



Washington, DC 20219

Interpretive Letter #1143

November 2014

12 CFR Part 3, Subpart E

September 29, 2014

Mr. Gerald L. Hassell, Chairman and CEO
BNY Mellon Corp.
One Wall Street
New York, NY 10286

Mr. Antonio Portuondo, President
Bank of New York Mellon Trust Company, N.A.
10161 Centurian Parkway, 2nd Floor
Jacksonville, FL 32256

Subject: Bank of New York Mellon Trust Company, N.A. – Exemption from Internal Ratings-Based and Advanced Measurement Approaches

Dear Messrs. Hassell and Portuondo,

We are writing to exempt Bank of New York Mellon Trust Company, N.A. (Trust Co.) from calculating its capital requirements in accordance with the *Risk-Weighted Assets—Internal Ratings-Based and Advanced Measurement Approaches* (Basel III Advanced Approaches Framework).¹ Based on the facts and circumstances discussed below, the OCC determines that application of the Basel III Advanced Approaches Framework is not appropriate for Trust Co.’s risk profile and scope of operations.

Discussion

OCC regulations provide that a bank subject to the Basel III Advanced Approaches Framework must use that Framework to calculate its capital requirement “unless the Office of the Comptroller of the Currency determines in writing that the application of [the Framework] is not appropriate in light of the bank’s asset size, level of complexity, risk profile, or scope of operations.”² In considering this exemption, the OCC reviewed Trust Co.’s risk profile, the scope and size of its operations, and the current capital levels and balance sheet.

Based on the facts and circumstances reviewed by OCC supervisory staff, including an evaluation of its risk profile, the OCC has determined that the application of the Basel III Advanced Approaches Framework to Trust Co. is not appropriate, subject to the conditions below. Applying the Basel III Advanced Approaches Framework to Trust Co. would not

¹ 12 C.F.R., part 3, subpart E.

² 12 C.F.R. § 3.100 (b)(2).

meaningfully enhance the banking group's overall risk management because Trust Co.'s risk management processes generally follow the enterprise's risk management framework. In addition, Trust Co.'s asset size and corporate trust portfolio are less material in relation to the consolidated entity, BNY Mellon Corp., and Trust Co.'s level of complexity is low relative to the BNY Mellon Corp. organization. Trust Co. is a limited purpose trust company that operates primarily as the front office trustee. Significant back room operations are performed in accordance with various servicing arrangements by the New York State-chartered affiliate, The Bank of New York Mellon. Furthermore, the current risk profile of Trust Co. is moderate and stable, and the scope of activities is limited.

Conditions on Approval for the Exemption from the Basel III Capital Framework

The OCC has determined that it will exempt Trust Co. from the Basel III Capital Framework pursuant to 12 C.F.R. § 3.100 (b)(2),³ subject to the conditions set forth below. Trust Co. must meet these conditions, unless notified otherwise by the OCC:

1. Trust Co. shall maintain a system to analyze and maintain capital commensurate with its risk profile, in conformance with OCC Bulletin 2007-21, Supervision of National Trust Banks – Revised Guidance: Capital and Liquidity.
2. Trust Co. will calculate its tier 1 and tier 2 capital under risk-based capital standards set forth in 12 C.F.R. part 3, subpart D, as applicable, as reported in the company's Consolidated Reports of Condition and Income (Call Report), and any subsequent revisions thereto.
3. Trust Co. must continue to capture information on credit and operational loss events as specified by 12 C.F.R. part 3, subpart E. Trust Co. must be able to provide the OCC with all data submitted to its parent company that the parent uses to comply with the Basel III Advanced Approaches Framework.
4. Trust Co. is not required to fill out the FFIEC 101, but must continue to file the FFIEC 031 or 041 reports.
5. Trust Co. must provide its OCC Examiner-in-Charge with at least 60 days notice of its intent to significantly deviate from or change its business plan or operations.
6. Trust Co. must provide an annual statement to the OCC that addresses whether the exemption is still appropriate. The annual statement must be provided no later than the anniversary of BNY Mellon Corp.'s qualification to use the Basel III Capital Framework, and must include a description of Trust Co.'s asset size, level of complexity, risk profile, and scope of operations in order to support the continuation of the exemption.
7. The OCC may rescind or modify this exemption if the OCC determines that application of the risk-based capital standards set forth in 12 C.F.R. part 3, subpart D, as applicable, as

³ Id.

reported in Trust Co.'s Consolidated Reports of Condition and Income (Call Report), and any subsequent revisions thereto are no longer appropriate for the company.

The above-listed conditions of this approval are conditions "imposed in writing by [the OCC] in connection with any action on any application, notice, or other request" within the meaning of 12 U.S.C. § 1818 and, as such, are enforceable under 12 U.S.C. § 1818.

This exemption determination is based on Trust Co.'s information available to the OCC as of July 18, 2014. The OCC may rescind or modify this exemption if the OCC determines that any representation, submission, or information provided by Trust Co. is not accurate, is not fulfilled, or if Trust Co. fails to satisfy the conditions set forth above.

This exemption determination and the activities and communications by OCC employees in connection with this determination, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States, or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory, and examination authorities under applicable law and regulations. The non-contractual nature of the OCC's communications with Trust Co. or with any of its affiliates and the OCC's continuing ability to exercise its supervisory, regulatory, and examination authorities are terms and conditions that may not be waived or modified by any employee or agent of the OCC or the United States.

If you have any questions about the approval or the conditions specified above, please do not hesitate to contact Aaron Liechenstein, Examiner-in-Charge, at (201) 413-5822.

Sincerely,

signed

Toney M. Bland
Senior Deputy Comptroller
Midsize and Community Bank Supervision