



# Your Greatest Protection

## Pershing's Strength, Stability, and Focus

Pershing LLC has been a leading global provider of financial business solutions for 70 years, and serves many of the world's most respected financial organizations, remaining focused on the safekeeping, servicing, segregation, and reporting of assets held in our custody. Pershing's parent company, The Bank of New York Mellon Corporation, is one of the world's strongest global financial institutions, holding \$20.2 trillion in assets under custody and administration.<sup>1</sup> The Bank of New York Mellon remains highly liquid, as it is funded primarily by deposits from institutional businesses.

The Bank Of New York Mellon Corporation At December 31, 2008	
Total assets	U.S. \$237 billion
Total shareholders' equity	U.S. \$28 billion
Tier 1 capital ratio	13.3%
Total capital ratio	17.1%
Tangible common equity to assets ratio <sup>2</sup>	3.8%
Market capitalization	U.S. \$32.5 billion

Pershing is well capitalized and our capital ratios exceed those required by regulators. As of December 31, 2008, Pershing operated with total net capital of \$1.4 billion, which means our net capital was \$1.3 billion in excess of the \$100 million minimum required by the Securities Exchange Commission (SEC). Pershing's principal trading desks focus solely on customer facilitation, allowing us to offer an unconflicted approach to serving financial organizations, money managers, and registered investment advisors. We serve global financial organizations exclusively, free of conflicts and distractions from servicing retail investors directly. Our financial strength provides the foremost measure of protection, regardless of any market impact on our firm. Pershing does not participate in credit default swaps or residential mortgage lending or securitization, areas of the financial world that have received much scrutiny over the past year.

For the benefit of our introducing broker-dealers (IBD) and their independent auditors, Pershing participates in an annual SAS 70 Level II review, performed by KPMG, to provide additional independent evaluation of the design and operating effectiveness of Pershing's internal controls related to order and trade processing, clearance and settlement, corporate actions, physical custody, margin monitoring, account transfer, pricing, interest, IBD billing, statements, confirmations, and cash management functions.

### Regulatory Protection and Review

Pershing is required to comply with various rules intended to minimize the chance of financial failure and maximize the protection of its customers' clients' assets. One of those rules, the SEC Customer Protection Rule, requires Pershing to segregate fully-paid-for, investor-owned assets—meaning that, even if Pershing fails, investors' assets will remain safe, separate from Pershing's own assets. Pershing is also subject to the SEC Net Capital Rule, which

requires us to maintain enough liquid assets, net of any liabilities, to ensure the return of investors' assets in the event of firm failure and liquidation. Pershing is subject to extensive and ongoing regulatory reviews, is subjected to numerous internal and external audits, and compliance testing. On an annual basis, Pershing fulfills its regulatory broker-dealer requirements by having its financial statements audited by its independent auditor KPMG.

### Summary of SIPC Account Protection

Pershing is a member of the Securities Investor Protection Corporation (SIPC®). As a result, investor-owned assets held in custody by Pershing are protected by SIPC, up to \$500,000 in value, including \$100,000 in cash awaiting reinvestment. SIPC provides protection for eligible client assets held in custody by a SIPC member brokerage firm should the SIPC member firm fail financially and become unable to meet the obligations to its clients. SIPC does not protect assets that are not held in custody by Pershing. SIPC does not protect against losses due to market fluctuation or for client assets not held by a SIPC member. For more information about investor asset protection, visit SIPC's web site at [www.sipc.org](http://www.sipc.org). In addition to SIPC protection, Pershing also provides coverage in excess of SIPC limits through Lloyd's of London.

### Excess Account Protection through Lloyd's of London

Our excess insurance policy purchased through Lloyd's of London provides the following excess account protection for assets held in custody with Pershing and its London-based affiliate, Pershing Securities Limited:

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

This excess account protection offers the highest level of coverage available in the industry today. Excess account protection claims would only arise where Pershing failed financially and eligible client assets for covered accounts, as defined by SIPC and Lloyd's of London, cannot be located due to theft, misplacement, destruction, burglary, robbery, embezzlement, abstraction, failure to obtain or maintain possession or control of customers' clients' securities or to maintain the special reserve bank account required by applicable rules (SEC 15c-3).

