

# **BNY Mellon Securities Corporation**

240 Greenwich Street, New York, NY 10286

**Form ADV Part 2A  
Disclosure Statement  
BNY Mellon Securities Corporation  
Firm Brochure  
March 30, 2020**

**This brochure (“Brochure”) provides information about the qualifications and business practices of BNY Mellon Securities Corporation (“BNYMSC”). If you have any questions about the contents of this Brochure, please contact your program sponsor or us at 212-635-8827. 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 BNYMSC 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 programs should also review the wrap fee program Brochure provided by the program sponsor.***

## **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.

Below is a summary of the material changes we have made to this Brochure since the last annual update on March 29, 2019.

- The Brochure was updated to reflect firm and product name changes related to a corporate branding initiative sponsored by our ultimate corporate parent, The Bank of New York Mellon Corporation. These include, among other things, a name change of our firm from MBSC Securities Corporation to BNY Mellon Securities Corporation; a name change of our direct corporate parent from The Dreyfus Corporation to BNY Mellon Investment Adviser, Inc.; and a name change of our affiliated mutual fund family from The Dreyfus Funds to the BNY Mellon Funds, all effective as of June 3, 2019. In addition, the name of our proprietary wrap program was changed from the Dreyfus Managed Asset Program<sup>SM</sup> to the BNY Mellon Managed Asset Program, effective August 22, 2019.
- Mellon Investments Corporation, an affiliated investment adviser, was engaged as a Delegated Manager effective June 21, 2019 - please refer to ***Third-Party Wrap Programs*** on Page 5 of this Brochure.
- The BNY Mellon Select product was discontinued effective November 29, 2019 - please refer to ***BNY Mellon Select (“Select Program”)*** on Page 7 of this Brochure.
- We have included additional detail regarding the types of wrap fee investment programs to which we provide investment advisory services and the various investment strategies we offer – please refer to Items 4 and 8 of this Brochure.

**Item 3. Table of Contents**

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## **Item 4. Advisory Business**

### **Introduction**

BNY Mellon Securities Corporation (“BNYMSC,” “Firm,” “We,” “Our” or “Us”) is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940 (the “Advisers Act”) and as a broker-dealer under the Securities Exchange Act of 1934 (the “1934 Act”); is a member of the Financial Industry Regulatory Authority (FINRA); and is registered with the National Futures Association (NFA) as an introducing broker. BNYMSC is a corporation organized under the laws of the State of New York. BNYMSC is a direct wholly-owned subsidiary of BNY Mellon Investment Adviser, Inc. (“BNY Mellon Investment Adviser”) and an indirect subsidiary of The Bank of New York Mellon Corporation (“BNY Mellon”). BNYMSC has been providing investment advisory services to individuals and institutions since 2001.

We provide investment advisory services to wrap programs sponsored by non-affiliated banks, broker-dealers and other financial intermediaries (“Program Sponsors”) by: (i) sub-advising separate account portfolios (“Traditional Wrap Program(s)”); (ii) providing model portfolios (“Model Delivery Program(s)”); or (iii) directly advising on investors’ separate account portfolios (“Dual-Contract Program(s)”). In Traditional Wrap Programs and Dual-Contract Programs, BNYMSC executes discretionary securities transactions in an account in the name of the wrap program client (“Wrap Client(s)”), subject to any investment restrictions specified by the Wrap Client. With respect to Model Delivery Programs, BNYMSC provides model portfolios to the Program Sponsor, who then executes securities transactions on behalf of the Wrap Clients. Investment advisory services are provided to Model Delivery Programs on a non-discretionary basis. We do not have discretionary investment authority with respect to any Wrap Client accounts in Model Delivery Programs (although we may, depending upon our contractual arrangement with the Program Sponsor, be granted authority over proxy voting, regulatory reporting or similar functions). For purposes of this Brochure, we will collectively refer to Traditional Wrap Programs, Model Delivery Programs and Dual Contract Programs as “Wrap Programs.”

BNYMSC provides portfolio management services to Traditional Wrap Program and Model Delivery Program Wrap Clients pursuant to an agreement with the Program Sponsor and, with respect to Dual-Contract Programs, pursuant to an investment advisory agreement with the Wrap Client.

In connection with these Wrap Programs, BNYMSC may engage affiliated or non-affiliated investment managers (each a “Delegated Manager”) to perform certain investment advisory services on BNYMSC’s behalf, including providing investment recommendations to BNYMSC based on a particular investment strategy (the “Strategy(ies)”). The Delegated Manager is responsible for monitoring, evaluating and adjusting the investment recommendations based on the Delegated Manager’s investment research, experience and judgment. Currently, Newton Investment Management Limited (“Newton”), Walter Scott & Partners Limited (“Walter Scott”) and Mellon Investments Corporation (“Mellon”), all of which are affiliated investment managers, serve as Delegated Managers to BNYMSC.

We, Newton, Walter Scott and Mellon are registered investment advisers and BNY Mellon Investment Management firms. BNY Mellon Investment Management is one of the world's leading investment management organizations and one of the top U.S. wealth managers, encompassing BNY Mellon's affiliated investment management and global distribution firms and wealth management organization. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation.

BNYMSC 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.

As described in more detail below, we also offer advisory services not described in this Brochure, in particular as the program sponsor of a wrap fee program (the BNY Mellon Managed Asset Program). 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).

### **Third-Party Wrap Programs**

#### **Traditional Wrap Programs**

In a Traditional Wrap Program, a Wrap Client enters into an advisory agreement with the Program Sponsor and the Program Sponsor enters into a sub-advisory agreement with BNYMSC. Under a Traditional Wrap Program, BNYMSC is retained by the Program Sponsor, and Wrap Clients select BNYMSC from among the investment advisers that the Program Sponsor presents to them. Upon accepting management of a Wrap Client's account ("Wrap Account"), BNYMSC provides investment advisory services to the Wrap Account in accordance with the investment guidelines applicable to the investment strategy selected by the Wrap Client; the investment guidelines, if any, specified by the Program Sponsor with respect to the applicable Wrap Program; and the investment restrictions, if any, specified by the Wrap Client.

