



## BANK SWEEP PROGRAMS—COMPENSATION AND CONFLICT OF INTEREST DISCLOSURE

### **IMPORTANT INFORMATION – PLEASE REVIEW CAREFULLY**

**THE INSURED BANK DEPOSIT ACCOUNT (THE “IBDA”) AND THE INSURED BANK RETIREMENT ADVISORY ACCOUNT (THE “IBRAA” AND, TOGETHER WITH THE IBDA, THE “PROGRAMS”) CREATE SIGNIFICANT FINANCIAL BENEFITS AND CONFLICTS OF INTEREST FOR OSAIC FA, INC. AND OSAIC FS, INC. (AS APPLICABLE, “WE,” “OUR,” OR “US”). BEFORE CONSENTING TO THE USE OF THE IBDA OR THE IBRAA AS YOUR CORE ACCOUNT INVESTMENT VEHICLE, OR “CASH SWEEP,” YOU SHOULD CAREFULLY REVIEW THE FOLLOWING DISCLOSURES REGARDING THE SIGNIFICANT FINANCIAL BENEFITS THAT WE RECEIVE FROM YOUR USE OF THE IBDA OR THE IBRAA AS YOUR CASH SWEEP AND OUR RELATED CONFLICTS OF INTEREST. YOU UNDERSTAND AND AGREE THAT BY CONSENTING TO THE USE OF THE IBDA OR THE IBRAA AS YOUR CASH SWEEP, YOU ACCEPT AND CONSENT TO EACH OF OUR CONFLICTS OF INTEREST SUMMARIZED HEREIN AND DISCLOSED IN OUR BANK SWEEP PROGRAM DISCLOSURE DOCUMENT, FORM CRS, REGULATION BEST INTEREST DISCLOSURE DOCUMENT (IF YOU ARE A COMMISSION-BASED BROKER-DEALER CLIENT), AND APPLICABLE FORMS ADV PART 2A (IF YOU ARE A FEE-BASED INVESTMENT ADVISORY CLIENT), EACH OF WHICH ARE AVAILABLE AT [WWW.OSAIC.COM/FA](http://WWW.OSAIC.COM/FA) OR [WWW.OSAIC.COM/FS](http://WWW.OSAIC.COM/FS), AS APPLICABLE, UNDER MY ACCOUNTS—DISCLOSURES. YOU UNDERSTAND AND AGREE THAT WE RECEIVE SIGNIFICANT FINANCIAL BENEFITS FROM YOUR USE OF THE IBDA OR THE IBRAA AS YOUR CASH SWEEP, WHICH ARE IN ADDITION TO ANY OTHER FEES YOU PAY OR INCUR, AND THAT THESE FINANCIAL BENEFITS INCENTIVIZE US TO MAKE THE IBDA AND THE IBRAA THE DEFAULT AND ONLY CASH SWEEPS AVAILABLE FOR YOUR IBDA-ELIGIBLE ACCOUNTS AND IBRAA-ELIGIBLE ACCOUNTS, RESPECTIVELY, RATHER THAN A DIFFERENT CASH SWEEP THAT DOES NOT ENTAIL SUCH FINANCIAL BENEFITS TO US OR ENTAILS LESSER FINANCIAL BENEFITS TO US, RESULTING IN A CONFLICT OF INTEREST FOR US.**

Clients’ use of the IBDA or the IBRAA as their cash sweep creates significant financial benefits for us, National Financial Services LLC, our custodian and clearing firm (“NFS”), and IntraFi Network LLC, the administrative service provider for the Programs (the “Administrator”).

**IBDA Fees:** In connection with the IBDA, we, NFS, and the Administrator are paid fees by each Federal Deposit Insurance Corporation (“FDIC”) insured bank (“Program Bank”) that participates in the IBDA based on a percentage of the average daily cash balances in clients’ deposit accounts at the Program Bank (“Program Deposits”) through the IBDA. These fees are equal to a percentage of all clients’ Program Deposits with the Program Banks through the IBDA. Actual amounts will vary, but in no event will the total amount of fees that we receive and retain exceed 600 basis points (6.00%) annually across all of our clients’ deposit accounts in the IBDA, as determined by our clients’ total Program Deposits in the IBDA at all the Program Banks over a 12-month rolling period. We will in certain circumstances earn fees that are higher or lower than that amount from individual Program Banks. We reserve the right to reduce all or a portion of the fees we receive in connection with the IBDA, and the amount of any such reductions may vary among clients.

