

BNY MELLON'S UNIQUE PERSPECTIVE ON CORPORATE SENTIMENT

CNN INTERNATIONAL FIRST MOVE INTERVIEW FROM THE 2023 WORLD ECONOMIC FORUM

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CHATTERLEY: Financial services giant BNY Mellon, America's oldest bank, in fact, has a unique perspective on the corporate mood globally and beyond.

It has \$44 trillion worth of assets under custody and/or administration and almost \$2 trillion under management for corporations and other powerful clients. They know where the money is flowing. Robin Vince is the President and CEO of BNY Mellon, and he joins us now. Fantastic to have you here on the show with us.

VINCE: Great to be with you, Julia.

CHATTERLEY: Does that reflect your mood? How concerned are you about the economic outlook, and what are you seeing in terms of flows and numbers and thoughts?

VINCE: Well, certainly our data – and you're right to point out that we touch such a broad variety of financial instruments around the world – in fact, we touch 20% of all the world's investable assets across all of our platforms.

CHATTERLEY: It's mind blowing.

VINCE: Yes, it's a very significant number. And one of the things that our data shows us is that there are certainly some trends that have evolved over the course of the past few weeks and months. So, we had a lot of U.S. Dollar strength over the course of 2022, and now we see signs that we could be seeing the dollar peaking in terms of its strength. We've also seen a lot of shorting of U.S. equities that has been the case through 2022, and some of that also seems to be abating a little bit. So, there could be some evolutions under the hood. We'll have to wait and see.

CHATTERLEY: So just for my – just to understand what that's perhaps suggesting is – we may have seen the lows in U.S. equities, and we may have seen the peak in the U.S. Dollar, just to get a sense?

VINCE: So it's hard to call the top or the bottom of anything.

CHATTERLEY: Of course.

VINCE: We'd be doing different things. You definitely know the answer to those things.

CHATTERLEY: Yes.

VINCE: But the [U.S. Federal Reserve] is executing a tough mission to be able to really tamp down inflation in the U.S. all the while trying to keep the U.S. economy on a reasonably level footing. And that is going to be a tough act for them to actually do.

CHATTERLEY: It's difficult to predict, I know that's not the business. But recessionary, does it feel recessionary to you based on sort of data that you've collected in the past? And how does that correlate to the future outcomes that we've seen, particularly in light of rising interest rates – which was making life tough for everybody – in addition to everything else that's going on in the world?

VINCE: Well, on rates, our economists think that there's this possibility that we'll actually see slightly higher rates in the U.S. than the market's currently pricing. Maybe 5%, maybe even slightly north of that, but also that we'll probably see rates last a little longer at those higher levels. We don't see the Fed cutting rates in 2023.

But of course, all of this is super data dependent. I mean, we do touch all of these assets, we see what's happening with our clients, but our real job – we've been around for 238 years. We are, as you pointed out, America's oldest bank, and we're helping our clients navigate through whatever the environment happens to be.

CHATTERLEY: I want to talk about workers too, because this is important for a couple of reasons. One, because you have said that look, you're going to resize the business slightly. It's around 3%, I believe of the workforce, and you can correct me if I'm wrong there.

I want you to give me some context on what that means relative to what you did or didn't do during the pandemic? Because I think this is also very important when you're talking about perhaps doing some adjustments in the business today.

VINCE: Yes. Well, we have a little over 50,000 employees worldwide. And we have a significant portion in the U.S., but we also are a global firm – 40% of our revenues actually come from outside of the U.S.

And you're right that through the pandemic, with all of the uncertainty and the incredible investment in resilience that's so important in a firm like ours, we held faith with our people. And we really tried to avoid layoffs during that period of time.

But one of the consequences of that was that even though we had a very solid year in 2022, navigating the uncertainty, our expenses grew a lot.

And in fact, they grew over 5% in each of '21 and 2022.

And so we really needed to make a commitment to bend the curve on that expense growth. And this is one of the difficult decisions that we've had to make in order to really put ourselves on the right footing for the next couple of years.

CHATTERLEY: Yes, it's tough for the individuals involved. But I do think in light of the context of what didn't happen in the loss, perhaps that you didn't take during that period, during the pandemic, it does put some perspective and shed different light, I think, on what's going on, particularly in terms of recession risks and concerns today.

Let's talk about BK Shares, because what we often don't talk about, I think, and need to more – and it's certainly a subject that comes up every year here in Davos – is aligning incentives with workers in the business. This is about giving ownership of the business to, I think, just about every employee. Talk to me about how this works, and why this was important for you in terms of the values, I think it'd BNY Mellon?

VINCE: Sure. And it actually echoes with one of the themes of Davos this year, which is actually resilience. And so, we took a look at our company, and what we really wanted to do to try to drive our franchise forward for the benefit of our clients.

And one of the things that we noticed was that we didn't feel that our all of our employees felt fully invested as owners of the company – because they weren't owners of the company, but we wanted them to act like owners of the company.

And so, what better way than to make them owners of the company? And so we announced BK Shares at the end of last year, which was giving a small number of shares to every single employee in the company, so that they would feel like owners, and then we could really drive the company forward together with that mentality.

CHATTERLEY: Yes. One thousand years ago, I worked at a bank, and you certainly had to reach a significant level before you start to be given stock in the company. And certainly my judgment on this, does this make a difference?

VINCE: And one of the – let me give you an anecdote around that, because somebody came up to me in the cafeteria just a couple of weeks ago, and they said they weren't a stockholder before. They weren't a senior member; they were a junior member of the firm, and they said that as a result of that, they sat down with their family around the kitchen table, and they decided that they were going to actually approach investing in a slightly different way – because we've given them a pathway to actually be able to do it.

So the power isn't just giving people the stock; it's actually promoting a culture of stock ownership. And everybody gets a brokerage account as a result of this initiative. And so, we also put people on that better journey, and we're proud of that.

CHATTERLEY: It caught my attention certainly. Something that you've seen your earnings call, and I have to talk to you about this in light of recent events in addition to the custodian of assets. You're sort of focused on future technologies, and specifically digital ledger technology.

So the Blockchain part of what often comes under the umbrella of crypto[assets], but crypto – and you and I've discussed this off air – is a small part of that.

And you actually compared it to the shift from using paper sheets to technology, and where would we be if we were still using paper today? You see powerful influence potential in Blockchain, even if it doesn't mean profitability or profits for the next several years. Explain.

VINCE: We do. Underlying digital assets is a very interesting technology. Blockchain as you said, and that powers the ability to tokenize assets, which is to take assets and to represent them in a more purely digital form. And we think that there's something there.

And over the course of the coming years, we think we're going to see some real opportunity and our clients look to us to help them navigate through that journey. And so we've been very clear: We are the world's largest custodian. We are a pioneer in real-time payments. We've been around for 238 years. We've seen through a lot of different evolutions of technology. And this is an important one, and we want to play it forward. And we think it's the right thing to do. So we're investing, but we may not get a return in the very short term.

CHATTERLEY: The message here I think is don't throw the baby out with the bathwater.

VINCE: Crypto is not the same thing as digital assets. As you point out, it's a subset of it. Some people are very, very enamored by crypto assets, but they're part of a broader opportunity. And it's that broader opportunity that we're focused on.

CHATTERLEY: We're going to come back to this conversation in the years to come, I know we are. Robin, great to chat to you. Thank you so much! Robin Vince there, the President and CEO of BNY Mellon Bank. A pleasure, sir, thank you!

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