In connection with Traditional Wrap Programs, BNYMSC may perform some or all of the following services:

- providing investment advisory services for Wrap Accounts;
- facilitating trading for Wrap Accounts with Program Sponsors and other broker-dealers;
- managing Wrap Accounts and implementing the Delegated Manager's investment strategy recommendations;
- monitoring the Delegated Manager's strategy guidelines, the Program Sponsor's Wrap Program guidelines and the Wrap Clients' investment guidelines;
- participating in consultations with financial advisors of the Program Sponsors regarding administration of Wrap Accounts;
- undertaking secondary suitability reviews;

- facilitating the instructing of corporate actions;
- conducting proxy voting on a Wrap Client's behalf if so directed; and
- filing certain regulatory reports.

Portfolio transactions for Wrap Clients of Traditional Wrap Programs are generally directed by BNYMSC 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 of this Brochure for more information about the selection of broker-dealers when executing securities trades on behalf of Wrap Clients.

### **Model Delivery Programs**

In Model Delivery Programs, BNYMSC is retained by the Wrap Program Sponsor to provide portfolio recommendations, which take the form of a portfolio model related to a particular strategy and not tailored to any Wrap Client. The Program Sponsor retains full discretion to accept, modify or reject such recommendations and the Program Sponsor (or a third party retained by the Program Sponsor to perform services for the Wrap Program, such as an overlay manager) is generally responsible for implementing the ultimate investment decisions. BNYMSC does not know the identity of, or any other pertinent information about, the Wrap Clients for whose portfolios the Program Sponsor has elected to use BNYMSC's portfolio model. Unlike Traditional Wrap Programs or Dual-Contract Programs, BNYMSC does not have discretionary investment authority with respect to any Wrap Client accounts in Model Delivery Programs.

In connection with Model Delivery Programs, BNYMSC may perform some or all of the following services:

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

### **Dual-Contract Programs**

In Dual-Contract Programs, a Wrap Client enters into an investment advisory agreement directly with BNYMSC and a separate agreement with the Program Sponsor. Upon accepting management of a Wrap Account, BNYMSC directly advises and manages the Wrap Account in accordance with the investment guidelines applicable to the investment strategy selected by the Wrap Client; the investment guidelines, if any, specified by the Program Sponsor with respect to the applicable Wrap Program; and the investment restrictions, if any, specified by the Wrap Client. As of the date of this Brochure, we do not advise any Dual-Contract Program Wrap Accounts, but do offer discretionary investment advisory services to Wrap Programs that accept Dual-Contract Program Wrap Clients.

In connection with Dual-Contract Programs, BNYMSC may perform some or all of the following services:

- providing investment advisory services for Wrap Accounts;
- undertaking suitability and Know Your Customer reviews;
- facilitating trading with Program Sponsors (where available) and other broker-dealers;
- managing Wrap Accounts and implementing the Delegated Manager's investment strategy recommendations;
- monitoring the Delegated Manager's strategy guidelines, the Program Sponsor's Wrap Program guidelines and the Wrap Clients' investment guidelines;
- participating in consultations with financial advisors of the Program Sponsors regarding administration of Wrap Accounts;
- facilitating the instructing of corporate actions;
- facilitating billing of Wrap Accounts;
- conducting proxy voting on a Wrap Client's behalf, if so directed; and
- filing certain regulatory reports.

Portfolio transactions for Wrap Clients of Dual-Contract Programs are generally directed by BNYMSC to the Program Sponsor for execution (where available) 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 of this Brochure for more information about the selection of broker-dealers when executing securities trades on behalf of Wrap Clients.

BNYMSC has the right, at its discretion, to decline to provide investment advisory services, on a case-by-case basis, to new Wrap Clients of Program Sponsors.

In addition to providing investment advisory and related services for Wrap Programs, BNYMSC may be retained by affiliated and non-affiliated investment managers to provide administrative and support services ("Administrative Services") in connection with the investment advisory services that such managers have agreed to perform for wrap accounts of financial services firms who sponsor wrap fee investment programs.

***Wrap Clients of these Wrap Programs should also review the Brochures of the Delegated Manager and Program Sponsor, which will contain additional information about each of those firm's investment advisory services.***

### **BNY Mellon Select ("Select Program")**

Prior to November 29, 2019, BNYMSC acted as a model provider for the Select Program and, as such, provided certain proprietary asset allocation mutual fund model portfolios ("Select Models") to unaffiliated third party financial services firms ("Select Program Sponsors") for use with their clients ("Select Clients").

BNYMSC utilized the services of an affiliated investment adviser, BNY Investment Strategy and Solutions Group, LLC (“ISSG”), to provide the asset allocation of the Select Models and select the mutual funds for inclusion in the Select Models, which were comprised solely of BNY Mellon Funds.

For Select Clients that participated in the Select Program, the Select Program Sponsor established and maintained a Select Client account on behalf of each Select Client through Lockwood Advisors, Inc. (“Lockwood”), an affiliate of BNYMSC.

The Select Program was discontinued effective November 29, 2019, and the existing Select Clients were migrated at that time by the Select Program Sponsors to alternative investment or redemption options, as directed by each Select Client. In addition, each Select Client’s Lockwood account was closed at that time. BNYMSC, as model provider, had no role or authorization with respect to such migration or Lockwood account closure.

