to be maintained by any acquirer of these entities to allow for a smooth transition and operation in connection with an acquisition. As such, the identification of all Critical Services is crucial to the firm's ability to promptly effectuate these divestitures.

The Agencies understand BNYM is in the process of analyzing its ability to maintain continuity of services in resolution—including an evaluation of the efficacy of existing SLAs for Critical Services. However, BNYM only recently launched an initiative to confirm that Critical

[4] "Material entities," "critical operations," and "core business lines" refer to the material entities, critical operations, and core business lines identified in the 2015 Plan.

Services are appropriately documented and that documentation is stored in a central repository that allows for timely access and reporting. For example, while the 2015 Plan included a list of SLAs and certain master interaffiliate agreements,[5] [redacted]. The 2015 Plan indicated that certain patents cover a range of items in support of core business lines and critical operations, but little is known about how [redacted] could affect the disposition of businesses called for by the 2015 Plan. Successful completion of this project is especially important given that [redacted] that would be critical to both the bridge bank and to acquirers is leased, owned, or licensed by BNYM.

By the 2016 Submission, BNYM must identify all Critical Services; maintain a mapping of how and where these services support the firm's core business lines and critical operations; and incorporate such mapping into its legal entity rationalization criteria and implementation efforts. Additionally, the 2016 Submission must include detailed analysis addressing any operational-continuity-related risks and associated mitigants for these Critical Services.

OPERATIONAL

Bridge Bank Strategy: The Agencies have identified a deficiency regarding the executability of the bridge bank strategy—a strategy BNYM proposes as a means to address the continuation of critical operations in resolution. Three operational issues associated with this strategy are described below.

[5] Appendix VIII, Exhibit 2 (page 284) & Exhibit 3 (page 304).

Simultaneous Insured Depository Institution (IDI) Failure: The 2015 Plan was based on the assumption that the Institutional Bank and The Bank of New York Mellon Trust Company N.A. (BNY Mellon Trust) would fail simultaneously, be taken into receivership by the FDIC, and merged into a single bridge bank. Given BNY Mellon Trust's significant equity cushion, however, it appears questionable that BNY Mellon Trust would fail prior to or concurrently with the failure of the Institutional Bank, and, by extension, whether BNY Mellon Trust would be placed into an FDIC receivership. Because BNY Mellon Trust, like many other BNYM entities, relies on the Institutional Bank for systems and services, it is important that BNYM identify the dependencies and operational ties between the Institutional Bank and BNY Mellon Trust. This identification would enable BNYM to establish SLAs that would be required to maintain Corporate Trust in the event that BNY Mellon Trust remains outside of receivership. BNYM should provide an explanation of why it is reasonable to assume that the Institutional Bank and BNY Mellon Trust could fail simultaneously. Alternatively, this issue could be resolved by addressing the critical shared services issues identified above.

Dual Payability/Ring-fencing/Least-Cost Test: Critical to the successful execution of BNYM's bridge bank strategy is the transfer of foreign deposits into the bridge bank. The 2015 Plan stated that transfer to the bridge bank of both insured and uninsured deposits (including approximately $[redacted] in foreign deposits) would satisfy the least-cost requirement (LCT) of 12 CFR 360.1 because such transfer would result in no loss to the deposit insurance fund. One option for meeting LCT and addressing host country ring-fencing involves making foreign deposits dually payable in the United States [redacted] The bridge bank's continued access to its key financial market utilities depends, in part, on having sufficient cash assets to serve as collateral for intraday credit

limits that might otherwise be terminated in resolution, which is in turn dependent on transferring all deposits (including uninsured foreign deposits) that generate this cash. [redacted], any future bridge bank strategy should address this vulnerability—e.g., describe a viable option for ensuring foreign deposits would transfer to the bridge bank and still meet the LCT.

