



BNY MELLON

SECURITIES INDUSTRY OVERVIEW

Business L1 Training iNautix



Objectives

- Define securities industry terms and functions
- Distinguish the types of clients
- Identify key players in the securities industry
- Explain the relationship of key players within the securities industry
- Provide an overview of the life of a U.S. and a global trade within BNY Mellon

Agenda

- I. Account Types
- II. Custodian Functions
- III. Types of Clients
- IV. Assets and Securities
- V. Investment Industry Key Players
- VI. Life of a Trade

1. SECTION ONE

ACCOUNT TYPES

Custodian/Custody

- Responsible for safekeeping a client's assets
- Acts on the direction of the owner of the assets or their advisor/manager
- Does not have legal ownership of the assets

As your custodian, I promise to safekeep your assets.



Trust/Trustee

- Responsible for a person or group (trustee)
- Assumes a fiduciary responsibility for the assets of another person or group (beneficiary)
- Holds title to the assets held in trust for the benefit of someone else.

As your trustee, I will monitor your assets.



Question

A trustee has legal ownership of the assets held in trust for a beneficiary/client.

- A. True
- B. False

Answer

A trustee has legal ownership of the assets held in trust for a beneficiary/client.

- A. True**
- B. False

Question

A custodian is legally obligated to monitor all trust related decisions.

- A. True
- B. False

Answer

A custodian is legally obligated to monitor all trust related decisions.

A. True

B. False

2. SECTION TWO

CUSTODIAN FUNCTIONS

Global Custodian Functions

- Asset Safekeeping
- Trade Processing
- Trade Clearance
- Trade Settlement



Global Custodian Functions

- Income Collection
- Tax Reclaim
- Corporate Action Processing
- Accounting and Recordkeeping



3. SECTION THREE

TYPES OF CLIENTS

Types of Clients

Mutual Funds

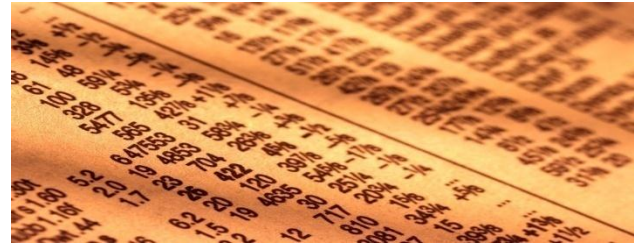


UNIT INVESTMENT TRUST (UIT)



Types of Clients

Exchange Traded Funds (ETF)



Collective Funds



Types of Clients

Insurance Companies



Banks



Types of Clients

Taft-Hartley



Endowments and Foundations

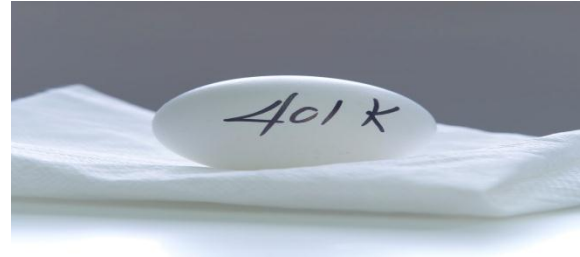


Government Mandated Funds



Types of Clients

**Defined Contribution Plan
(401k)**



**Defined Benefit Plan
(pension)**



Question

An employee retirement plan that is mainly funded by the employer and provides a specific benefit amount at retirement is a(n)

- A. Defined Benefit Plan
- B. Nuclear Decommissioning Trust
- C. Defined Contribution Plan
- D. Insurance Funds

Answer

An employee retirement plan that is funded by the employer and provides a specific benefit amount at retirement is a(n)

- A. Defined Benefit Plan**
- B. Nuclear Decommissioning Trust
- C. Defined Contribution Plan
- D. Insurance Funds

Question

A nuclear decommissioning trust is a _____ .

- A. Government-mandated account
- B. Pension Plan
- C. Defined Contribution Plan
- D. Mutual Fund

Answer

A nuclear decommissioning trust is a _____ .