### **Other Accounts**

#### **BNYMSC’s Role as a Program Sponsor to a Wrap Fee Program: BNY Mellon Managed Asset Program**

BNYMSC also offers a proprietary wrap fee program, the BNY Mellon Managed Asset Program (“BNYM MAP”), for which BNYMSC serves as the program sponsor. BNYM MAP clients may invest in (i) BNY Mellon Funds or a combination of BNY Mellon Funds and selected mutual funds from third party mutual fund families, (ii) equity investment strategies through one or more separately managed accounts managed by professional investment advisory firms, including BNYMSC, (iii) municipal bonds through a separately managed account managed by Mellon, an affiliate of BNYMSC, or (iv) a combination of these products. For more detail with respect to BNYM MAP, please refer to BNYMSC’s 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, 2019, we managed \$1.71 billion for clients, of which \$745.7 million was on a discretionary basis and \$ 964.0 million was on a non-discretionary basis.

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

Fees for BNYMSC’s investment advisory services are described in the sections below. As a dually-registered investment adviser and broker-dealer, the investment advisory services that we perform are separate and distinct from the brokerage services we perform, and each is governed by different laws and contractual arrangements. While there may be certain similarities between the brokerage and advisory services we provide depending on the capacity in which we act, our contractual relationship and legal duties, including the fees we charge to clients, are subject to a number of important differences.



**Wrap Programs**

Generally, in a Wrap Program, the Program Sponsor charges the Wrap Client an inclusive (“wrap”) fee that covers various costs relating to the management of the Wrap Client’s account. This wrap fee typically includes brokerage transaction and clearing charges, custodian fees, investment advisory fees, and any other applicable fees for related services. Typically, the Wrap Client is introduced to the Strategy by the Wrap Client’s financial professional, who is employed by the Program Sponsor. Some Wrap Programs may not charge a wrap fee and may, instead, bill separately for each service provided. With respect to Dual-Contract Programs, the investment advisory fee typically is not included in the Program Sponsor’s wrap fee and the Wrap Client would pay the fee directly to BNYMSC. Wrap Clients should consult their Program Sponsor’s Wrap Fee Program Brochure for additional information about the services provided through their program by the Program Sponsor and related fees and expenses associated with the Wrap Program.

Except with respect to Dual-Contract Programs, the Program Sponsor’s Wrap Clients generally do not pay a fee directly to BNYMSC and have limited direct contact with BNYMSC. The Program Sponsor typically pays BNYMSC a portion of the total managed account program fee paid to the Program Sponsor by the Wrap Client. This typically ranges from 0.30% to 0.50% annually, depending on the Program Sponsor, the type of account, the level of support provided by BNYMSC and the size of the Wrap Client’s assets in the specific Strategy. In addition, and as described above, BNYMSC 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 financial services firms who sponsor wrap fee programs. In such cases, BNYMSC is paid a fee by those investment managers for providing such administrative and support services, which are unrelated to BNYMSC’s provision of investment advisory services to Wrap Clients.

In Traditional Wrap Programs, trade execution is generally conducted through the Program Sponsor unless trade execution with a non-sponsoring firm may result in more favorable execution for the Wrap Client. Trade execution with a non-sponsoring firm may result in additional fees to the Program Sponsor’s Wrap Clients. Please refer to Item 12 of this Brochure (**Brokerage Practices**) for more information about trade execution with non-sponsoring firms.

Depending on the amount of activity in an account, the fees for a Wrap Program may result in higher costs than a Wrap Client might otherwise incur by establishing separate arrangements for trade execution, custody, investment advice and other account-related services. Wrap Clients may wish to periodically evaluate whether the total fee for a particular Wrap Program is appropriate to their needs.

**Conflicts of Interest Related to Wrap Programs**

BNYMSC has certain representatives who, among other things, market the Strategies advised by the Delegated Managers to Program Sponsors. Program Sponsors may then recommend the Strategies to their Wrap Clients. BNYMSC may compensate its representatives more for successfully marketing certain Strategies over others. The compensation paid by BNYMSC to its representatives for marketing the

Strategies is made solely by BNYMSC out of its own assets. These payments present a conflict of interest because the BNYMSC representatives have an incentive to promote Strategies to Program Sponsors based on the potential for compensation rather than the needs of a Program Sponsor's Wrap Clients.

*For more information on fees and compensation, please see the Wrap Program Brochure you receive from your Program Sponsor.*

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

Performance-based fee arrangements and side-by-side management activities entail inherent conflicts that are described in this Item 6.

We have not entered into performance-based fee arrangements with our clients. However, our Delegated Managers may enter into performance-based fee arrangements with their clients. For more detailed information about such arrangements, including 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 simultaneously manage separate accounts, managed accounts and pooled investment vehicles for clients. 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 BNY Mellon affiliates ("dual officers"). These dual officers undertake investment management duties for the affiliates of which they are officers. Please see Item 10 of this Brochure (**Other Financial Industry Activities and Affiliations**) 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.

To address these conflicts of interest, 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, such as trade allocation and best execution procedures, which are designed and implemented to help ensure that all clients are treated fairly and equally, and to prevent these conflicts from influencing the allocation of investment opportunities between and among clients. Please see Item 12 of this Brochure (**Brokerage Practices**) (and Item 12 of our Delegated Managers' firm Brochures) 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 presents conflicts of interest relating to the allocation of investment opportunities and the aggregation and allocation of trades. 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 the Management of Multiple Client Accounts**

We and our Delegated Managers perform investment advisory services for various clients. We may give advice and take action in the performance of our duties with respect to any of our clients which may differ from the advice given, or the timing or nature of action taken, with respect to other clients. We have no obligation to purchase or sell for a client any security or other property which we purchase or sell for our own account or for the account of any other client, if it is undesirable or impractical to take such action. We may give advice or take action in the performance of our duties with respect to any of our clients which may differ from the advice given, or the timing or nature of action taken by our affiliates on behalf of their clients.

**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 corporate temporary investments in money market accounts advised or managed by a BNY Mellon affiliate. We have an incentive to allocate our own investments to these types of affiliated accounts to generate additional fees for us or our affiliates.

