Insured Depositors.

Insured depositors are protected from risk of loss during the transition period up to the current standard maximum deposit insurance amount of $250,000. The Director has concluded that a 24-month transition period would be less likely to negatively affect insured depositors than a shorter transition period because an orderly restructuring of BNY Mellon's swaps dealing over that period of time would be less likely to have a negative effect on the financial health of BNY Mellon than would the quick cessation of swaps activities.

Moreover, BNY Mellon is subject to regulatory and other requirements designed to require the bank to conduct its swaps activities in a safe and sound manner. BNY Mellon would remain subject to examination to verify its conformance with those requirements. The regulatory framework mitigates the risk from conduct of affected derivatives activities during the transition period.

The Deposit Insurance Fund (DIF).

The DIF bears the risks associated with resolving an insured depository institution that has failed because of problems related to its swaps dealing. This risk includes payouts from the DIF to insured depositors of the institution. The Director has decided that it is also necessary to consider the risks to the DIF that could result from potential market disruptions under a scenario with an inadequate transition period. For the reasons explained above, an orderly restructuring of BNY Mellon's swaps dealing poses less risk to the DIF than if the bank were required to cease or divest its swaps dealing without a sufficient transition period. Although swaps dealing does have inherent risks, the operational, reputational, and other risks to BNY Mellon of a requirement for an immediate cessation or divestiture, as discussed above, are more likely to cause market disruptions that threaten the DIF. Moreover, as noted above, BNY Mellon is required to conduct affected derivatives activities in a safe and sound manner during the transition period. On balance, the Director has concluded that avoiding potential market disruptions and the negative effects they could have on the DIF support a 24-month transition period for BNY Mellon.

Conclusion

As set out above, the Director has evaluated the impact of divestiture or cessation of BNY Mellon's swaps dealing on mortgage lending, small business lending, job creation, and capital formation versus the potential negative impact on insured depositors and the DIF in determining the appropriate length of the transition period. Overall, the Director has determined that the potential impact of granting a 24-month transition period is less adverse than the potential impact of denying the transition period or providing a significantly shorter transition period. The lesser impact associated with a 24-month transition period results from lowering the probability of operational problems and market disruption that could occur if BNY Mellon does not have a sufficient opportunity to restructure its swaps dealing in an orderly manner.

The 24-month transition period would permit BNY Mellon to better evaluate whether to transfer the swaps activities to a third party or an affiliate(s) and which affiliate(s) is best positioned to accept its swaps business. The 24-month transition period also would permit the creation of a new affiliate(s) and appropriate capital planning for any affiliate that assumes swaps activities. This transition period would also allow BNY Mellon to evaluate its decisions in the context of further development of the regulatory requirements of Title VII.

In contrast, a significantly shorter or no transition period could result in disorderly termination or divestiture of swaps activities and considerable disruption to swaps markets and financial markets that could weaken lending markets and result in a similar negative impact on job creation and capital formation.

After considering the written findings set forth above, and after consulting with the CFTC and the SEC, the Director, in consultation with the General Counsel, acting pursuant to delegated authority, has determined to establish a 24-month transition period under section 716(f) for BNY Mellon beginning on July 16, 2013.

This approval is conditioned on the facts and representations set forth in BNY Mellon's correspondence. These representations are deemed to be conditions imposed in writing by the Board in connection with the findings and decision herein and, as such, may be enforced in proceedings under applicable law. Any change in the facts and representations presented could result in a different conclusion and should be reported to Board staff immediately.

If you have any questions concerning this letter, please contact Victoria Szybillo, Counsel, at (202) 475-6325, or Michelle Kidd, Attorney, at (202) 736-5554, both of the Board's Legal Division.

Sincerely yours,

Robert deV. Frierson

Robert deV. Frierson
Secretary of the Board