Lloyd's currently has an A ("Excellent") rating with "Stable Outlook" from A.M. Best and an A+ ("Strong") rating with "Stable Outlook" from Fitch Ratings and Standard & Poor's (S&P). These ratings are subject to change by the rating agencies at any time.

The current Lloyd's of London excess insurance policy is scheduled to expire on December 10, 2009. For more information about Lloyd's of London, please visit their web site at [www.lloyds.com](http://www.lloyds.com).

## What is Covered Under SIPC and Excess Account Protection?

### COVERED

SIPC coverage is available for the following products held in custody by Pershing:

- Notes
- Stocks
- Bonds
- CD's
- Mutual funds
- Cash balances (up to \$100,000 in cash awaiting reinvestment through SIPC. In addition, up to \$1.9 million for cash awaiting reinvestment through Lloyd's.)

### NOT COVERED

Among ineligible investments are assets that are not registered with the SEC under the Securities Act of 1933:

- Commodity futures contracts
- Precious metals
- Bank deposits
- Investment contracts (such as limited partnerships)
- Fixed and variable annuity contracts
- Antiques and collectibles

FDIC-insured bonds were created by the FDIC's new Temporary Liquidity Guarantee Program. The program guarantees newly issued senior unsecured debt of eligible institutions—issued on or after October 14, 2008, and before June 30, 2009. It also provides full deposit insurance coverage for non-interest-bearing deposit transaction accounts in FDIC-insured institutions, regardless of the dollar amount.

For additional information about the financial strength of Pershing and the protection of investors' assets held in custody, answers to frequently asked questions are available within The Source via NetExchange Pro® or visit the safety and soundness section on [www.pershing.com](http://www.pershing.com).

<sup>1</sup> As of December 31, 2008.

<sup>2</sup> Adjusted for deferred tax liabilities associated with non-tax deductible identifiable intangible assets and tax deductible goodwill. In addition, at 12/31/08, total and average assets were adjusted to exclude certain deposits and other short-term investment assigned a zero risk-weighting by regulators.

<sup>3</sup> Investments in the FDIC-Insured Deposits Program are not considered securities and are therefore not protected by SIPC or excess account protection coverage.

<sup>4</sup> CDARS is service provided by Promontory Interfinancial Network, LLC. Pershing, Promontory, and The Bank of New York Mellon are affiliated through common ownership. The Bank of New York Mellon Corporation is the ultimate parent company of Pershing and The Bank of New York Mellon. The Bank of New York Mellon Corporation holds a minority interest in Promontory.

<sup>5</sup> Brokered CDs of any one issuer are FDIC-insured up to a maximum of \$100,000 aggregate principal and accrued interest in nonretirement accounts. The maximum coverage for CDs of any one issuer held through an individual retirement account (IRA), self-directed 401(k) plan, Keogh plan, and Section 457 plan is \$250,000. On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor (through December 31, 2009) for certain retirement accounts. Expanded FDIC coverage may be obtained by purchasing CDs from multiple issuing institutions.

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## Federal Deposit Insurance Corporation (FDIC) Insurance

The FDIC is an independent agency of the U.S. government that provides protection for insured deposits at a failed FDIC-insured bank. FDIC-insured investments are insured by the FDIC up to applicable limits, generally \$100,000 (\$250,000 most recently in certain instances, through December 31, 2009). In the case of Pershing's FDIC-Insured Deposits Program and the Certificate of Deposit Account Registry Service® (CDARS®), investors can access FDIC insurance for deposits in multiple FDIC insured institutions with a single investment.<sup>3,4</sup> Pershing also offers investors access to Brokered CD's and FDIC-insured bonds.<sup>5</sup>

Brokered CD's are certificates of deposit of a commercial bank or savings and loan association that are sold through an intermediary instead of the savings and loan institution itself. Brokered CD's are covered by FDIC insurance up to applicable limits and are available in both the new-issue and secondary markets in maturities as short as one month to as long as ten or more years.



THE BANK OF NEW YORK MELLON

**Pershing®**

AN AFFILIATE OF THE BANK OF NEW YORK MELLON