

# MBSC Securities Corporation

200 Park Avenue New York, NY 10166

## **Form ADV Part 2A Disclosure Statement MBSC Firm Brochure March 31, 2015**

**This brochure provides information about the qualifications and business practices of MBSC Securities Corporation. If you have any questions about the contents of this brochure, please contact your program sponsor or us at 1-800-843-5466. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Registration with the SEC does not imply a certain level of skill or training.**

**Additional information about MBSC and its affiliated investment advisers is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

***Clients of Wrap Fee and Unified Managed Accounts should also review the wrap fee program brochure which you should receive from your program sponsor.***

***For program sponsors and clients of program sponsors that offer the models prepared by MBSC for BNY Mellon Select, this Firm Brochure is provided for informational purposes only. MBSC does not act as an investment adviser or fiduciary to clients of program sponsors that offer the BNY Mellon Select models.***

## **Item 2. Material Changes**

We may update this document at any time but are required to promptly send clients a copy of any material changes to our disclosures upon doing so. In addition, we will also deliver an annual summary of all material changes that occur to this brochure along with an offer to provide you with a current version.

Since the last annual update of this brochure dated March 31, 2014, the following material changes have been made:

- The section entitled “Disclosure Pursuant to Department of Labor Regulation 408(b)(2) for Plan Fiduciaries and Plan Administrators of plans covered under ERISA” has been removed from this brochure. This disclosure will now be provided under separate cover to those firms required to receive this notice.
- On March 19, 2015, BNY Mellon announced that it has resolved substantially all of the foreign exchange (“FX”)-related actions currently pending against BNY Mellon resulting in a total of \$714 million in settlement payments.

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## **Item 4. Advisory Business**

### **Introduction**

MBSC Securities Corporation (“MBSC”, “Firm”, “We”, “Our” or “Us”) is a dually registered investment adviser under the Investment Advisers Act of 1940 (“Advisers Act”) and a broker-dealer under the Securities Exchange Act of 1934. MBSC is a corporation organized under the laws of the State of New York. It is a direct wholly-owned subsidiary of The Dreyfus Corporation (“Dreyfus”) which, in turn is a wholly-owned subsidiary of The Bank of New York Mellon Corporation (“BNY Mellon”).

MBSC began providing investment advisory services in March 2001. Prior to 2007, the Firm was known as Dreyfus Service Corporation. We provide investment advisory and administrative services to individual investors and other clients of sponsors of wrap fee programs (“Wrap Fee Account(s)”) and unified managed accounts. . Additionally, MBSC acts as an investment adviser to our affiliate, BNY Mellon Managed Investments Limited, in connection with services it performs for a Separately Managed Account Program in Asia Pacific (the “APAC Program”). We also act as a model provider for BNY Mellon Select where we provide certain model portfolios consisting only of mutual funds to program sponsors for use, at their discretion, with their clients.

MBSC may also give advice to a municipal entity or obligated person regarding the investment of proceeds of a municipal security, and this will be done in our investment adviser capacity. Please see Item 7 of this brochure for more information on these types of clients.

We offer other advisory services not described in this brochure. If you would like more information please consult our Form ADV Part 2A Appendix 1 Wrap Fee Program Brochure, which is available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### ***I. Wrap Fee Accounts***

MBSC provides investment advisory services to clients of unaffiliated third party financial services firms (“Program Sponsors”) who sponsor wrap account programs (“Wrap Program(s)”). Clients in Wrap Programs include individual as well as institutional investors. In a Wrap Program, a client enters into an advisory agreement with the Program Sponsor and the Program Sponsor enters into a sub-advisory agreement with MBSC.

In connection with these Wrap Programs, MBSC engages affiliated or non-affiliated investment managers (each a “Portfolio Manager” or “Delegated Manager”) to perform certain investment advisory services. . Such investment advisory services provided by a Portfolio Manager include developing and providing a model portfolio based on a particular investment strategy (the “Strategy (ies)”) to MBSC. Portfolio Managers are responsible for monitoring, evaluating and adjusting investments in the model portfolios based on the Portfolio Managers investment research and the experience and judgment of the Portfolio Managers responsible for the model. Any changes in the investment models are provided to MBSC and MBSC applies the model portfolio changes across client accounts within the specific strategy.

The Program Sponsor is typically a broker-dealer that has its own direct relationship with the client. The Program Sponsor will work with its clients to determine if a particular strategy is suitable for the client. In doing so, the Program Sponsor will review the compatibility of the Portfolio Manager’s investment philosophy with the client’s investment objective and level of risk tolerance.

Portfolio transactions for Wrap Program clients are generally directed by MBSC to the Program Sponsor for execution but may also, in certain circumstances, be directed to a non-sponsoring broker-dealer in an effort to seek best execution. Please see Item 12 for more information about the selection of brokers for Wrap Program clients.

The following functions may be performed by MBSC in connection with the Wrap Fee Accounts:

- investment advisory services for client accounts;
- facilitating trading for client accounts with Program Sponsors and other broker/dealers;
- managing client accounts and implementing Portfolio Managers' model instructions.
- monitoring Portfolio Manager' strategy guidelines
- participating in consultations to financial advisors of the Program Sponsors regarding administration of client account;
- undertaking secondary suitability reviews;
- facilitating processing of corporate actions;
- proxy voting on a client's behalf if so directed;
- filing certain regulatory reports; and
- maintaining performance information and composites.

Clients of the Program Sponsors are able to impose reasonable restrictions on the Wrap Fee Accounts. Generally, the Program Sponsor will communicate any client restrictions to MBSC and MBSC will accommodate reasonable restrictions, subject to certain limitations and guidelines. These can include, among other things, restrictions related to a single stock or restrictions based on socially-responsible criteria. To the extent MBSC approves the client's restriction, the restriction is recorded in an automated system and applied to the client's account.

In addition to the investment advisory services for Wrap Fee Accounts, MBSC may be retained by affiliated and non-affiliated investment managers to provide administrative and support services in connection with the investment advisory services that such managers have agreed to perform for wrap accounts of sponsor financial services firms.

The following entities are engaged as Portfolio Managers (or model providers for UMA):

- Newton Capital Management Limited ("Newton"), an affiliate;
- The Boston Company Asset Management ("TBCAM"), an affiliate; and
- Fayez Sarofim & Co., a non-affiliate.

### ***Unified Managed Account Programs***

In certain model portfolio arrangements, the sponsor (or an overlay manager retained by the sponsor to perform the services for the program) may perform and/or direct various maintenance trades for the Program Sponsor's clients pursuant to the portfolio model provided by MBSC or an MBSC affiliate to accommodate the Program Sponsor's client's transitions to and from the program, account deposits and withdrawals, rebalancing, tax harvesting, and other limited or client-directed trades. These programs are referred to as unified managed account programs ("UMA Programs"). Under UMA Programs, a model provider will provide a model portfolio and the Program Sponsor, at its discretion, may offer the model to their clients.

MBSC may perform the following types of services in connection with UMA Programs:

- facilitating model delivery to the Program Sponsor
- facilitating processing of corporate actions;
- proxy voting on a client's behalf if so directed; and
- filing certain regulatory reports.

***APAC Program***

BNY Mellon Managed Investments Limited ("MIHK"), a Hong Kong entity and indirect wholly owned subsidiary of the Bank of New York Mellon, has engaged MBSC to act as an investment adviser to MIHK for the provision of certain services described more fully below. MIHK contracts to provide services to financial intermediaries and make available certain investment models provided by affiliated and non-affiliated Asian and non-Asian asset managers. MIHK performs certain services for the financial intermediaries with respect to the investment models. In addition, MIHK is responsible for the implementation and oversight of the APAC Program and the activities of it or its designee(s). MBSC will not provide investment advice to or for the APAC Program, to any financial intermediary or underlying client of the financial intermediary. MBSC shall not have direct contact with the underlying client and shall only act at the direction of MIHK with regard to clients and accounts.