Securities and investment advisory services are offered through the firms: Osaic FA, Inc. and Osaic FS, Inc., broker-dealers, registered investment advisers, and members of FINRA and SIPC. Osaic FA, Inc. and Osaic FS, Inc., are separately owned and other entities and/or marketing names, products, or services referenced here are independent.

**IBRAA Fees:** In connection with the IBRAA, we receive a level monthly fee for each account that participates in the IBRAA. Our monthly per account fee does not vary based on the amount of clients' Program Deposits in the IBRAA. The amount of our monthly per account fee: (i) will be no less than \$0.01 and no more than \$30.00; (ii) varies based on the Federal Funds Target Rate; and (iii) will be calculated by the Administrator based on a fee schedule set by us and disclosed in our Bank Sweep Program Disclosure Document (the "IBRAA Fee Schedule"), which is available at [www.osaic.com/fa](http://www.osaic.com/fa) or [www.osaic.com/fs](http://www.osaic.com/fs) as applicable, under My accounts—Disclosures.

In connection with their participation in the IBDA or the IBRAA, the Program Banks pay higher interest rates than the interest rates clients will receive on their Program Deposits. The amount of the fees paid to us, NFS, and the Administrator will directly affect and significantly reduce the interest rates clients are paid on their Program Deposits, because the fees we, NFS, and the Administrator receive significantly reduce the amount of interest paid by the Program Banks that is available to be paid to clients on their Program Deposits. In connection with the IBDA, we retain the difference between the interest paid by the Program Banks and the interest clients receive, after the fees due to NFS and the Administrator are paid. We refer to this differential between the interest paid by the Program Banks and the interest clients receive as the "fees" that we, NFS, and the Administrator receive in connection with the IBDA. In connection with the IBRAA, we receive a level monthly fee for each account that participates in the IBRAA, as described above. We set the fees that we charge in connection with the Programs. This discretion creates a conflict between our interests and clients' interests because our determination of our share of the interest paid by the Program Banks that we retain as compensation directly affects and significantly reduces the interest clients earn on their Program Deposits. The higher the compensation paid to us, the lower the interest paid to clients; the lower the compensation paid to us, the higher the interest paid to clients. With limited exception, we will retain a substantially greater share of the interest received from the Program Banks as compensation in connection with clients' Program Deposits than what is credited to clients. Additionally, with limited exception, we will retain a substantially greater share of the interest received from the Program Banks as compensation in connection with clients' Program Deposits than what is paid to NFS and the Administrator. The fees paid to us, NFS, and the Administrator will have a greater impact on the interest rates that clients receive than the amount of interest paid by each Program Bank. The fees we charge are not based on our costs in connection with maintaining the Programs and are in addition to other compensation we and our financial professionals receive with respect to clients' accounts. The fees that we receive in connection with the Programs are higher than the compensation that we would receive in connection with other core account investment vehicles that NFS makes available, including money market mutual funds ("Money Funds"), that we have not selected as the default and only cash sweep for IBDA-eligible and IBRAA-eligible accounts.