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

We, our affiliates, and/or our existing and future employees will from time to time invest in products managed by us or our affiliates (“Proprietary Accounts”). Investment by us, our affiliates, or our employees in Proprietary Accounts creates conflicts of interest because we or our affiliates have an incentive to favor these Proprietary Accounts by, for example, directing the best investment ideas to these accounts or allocating, aggregating or sequencing trades in favor of such accounts, to the disadvantage of other accounts. We and our affiliates 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 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 also arise in cases where multiple BNYMSC 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 for which they 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 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.**

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

### **Types of Clients**

As discussed in Item 4 (**Advisory Business**) above, we provide an array of investment advisory services to individual investors and other clients of Program Sponsors of Wrap Programs. 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.

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 Programs. For information regarding BNYM MAP, please refer to our 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**

### **Wrap Programs**

We offer a variety of investment strategies which, as described in Item 4, are referred to in this Brochure as "Strategies" and which are listed below in this Item 8. Please also refer to Item 8 of our Delegated Managers' Brochures for detailed descriptions of the Strategies for which each Delegated Manager performs investment advisory services on our behalf, and for each Delegated Manager's methods of analysis.

Each Strategy involves risk of loss, which Wrap Clients should be prepared to bear. Please refer to the **Summary of Material Risks** in this Item 8 below, and to Item 8 of our Delegated Managers' Brochures,

for descriptions of the primary risks relating to the Strategies we offer. For all Strategies, there is no assurance or guarantee that a Strategy's or a Wrap Client's investment objectives will be met.

### **Strategies**

The Strategies we may currently make available to Program Sponsors are listed below, along with the name of the Delegated Manager providing investment advisory services to us. Wrap Clients should additionally check with representatives of their Program Sponsors for actual availability of a given Strategy with respect to a particular Wrap Program.

- **Newton**
  - BNYM Newton International Equity
  - BNYM Newton International Equity ADR
  - BNYM Newton Global Equity
  - BNYM Newton Global Equity Income ADR
- **Walter Scott**
  - BNYM Walter Scott International Stock ADR
- **Mellon**
  - BNYM Mellon Dynamic Value
  - BNYM Mellon Small Mid Cap Growth

Working with a Program Sponsor representative, the Wrap Client typically determines his or her investment strategy based on personal circumstances and objectives and selects one or more Strategies. Wrap Clients are responsible for asset allocation decisions when selecting portfolios. We and our Delegated Managers do not provide asset allocation advice with respect to the Strategies we offer.

### **Risk of Loss**

Each 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.

**Summary of Material Risks**

The table below and section that follows set 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 Strategies we offer.

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

Please refer to Item 8 of our Delegated Managers’ Brochures for further descriptions of these material risks relating to the Strategies.

**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.

**Cybersecurity Risk:**

In addition to the risks described above that primarily relate to the value of investments, there are various operational, systems, information security and related risks involved in investing, including but not limited to “cybersecurity” risk. Cybersecurity attacks include electronic and non-electronic attacks that include but are not limited to gaining unauthorized access to digital systems to obtain client and financial information, compromising the integrity of systems and client data (e.g., misappropriation of assets or sensitive information), or causing operational disruption through taking systems off-line (e.g., denial of service attacks). As the use of technology has become more prevalent, we and the client accounts we manage have become potentially more susceptible to operational risks through cybersecurity attacks. These attacks in turn could cause us and client accounts (including funds) we manage to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures, and/or financial loss. Similar adverse consequences could result from cybersecurity incidents affecting issuers of securities in which we invest, counterparties with which we engage in transactions, third-party service providers (e.g., a client account’s custodian), governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers and other financial institutions and other parties. While cybersecurity risk management systems and business continuity plans have been developed and are designed to reduce the risks associated with these attacks, there are inherent limitations in any cybersecurity risk management system or business continuity plan, including the possibility that certain risks have not been identified. Accordingly, there is no guarantee that such efforts will succeed, especially since we do not directly control the cybersecurity systems of issuers or third-party service providers.

**Item 9. Disciplinary Information****Disciplinary Information**

From time to time, we and/or BNY Mellon may be involved in regulatory examinations or litigation that arise in the ordinary course of our business. At this time, we are not aware of any regulatory matters or litigation that we believe would be material to an evaluation of our advisory business or the integrity of our management.

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

In addition to being registered as an investment adviser under the Advisers Act, BNYMSC is also registered as a broker-dealer under the Securities Exchange Act of 1934, is a member of FINRA, and is registered with the NFA as an introducing broker.

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

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, global distribution companies and wealth management business and is responsible, through various subsidiaries, for U.S. and non-U.S. retail, intermediary and institutional distribution of investment management and related services.

We may enter into transactions with unaffiliated counterparties or third party service providers who then use affiliates of ours to execute such transactions. Additionally, we may affect transactions in American Depositary Receipts ("ADRs") or other securities and the involved issuers or their service providers may use affiliates for support services. Services provided by our affiliates to such unaffiliated counterparties, third party service providers and/or issuers may include, for example, clearance of trades, purchases or sales of securities, serving as depository bank to issuers of ADRs, providing foreign exchange services in connection with dividends and other distributions from foreign issuers to owners of ADRs, or other transactions not contemplated by us. Although our affiliates may receive compensation for engaging in these transactions and/or providing services, the decision to use or not use an affiliate of ours is made by the unaffiliated counterparty, third party service provider or issuer. Further, we will likely be unaware that the affiliate is being used to enter into such transaction or service.

BNY Mellon and/or its affiliates may gather data from BNYMSC about our investment activities, including information about holdings within client portfolios, which is required for regulatory filings to be made by BNYMSC or BNY Mellon or their 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 their affiliates. This data is deemed confidential and procedures are followed to help 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 us, are subject to certain U.S. banking laws, including the Bank Holding Company Act of 1956, as amended (the "BHCA"), to regulation and supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve"), and to the provisions of, and regulations under, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The BHCA and the Dodd-Frank Act (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.

