FREQUENTLY ASKED QUESTIONS: “TRADING AWAY” AND “STEP OUT” TRANSACTIONS FOR WRAP ACCOUNT CLIENTS

1. What is meant by a transaction that has been “traded away” or “stepped out” from BNY Mellon Advisors, Inc.?

BNY Mellon Advisors’ affiliate, Pershing LLC, is an SEC registered broker-dealer that provides clearing and custody services for the BNY Mellon Advisors programs. When a portfolio manager decides to place trade orders with a broker-dealer firm other than Pershing, the resulting transaction is commonly referred to as a “trade away” or “step out,” because it is done away from the BNY Mellon Advisors platform.

Portfolio managers can execute these “step out” transactions for equity securities, including America Depositary Receipts (ADRs), as well as for fixed income securities.

2. Do wrap account clients incur additional costs when their portfolio manager executes trades away from the BNY Mellon Advisors platform?

Yes, with minimal exceptions. Trade away transactions typically incur additional costs, such as commissions or mark-ups/downs, which are in addition to any advisory fees charged in connection with the program. These trade away costs are often imbedded in the execution prices that clients ultimately pay, and may not be shown separately on confirmations or statements.

Prior to selecting a portfolio manager, we recommend that clients ask their consultants and/or portfolio managers about portfolio manager trade away practices and whether the client may bear any additional costs. Additionally, clients can review the portfolio managers’ Form ADV Part 2A Brochure for more information regarding their brokerage and trading practices.

3. How much added costs can I expect to pay?

Costs vary by portfolio manager and trade but we have observed typical charges range between \$0.00–\$0.07 per share for equity transactions (other than ADR transactions). Costs for fixed income and ADR trade away transactions are typically higher due a variety of factors, including liquidity of the securities involved, and access to brokers or inventory portals. In addition, ADR trade away transactions are subject to share conversion fees.

Please note that some portfolio managers may not pass on any trade away costs. As noted above, we recommend that clients discuss with their consultant their selected portfolio manager’s practices regarding “trade away” or “step out trades” to better understand how often the portfolio manager engages in trade aways and how the portfolio manager seeks to ensure that clients receive best execution for those transactions.

4. Why would my portfolio manager direct trades away from BNY Mellon Advisors if it may incur additional fees and costs?

There may be several reasons why a portfolio manager would use another platform for the execution of transactions away from BNY Mellon Advisors. For example, a portfolio manager may select another platform to aggregate orders for operational efficiencies, to access new issues or specialized securities, or to receive research (or other services) in connection with “soft dollar” arrangements.

Portfolio managers are required to seek the best execution for their clients’ orders. Although portfolio managers generally seek competitive commission rates, they may not always pay the lowest commission available. Transactions that involve specialized brokerage services may result in higher commission rates than would be the case with more routine transactions. In addition, a portfolio manager may pay higher commission rates to brokers whose execution abilities, brokerage or research services or other legitimate and appropriate services the portfolio manager believes are particularly helpful in seeking good investment results and based upon the manager's assessment, are consistent in obtaining best execution.

5. Does BNY Mellon Advisors have any input as to when my portfolio manager may trade away?

No. BNY Mellon Advisors does not discourage or restrict a portfolio manager's ability to trade away. Each portfolio manager is solely responsible for its own trading practices, and for ensuring that its trading practices meet its fiduciary duty to seek best execution for all client orders.

6. What role does BNY Mellon Advisors play in this process?

As program sponsor, BNY Mellon Advisors seeks to understand each portfolio manager's trade away practices, to determine when and to what extent a portfolio manager engages in trade away transactions, and to collect on a best efforts basis each portfolio manager's determination of trade away costs.

We disclose to clients that their portfolio managers have the ability to "trade away" and when a selected portfolio manager engages in these practices, that the client will likely bear additional costs. As mentioned above, it is the responsibility of each portfolio manager to determine if and when it will "trade away" and whether it will pass on costs, fees, mark ups/downs or other charges.

Please refer to Exhibit A of the BNY Mellon Advisors Form ADV Part 2A Wrap Fee Program Brochure for the Managed360 Program to review additional information regarding portfolio managers participating in BNY Mellon Advisors' sponsored program that have historically engaged in trade aways. Please note that portfolio managers that have not historically engaged in trade aways may elect to do so in the future.

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