- A. Government-mandated account**
- B. Pension Plan
- C. Defined Contribution Plan
- D. Mutual Fund

Question

An Unit Investment Trust

- A. Is a trust established for union workers
- B. Allows for intraday trading and mainly invests in stocks
- C. Is a fixed portfolio of income producing securities
- D. Is an in-house pooled fund

Answer

An Unit Investment Trust

- A. Is a trust established for union workers
- B. Allows for intraday trading and mainly invests in stocks
- C. Is a fixed portfolio of income producing securities**
- D. Is an in-house pooled fund

4. SECTION FOUR

ASSETS & SECURITIES

Assets

- Securities
- Cash
- Commodities
- Jewelry
- Works of Art



Types of Securities

- Purpose
 - Earned income or realized gain
- Signifies
 - **Stock/Equity/Shares**
 - > A share in the ownership of a company
 - > Represents a claim on a company's assets and earnings
 - **Bond/Debt Instrument**
 - > A creditor relationship with a corporation or government
 - > Guaranteed the return of principal with interest

Security Identifiers

- **CUSIP** = Committee on Uniform Security Identification Procedures
 - Example: 58551A108 & 594918104
 - 9 digit alphanumeric code
 - U.S. & Canadian securities
- **ISIN** = International Security Identification Number
 - Example: DE0005552004
 - 12 digit alphanumeric code
- **SEDOL** = Stock Exchange Daily Official List
 - Example 4617859

Vault

- Securities held physically in vaults include:
 - New security issues with smaller companies
 - Equities that are not often traded
 - Client request



5. SECTION FIVE

INVESTMENT INDUSTRY KEY PLAYERS

Investment Industry Key Players



Client



**Investment
Advisor/Manager**



**Trading
Broker**



**Clearing
Broker**



Depository



Subcustodian

Client

- Corporate
- Individual



Client

Investment Advisor/Manager

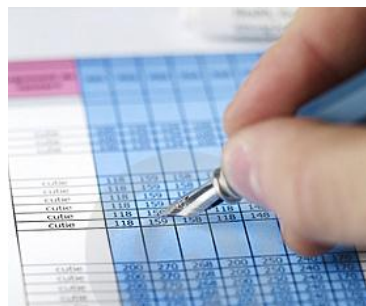
- Provides investment advice to clients
- Executes investment decisions



Investment Advisor/Manager

Trading Broker

- Intermediary between the buyer and seller of a security
- Charges a commission for arranging trade
- Must be a registered agent of the exchange on which the securities are traded



Trading Broker

Clearing Broker

- Located in country where trade is settling
- Receives commission
- Makes security/cash exchange with subcustodian



Clearing Broker

Depository

- Centralized securities location
- Utilized by custodians/brokers/dealers/leading banks
- Computerized bookkeeping system



Central Securities Depositories

- Local Depositories
 - Depository Trust Company – U.S.
 - Federal Reserve Bank – U.S.
 - Crest – U.K.
 - JASDEC - Japan
- International Depositories
 - Euroclear
 - Clearstream



Depository Functions

- Asset safekeeping
- Trade settlement
- Income and Tax collection
- Corporate actions processing
- Transaction documentation



Subcustodian

A subcustodian functions as a custodian in global markets where BNY Mellon does not have a presence.



Subcustodian



The subcustodian performs all required custodian services based on local market practices.