### **The Volcker Rule**

The Dodd-Frank Act includes provisions that have become known as the “Volcker Rule,” which restrict bank holding companies, such as BNY Mellon and its subsidiaries (including us) from (i) sponsoring or investing in a private equity fund, hedge fund or otherwise “covered fund”, with the exception, in some instances, of maintaining a de minimis investment, subject to certain other conditions and/or exceptions, (ii) engaging in proprietary trading, and (iii) entering into certain transactions involving conflicts of interest (e.g., extensions of credit). The final Volcker Rule was jointly adopted by a group of U.S. federal financial regulators in December 2013 and was fully implemented by BNY Mellon by July 21, 2017.

The Volcker Rule generally prohibits certain transactions involving an extension of credit between BNY Mellon and its affiliates, on the one hand, and “covered funds” managed by BNY Mellon and/or its affiliates (including us), on the other hand. BNY Mellon affiliates provide securities clearance and settlement services to broker-dealers on a global basis. The operational mechanics of the securities clearance and settlement process can result in an unintended intraday extension of credit between the securities clearance firm and a “covered fund.” As a result, we may be restricted in executing transactions for certain funds through broker-dealers that utilize a BNY Mellon affiliate as their securities clearance firm. Such restriction could prevent us from executing transactions through broker-dealers we would otherwise use in fulfilling our duty to seek best execution.

### **Dual Officers and Employees**

Certain employees of our Delegated Managers act as officers or employees of one or more of our affiliates (“dual officers”), including The Bank of New York Mellon, an affiliated New York chartered bank (the “Bank”), and BNY Mellon Investment Adviser, Inc. (“BNYMIA”), an affiliated registered investment adviser, for the purpose of performing investment management and related functions. In their capacities as dual officers, they provide discretionary investment advisory services to certain clients and also to certain collective investment funds of the Bank and the applicable Delegated Manager receives a fee for such services. In their capacities as dual officers of BNYMIA, these Delegated Manager personnel provide investment advisory services to certain affiliated registered investment companies. In these capacities, they may also provide non-discretionary investment advisory services to unaffiliated managed account/wrap-fee

accounts. The Delegated Managers receive a portion of the investment management fee received by BNYMIA for such services.

The Delegated Managers may also provide sub-advisory services to certain affiliated registered investment companies by serving as a sub-adviser to BNYMIA. For such services, the Delegated Managers receive a portion of the investment management fee received by BNYMIA from each investment company to which it renders advice.

### **Other Relationships**

In addition, BNY Mellon personnel, including certain of our employees, may have board, advisory, or other relationships with issuers, distributors, consultants and others that may have investments in a private fund and/or related funds or that may recommend investments in a private fund or distribute interests in a private fund. To the extent permitted by applicable law, BNY Mellon and its affiliates, including us and our personnel, may make charitable contributions to institutions, including those that have relationships with investors or personnel of investors. As a result of the relationships and arrangements described in this paragraph, placement agents, consultants, distributors and other parties would have conflicts associated with their promotion of a private fund, or other dealings with a private fund, that create incentives for them to promote a private fund.

BNY Mellon maintains, and we have adopted, a Code of Conduct that addresses these types of relationships and the conflicts of interest they 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**

BNYMSC is affiliated with a significant number of advisers and broker/dealers. Please see our Form ADV, Part 1A - 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 1A – 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 1A – Schedule D, Section 7.A for information regarding related persons that serve in a sponsor, general partner or managing member capacity (if applicable).

Except with respect to BNYM MAP where our affiliate, Pershing LLC, provides certain execution, clearing

and custodial services, we limit our selection of brokers for effecting purchases or sales of securities for client accounts to unaffiliated brokers only. Please refer to our Wrap Fee Program Brochure for more information concerning Pershing LLC's role with respect to BNYM MAP.

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

We 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. Due to local market rules associated with aggregation of security ownership with our affiliates we may be prevented from owning more of a particular security that we would otherwise want to own for client accounts. Please also refer to Item 12 of our Delegated Managers' Brochures for a discussion of trade aggregation issues.

#### **Affiliated Underwriters**

Our broker-dealer affiliates occasionally act as underwriter or as a member of the underwriting syndicate for certain new issue securities, which presents a conflict of interest because it creates an incentive for us to purchase these new issue securities in an effort to provide additional fees to the broker-dealer affiliate. As a matter of policy, however, we do not purchase new issue securities for discretionary client accounts.

BNY Mellon has established a policy regarding purchases of securities in an offering in which an affiliate acts as an underwriter or as a member of the underwriting syndicate. In compliance with applicable banking, securities and ERISA regulations, we may purchase on behalf of our clients securities in an offering in which an affiliate is acting as an underwriter or as a member of the underwriting syndicate during the syndication period, so long as requirements of the policy, including written approval and compliance with certain investment criteria, are met. The policy prohibits direct purchases from an affiliate for any fiduciary account under any circumstances.

#### **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/or 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 Mellon IM, and BNY Mellon EMEA.

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 BNYMSC and its Affiliates**

As a BNY Mellon company, BNYMSC may, from time to time, use the research staff, products, services and libraries of its affiliates and may consult with their portfolio managers. BNYMSC'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, commodity trading advisers, municipal securities dealers and pension consultants, among other businesses. Certain of BNYMSC's affiliates serve as investment advisers of and provide other services to mutual funds and other investment companies, including the BNY Mellon Funds that are used as options in BNYM MAP. BNYMSC's arrangements with the BNY Mellon Funds and their service providers are material to BNYMSC's business as an investment adviser. In addition, from time to time, BNYMSC 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 BNYMSC's investment advisory business.

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

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

BNYMSC and its representatives 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 BNYMSC employees must be conducted in compliance with all applicable laws and the BNY Mellon Personal Securities Trading Policy that governs BNY Mellon and its subsidiaries, including BNYMSC.