MBSC may perform the following functions for the APAC Program:

- investment model management at the direction of MIHK;
- order processing and trade facilitation at the direction of MIHK;
- facilitating client imposed restrictions where reasonable;
- execute portfolio transactions in accordance with MBSC's Best Execution Policy and Procedures; and
- perform an operational feasibility analysis on new strategies offered by MIHK.

***Clients of these Wrap Fee Account Programs and UMA Programs should also review the brochure of the Delegated Manager (or model provider for UMAs) and of the Program Sponsor which will contain additional information on each firm's investment advisory services.***

## ***II. BNY Mellon Select***

MBSC acts as a model provider for BNY Mellon Select (“Select Program”) and, as such, provides certain proprietary asset allocation mutual fund model portfolios to unaffiliated third party financial services firms (“Select Program Sponsors”) for use with its clients (“Select Clients”). An investment committee of BNY Mellon provides asset allocation for the models (“Select Models”) to MBSC for their review and approval. MBSC selects various investment vehicles, comprised of the Dreyfus mutual funds, for each of the three Select Models:

1. Long-Term Growth
2. Moderate Growth
3. Conservative Growth

For Select Clients participating in the Select Program, the Select Program Sponsor will establish and maintain a Select Client account on behalf of each client through Lockwood Advisors, Inc. (“Lockwood”), an affiliate of BNY Mellon.

### ***Other Accounts***

#### ***MBSC’s Role as a Program Sponsor to a Wrap Fee Program: Dreyfus Managed Asset Program***

MBSC also offers a wrap investment program, the Dreyfus Managed Asset Program (“DMAP”), where MBSC serves as the program sponsor. DMAP clients may invest in (i) mutual funds from leading fund families, (ii) equities through one or more separately managed accounts from leading portfolio managers, (iii) municipal bonds through a separately managed account managed by Standish Mellon Asset Management Company, LLC, an affiliate of MBSC, or (iv) a combination of these products. For more detail on DMAP, refer to the Form ADV Part 2A Appendix 1 Wrap Fee Program Brochure available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### ***Assets under Management***

As of December 31, 2014, we managed \$ 1,251.0 million for clients of which \$491.6 million was on a non-discretionary basis and \$759.4 was on a discretionary basis.

## **Item 5. Fees and Compensation**

Fees for MBSC's investment advisory services are described in the sections below. It is important to understand that the investment advisory and brokerage services that we perform are separate and distinct and each is governed by different laws and separate contracts with you. While there are certain similarities among the brokerage and advisory services we provide, depending on the capacity which we act, our contractual relationship and legal duties, including the fees we charge to you are subject to a number of important differences.

### **Wrap Fee and UMA Programs**

*For more information on fees and compensation, please see the wrap fee or UMA program brochure you receive from your Program Sponsor.*

MBSC has certain employees who, among other things, market the Strategies advised by the Delegated Managers to Program Sponsors. Program Sponsors may then recommend the Strategies to their clients. MBSC may compensate its employees more for successfully marketing certain Strategies over others. The compensation paid by MBSC to its employees for marketing the Strategies is made solely by MBSC out of its own assets. These payments present a conflict of interest because MBSC employees have an incentive to promote Strategies to Program Sponsors based on the potential for compensation rather than the needs of a Program Sponsor's client. This conflict is mitigated by the fact that Program Sponsors, and not MBSC employees, work with each client to determine if a particular Strategy is appropriate.

### **Wrap Program and UMA Program Fees**

Generally, in a wrap fee or UMA program, a Program Sponsor charges the client an all-inclusive ("wrap") fee that covers various costs relating to the management of the client's account. This fee typically includes brokerage transaction charges, custodian fees, investment advisory fees, consulting fees relating to the preparation of a policy statement and consulting fees relating to the preparation of periodic reports. Typically, the client is introduced to the Strategy by the client's broker, who is employed by the Program Sponsor. Some Wrap Programs and UMA Programs may not charge an all-inclusive wrap fee and may, instead, bill for separate services.

The Program Sponsor's clients generally do not pay a fee directly to MBSC and have limited direct contact with MBSC. The Program Sponsor typically compensates MBSC a portion of the total managed account program fee paid to the Program Sponsor by the client. This typically ranges from .25% to .55% annually, depending on the program sponsor, type of account, the level of support provided by MBSC and the Portfolio Manager and the size of the client's assets in the specific Strategy.

In a wrap fee program, trade execution is conducted through the Program Sponsor unless trade execution with a non-sponsoring firm may result in more favorable execution for the client. Trade execution with a non-sponsoring firm may result in additional fees to the sponsoring firm's clients.

Depending on the amount of activity in an account, the fees for a wrap fee program may result in higher costs than a client otherwise may incur by paying the sponsor's or adviser's standard fees and negotiating separate arrangements for trade execution, custodial and consulting services. The client may wish to evaluate the arrangement to satisfy the client that the total fee for a program is appropriate.



**BNY Mellon Select**

Select Clients may pay an advisory fee to the Select Program Sponsor, and the fees and expenses of the funds in which the account is invested. BNY Mellon Select Clients should review the Select Program Sponsor's wrap fee program brochure for more information on fees and compensation, including the Program Sponsor's advisory fees.

**Conflicts of Interest Related to Fees for BNY Mellon Select**

Our parent company, Dreyfus, receives advisory fees for its management of the Dreyfus managed mutual funds that are included in the Select Models. An investment strategy committee of BNY Mellon provides the asset allocation for the Select Models to the MBSC Select Product Review Committee which may create a conflict of interest in that its recommendation may favor some Dreyfus Funds ("Funds") over others. Fees received by Dreyfus for its management of the Funds are disclosed in each Fund's prospectus which the Select Program Sponsor is responsible for providing to the Select Client. This conflict is mitigated by MBSC's review and approval of the asset allocation model and the fact that the MBSC Select Product Review Committee selects the Funds included in the Select Model. Further, MBSC relies on the Select Client, in consultation with the Select Program Sponsor, to make the decision as to whether to choose a Select Model to use in a Select Client's account. Select Clients will work directly with their Select Program Sponsor, who is not affiliated with MBSC or Dreyfus, in determining whether or not the Select Models are suitable for their needs.

Fund fees and expenses are charged directly to assets invested in the Fund and are reflected in each Fund's share price. Each Fund expense ratio (the total amount of fees and expenses charged by the Fund) is stated in its prospectus. The expense ratio generally reflects the costs incurred by shareholders during the Fund's most recent fiscal reporting period. Current and future expenses may differ from those stated in the prospectus. Funds may charge, and not waive, a redemption fee on certain transaction activity in accordance with their prospectuses. Please see the Fund prospectus for more detailed information regarding fees and expenses. The Select Program Sponsor is responsible for providing the Fund prospectuses to the Select Client. Funds in the Select Program are managed by affiliates of MBSC.

For information on fees and compensation on the Dreyfus Managed Asset Program, a wrap fee program sponsored by MBSC, please refer to the Form ADV Part 2A Appendix 1 Wrap Fee Program Brochure.

**Item 6. Performance Fees and Side-by-Side Management**

Advisers are subject to certain fiduciary standards under federal law and owe clients an affirmative duty of utmost good faith to act solely in the best interests of the client and to make full and fair disclosure of all material facts, particularly where the adviser's interests may conflict with the client's best interest. In this section, we describe performance based fee arrangements and side-by-side management activities and the inherent conflicts in such arrangements.

We have not entered into performance based fee arrangements with other clients. However, our Delegated Managers may enter into performance based fee arrangements with their clients. For more detailed information on how our Delegated Managers' performance fees are calculated, please see the respective Delegated Manager's firm brochure.