Transfer of Custodial Assets to the Bridge Bank: The 2014 Letter required the 2015 Plan to provide sufficient analysis demonstrating that custodial assets could be transferred to the bridge bank. This analysis is especially important given that BNYM is currently a leading custodian with $28.5 trillion in assets under custody or administration globally. Ensuring smooth transfer of custodial assets—including those held overseas—is fundamental to maintaining critical operations in resolution and operationalizing BNYM's preferred resolution strategy. The 2015 Plan did not sufficiently address this requirement, nor did it provide sufficient analysis of the potential legal and operational issues associated with such transfer.

[redacted]

Any future bridge bank strategy should provide a detailed analysis of the legal and operational issues associated with the transfer of custodial assets to the bridge bank, including any impediments to such transfer. This analysis should include a detailed discussion of all

applicable domestic and non-U.S. jurisdictional requirements (e.g., change of control issues, required consents, conditions on transfer) associated with the transfer of custodial assets to the bridge bank. BNYM should also address how it proposes to mitigate the potential termination of key contracts with the Institutional Bank or BNY Mellon Trust, such as through contractual recognition of the FDIC's authority under the FDI Act.

BNYM may address these issues by presenting an alternative strategy or by remediating each concern identified above. In the 2016 Submission, BNYM should explain how these concerns have been resolved or describe any alternative strategy it intends to present in its 2017 Plan, as well as an action plan for achieving an executable strategy by July 2017, consistent with the guidance provided in this letter. This action plan is especially important given BNYM's continuing need to identify Critical Services, as well its ability to meet the LCT under the bridge bank strategy.

LEGAL ENTITY RATIONALIZATION

As required in the 2015 Communication, firms are expected to evaluate their legal entity structures against their rationalization criteria and make appropriate adjustments—i.e., implement their criteria. The Agencies have jointly determined that BNYM's failure to make demonstrable progress in implementing its criteria is a deficiency in the 2015 Plan. While the firm's legal entity rationalization criteria (LER Criteria) did not raise concerns with regards to the firm's bridge bank strategy, BNYM has not applied its LER Criteria across all material entities.

By the 2016 Submission, BNYM must meet the deadlines provided in the project plan submitted to the Agencies to align legal entity structure with LER Criteria. BNYM must demonstrate the existence of a governance process regarding legal entity rationalization that is

intended to ensure the LER Criteria are applied and adhered to on an ongoing basis, including with respect to decisions regarding new legal entities and business activities.

III. Shortcomings

BNYM must address the shortcomings identified in this letter in its 2017 Plan. If the Agencies jointly decide that these matters are not satisfactorily addressed in the 2017 Plan, the Agencies may determine jointly that the 2017 Plan is not credible or would not facilitate an orderly resolution under the U.S. Bankruptcy Code.

OPERATIONAL

Bridge Bank Exit: The size and lack of market substitutability for BNYM's government securities clearing and tri-party repo operations would likely require extension of the bridge bank beyond what is anticipated in the 2015 Plan (i.e., 6 months to 1 year), potentially delaying exit from the bridge bank. While the 2015 Plan contemplated the sale of all businesses as an exit strategy, it does not adequately address the potential "broader impacts to clients and other financial institutions"—or systemic risk implications—with this approach. Any future bridge bank strategy should project a bridge bank duration that is well supported and consistent with the challenges associated with exit from the Government Securities Clearing and Tri-Party Repo markets. This discussion should address all operational and financial obstacles associated with bridge bank exit and mitigation of the risk of financial instability that would likely result if key personnel were to depart prior to bridge bank termination. BNYM may also address this issue by presenting an alternative strategy.

Contingency Plan for Custodial Accounts: The 2014 Letter required the 2015 Plan to include an operational contingency plan describing how BNYM could transfer its custodial accounts to a third party in a resolution scenario under BNYM's preferred strategy. This

analysis is also key to maintaining critical operations in resolution and operationalizing BNYM's preferred resolution strategy. While the 2015 Plan incorporated certain elements of the operational contingency plan noted in the 2014 Letter, the 2015 Plan (e.g., the Asset Servicing Account Transfer Plan) did not provide sufficient detail regarding the estimated time needed to perform such activities in any given scenario.