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

We have adopted a Code of Ethics that is made up of two parts:

1. BNY Mellon Code of Conduct (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. Below are key principles of the BNY Mellon Code and an overview of areas covered by these principles:

1. Respecting Others: We are committed to fostering an inclusive workplace where talented people want to stay and develop their careers. Supporting a diverse, engaged workforce allows us to be successful in building trust, empowering teams, serving our clients and outperforming our peers. We give equal employment opportunity to all individuals in compliance with legal requirements and because it's the right thing to do.
2. Avoiding Conflicts: We make our business decisions free from conflicting outside influences. Our business decisions are based on our duty to BNY Mellon and our clients, and not driven by any personal interest or gain. We are alert to any potential conflict of interest and ensure we identify and mitigate or eliminate any such conflict.
3. Conducting Business: We secure business based on honest competition in the marketplace, which contributes to the success of our company, our clients and our shareholders. We compete in full compliance with all applicable laws and regulations. We support worldwide efforts to combat financial corruption and financial crime.
4. Working with Governments: We follow all requirements that apply to doing business with governments. We recognize that practices that may be acceptable when dealing with a private company that is the client may cause problems or be a violation of law when working with a government.
5. Protecting Company Assets: We ensure all entries made in the company's books and records are complete and accurate, and comply with established accounting and record-keeping procedures. We maintain confidentiality of all forms of data and information entrusted to us, and prevent the misuse of information belonging to the company or any client.
6. Supporting Our Communities: We take an active part in our communities around the world, both as individuals and as a company. Our long-term success is linked to the strength of the global economy and the strength of our industry. We are honest, fair and transparent in every way that we interact with our communities and the public at large.

As a global financial institution, BNY Mellon and its subsidiaries (the "Company") are subject to certain laws and/or regulations governing the personal trading of securities. In order to ensure that all employees' personal investments are conducted in compliance with the applicable rules and regulations and are free from conflicts of interest, the Company has established limitations on personal trading, as reflected in the PTSP.

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. Each of our employees is classified as one of the following:

1. Investment Employee (“IE”): IE is an employee who, in the normal conduct of his/her job responsibilities, has access (or are likely to be perceived to 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 Fund (defined as a fund sponsored, managed or subadvised by BNY Mellon or any of its affiliates), is involved in making securities recommendations to advisory clients, or has access to such recommendations before they are public.
2. Access Decision Maker (“ADM”): Generally, employees are considered to be ADM Employees if they are portfolio managers or research analysts and make or participate in recommendations or decisions regarding the purchase or sale of securities for mutual funds or managed accounts. Portfolio managers of broad-based index funds and traders are not typically classified as ADM Employees.
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 BNY Mellon 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 BNY Mellon securities within any 60 calendar day period).
7. For IEs and ADMs, with respect to non-BNY Mellon 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.
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.

*Wrap Program clients should also review the Brochures of the Delegated Managers and/or Program Sponsors, as applicable, which will contain additional information about those firms’ 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.



While we do not engage in principal transactions, we are part of a large diversified financial organization, which includes banks and broker-dealers. As a result, it is possible that an affiliate, 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 have a 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 the our (or the affiliate's) own account. This practice gives rise to a variety of conflicts of interest, particularly with respect to aggregating, allocating and sequencing securities being purchased on both our (or our affiliate's) behalf and our clients' behalf. For example, we 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 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 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 likewise raise a conflict of interest as we 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 conflict of interest could arise 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

We or a related person may recommend the purchase of securities in certain private funds which BNYM Investment Adviser or our affiliates manage and for which BNYM Investment Adviser or our affiliate may serve as sole director or managing member or collective investment funds maintained by the Bank (which are managed by personnel of BNYM Investment Adviser or one of our affiliates in their roles as dual officers of the Bank and for which BNYM Investment Adviser or our affiliate, as applicable, receive a fee and the Bank may receive a custodial fee for custody services). BNY Mellon, or certain of its employees,



or related persons, may currently invest in certain private funds or collective funds that also include client assets managed by BNY Mellon, BNYM Investment Adviser, or their affiliates, and they and such related persons will receive proportional returns associated with such investment. Additionally, our affiliates, as applicable, 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” in Item 10 of this Brochure.

**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**

**Wrap Programs**

With respect to Model Delivery Programs, BNYMSC provides the model portfolios to the Program Sponsor, who then executes securities transactions on behalf of the Wrap Clients.

With respect to Traditional Wrap Programs, BNYMSC executes transactions in Wrap Accounts generally through the Program Sponsor unless executing trades with a non-sponsoring firm may result in more favorable execution to the Wrap Client. Accordingly, to facilitate obtaining best execution for Wrap Clients, BNYMSC may, at its discretion, facilitate trade execution for Wrap Client transactions with a non-

sponsoring firm. We may do so for a variety of reasons, including the type or liquidity of the securities we are buying or selling, or because we are aggregating trades for Wrap Clients of one Program Sponsor with trades for Wrap Clients of other Program Sponsors. The corresponding brokerage commissions and associated transaction costs for such “trading away” activity will not be included in the wrap fee paid by the Wrap Client to the Program Sponsor and instead will represent additional costs borne by the Wrap Client; however, this will not increase the advisory fee paid to or billed by BNYMSC. Wrap Clients should also note that such brokerage commissions and associated transaction costs may be built into the net price of the investment, as reflected on trade confirmations, as opposed to being separately itemized.

In connection with the Strategies for Traditional Wrap Programs currently offered by BNYMSC and which were available during calendar year 2019 - BNYM Newton International Equity, BNYM Newton Global Equity and BNYM Newton Global Equity Income ADR - the average dollar-weighted percentage of transactions traded away by BNYMSC during the twelve months through December 31, 2019 across the Wrap Client accounts in each Strategy was 41.76%, 16.11% and 0.00%, respectively. With respect to all three Strategies, the additional cost incurred by Wrap Clients with respect to each such transaction ranged from 0 - 4 cents per share (or, for commissions charged on a percentage rather than per share basis, approximately 0 - 10 basis points of the value of each trade).]

In addition to the fees and expenses described above, certain routine trading costs associated with the day-to-day investment management of a Wrap Account may, depending upon the provisions of a particular Wrap Program, not be included in a Wrap Client’s wrap fee and may therefore represent additional costs to the Wrap Client. In general, these may include (but are not necessarily limited to) the SEC fee imposed on sales of US securities and the transaction taxes imposed by certain non-US countries with respect to the purchase and sale of securities of certain issuers domiciled in those countries. With respect to trading away activity in the BNYM Newton International Equity, BNYM Newton Global Equity and BNYM Global Equity Income ADR Strategies, additional trading-related costs, such as non-US local market transaction taxes and ADR conversion charges, may also apply.

For the reasons described above, with respect to both Traditional Wrap and Model Delivery Programs it is not always possible for us to aggregate client transactions pursuant to our trade aggregation procedures except when we direct transactions in a Traditional Wrap Program to a non-sponsoring broker-dealer in an effort to seek best execution. Changes to our investment strategy models are disseminated to all Program Sponsors for the same strategy at or near the same time to help ensure fair and equitable treatment of all clients. As a result, there may be instances in which one or more Program Sponsors are executing trades for their clients at the same time that we are executing trades in the same securities. This could lead to competing orders for the same securities, potentially harming execution quality. In an effort to mitigate this adverse consequence and help ensure fair and equitable treatment across the respective clients of BNYMSC and the Program Sponsors, BNYMC may seek to coordinate trading proportionally to assets under management with the Program Sponsors when the combined order size in that security is anticipated to exceed certain trading volume thresholds.

While, as described under ***Third-Party Wrap Programs*** in Item 4 of this Brochure, we do not currently advise any Dual-Contract Program Wrap Accounts, our brokerage selection and coordinated trading processes as described in this Item 12 with respect to Traditional Wrap Programs would also apply to Dual-Contract Programs.

## **Other Brokerage Practices**

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

**Broker Selection:** We have the authority to direct securities transactions on behalf of our discretionary clients to broker-dealers we select from The Bank of New York Mellon Corporation'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. Please also see the discussion concerning the Volcker Rule and its possible implications concerning our broker-dealer selection practices in Item 10 above.

**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 we select for execution of client trades clears through one of our affiliates, or if so 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/Compensation for Client Referrals:** We do not direct securities transactions to, or otherwise compensate, any broker-dealer in exchange for referral of investment management clients.

**Directed Brokerage:** We will participate in directed brokerage only if directed by the Program Sponsor and a contractual arrangement is in place. In the event that such direction occurs, we may have limited capability to negotiate commission rates or obtain volume discounts. As a result, the net price paid or received by the directed account may be different than the price paid or received by our other accounts.

Overall, any instruction that we use a certain broker-dealer or restrict trading with a particular broker-dealer may cause a client to pay higher commissions, receive less favorable net prices or investment results, or incur additional custodial or other external administrative charges than would be the case if we were authorized to choose the broker-dealers through which to execute transactions.

**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 participating 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 aggregated 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 participating accounts on a pro-rata basis in proportion to the intended allocation. We may, however, if required in our judgment, deviate from pro rata allocation on partially filled orders to help prevent odd lot position sizes or similar outcomes that may not be desirable for clients' accounts.

**New Issue Allocation:** BNYMSC does not currently purchase new issues for client accounts. To the extent we seek to purchase new issues in the future, we will adopt policies and procedures designed to help ensure fair and equitable treatment of clients.

**Trade Errors:** Our policy is to correct trading and operational errors we make and to reimburse client accounts to the extent that any such error, in aggregate across the participating client accounts, results in a loss of \$25 or more.

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

In addition to the account review activities that may be performed by Program Sponsors, we perform various oversight activities with respect to the discretionary client accounts we manage in Traditional Wrap and Dual-Contract Programs and the model portfolios we provide to Model Delivery Programs.

These include, where applicable, verifying compliance with Strategy, Wrap Program and Wrap Client investment restrictions; monitoring best execution efforts and investment performance dispersion; conducting Wrap Account-level position reconciliations; performing oversight of Delegated Managers; and conducting similar supervisory and oversight-related functions. We monitor investments in Traditional Wrap Programs on a weekly and quarterly basis by verifying compliance with investment restrictions and monitoring investment performance.

## **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.

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

However, we do not compensate any affiliates or third parties for referring clients to us, nor do we direct securities transactions to any broker-dealer in exchange for referral of investment management clients.

## **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.

BNYMSC does not have “custody” of Wrap Client assets in the Wrap Programs for purposes of the Custody Rule.

With respect to the BNY Mellon Managed Asset Program we sponsor, we are subject to certain provisions of the Custody Rule since our affiliate, Pershing LLC, maintains custody of assets for such clients; please refer to our Form ADV Part 2A, Appendix 1 – Wrap Fee Program Brochure for more information.

## **Item 16. Investment Discretion**

For Wrap 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 Wrap Client's account and the terms and conditions of our agreement with the Program Sponsor and/or the Wrap Client. If we are unable to accommodate any Wrap Client's guidelines or restrictions, we will inform the Program Sponsor and determine how to proceed in consultation with such Program Sponsor.

BNYMSC does not have discretionary authority over any Wrap Accounts with respect to Model Delivery Programs.

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

With respect to client accounts for which we have investment discretion or are otherwise contractually required, we exercise the voting rights delegated to us by clients or the Program Sponsor. Voting rights are most commonly exercised by casting votes by proxy at shareholder meetings on matters that have been submitted to shareholders for approval. Consistent with applicable rules under the Advisers Act, we have adopted and implemented written proxy voting policies and procedures (the “Proxy Policies”) that are reasonably designed: (1) to vote proxies, consistent with our fiduciary obligations, in the best interests of clients; and (2) to prevent conflicts of interest from influencing proxy voting decisions made on behalf of clients. We provide these proxy voting services as part of our investment management service to client accounts and do not separately charge a fee for this service.

If presented with a proxy voting opportunity, we will seek to make voting decisions that are in the best interest of the client and have 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”). 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 our discretion. 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).

Clients that have granted us with voting authority are not permitted to direct us on how to vote in a particular solicitation. Clients that have not granted us voting authority over securities held in their accounts and choose either to retain proxy voting authority or to delegate proxy voting authority to another 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 will apply to those securities. We generally do not provide proxy voting recommendations to clients who have not granted us voting authority over their securities.

If we receive a proxy from a non-U.S. company, we will seek to effect a vote decision through the 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**

With respect to US and Japan-based issuers and companies, we utilize internally-developed Voting Guidelines. With respect to issuers and companies domiciled in other jurisdictions, our Voting Guidelines consist of standardized guidelines for those jurisdictions provided by an independent, third-party proxy advisor. The Voting Guidelines in all instances are intended to address routine, non-controversial proxy proposals.

We have engaged an independent, third-party proxy advisor to serve as our proxy agent to administer the mechanical, non-discretionary elements of proxy voting and reporting for clients. The proxy agent is directed, in an 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 us if the Voting Guideline so requires. The Voting Guidelines require referral to us of all proxy proposals or shareholder voting matters for which there is not an established applicable Voting Guideline, and generally for those proxy proposals or shareholder voting matters that are contested or similarly controversial. We will in turn refer such proxy proposals to the relevant Delegated Manager for the purpose of obtaining non-binding proxy voting recommendations in respect of such matters. We may, at our discretion, accept or not accept such recommendations received from our Delegated Managers. In cases where BNYMSC is unable to obtain, or to timely obtain, such proxy voting recommendations directly from the applicable Delegated Manager or Delegated Subadviser, it will utilize an affiliated proxy agent to vote such proposals in the same manner as voted by the Delegated Manager or Delegated Subadviser, where available. In cases where no such vote is available, BNYMSC will default to the applicable ISS standardized guideline for the proposal and jurisdiction in question.

Clients may receive a copy of the Voting Guidelines, as well as the Proxy Voting Policy, 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 our policy to make proxy voting decisions that are solely in the best long-term economic interests of clients. We are 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 us. 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, we have consciously developed the Voting Guidelines and their application with several layers of controls that are designed to ensure that our voting decisions are not influenced by interests other than those of our clients. For example, we developed the 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. We have directed our proxy agent to apply the Voting Guidelines to individual proxy items in an objective and consistent manner across client accounts. When proxies are voted in accordance with these pre-determined Voting Guidelines, it is our 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 us in accordance with the Voting Guidelines or our direction, we seek to make voting decisions based upon the principle of maximizing the economic value of the securities held in client accounts. In this context we seek to address the potential for conflicts presented by such “referred” items through utilization of the independent expertise of our Delegated Managers.

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, employees 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, we have developed specific protocols for instances involving actual or potential conflicts of interest involving ourselves or our ultimate corporate parent, BNY Mellon. Conflicts involving BNYMSC typically arise due to relationships between proxy issuers (or companies) and BNYMSC and/or its employees, executives, officers or directors (“BNYMSC Conflicts”). BNYMSC Conflicts may include proxies issued by a company for which a BNYMSC employee, executive, officer or director serves as a Board member; proxies issued by a company that is a current client of BNYMSC (such as a wrap fee program sponsor) and that contributed materially to BNYMSC’s total revenue as of the end of the last fiscal quarter; and other proxies deemed to present an actual, potential or perceived material conflict because of a relationship between a proxy issuer and BNYMSC and/or its executive officers or directors. In addition,



BNY Mellon has established a Proxy Voting Conflicts Policy (“BNYM Policy”) that establishes the required actions and reporting protocols for business units that have discretionary authority to vote proxies on behalf of clients (each, a “Voting Firm”) when actual or potential conflicts of interest involving BNY Mellon itself arise. The BNYM Policy identifies several specific types of proxy solicitations that are considered “Primary Conflicts” for all Voting Firms (including BNYMSC) and directs the manner in which such Primary Conflicts are to be addressed (e.g., application of written guidelines, delegation to independent fiduciary, abstention, client consent, etc.). The BNYM Policy also identifies those situations that, while not identified as a Primary Conflict, may present an actual, potential or perceived material conflict because of a relationship between a proxy issuer and BNY Mellon or its executive officers or Board of Directors (a “Secondary Conflict”).

The BNY Mellon Policy has further established the BNY Mellon Proxy Voting Conflicts Committee (the “PCC”) with responsibility (among others) to (1) maintain and approve changes to the BNYM Policy; (2) confirm whether a “Primary Conflict” or “Secondary Conflict” exists if unclear; (3) provide interpretive guidance and/or determine how certain actual or potential conflicts should be addressed; and (4) periodically review proxy conflict decisions as reported by the Voting Firms.

Accordingly, BNYMSC will present to the PCC for consideration and direction any need for guidance (1) to determine whether a certain situation should be treated as a BNYMSC Conflict, Primary Conflict or Secondary Conflict, and (2) the manner in which such actual or potential conflicts should be addressed.

The PCC will have sole discretion to determine how a BNYMSC Conflict, Primary Conflict or Secondary Conflict is to be addressed -- to the extent a situation is not addressed sufficiently under the applicable policy or if BNYMSC deems the applicable policy to be unclear and PCC guidance is needed. Depending on the circumstances, the PCC may determine that the situation: (1) does not rise to the level of a material conflict of interest and will not prohibit BNYMSC from voting the proxy; or (2) does present a material conflict of interest requiring some form of mitigation by BNYMSC. The PCC may direct any conflict mitigation approach it deems necessary and appropriate (e.g., voting in accordance with the guidance of an independent fiduciary; voting in proportion to other shareholders (“mirror voting”); abstaining from voting; erecting informational barriers around, or recusal from the vote decision making process by, the person or persons making voting decisions; obtaining client consent; or voting in other ways that are consistent with our obligation to vote in our clients’ best interest.

## **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. BNYMSC 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.