“Side-by-side management” refers to our simultaneous management of multiple types of client accounts/investment products. For example, we or our Delegated Managers may manage separate accounts, managed accounts and pooled investment vehicles for clients at the same time. Our clients have a variety of investment objectives, policies, strategies, limitations and restrictions. Our affiliates likewise manage a variety of separate accounts, managed accounts, and pooled investment vehicles.

Side-by-side management gives rise to a variety of potential and actual conflicts of interest for us, our employees and our supervised persons. Below we discuss the conflicts that we and our employees and supervised persons face when engaging in side-by-side management and how we deal with them. Note that certain of our affiliated Delegated Managers’ employees are also officers or employees of one or more Firm affiliates (“dual officers”). These dual officers undertake investment management duties for the affiliates of which they are officers. Please see Item 10 for more information on our dual officer arrangements. When our affiliates concurrently manage client accounts/ investment products, and particularly when dual officers are involved, this presents the same conflicts as described below.

Note that we manage our accounts consistent with applicable law, and we and our Delegated Managers follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged. For example, we and our Delegated Managers have trading policies and procedures which are designed and implemented to ensure that all clients are treated fairly and equally, and to prevent these conflicts from influencing the allocation of investment opportunities among clients.

Please see Item 12 of this brochure (and Item 12 of our Delegated Managers’ Firm Brochure) for more information.

#### **Conflicts of Interest Relating to Accounts with Different Strategies**

We and our Delegated Managers manage numerous accounts with a variety of strategies, which may present conflicts of interest. For example, a long/short position in two client accounts simultaneously can result in a loss to one client based on a decision to take a gain in the other. Taking concurrent conflicting positions in certain derivative instruments can likewise cause a loss to one client and a gain to another.

#### **Conflicts of Interest Relating to Investment in Affiliated Accounts**

To the extent permissible under applicable law, we may decide to invest some or all of our temporary investments in money market accounts advised or managed by a BNY Mellon affiliate. We have an incentive to allocate investments to these types of affiliated accounts in order to generate additional fees for us or our affiliates.

#### **Conflicts of Interest Relating to “Proprietary Accounts”**

We, our Delegated Managers, and our existing and future employees may from time to time manage and/or invest in products managed by MBSC and its affiliates (“Proprietary Accounts”). Investment by MBSC, our affiliates, or our employees in Proprietary Accounts may create conflicts of interest. We have an incentive to favor these Proprietary Accounts by, for example, directing our best investment ideas to these accounts or allocating, aggregating or sequencing trades in favor of such accounts, to the disadvantage of other accounts. We also have an incentive to dedicate more time and attention to our Proprietary Accounts and to give them better execution and brokerage commissions than our other client accounts.

**Other Conflicts of Interest**

As noted previously, we and our affiliates manage numerous accounts with a variety of interests. This necessarily creates potential conflicts of interest for us. For example, we or our Delegated Managers may cause multiple accounts to invest in the same investment. Such accounts may have conflicting interests and objectives in connection with such investment, including differing views on the operations or activities of the portfolio company, the targeted returns for the transaction and the timeframe for and method of exiting the investment. Conflicts may also arise in cases where multiple Firm and/or affiliate client accounts are invested in different parts of an issuer's capital structure. For example, one of our client accounts could acquire debt obligations of a company while an affiliate's client account acquires an equity investment. In negotiating the terms and conditions of any such investments, we may find that the interests of the debt-holding client accounts and the equity holding client accounts may conflict. If that issuer encounters financial problems, decisions over the terms of the workout could raise conflicts of interest (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, debt holding accounts may be better served by a liquidation of an issuer in which it could be paid in full, while equity holding accounts might prefer a reorganization of the issuer that would have the potential to retain value for the equity holders. As another example, holders of an issuer's senior securities may be able to act to direct cash flows away from junior security holders, and both the junior and senior security holders may be Firm client accounts. **It is important to note that when we act as your broker-dealer, we do not enter into a fiduciary relationship with you. Absent special circumstances, we are not held to the same legal standards that apply when we have a fiduciary relationship with you, as we do when providing investment advisory services. Our legal obligations to disclose detailed information to you about the nature and scope of our business, personnel, fees, conflicts between our interests and your interests and other matters are more limited than when we have a fiduciary relationship with you.**

**Item 7. Types of Clients and Account Requirements****Types of Clients**

As discussed in the "Advisory Business" section above, we provide an array of investment advisory services to clients, including certain brokerage services. To the extent that we are providing advice to a municipal entity or obligated person regarding the investment of proceeds of a municipal security, this will be done in our investment adviser capacity. Generally, we will implement securities transactions in our capacity as broker dealer, not as an investment adviser (unless you are participating in one of our wrap investment programs).

Please review the wrap fee program brochure from your Program Sponsor for more information on types of clients and account requirements for the Program Sponsor's Wrap Fee and UMA Programs. Please see the Select Program Sponsor wrap fee program brochure for more information on the types of clients and account requirements for BNY Mellon Select. Lastly, for information on our wrap investment program, DMAP, please refer to the Form ADV Part 2A Appendix 1 Wrap Fee Program Brochure available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis – Wrap Accounts and UMA**

*Clients should review the brochure of the firm acting as Portfolio Manager which will contain additional information on that firm's methods of analysis, investment strategies and risk of loss.*

### **Methods of Analysis – BNY Mellon Select**

For Select Clients participating in the Select Program, the Select Program Sponsor will establish and maintain a Select Client account on behalf of each client through Lockwood Advisors.

The Select Models enable a Select Client to invest in a variety of mutual funds advised or sub-advised by investment management affiliates of MBSC (the "Funds"). The Select Models will contain only Funds managed and/or sub-advised by affiliates of MBSC. The asset allocation for the Select Models will be recommended by an investment strategy committee of BNY Mellon, and the Funds will be selected based primarily upon a quantitative process established by an MBSC review committee, the MBSC Select Product Review Committee. The quantitative process used by the MBSC Select Product Review Committee consists of a detailed ranking process that selects Funds based on a weighted consideration of set performance criteria.

The MBSC Select Product Review Committee will review and approve the asset allocation for each Select Model and the Funds selected primarily by the quantitative process, and determine whether to adjust the Funds selected in order to maintain consistency with the stated investment objectives associated with the Model.

MBSC will review the asset allocation of the Select Models periodically, but no less frequently than quarterly, to maintain consistency with the stated investment objectives associated with the particular Select Model. MBSC will provide any updates to the asset allocation of the Select Models or the Funds in the Select Model to the Select Program Sponsor for its review and approval before such updated Select Models are implemented into a Select Program. Finally, MBSC will provide the Select Program Sponsor with a list of Funds to be included in the Select Models and shall provide the Select Program Sponsor with notice of any updates to such list of Funds.

Select Program Sponsors are responsible for accepting Select Clients into the Select Program and for implementing, to the extent reasonable and feasible, any client directed restrictions. Any requests for the imposition of such restriction will be reviewed by the Program Sponsor on a case by case basis and the Program Sponsor, in its sole discretion, may decline to accept a client if it determines that it is unable to implement a client restriction.

The Select Models are based on hypothetical scenarios, intended to be generic, and not designed for any particular investor or client. MBSC has granted certain Select Program Sponsors a non-exclusive license to use the Select Models for purposes of providing investment management services to their clients in the Select Program Sponsor's advisory programs. The Select Program Sponsor acts as an investment adviser and fiduciary to Select Clients and Select Clients should read their Select Program Sponsor's wrap fee program brochure carefully for more information about the Select Program available to them.

**Risk of Loss**

Each investment strategy we offer invests in a variety of securities and employs a number of investment techniques that involve certain risks. Investing in securities involves risk of loss that you should be prepared to bear.

The table below and section that follows sets forth information concerning the material risks involved with each strategy. An “X” in the table indicates that the strategy involves the corresponding risk. An empty box indicates that the strategy does not involve the corresponding risk in a material way. **However, an empty box does not guarantee that the strategy will not be subject to the corresponding risk.**

The risks set forth below represent a general summary of the material risks involved in the investment strategies we offer. If applicable, please refer to the “Risk Factors” section in the offering documents for a more detailed discussion of the risks involved in an investment in a fund.