Any future bridge bank strategy should provide a more detailed and quantitative analysis of potential timing considerations based on projected client attrition rates for each applicable core business line or critical operation. The analysis should assume that the typical timeline for a conversion process would be significantly contracted in resolution as clients would be anxious to transition quickly. This analysis should address the timing concerns related to conversion based on BNYM's existing conversion planning process and also the extent to which such timing considerations may impact the proposed duration of the bridge bank.

Claim Bifurcation; Receivership Accounting: BNYM's 2015 Plan assumed that all deposits would be transferred to the bridge bank and that certain general unsecured claims (for example, litigation claims) would remain in the receivership. The 2015 Plan also assumed that certain trading liabilities would be transferred to the bridge bank without adequately supporting the assumption. Any future bridge bank strategy should explain why such trading liabilities (and any other unsecured liabilities, including foreign deposits, unless they are dually payable in the United States) would be transferred to the bridge bank,[6] including why the proposed transfer of such liabilities would be necessary to continue operations essential to the bridge bank or how such transfer is designed to maximize recoveries. One consequence of such transfer is the

[6] *See* 12 U.S.C. §§ 1821(n)(1)(B)(1)(ii) and 1821(i)(3)(A)(i).

potential for disparate claim treatment within a creditor class. As part of this discussion, BNYM should address how it proposes to mitigate the risk of disparate claim treatment within a creditor class. In addition, any future bridge bank strategy that calls for the combination of the Institutional Bank and BNY Mellon Trust into a single bridge bank should discuss overcoming the operational challenges related to maintaining separate receivership accounting for the Institutional Bank and BNY Mellon Trust. BNYM may also address this issue by presenting an alternative strategy.

Financial Statements and Projections: Although the 2015 Plan provided the financial statements required by the "Financial Statements and Projections" section of the 2014 Letter, the statements did not provide sufficient information to determine accurately what assets and liabilities would transfer into the receivership. The 2015 Plan provided unconsolidated financial statements for the Institutional Bank (exclusive of all branches), and consolidated financial statements for the Institutional Bank (inclusive of branches and subsidiaries). While the financial statements for the branches that are material entities were provided, financial statements for non–material entity branches at resolution were not included, and are necessary for the Agencies' comprehensive understanding of the proposed assets and liabilities in receivership.

Any 2017 Plan using a bridge bank strategy should include (A) unconsolidated financial statements for the Institutional Bank inclusive of all branches (both material and nonmaterial) for the entity proposed to enter receivership and (B) consolidated financial statements for the Institutional Bank and all branches and subsidiaries (both material and nonmaterial). BNYM may also address this issue by presenting an alternative strategy.

LIQUIDITY

Intraday Credit [redacted]: The 2015 Plan assumed intraday credit demands would be mitigated post-resolution by requiring [redacted], but does not adequately address the potential [redacted] impact on the financial markets of requiring [redacted]. [redacted] BNYM assumes it would still be able to serve its role in U.S. Government Securities Clearing even after BNYM [redacted]

[redacted], especially given BNYM's dominant role in U.S. Government Securities Clearing markets. As a result, the assumption of [redacted] could undermine the ability to execute the 2015 Plan in an orderly manner.

BNYM should either provide adequate support for the assertion that there are no potential systemic impacts associated with this [redacted] assumption, or remove the [redacted] assumption from its preferred strategy and assess the impact of [redacted] on the firm's liquidity position during the runway and resolution periods. If BNYM removes the [redacted] assumption, the firm should incorporate this omission into its assessment of the [redacted] in the lead-up to and

after BNYM's bankruptcy filing, as well as in the methodology used to determine when BNYM should file for bankruptcy.

IV. Conclusion

If you have any questions about the information communicated in this letter, please contact the Agencies.

Very truly yours,

(Signed)

Robert deV. Frierson
Secretary of the Board
Board of Governors of the
Federal Reserve System

Very truly yours,

(Signed)

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation