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"A Walk Down Wall Street"

Introduction – Hong Kong as Gateway

Steve Lackey (Chm of Asia Pacific) is the event host who will introduce you.

Thank you, Steve, for that warm introduction.

I'd also like to thank the Women's Initiative Network for inviting me today. As many of you know, I was one of the founders of WIN way back in the good old days of 2004. As one of the original parents, I am very proud of the phenomenal growth and success of WIN. And it's always a pleasure for me to take part in its activities.

I'm also delighted to be here today because Hong Kong is a very special market for us. It's a gateway that looks both east and west.

It looks east to the tremendous growth across Asia. To a phenomenal rise in the standard of living, the fastest and broadest rise that the world has ever seen. And it is just getting started.

And Hong Kong looks west – to the vast consumer markets in Europe and the Western Hemisphere. Both of these areas are going through painful restructuring. But as we continue to rebuild, much of the globalism that drives the recovery will come out of the good work being done here in this economic powerhouse.

In the next few minutes, I'd like to talk about both the painful restructuring and what lies ahead. As the title of my speech indicates, we're going to take a little walk down Wall Street to look at what has happened and how it has changed our financial world.

I'd also like to share with you BNY Mellon's experience as a major bank during the recent crisis. I'll talk about how we played a key role in getting the U.S. and other economies through the crisis, and how we continue to build on that experience.

And finally, I'd like to offer two major approaches that I believe are absolutely essential for success in the coming years.

Loss of Trust

So, what happened? What went wrong, and how do we correct it?

All of you know the basic details. In 2008, Lehman Brothers went belly up after taking on too much risk. And then it became apparent that this wasn't an isolated case. Major financial institutions across the globe, including many in Europe, were too highly leveraged.

What followed was a drumbeat of bailouts and public outrage that made headlines on a regular basis. Stock markets collapsed, and much of the financial system was severely threatened.

But what affected markets more than anything else was the loss of trust. No longer did the public take for granted the rock-solid foundations of our financial system. Some of the questions being asked included:

- "Do we really know what's on the books of the major institutions?"
- "Can we trust that they are taking the steps necessary to rid themselves of toxic assets?"
- "Can we trust that they are effectively risk-managed for future scenarios?"
- "Can we trust them, period?"

It wasn't just the general public that was asking these questions. It was also politicians and regulators. And it was the rating agencies and the more sophisticated investors, such as hedge funds.

A margin crisis became a trust crisis. And we continue to see flare-ups. Not long ago, a major bank was hit with billions in losses following the infamous "London whale" trading scandal.

Much of the focus has centered on the big banks – and that's appropriate, given the central role they play in the global financial marketplace. However, these events have been a wakeup call to investors across all industries. Big business in general is being called to task.

We could see the effects of this crisis in a number of ways:

- Brands were damaged.
- Good employees were harder to recruit.
- Sales were hurt.
- Financial stability eroded.
- Equity valuations were hammered.
- And management was severely distracted from its main business.

But these were just the market reactions. We've also seen governments step in and create new layers of regulation. Some of these regulations appear to be helpful and may lead to greater transparency. But many simply add to the time and cost of doing business. And some just outright impede market growth.

Taken all together, organic growth has been much harder to come by. The demand for goods and services is still out there, of course. We've seen this in the comeback of the auto industry and the housing industry in the U.S. But Europe continues to be hamstrung in these two industries.

Global Reset

Clearly, the world is not the same as it was before the crisis. Something fundamental has changed.

At BNY Mellon, we like to say we are in an age of Global Reset. Part of this Global Reset is fallout from the financial crisis. But even bigger forces are reshaping the markets.

These forces include

- the debt overhang in the U.S. and Europe
- the rise of middle-class consumers in China and other emerging economies
- the growth of new markets
- shifts in trading patterns
- aging populations

- and new technologies transforming the speed and transparency of financial data.

All of these historic trends are resetting the global landscape.

To be sure, the Global Reset has caused enormous stress. But it also provides tremendous opportunities.

Opportunities

- to re-think current policies and traditions.
- to build new management teams.
- to embrace diversity.
- and to adopt new approaches.

[Pause]

BNY Mellon Model

If anyone thinks they are immune from this Global Reset, they could probably benefit from our experience.

As many of you know, our business model is very different from a traditional bank. We do not focus on the broad retail market or products such as mortgages, credit cards or auto loans. Instead, BNY Mellon is completely focused on the investment process – managing and servicing global financial assets.

Given our specialized focus, we did not contribute to the crisis of 2008. We entered the crisis as a profitable, well-capitalized institution. And we remain so today.

We were not involved in underwriting subprime loans or structuring the complex investments that fueled the crisis. And there was no “London Whale” in our midst.

And yet, we were tarred with the same brush as other financial institutions. Our CEO was part of the group appearing before the U.S. Congress to accept a public scolding for government bailout money. We’ve had protesters march on our buildings, place our logos on their signs and hand out leaflets about how we’re corrupting the world.

Crises inspire an emotional response. We quickly learned that fighting fire with facts was like attempting to douse an inferno with a tea kettle.

We also learned that our energy has been better spent being part of the solution – and making certain that we’re applying the lessons of the economic crisis.

So, what are those lessons? And how did we become part of the solution?

For starters, we played a major role in emergency measures right after the crisis struck. In fact, we were approached by the U.S. and other governments to help out.

In March 2008, for instance, the U.S. Federal Reserve Bank asked us to design the financial instruments that allowed the Fed to inject liquidity into the markets.

In another program, the U.S. Treasury Department selected us to be the sole provider of a broad range of custodial services for its major bailout program, known as TARP.

And the Canadian government asked us to be trustee, paying agent and registrar of a major rescue program underpinning their financial system.