6. SECTION SIX

LIFE OF A TRADE

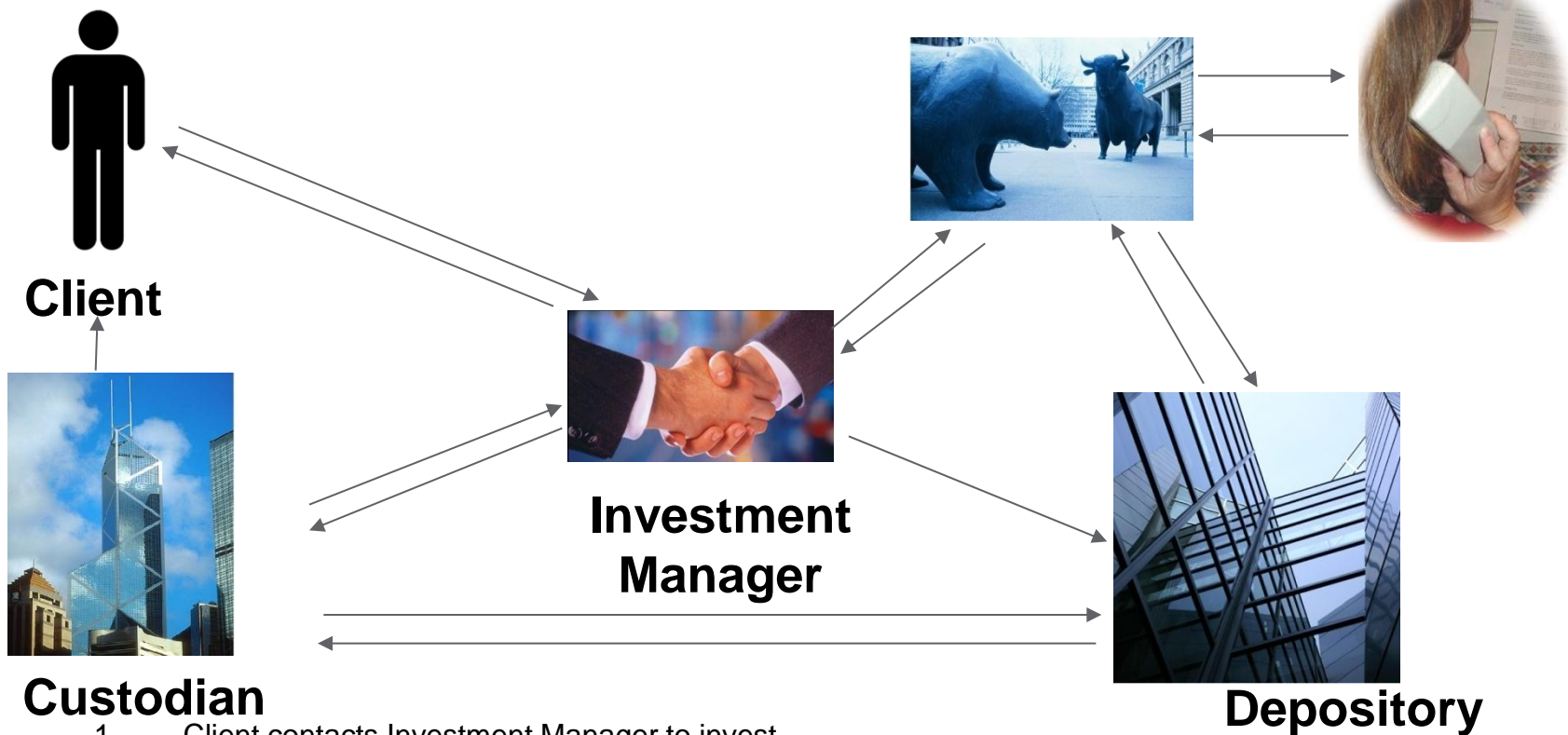
Important Dates

Mr. Martin sells 10,000 shares of XYZ stock for \$55 a share on January 27. **Trade Date**

Ms. Eberlee purchases the 10,000 shares. The **Contractual Settlement** date is set for January 30.