**Risk Summary**

<b>Risk Type</b>	<b>Mutual Funds *</b>	<b>Wrap Fee Accounts</b>
General risks	X	X
Clearance and settlement risk	X	X
Credit risk	X	X
Derivatives risk	X	
Emerging market risk – equities	X	X
Emerging market risk – fixed income	X	
Foreign currency risk	X	X
Foreign government obligation risk	X	
Foreign investment risk	X	X
Interest rate risk	X	X
Issuer risk	X	X
Leverage risk	X	
Liquidity risk	X	X
Market risk	X	X
Risk of warrants and rights	X	X

\* Reflects risks of investments in Funds used in BNY Mellon Select.

**General risks.** Investing in securities involves risk of loss that you should be prepared to bear. We do not guarantee or represent that our investment program will be successful. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure you that our investments of your money will be profitable, and in fact, you could incur substantial losses. Your investments with us are not a bank deposit and are not insured or guaranteed by the FDIC or any other government agency.

***Additional Risks that may be applicable to investments in Funds in BNY Mellon Select are available in each Fund’s Prospectus or Statement of Additional Information which is available on dreyfus.com or by calling Dreyfus at 1-800-843-5466.***

## **Item 9. Disciplinary Information**

### **Disciplinary Information**

*Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the firm or the integrity of the firm's management in this item.*

MBSC is not a defendant in any of the complaints or actions described in the following paragraph.

The New York State Attorney General's Offices, the U.S. Attorney's Office for the Southern District of New York and certain other plaintiffs have filed civil complaints against The Bank of New York Mellon (the "Bank") and/or The Bank of New York Mellon Corporation ("BNY Mellon"). BNY Mellon is the parent company of the Bank and MBSC. These actions allege that the Bank and/or BNY Mellon improperly charged and reported prices for standing instruction foreign exchange ("FX") transactions executed in connection with custody services provided by the Bank. MBSC was not a defendant to any of these actions. On March 19, 2015, BNY Mellon announced that it has resolved substantially all of the foreign exchange ("FX")-related actions currently pending against BNY Mellon, resulting in a total of \$714 million in settlement payments.

## **Item 10. Other Financial Industry Activities and Affiliations**

MBSC is registered as an investment adviser under the Advisers Act and as a broker-dealer under the Securities Exchange Act of 1934, and is a member of FINRA.

### **BNY Mellon is a Global Financial Services Company**

MBSC is an indirect, wholly owned subsidiary of BNY Mellon. BNY Mellon is a global financial services company providing a comprehensive array of financial services (including asset management, wealth management, asset servicing, clearing and execution services, issuer services and treasury services) through a world-wide client focused team that enables institutions and individuals to manage and service their financial assets. BNY Mellon Investment Management is the umbrella designation for BNY Mellon's affiliated investment management firms and global distribution companies and is responsible, through various subsidiaries, for U.S. and non-U.S. retail, intermediary and institutional distribution of investment management and related services.

MBSC may enter into transactions with unaffiliated counterparties or third party service providers who then use affiliates of MBSC to execute such transactions. These services may include, for example, clearance of trades, or other transactions not contemplated by MBSC. Although one of our affiliates may receive compensation for engaging in these transactions, the decision to use or not use an affiliate of ours is made by the unaffiliated counterparty or third party service provider.

BNY Mellon and/or its other affiliates may gather data from MBSC about our investment activities, including information about holdings within client portfolios, which is required for regulatory filings to be made by MBSC or BNY Mellon or other affiliates (e.g., reporting beneficial ownership of equity securities) or for other compliance, legal or risk management purposes, pursuant to policies and



procedures of the Firm, BNY Mellon or other affiliates. This data is deemed confidential and procedures are followed to ensure that any information is utilized solely for the purposes intended.

**BNY Mellon's Status as a Bank Holding Company**

BNY Mellon and its direct and indirect subsidiaries, including MBSC, are subject to certain U.S. banking laws, including the Bank Holding Company Act of 1956, as amended (the "BHCA"), and to regulation and supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The BHCA (and other applicable banking laws, and their interpretation and administration by the appropriate regulatory agencies, including but not limited to the Federal Reserve) may restrict the transactions and relationships among BNY Mellon, its affiliates (including us) and our clients, and may restrict our investments, transactions and operations. For example, the BHCA regulations applicable to BNY Mellon and us may, among other things, restrict our ability to make certain investments or the size of certain investments, impose a maximum holding period on some or all of our investments, and restrict our ability to participate in the management and operations of the companies in which we invest. In addition, certain BHCA regulations may require aggregation of the positions owned, held or controlled by related entities. Thus, in certain circumstances, positions held by BNY Mellon and its affiliates (including us) for client and proprietary accounts may need to be aggregated and may be subject to a limitation on the amount of a position that may be held. These limitations may have an adverse effect on our ability to manage client investment portfolios. For example, depending on the percentage of that company we and our affiliates (in the aggregate) control at any given time, the limits may (1) restrict our ability to invest in a company for certain clients and/or (2) require us to sell certain client holdings of that company at a time when it may be undesirable to take such action. Additionally, BNY Mellon may in the future, in its sole discretion and without notice, engage in activities impacting us in order to comply with the BHCA or other legal requirements applicable to (or reduce or eliminate the impact or applicability of any bank regulatory or other restrictions on) us and accounts managed by us and our affiliates.

**BNY Mellon Incentive Compensation Plan**

BNY Mellon has adopted an incentive compensation program ("Compensation Program") designed to:

- 1) Help clients understand and gain access to the full range of products and services offered by BNY Mellon and its subsidiaries; and
- 2) Expand and develop client relationships.

The Compensation Program promotes BNY Mellon's corporate values of Client Focus, Trust, Teamwork and Outperformance by encouraging the cross-selling of BNY Mellon's broad array of services and products throughout the organization to better meet a current or prospective client's full range of needs for financial products and services, and to expand customer relationships. The Compensation Program seeks to financially reward (via bonus or referral fee) eligible employees who offer a business lead that results in a sale of certain affiliated products or services to existing clients and prospects. These bonuses and referral fees may be paid to MBSC and our employees for referring business (services or products) to MBSC affiliates, and our affiliates and their employees may receive bonuses and referral fees for referring business to MBSC. The bonuses and referral fees may be based on the number of referrals made and/or the revenue generated by the referral. Certain types of regulated entities, employees and referrals may be ineligible for the Compensation Program or subject to restrictions under applicable law or internal procedures governing the earning of such rewards. These referral fees and bonuses may create conflicts

of interest for MBSC and our employees because we have an incentive to encourage our clients to engage in transactions with our affiliates, based on the compensation that we will receive for these referrals, rather than our clients' needs.

### **Dual Officers and Employees**

The Delegated Managers' employees often act as officers of The Bank of New York Mellon (the "Bank"), an affiliated New York chartered bank, and as employees of Dreyfus, an affiliated registered investment adviser, for the purpose of performing investment management and related functions for Dreyfus. In their capacities as officers of the Bank, these Firm personnel provide discretionary investment advisory services to certain clients and also to certain collective investment funds of the Bank and receive a fee for such services. In their capacities as Dreyfus employees, these Firm personnel provide investment advisory services to certain affiliated registered investment companies. For such services, they receive a portion of the investment management fee received by Dreyfus from each investment company to which it renders advice.

### **Other Relationships**

In addition, BNY Mellon personnel, including certain MBSC employees, may have board, advisory, or other relationships with affiliated and unaffiliated issuers, distributors, consultants and others. To the extent permitted by applicable law, BNY Mellon and its affiliates, including MBSC and our personnel, may make charitable contributions to institutions, including those that have relationships with investors or personnel of investors.

BNY Mellon maintains, and we have adopted, a Code of Conduct that addresses these types of relationships and the potential conflicts of interest they may present, including the provision and receipt of gifts and entertainment.

BNY Mellon, among several other leading investment management firms, has a minority equity interest in Luminex Trading and Analytics, LLC ("Luminex"), a registered broker-dealer under the Exchange Act, which was formed for the purpose of establishing and operating a "buy-side" owned and controlled electronic execution utility for trading securities (the "Alternative Trading System"). Transactions for clients for which we serve as adviser or sub-adviser may be executed through the Alternative Trading System. We and BNY Mellon disclaim that either is an affiliate of Luminex.

### **Affiliated Broker-Dealers and Investment Advisers**

MBSC is affiliated with a significant number of advisers and broker/dealers. Please see our Form ADV, Part I - Schedule D, Section 7.A for a list of our affiliated advisers and broker-dealers. Several of our investment adviser affiliates have, collectively, a significant number of investment-related private funds for which a related person serves as sponsor, general partner or managing member (or equivalent), respectively. Please refer to the Form ADV, Part I – Schedule D, Section 7.B for each of our affiliated investment advisers for information regarding such firm's private funds (if applicable) and such firm's Form ADV, Part I – Schedule D, Section 7.A for information regarding related persons that serve in a sponsor, general partner or managing member capacity (if applicable).

Where we select the broker to effect purchases or sales of securities for client accounts, we may use either an affiliated or unaffiliated broker (unless otherwise restricted by an agreement, law or regulation). We



may have an incentive to enter into transactions with an affiliated broker-dealer, in an effort to direct more commission dollars to its affiliate.

MBSC has broker selection policies in place that require our selection of a broker-dealer to be consistent with its duties of best execution, and subject to any client and regulatory proscriptions. Please see Item 12 of our Delegated Managers' Brochure for more information.

MBSC may be prohibited or limited from effecting transactions for you because of rules in the marketplace, foreign laws or our own policies and procedures. In certain cases, we may face further limitations because of aggregation issues due to our relationship with affiliated investment management firms. Please also refer to Item 12 of our Delegated Managers' Brochure, for a discussion of trade aggregation issues.

### **Affiliated Banking Institutions**

BNY Mellon engages in trust and investment business through various banking institutions, including the Bank and BNY Mellon, National Association. These affiliated banking institutions may provide certain services to us, such as recordkeeping, accounting, marketing services, and referrals of clients. We may provide the affiliated banking institutions with sales and marketing materials regarding our investment management services that may be distributed under the name of certain marketing "umbrella designations" such as BNY Mellon, BNY Mellon Wealth Management, BNY MAM, and BNY AMI.

Certain clients may have established custodial or sub-custodial arrangements with the Bank and other financial institutions that are affiliated with us. Furthermore, the Bank and other financial institutions that are affiliated with us may provide services (such as trustee, custodial or administrative services) to issuers of securities. Because of their affiliation with us, our ability to purchase securities of such issuers and to take advantage of certain market opportunities may be subject to certain restrictions and in some cases, prohibited.

### **Other Business Activities of MBSC and its Affiliates**

As one of BNY Mellon companies, MBSC may, from time to time, use the research staff, products, services and library of its affiliates and may consult with their portfolio managers. MBSC's affiliates are engaged in a broad range of financial services activities in the United States and abroad, and include banks, trust companies, broker-dealers, investment advisers, stock transfer agents, commodity pool operators and commodity trading advisers, municipal securities dealers and pension consultants, among other businesses. Certain of MBSC's affiliates serve as investment advisers of and provide other services to mutual funds and other investment companies, including the Funds advised by Dreyfus. Funds advised by Dreyfus are used as options in the Select Program. MBSC's arrangements with these funds and their service providers are material to MBSC's business as an investment adviser. In addition, from time to time, MBSC and certain of its affiliates may refer investment advisory clients or other business to each other, as permitted by applicable law and rules, and these arrangements may become material to MBSC's investment advisory business.

The client should be aware that MBSC and its affiliated entities maintain various types of financial and other relationships with financial or other institutions, entities and persons.

The Funds in the Select Program are affiliates of MBSC and advised by MBSC's affiliate, Dreyfus. MBSC or an affiliate will receive fees for the services they provide to the Funds. Receipt of these fees by MBSC or its affiliates may present a conflict of interest because MBSC may have an incentive to include some Funds in the Select Model over other Funds. These fees are disclosed in each Fund's prospectus which the Select Program Sponsor is responsible for providing to the Select Client. This conflict is mitigated by the fact that MBSC relies on the Select Client, in consultation with the Select Program Sponsor, to make the decision as to whether to choose a Select Model to use in a Select Client's account. Select Clients will work directly with their Select Program Sponsor, who is not affiliated with MBSC, in determining whether or not the Select Models are suitable for their needs. By removing itself from the decision making process, MBSC mitigates the conflict of interest as to whether the Select Client elects the Select Model or a different available option.

Services provided by MBSC and its affiliates for the MBSC-affiliated funds include investment advice, administration, distribution and transfer agency services. Although it is not possible to determine accurately the amount of time that MBSC devotes to any one of the wide range of financial activities in which it is engaged, MBSC's principal business is the sale of mutual funds advised by its affiliates.

MBSC and its representatives also may buy or sell for themselves securities that they recommend to a client for purchase and sale. They also may give advice and take action in the performance of their duties for a client that differs from advice given, or the timing and nature of action taken, with respect to other clients or for themselves. Personal trading by MBSC employees must be conducted in compliance with all applicable laws and the Confidential Information and Securities Trading Policy that governs BNY Mellon and its subsidiaries, including MBSC.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions, Personal Trading**

MBSC has adopted a Code of Ethics that is made up of two parts:

- 1) BNY Mellon Code of Conduct and Interpretive Guidance (the "BNY Mellon Code"); and
- 2) BNY Mellon Personal Securities Trading Policy (the "PSTP").

The BNY Mellon Code provides to employees the framework and sets the expectations for business conduct. In addition, it clarifies our responsibilities to clients, suppliers, government officials, competitors and the communities we serve and outlines important legal and ethical issues:

- 1) Conflicts of Interest: gifts, entertainment and other payments; personal conflicts of interest; fiduciary appointments and bequests; outside affiliations, outside employment and certain outside compensation issues; and disclosure of relationships and transactions;
- 2) Proper Use and Care of Information and Proper Recordkeeping: proprietary information and intellectual property; data integrity and corporate information; use of e-mail and Internet; accurate accounting and internal controls; use of non-public or "inside" information; talking to the media; and document retention;

- 3) Dealing with Customers, Prospects, Suppliers, and Competitors: business relationships with customers, prospects, suppliers, and competitors; business decisions; exploitation of relationships and use of the company's name, letterhead or facilities; knowing your customer; and recognizing and reporting illegal, suspicious, or unusual activities;
- 4) Doing Business With the Government: complying with government contracts, government contracting laws and regulations; integrity in the sales and marketing process; truthful, accurate statements and recordkeeping; safeguarding government information and property; cooperating with government audits and investigations; and meeting employment and labor obligations;
- 5) Personal Finances: personal investments; personal brokerage accounts; political campaign contributions; contributions to not-for-profit entities; and individual employees' regulatory requirements; and
- 6) Compliance with the Law: among other matters illegal or criminal activities; investigations; and protection of company assets.

The PSTP is designed to reinforce our reputation for integrity by avoiding even the appearance of impropriety and to ensure compliance with applicable laws in the conduct of our business. The PSTP sets forth procedures and limitations that govern the personal securities transactions of our employees in accounts held in their own names as well as accounts in which they have indirect ownership. We, and our related persons and employees, may, under certain circumstances and consistent with the PSTP, purchase or sell for their own accounts securities that we also recommend to clients.