To this day, BNY Mellon continues to provide critical support and infrastructure to the U.S. and other governments for their recovery programs.

As such, we are at ground zero in helping the global economy regain its footing and ensuring that it can sustain its recovery.

Special Position of BNY Mellon In World Finance

One reason we were selected for these central roles is the special position we have in worldwide finance. We service more of the world's financial assets than any other company, some $26 trillion.

It's estimated that we manage or touch in some form almost 25% of the world's financial assets on any given day. We help make the capital markets work by providing an infrastructure that facilitates the movement of cash and securities through the markets.

And this brings me to a second major thrust of our efforts to be part of the solution. In addition to working with governments, we are also working toward setting new standards within the capital markets themselves, and reforming critical elements of the infrastructure.

Our central role in global financial systems offers us an unparalleled view of market activity. As we see trends emerging, we are employing our capabilities to help the world's largest issuers, investors and intermediaries adapt to changing realities.

And finally, there is a third major thrust at BNY Mellon that holds key lessons for all companies, not just financial ones.

I mentioned earlier that what we really have is a crisis of confidence, a lack of trust in major institutions. From my own personal experience, I discovered that this applies across the board, that not only companies and governments but even educational institutions can find themselves on the wrong side of an emotional divide.

While I was still fully engaged in working through the financial crisis, I accepted the position of Chairman of the Board of Pennsylvania State University, one of the top academic institutions in the U.S. and the world. At the time, Penn State was rocked by a sensational scandal that stayed at the top of the news for months.

Now, you might ask, why would I accept this new position. I was already in the eye of one hurricane. Why jump into a second?

The answer is that I love Penn State. I went to school there. I played lacrosse and field hockey as a student athlete. And I became the person I am today largely from the experiences I had at that wonderful institution. Despite the tremendous pressures on the university, I realized that somebody had to step forward and get us beyond the crisis. So, when the position was offered, I took it.

The lessons I learned were invaluable. And I realized that they applied to both educational and commercial institutions.

The first and foremost lesson is that we had to face reality. The old ways of doing things got us into trouble. So, we had to create a new dynamic at the university and within its leadership.

We had to have an early-warning system and governance that allowed problems to be identified and resolved. In the case of Penn State, that meant, among other things, including students and faculty members on our executive committees.

We also had to retool the leadership of the university with one goal in mind: to make sure that what happened can never happen again. Yes, we want to bring in the best talent available. But we don't want superstars who ignore the critical need to manage risk.

And managing risk is a key part of success. If we fly high in other ways but trip over some very basic risk factors, then all of our good work will be overshadowed.

Applying Penn State Experience

So, how does this experience at Penn State University apply to the commercial world?

Well, that was the third major thrust that I alluded to earlier. As with the University, companies need to have an organization and a leadership in place that can thrive in the Global Reset. And there are two major approaches toward achieving these goals.

The first is diversity. I mean that in the fullest sense. Diversity in gender, creed, religion, ethnicity, origin and nationality.

For years, people like me have been advocating for greater diversity and inclusion. And it's no longer about being cosmopolitan or altruistic. It's about sustainability and achieving a competitive edge.

Diversified organizations have been shown to be more adept at creating a risk culture – at seeing problems as they develop and raising them to greater levels of attention.

And diversified organizations have proven more adept at innovating, driving sales and improving shareholder performance.

If you doubt this, consider the fact that women control the household spending in the U.S. and many other countries. Those companies who have women in leadership roles and key positions are better positioned to reach this demographic.

So, if you want to sell radios or computers or even men's shirts in the U.S. market, you would be advised to have a woman's perspective at every step of the way – from development to manufacturing to marketing.

The second major approach is to adopt the client's perspective. At BNY Mellon, everything we do is guided by our understanding of our clients, shareholders and other stakeholders.

As the person who oversees our Client Management organization globally, I can tell you we're invested in ensuring that we have those different perspectives, along with healthy voices of dissent, so that we will stay innovative and forward-thinking.

And that takes me back to where I began this speech – with the financial crisis of the past few years.

As I noted, it was really a crisis of confidence, a lack of trust, and BNY Mellon found itself roped into that crisis together with everyone else.

However, we've discovered that we can shore up our clients' trust by being more open about our business.

A number of studies have shown us that the more our clients know about us, the more supportive they become. Simply put, people want more disclosure. About cash flows. About debt profiles. About future plans and goals. And they want to hear it from people like me at the top. From Presidents, CEOs and CFOs.

It's a lot more work, but it's worth it. Better educated clients understand our operations and our inherent risks better. And they tend to be more patient when we hit rocky times, or when our goals take longer to achieve.

Summary of Lessons

To sum up, we are now in a Global Reset that is transforming the nature of business and economies as we know it. Those who want to succeed must embrace the new environment that is being created by this Global Reset.

We can't go back to the old days. We have to understand the nature of the financial crisis and why it happened.

We have to see this Global Reset as a tremendous opportunity to rethink policies and rebuild organizations.

We have to embrace diversity, make it part and parcel of what we are. Diversity is essential in achieving a risk management culture that will identify trouble spots as they emerge and enable us to deal with them effectively.

Diversity is also the key to acquiring a competitive edge that will sustain us in a rapidly changing global marketplace.

Finally, we have to put the client at the center of our decision-making process. An educated client is an understanding client, one who can identify with our goals and our challenges.

In the new economics of the 21st century, we have to make creating trust central to everything we do.

For only through trust can we build markets that are sustainable. And only through trust can we make it through unforeseeable events – and come out on the other side with a winning balance sheet.

Thank you again to the Hong Kong WIN chapter for inviting me today. I truly enjoyed it. I wish you all the very best in the coming years.