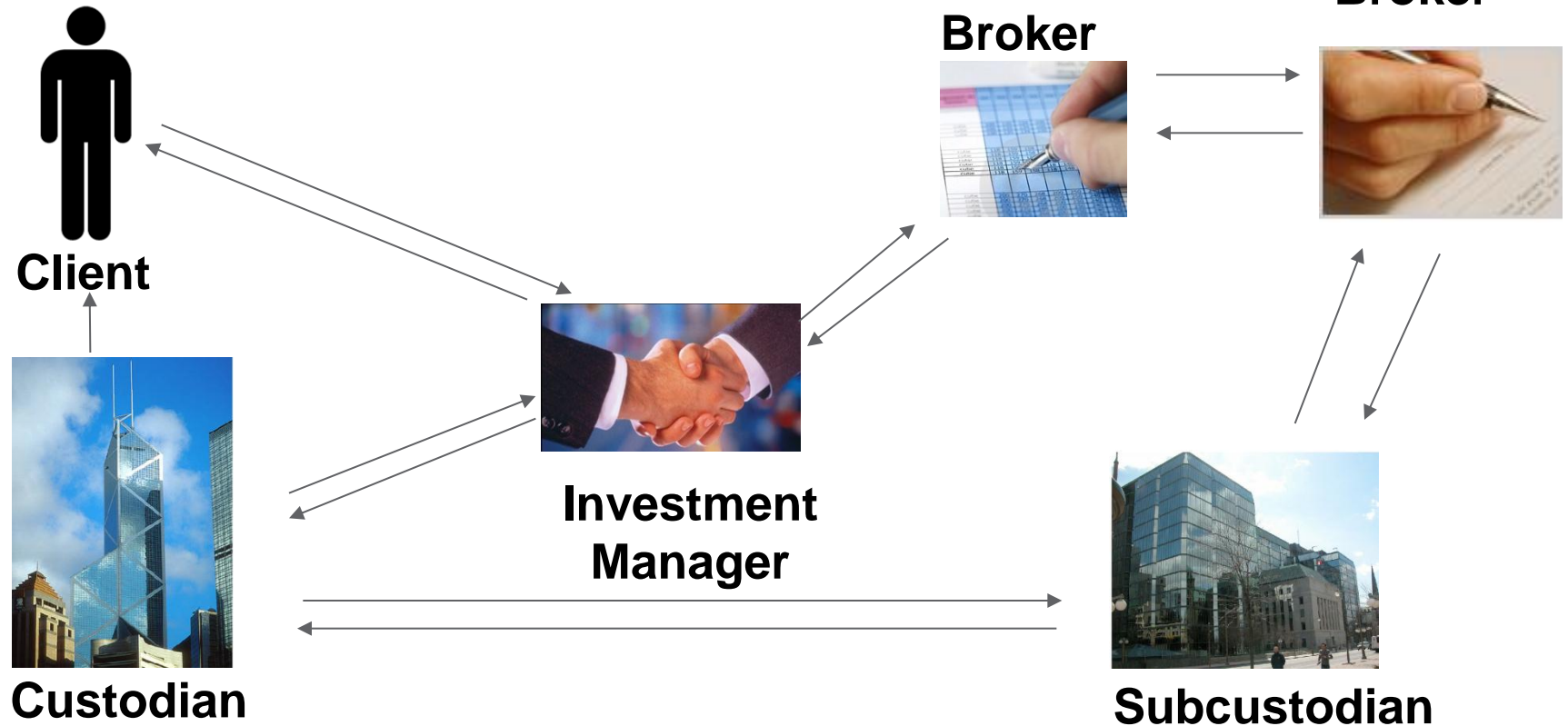
Due to a problem with the trade confirmation, the trade does not settle until February 5. **Actual Settlement Date**

Life of a U.S. Trade



1. Client contacts Investment Manager to invest
2. Investment Manager makes a decision based on a strategy and analysis of the market
3. Investment Manager coordinates a trade with the broker
4. Broker finds a buyer/seller and executes a trade (Trade Date)
5. Investment Manager notifies Trustee/Custodian (Trade Specialist, if a manual entry) **OR**
6. Broker sends confirm (trade details) to DTC IID system. CMS/ASP interfaces with the DTC IID system.
7. Investment Manager affirms trade details with DTC
8. On T+3, Depository updates broker's and Trustee/Custodian's Accounts
9. Trustee/Custodian and Broker ensure transaction occurred as scheduled
10. Client's account is updated to reflect trade

Life of a Global Trade



1. Client contacts Investment Manager to invest
2. Investment Manager makes a decision based on a strategy and analysis of the market
3. Investment Manager coordinates a trade with the broker
4. Trade Broker finds a Clearing Broker in the local market to execute a trade (Trade Date)
5. Investment Manager notifies Trustee/Custodian (Trade Specialist)
6. Custodian sends trade details via SWIFT to the Subcustodian
7. On Settlement Date, BNY Mellon's Subcustodian and Clearing Broker make an exchange
8. Subcustodian and Clearing Broker ensure the transaction occurred, as scheduled, and the Client's account is updated

Question

JASDEC is a local depository in the UK.

- A. True
- B. False

Answer

JASDEC is a local depository in the UK.

A. True

B. False

Question

A custodian performs which of the following functions?

- A. Asset Safekeeping and Tax Reclaim
- B. Trade Processing and Accounting and Recordkeeping
- C. Corporate Actions Processing and Income Collection
- D. All of the above

Answer

A custodian performs which of the following functions?

- A. Asset Safekeeping and Tax Reclaim
- B. Trade Processing and Accounting and Recordkeeping
- C. Corporate Actions Processing and Income Collection
- D. All of the above**

Question

A(n) _____ sends a confirm of the trade details to the DTC IID System.

- A. Custodian
- B. Investment Advisor
- C. Broker
- D. Buyer

Answer

A(n) _____ sends a confirm of the trade details to the DTC IID System.

- A. Custodian
- B. Investment Advisor
- C. Broker**
- D. Buyer

Question

What is a CUSIP?

- A. A type of derivative
- B. A security identification number
- C. A stock exchange
- D. A mortgage-backed security issuing agency

Answer

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- A. A type of derivative
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