Clients participating in the IBDA or the IBRAA through accounts enrolled in any of our fee-based investment advisory programs should understand that we receive significant fees from the Program Banks as a result of clients' Program Deposits and that these fees are in addition to the asset-based investment advisory fees that investment advisory clients directly pay us in connection with their Program Deposits. As described in greater detail in our client service agreements and applicable Forms ADV Part 2A, we charge investment advisory clients asset-based investment advisory fees based on the total market value of their assets under management, including, but not limited to, their Program Deposits. As a result, we receive two layers of fees on investment advisory clients' Program Deposits when they participate in the IBDA or the IBRAA through accounts enrolled in any of our fee-based investment advisory programs (*i.e.*, asset-based investment advisory fees and fees from the Program Banks). When the interest rate that investment advisory clients receive on their Program Deposits is lower than the asset-based investment advisory fees that they pay us in connection with their Program Deposits, investment advisory clients will experience net negative overall returns with respect to their Program Deposits. When evaluating the appropriateness of our asset-based investment advisory fees, investment advisory clients should consider the fees that we receive from the Program Banks in connection with the Programs. Additionally, investment advisory clients

participating in the IBDA or the IBRAA should understand that many third-party money managers, asset allocation providers, and model portfolio providers whose strategies are available through our fee-based investment advisory programs require clients to hold a minimum cash allocation (*e.g.*, two or more percent of their portfolio in cash) and that these minimum cash allocations will be swept to the IBDA or the IBRAA, as applicable.

The fees that we receive from the Program Banks in connection with clients' Program Deposits are a significant source of revenue and profit for us and present conflicts of interest for us. In particular, we have conflicts of interest in connection with the Programs given our financial incentive to: (i) exercise our discretion to set the fees that we charge in connection with clients' Program Deposits (and therefore, the revenue that we receive) at high levels, which will directly affect and significantly reduce the interest rate payable to clients (*i.e.*, the higher the fees set, imposed, and received by us, the lower the interest rate payable to clients on their Program Deposits); (ii) exercise our discretion to select the IBDA and the IBRAA as the default and only core account investment vehicles, or "cash sweeps," that are available for use by IBDA-eligible accounts and IBRAA-eligible accounts, respectively, rather than other cash sweeps made available by NFS that would generate relatively lower or no revenue for us and provide higher yields or returns to clients; (iii) recommend or advise that all IBDA-eligible and IBRAA-eligible account holders use the IBDA and the IBRAA, respectively, as their cash sweep, rather than closing their accounts, transferring their assets to other account types that do not use the IBDA or the IBRAA as their default and only cash sweep option, if possible, or transferring their assets to other financial institutions; (iv) recommend or advise that all IBDA-eligible and IBRAA-eligible account holders increase their Program Deposits, including by recommending or advising that they make cash deposits, sell securities, and take other actions that generate cash balances in their accounts that will be swept to the IBDA or the IBRAA, as applicable; (v) recommend or advise that all IBDA-eligible and IBRAA-eligible account holders hold high levels of Program Deposits for extended periods of time, rather than taking other available actions such as withdrawing cash from their accounts or purchasing Money Funds or other investment options that are available for clients to purchase outside of the Programs (which would generate relatively lower or no revenue for us and provide higher yields or returns to clients); (vi) recommend or advise that all IBDA-eligible and IBRAA-eligible investment advisory clients use the IBDA and the IBRAA, respectively, as their core account investment vehicle (rather than closing their accounts, transferring their assets to other account types that do not use the IBDA or the IBRAA as their default and only cash sweep option, if possible, or transferring their assets to other financial institutions), increase their Program Deposits, and hold high levels of Program Deposits for extended periods of time, which allows us to receive fees from the Program Banks in addition to asset-based investment advisory fees on investment advisory clients' Program Deposits; (vii) include Program Banks that pay the highest interest rates on the Program Bank list, rather than other Program Banks that pay relatively lower interest rates, which will increase our fees in connection with the IBDA and support our monthly per account fee in connection with the IBRAA; (viii) position Program Banks that pay fixed rates of interest on clients' cash deposits through the IBDA ("Fixed-Rate Banks") at or near the top of the Program Bank list for the IBDA, since we must maintain specified levels of client deposits with Fixed-Rate Banks and will incur penalties if we do not do so; (ix) recommend or advise that clients invest through IBDA-eligible and IBRAA-eligible accounts, rather than through other account types that we make available but that do not participate in the Programs (including, but not limited to, accounts for which we do not serve as broker-dealer of record, accounts held directly with third-party product sponsors, accounts in the third-party asset management programs that we make available to clients, and accounts that are not eligible to participate in the Programs as described in our Bank Sweep Program Disclosure Document); (x) recommend or advise that clients invest through IBDA-eligible and IBRAA-eligible accounts that can hold the highest amount of cash, rather than other available accounts that limit the amount of cash that can be held (*i.e.*, commission-based accounts can generally hold an unlimited amount of cash, while accounts enrolled in our fee-based investment advisory programs are generally subject to cash concentration limits and will in certain circumstances have defined cash allocations set by third-party money managers, asset allocation providers, or model providers as described above); (xi) recommend or advise that clients invest