The PSTP imposes different requirements and limitations on employees based on the nature of their business activities for the Firm. Each of our employees is classified as one of the following:

- 1) Investment Employee ("IE"): IEs are employees who, as part of their responsibilities, have access to nonpublic information regarding any advisory client's purchase or sale of securities or nonpublic information regarding the portfolio holdings of any Proprietary Account, or are involved in making securities recommendations to advisory clients or have access to such recommendations before they are public.
- 2) Access Decision Maker ("ADM"): ADMs (generally Portfolio Managers and research analysts who make recommendations or decisions regarding the purchase or sale of equity, convertible debt and non-investment grade debt securities for mutual funds and other managed accounts) are subject to the most extensive procedures under the PSTP.
- 3) Non-Classified Employee: Our employees are considered non-classified if they are not an IE or ADM.

**PSTP Overview:**

- 1) IEs and ADMs are subject to preclearance and personal securities reporting requirements, with respect to discretionary accounts in which they have direct or indirect ownership;

- 2) Transaction reporting is not required for non-discretionary accounts, transactions in exempt securities or certain other transactions that are not deemed to present any potential conflicts of interest;
- 3) Preclearance is not required for transactions involving certain exempt securities (such as open-end investment company securities that are not Proprietary Funds or money market funds and short-term instruments, non-financial commodities; transactions in non-discretionary accounts (approved accounts over which the employee has no direct or indirect influence or control over the investment decision-making process); transactions done pursuant to automatic investment plans; and certain other transactions detailed in the PSTP which are either involuntary or deemed not to present any potential conflict of interest;
- 4) We have a “Preclearance Compliance Officer” who maintains a “restricted list” of companies whose securities are subject to trading restrictions. This list is used by the Preclearance Compliance Officer to determine whether or not to grant trading authorization;
- 5) The acquisition of any securities in a private placement requires prior written approvals;
- 6) With respect to transactions involving BNYMC securities, all employees are also prohibited from engaging in short sales, purchases on margin, option transactions (other than employee option plans), and short-term trading (i.e., purchasing and selling, or selling and purchasing BNYMC securities within any 60 calendar day period);
- 7) With respect to non-BNYMC securities purchasing and selling, or selling and purchasing the same or equivalent security within 60 calendar days is discouraged, and any profits must be disgorged; and
- 8) No covered employee should knowingly participate in or facilitate late trading, market timing or any other activity with respect to any fund in violation of applicable law or the provisions of such fund’s disclosure documents.

A copy of our Code of Ethics will be provided upon request.

**Interest in Client Transactions**

Note that while each of the following types of transactions present conflicts of interest for us, as described below, we manage our accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat our clients fairly and to prevent any client or group of clients from being systematically favored or disadvantaged.

*Clients should also review the brochure of the firm acting as Portfolio Manager which will contain additional information on that firm’s investment advisory services. Select Clients should review the Select Program Sponsors wrap fee program brochure for more information on that firm’s investment advisory services.*

**Principal Transactions**

“Principal transactions” are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys any security from or sells any security to any client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated pooled investment vehicle and another client account. We do not engage in principal transactions.

It is our policy that neither we nor any of our officers or directors shall, as principal, buy securities for itself from or sell securities it owns to any client. However, we are part of a large diversified financial organization, which includes banks and broker-dealers. As a result, it is possible that a related person other than our officers and directors, may, as principal, purchase securities from, or sell securities to our clients.

**Cross Transactions**

We do not engage in cross transactions.

**Transactions in Same Securities**

We or our affiliates may invest in the same securities that we or our affiliates recommend to clients. When we or an affiliate currently holds for our own benefit the same securities as a client, we could be viewed as having a potential conflict of interest. For example, we or our affiliate could be seen as harming the performance of the client’s account for our own benefit if we short-sell the securities in our own account while holding the same securities long in the client account, causing the market value of the securities to move lower.

**Interests in Recommended Securities/Products**

We or our affiliates may recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that we or one of our affiliates buys or sells the same securities for our (or the affiliate’s) own account. This practice may give rise to a variety of potential conflicts of interest, particularly with respect to aggregating, allocating and sequencing securities being purchased on both our (or its affiliate’s) behalf and our clients’ behalf. For example, we could have an incentive to cause a client or clients to participate in an offering because we desire to participate in the offering on our own behalf, and would otherwise be unable to meet the minimum purchase requirements. Likewise, we could have an incentive to cause our clients to participate in an offering to increase our overall allocation of securities in that offering, or to increase our ability to participate in future offerings by the same underwriter or issuer. On the other hand, we could have an incentive to cause our clients to minimize their participation in an offering that has limited availability so that we do not have to share a proportionately greater amount of the offering to the client. Allocations of aggregated trades might likewise raise a potential conflict of interest as we may have an incentive to allocate securities that are expected to increase in value to ourselves. See Item 12 for a discussion of our brokerage and allocations practices and policies. Further, a potential conflict of interest could be viewed as arising if a transaction in our own account closely precedes a transaction in related securities in a client account, such as when a subsequent purchase by a client account increases the value of securities that were previously purchased for ourselves.

On occasion, we may recommend the purchase or sale, or purchase or sell, securities that are issued by our parent company, BNY Mellon, or underwritten by its affiliate, BNY Mellon Capital Markets, LLC, for client accounts if such recommendation or purchase or sale is in accordance with the client's guidelines and applicable law. In addition, we or a related person may recommend the purchase of securities in certain private funds which we manage and for which we may serve as sole director or managing member or collective investment funds maintained by the Bank (which are managed by our Firm personnel in their roles as dual officers of the Bank and for which we receive a fee and the Bank may receive a custodial fee for custody services). The Firm, its employees, and our related persons currently invest in certain private funds or collective funds that may also include client assets managed by us, and we and such related persons will receive proportional returns associated with our investment. Additionally, we may receive an investment management fee in our capacity as investment adviser or sub-adviser and related persons (including affiliated broker-dealers) may receive certain amounts associated with placement agent fees, custodial fees, administrative fees, loads, or sales charges.

#### **Investments by Related Persons and Employees**

We and our existing and future employees, our board members, and our affiliates and their employees may from time to time invest in products managed by us. We have developed policies and procedures to address any conflicts of interest created by such investment. We are part of a large diversified financial organization that includes banks and broker-dealers. As a result, it is possible that a related person may, as principal, purchase securities or sell securities for itself that we also recommend to clients. We do permit our employees to invest for their own account within the guidelines and restrictions of the Code of Ethics, as described above. For more information, please see "Interests in Recommended Securities/Products" in this Item 11, and "Dual Officers and Employees" and "Affiliated Underwriters/Trustees" in Item 10 with regard to purchases of securities in an offering where an affiliate acts as underwriter or a member of the underwriting syndicate.

#### **Agency Transactions Involving Affiliated Brokers**

Neither we nor any of our officers or directors, acting as broker or agent, effects securities transactions for compensation for any client. We are part of a large diversified financial organization that includes broker-dealers. As a result, it is possible that a related person, other than our officers and directors, may, as agent, effect securities transactions for our clients for compensation. Please also see additional information relating to affiliate arrangements and with regard to purchases of securities in an offering where an affiliate acts as underwriter or a member of the underwriting. Please also see Schedule D, Section 7A of our Form ADV Part 1 for a list of broker-dealers which are our affiliates.

## **Item 12. Brokerage Practices**

#### **Execution, Clearance, Administrative and Custodial Services for the Select Program**

For the Select Program, the delivery of clearing, custody, statements and confirmations will be provided by Lockwood, through a clearing and custody arrangement with Lockwood's affiliate, Pershing. Broker-dealer services will be provided by the Select Program Sponsor or a financial institution designated by the Select Program Sponsor.



**Wrap Fee Accounts**

For wrap fee accounts, executions of client transactions in wrap accounts are conducted through the Program Sponsor unless “stepping out” the trade to a non-sponsoring firm may result in more favorable execution to the client. MBSC, at its discretion, may facilitate trade execution for client transactions with a non-sponsoring firm when we determine that executing the trade away from the sponsoring firm is in the best interest of the client. When stepping out and trading away from the sponsoring firm, the client will be charged a commission and all applicable fees.

**APAC Accounts**

In connection with the services MBSC provides for the APAC Program, trade execution for client transactions, including spot foreign exchange, will generally be executed with MBSC’s counterparties.

**Other Brokerage Practices**

*The following describes our policies when we facilitate non-mutual fund client transactions with a broker-dealer other than the sponsoring firm:*

**Broker Selection:** We have the authority to direct securities transactions on behalf of our clients to broker-dealers we select from the Bank of New York Mellon’s Approved Broker List. In doing so, we seek best execution of such transactions. When seeking best execution, we consider the full range and quality of a broker-dealer’s services including, among other things, commission rates/trading costs, a broker’s trading expertise, reputation and integrity, willingness and ability to commit capital, reliability both in executing and settling trades, fairness in resolving disputes, value provided in a market, execution capability, financial responsibility and responsiveness to the Firm.

**Soft Dollars:** We do not use/receive research or other products or services other than execution from a broker-dealer or third party in connection with client securities transactions.

**Affiliated Broker/Dealers:** We do not direct securities transactions to any affiliated broker-dealer unless directed to by the Program Sponsor. Certain unaffiliated broker-dealers used by us to execute trades may use a broker-dealer who is our affiliate to clear those trades. In such cases, the clearing broker receives a clearance fee negotiated and paid by the executing broker-dealer. The decision to use one of our affiliates in these circumstances is made by the unaffiliated executing broker-dealer, and we have no influence over whether a broker-dealer which we select for execution of client trades clears through one of our affiliates, or the financial arrangement between them.

**Affiliated Depository Agent:** From time to time, we will use an unaffiliated broker-dealer to convert local shares of a foreign security into an American Depositary Receipt (“ADR”) shares or ADR shares into local shares. In certain cases, the unaffiliated broker-dealer may use BNY Mellon as a depository agent.

**Brokerage for Client Referrals:** We do not direct securities transactions to any broker-dealer in exchange for referral of investment management clients.

**Directed Brokerage:** We will participate in directed brokerage if directed by the sponsor/financial intermediary and a contractual arrangement is in place. With a directed brokerage arrangement, we would rely on the executing broker to demonstrate best execution. Brokerage transactions are directed in accordance with our agreements with the sponsor firms and our practices as described above.

**Priority of Execution:** When trading directly with the Program Sponsors, we will either (i) implement a trade rotation with the sponsors or (ii) trade simultaneously with the sponsor if a trade rotation is not necessary. A trade rotation will be implemented when we determine that undue competition among sponsors may result that negatively impacts the client. For example, volume limitations are a factor that may create undue competition in the market. We will implement a trade rotation at the omnibus level for transactions in investment strategies that involve multiple sponsors. A random number generator will be used to determine the trade rotation.

**Trade Aggregation:** We will aggregate certain client transactions (i.e. purchase or sale of securities of the same issuer with the purchase and sale of other client transactions participating in the same security on the same day) when we determine that it is in the best interest of all clients. Each client participating in an aggregated transaction within a trading day will do so at the same average price where possible.

**Trade Allocation:** Allocation of an aggregated order is prepared prior to the execution of the block trade. If an aggregated order is filled in its entirety, the order must be allocated in accordance with the allocation specified. Aggregated trades are allocated at the average price of the aggregated order. Generally, if an aggregated order is partially filled, the order will be allocated among the accounts specified on the trade ticket on a pro-rata basis in proportion to the intended allocation. However, if the order is only partially filled and a pro-rata allocation will result in clients receiving a de minimis allocation, we may allocate based on another methodology.

**New Issue Allocation:** New issues are not permitted for purchase in separately managed accounts and therefore are not applicable to aggregation and allocation policies and procedures described in this section.

**Trade Errors:** Our policy is to correct trade errors we make when executing securities transactions that impact our client accounts to the extent the total trade error resulted in a loss of \$25 or more.

## **Item 13. Review of Accounts**

### **Wrap Fee Accounts and UMA Programs**

Clients should review the wrap fee program brochure of the Program Sponsor and the brochure of the firm acting as Portfolio Manager which will contain additional information on that firm's policies on Review of Accounts.

### **BNY Mellon Select**

Select Program Sponsors are responsible for reviewing the Select Client's account on a post trade basis to ensure compliance with rebalancing rules and to ensure accuracy. Select Clients should review the Select Program Sponsors wrap fee program brochure for more information.



## **Item 14. Client Referrals and Other Compensation**

Our ultimate parent, BNY Mellon, has organized its lines of business into two groups: Investment Management and Investment Services (collectively “Groups”). We are part of the Investment Management Group. A sales force has been created to focus on developing new customer relationships and developing and coordinating large complex existing customer relationships within those Groups.

In certain circumstances, Investment Management sales representatives are paid fees for sales. The fees may be based on revenues and may be a one-time payment or paid out over a number of years. In addition, our sales representatives and sales representatives of its affiliates within the Investment Management Group are paid for intra-Group referrals to their counterparts. Those fees are based on the first year’s revenue for the new Group.

Sales of any alternative investment products (such as private funds) may be made through us acting as a broker-dealer or a broker-dealer affiliate. MBSC registered representatives or registered representatives of such affiliated broker-dealers receive compensation for sales of alternative investments.

We and our affiliates also participate in the BNY Mellon Incentive Compensation Plan, which presents certain conflicts of interest, all as described above and in Item 5.

## **Item 15. Custody**

Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) defines “custody” to include a situation in which an adviser or a related person holds, directly or indirectly, client funds or securities or has any authority to obtain possession of them, in connection with advisory services provided by the adviser.

MBSC does not have “custody” of client assets with its Separately Managed Accounts or BNY Mellon Select for purposes of the Custody Rule.

## **Item 16. Investment Discretion**

For Wrap Fee Accounts, MBSC does not have investment discretion over the model portfolios and will only act at the direction of the Portfolio Manager in managing client accounts. For accounts where we have investment discretion, we will exercise any such investment discretion that has been granted to us in a manner consistent with the stated investment guidelines and restrictions for the particular client's account. If we are unable to adhere to any client's guidelines or restrictions, we will inform, and determine how to proceed in consultation with, the non-affiliated broker/dealer Program Sponsor. Options include having the client modify their guidelines or restrictions, or closing the client's account.

MBSC does not have investment discretion over any client accounts for BNY Mellon Select.

## **Item 17. Voting Client Securities**

### **Committee Structure**

We participate in BNY Mellon’s Proxy Voting and Governance Committee (the “Committee”). The Committee consists of representatives from certain investment advisory, banking, trust company, and other fiduciary business units (each, a “Member Firm”) affiliated with BNY Mellon. The Committee has

adopted a Proxy Voting Policy, related procedures, and voting guidelines (the “Proxy Policies”), and applies the Proxy Policies to those clients who have given a Member Firm, typically through an investment advisory agreement, authority to vote proxies. The Committee seeks to make proxy voting decisions that are in the best interest of the client and has adopted detailed, pre-determined, written proxy voting guidelines for specific types of proposals and matters commonly submitted to shareholders by U.S. and non-U.S. companies (collectively, the “Voting Guidelines”), which are included in the Proxy Policies.