through account types that will cause us to receive the highest compensation on their Program Deposits (*i.e.*, recommend or advise that clients invest through either IBDA-eligible accounts or IBRAA-eligible accounts based on which Program will cause us to receive the highest compensation in connection with clients' Program Deposits); and (xii) recommend ourself as the broker-dealer of record and NFS as the custodian for clients' accounts, rather than other available broker-dealers and custodians, which allows us to access the Programs and receive fees in connection with clients' use of the Programs as their cash sweep.

The fees we charge in connection with the Programs will in certain cases be higher than the fees charged by other firms that provide similar account-type services regarding cash sweeps. The interest rate clients' Program Deposits earn will in certain cases be lower than interest rates available to depositors making deposits directly with the same bank or with other depository institutions. Banks do not have a duty to provide the highest rates available in the market and may instead seek to pay a low rate. Lower rates are more financially beneficial to a bank. There is no necessary linkage between the rates of interest on clients' Program Deposits and other rates available in the market, including, but not limited to, Money Fund rates.

Program Deposits will pay a significantly lower interest rate to clients than other available cash equivalent products, including, but not limited to, Money Funds, that clients' financial professionals can recommend or select in investing other portions of clients' accounts. This presents a conflict of interest for us because we will receive significantly greater compensation on clients' Program Deposits than we would on equivalent amounts of clients' cash invested in other available investments that can be purchased and held in other portions of clients' accounts. This conflict of interest influences us to make the IBDA and the IBRAA the default and only core account investment vehicles, or "cash sweeps," available for use by IBDA-eligible accounts and IBRAA-eligible accounts, respectively.

The revenue that we and NFS receive from the Program Banks in connection with the Programs is significantly greater than the revenues we and NFS would receive from (i) certain sweep options (*e.g.*, Money Funds) that are available at other brokerage firms and (ii) other cash sweeps that NFS makes available and that we have used in the past or may consider using in the future.

We address these conflicts of interest by, among other things, disclosing them to clients and by making Money Funds and other investment options available for all clients to purchase outside of the Programs.

**The Programs are not long-term investment options, and clients should not view them as such. Clients should work with their financial professional to determine the appropriate percentage of their portfolio, if any, that should be held in the IBDA or the IBRAA, considering their liquidity needs, investment objectives, and other important factors. If clients desire, as part of an investment strategy or otherwise, to maintain cash positions in their accounts for other than a short period of time and/or are seeking the highest yields currently available in the market for their cash balances, clients should contact their financial professional to discuss investment options that are available for them to purchase outside of the Programs, including, but not limited to, Money Funds, that could potentially be better suited to their needs and goals.**

For additional information on the Programs, including additional information regarding the fees that we, NFS, and the Administrator receive from the Program Banks as a result of clients' use of the Programs, how those fees reduce the interest rates clients receive, our related conflicts of interest, and other important matters, please review our Bank Sweep Program Disclosure Document, Interest Rate Schedule, Form CRS, Regulation Best Interest Disclosure Document (for commission-based brokerage clients), and applicable Forms ADV Part 2A (for fee-based investment advisory clients), all of which are available at [www.osaic.com/fa](http://www.osaic.com/fa) or [www.osaic.com/fs](http://www.osaic.com/fs), as applicable, under My accounts—Disclosures. After reviewing those disclosures, please address any questions you may have with your financial professional before consenting to the use of the IBDA or the IBRAA as the cash sweep vehicle for your accounts.