These Voting Guidelines are designed to assist with voting decisions which over time seek to maximize the economic value of the securities of companies held in client accounts (viewed collectively and not individually) as determined in the discretion of the Committee. We believe that this approach is consistent with our fiduciary obligations and with the published positions of applicable regulators with an interest in such matters (e.g., the U.S. Securities and Exchange Commission and the U.S. Department of Labor), and we have adopted the Proxy Policies, including the Voting Guidelines, and agreed that we will vote proxies through the Committee. We do not permit clients to direct us on how to vote in a particular solicitation. However, if a client of ours chooses to retain proxy voting authority or delegate proxy voting authority to an entity other than a Member Firm (whether such retention or delegation applies to all or only a portion of the securities within the client’s account), either the client’s or such other entity’s chosen proxy voting guidelines (and not the Committee’s) will apply to those securities.

### **Philosophy**

We recognize that the responsibility for the daily management of a company’s operations and strategic planning is entrusted to the company’s management team, subject to oversight by the company’s board of directors. As a general matter, we invest in companies believed to be led by competent management and, as set forth in the Voting Guidelines, we customarily vote in support of management proposals and consistent with management’s recommendations. However, in our role as a fiduciary, we believe that we must express our view on the performance of the directors and officers of the companies in which clients are invested and how these clients’ interests as shareholders are being represented. Accordingly, as set forth in the Voting Guidelines, we will vote against those proposals that we believe would negatively impact the economic value of clients’ investments – even if those proposals are supported or recommended by company management.

We seek to vote on proxies of non-U.S. companies through application of the Voting Guidelines. However, corporate governance practices, disclosure requirements and voting operations vary significantly among the various non-U.S. markets in which our clients may invest. In these markets, we may face regulatory, compliance, legal or logistical limits with respect to voting securities held in client accounts which can affect our ability to vote such proxies, as well as the desirability of voting such proxies. Non-U.S. regulatory restrictions or company-specific ownership limits, as well as legal matters related to consolidated groups, may restrict the total percentage of an issuer’s voting securities that we can hold for clients and the nature of our voting in such securities. Our ability to vote proxies may also be affected by, among other things: (1) late receipt of meeting notices; (2) requirements to vote proxies in person; (3) restrictions on a foreigner’s ability to exercise votes; (4) potential difficulties in translating the proxy; (5) requirements to provide local agents with unrestricted powers of attorney to facilitate voting instructions; and (6) requirements that investors who exercise their voting rights surrender the right to dispose of their holdings for some specified period in proximity to the shareholder meeting. Absent an issue that is likely to impact clients’ economic interest in a company, we generally will not subject clients to the costs (which may include a loss of liquidity) that could be imposed by these requirements. In these

markets, we will weigh the associative costs against the benefit of voting, and may refrain from voting certain non-U.S. securities in instances where the items presented are not likely to have a material impact on shareholder value.

### **Process**

The Committee has retained the services of two independent proxy advisors (“Proxy Advisors”) to provide comprehensive research, analysis, and voting recommendations. These services are used most frequently in connection with proposals or matters that may be controversial or require a case-by-case analysis by the Committee in accordance with its Voting Guidelines. The Committee has engaged one of its Proxy Advisors as its proxy voting agent (the “Proxy Agent”) to administer the mechanical, non-discretionary elements of proxy voting and reporting for clients. The Committee has directed the Proxy Agent, in that administrative role, to follow the specified Voting Guideline and apply it to each applicable proxy proposal or matter where a shareholder vote is sought. Accordingly, proxy items that can be appropriately categorized and matched either will be voted in accordance with the applicable Voting Guideline or will be referred to the Committee if the Voting Guideline so requires. The Voting Guidelines require referral to the Committee for discussion and vote of all proxy proposals or shareholder voting matters for which the Committee has not yet established a specific Voting Guideline, and generally for those proxy proposals or shareholder voting matters that are contested or similarly controversial (as determined by the Committee in its discretion).

In addition, the Committee has directed the Proxy Agent to refer to it for discussion and vote all proxy proposals of those issuers: (1) where the percentage of their outstanding voting securities held in the aggregate in accounts actively managed by the Member Firms is deemed significant or (2) that are at or above a certain specified market capitalization size (each, as determined by the Committee in its discretion). Generally, when a matter is referred to the Committee, the decision of the Committee will be applied to all accounts for which the Member Firms exercise proxy voting authority, whether the account is actively managed or managed pursuant to quantitative, index or index-like strategies (“Index Strategies”), unless we or another Member Firm determine that the economic interests of a particular account differ and require that a vote be cast differently from the collective vote in order to act in the best interests of such account’s beneficial owners. In all cases, for those clients that have given us authority to vote proxies, the ultimate voting decision and responsibility rests with us.

For items referred to it, the Committee may determine to accept or reject any recommendation based on the Voting Guidelines, research and analysis provided by its Proxy Advisors, or on any independent research and analysis obtained or generated by Member Firm portfolio managers and analysts or the Committee’s Research Group. Because accounts following Index Strategies are passively managed accounts, research from portfolio managers and/or analysts related to an issuer with securities held in these accounts may not be available to the Committee.

Clients may receive a copy of the Voting Guidelines, as well as the Proxy Policies, upon request. Clients may also receive information on the proxy voting history for their managed accounts upon request. Please contact us for more information.

### **Managing Conflicts**

It is the policy of the Committee to make proxy voting decisions that are solely in the best long-term

economic interests of clients. The Committee is aware that, from time to time, voting on a particular proposal or with regard to a particular issuer may present a potential for conflict of interest for its Member Firms. For example, potential conflicts of interest may arise when: (1) a public company or a proponent of a proxy proposal has a business relationship with a BNY Mellon affiliated company; and/or (2) an employee, officer or director of BNY Mellon or one of its affiliated companies has a personal interest in the outcome of a particular proxy proposal.

Aware of the potential for conflicts to influence the voting process, the Committee consciously developed the Voting Guidelines and structured the Committee and its practices with several layers of controls that are designed to ensure that the Committee's voting decisions are not influenced by interests other than those of its Member Firms' fiduciary clients. For example, the Committee developed its Voting Guidelines with the assistance of internal and external research and recommendations provided by third party vendors but without consideration of any BNY Mellon client relationship factors. The Committee has directed the Proxy Agent to apply the Voting Guidelines to individual proxy items in an objective and consistent manner across client accounts and similarly has directed the Proxy Agent to administer proxy voting for Member Firm clients. When proxies are voted in accordance with these pre-determined Voting Guidelines, it is the Committee's view that these votes do not present the potential for a material conflict of interest and no additional safeguards are needed.

For those proposals that are referred to the Committee in accordance with the Voting Guidelines or Committee direction, the Committee votes based upon its principle of seeking to maximize the economic value of the securities held in client accounts. In this context the Committee seeks to address the potential for conflicts presented by such "referred" items through deliberately structuring its membership. The representatives of the Member Firms on the Committee do not include individuals whose primary duties relate to sales, marketing or client services. Rather the Committee consists of senior officers and investment professionals from its Member Firms, and is supported by members of BNY Mellon's Compliance, Legal and Risk Management Departments, as necessary.

With respect to the potential for personal conflicts of interest, BNY Mellon's Code of Conduct requires that all employees make business decisions free from conflicting outside influences. Under this Code, BNY Mellon employees' business decisions are to be based on their duty to BNY Mellon and to their clients, and not driven by any personal interest or gain. All employees are to be alert to any potential for conflict and to identify and mitigate or eliminate any such conflict. Accordingly, members of the Committee with a personal conflict of interest regarding a particular public company or proposal that is being voted upon must recuse themselves from participation in the discussion and decision-making process with respect to that matter.

Additionally, there are certain instances where the Committee may determine to engage an independent fiduciary to vote proxies as a further safeguard to avoid any potential conflicts of interest or as otherwise required by applicable law. Use of an independent fiduciary has been adopted for voting the proxies issued by BNY Mellon, by companies for which a member of BNY Mellon's Executive Committee serves as a director, and by any individual fund within The Dreyfus Family of Funds or The BNY Mellon Funds. If necessary or appropriate, the Committee may engage the independent fiduciary to vote proxies issued by other companies.

**Item 18. Financial Information**

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. MBSC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding.