

# HOW CLIENT ASSETS ARE PROTECTED AT SCHWAB



“At Schwab, we are dedicated to the principles of safety and soundness. They form the heart of our relationship with our clients.”

— Charles R. Schwab  
Chairman

# The measures we take to protect client assets

Schwab is committed to staying financially strong, and we have confidence in our ongoing financial health. We run our business with a sound capital structure and position our company for long-term strength and stability. We take appropriate actions to help give our clients peace of mind about the security of their accounts.

## Keeping client securities separate from broker-dealer securities

Client securities—such as stocks and bonds that are fully paid for or excess margin securities—are segregated from broker-dealer securities, in compliance with the SEC’s Customer Protection Rule. This is a legal requirement for all broker-dealers.

In the unlikely event of insolvency of a broker-dealer, these segregated assets are not available to general creditors and are protected against creditors’ claims. Rigorous reporting and auditing requirements have been put in place by government regulators to help ensure all broker-dealers comply with this rule.

## SIPC account protection

**HOW SIPC PROTECTS CUSTOMERS.** The Securities Investor Protection Corporation (SIPC) is a nonprofit membership corporation created in 1970 by a federal statute, the Securities Investor Protection Act, to protect investments and increase investor confidence. For more information about SIPC, go to [sipc.org](https://www.sipc.org).

**WHAT SIPC DOES.** SIPC protects customers of SIPC-member broker-dealers if a firm fails financially.

- When a firm fails, SIPC typically asks a federal court to appoint a trustee to liquidate the firm and protect its customers. After customers receive securities registered in their names, the trustee distributes the remaining assets, known as the customer property, back to all customers on a pro rata basis. The trustee and SIPC will often

arrange to have customer accounts transferred to another brokerage firm. Customers then have the option of staying at the new firm or moving to another firm of their choosing.

- If customer assets are unaccounted for due to recordkeeping errors or misappropriation, customers are reimbursed by the assigned trustee or SIPC up to \$500,000 per customer for all accounts held in the same capacity, including a maximum of \$250,000 in claims for cash. Whenever possible, the actual stocks and other securities owned by a customer are returned. If necessary, SIPC funds will be used to purchase replacement securities (such as stocks) in the open market—even if the market value of these investments has changed.
- SIPC does not cover certain types of investments, such as commodity futures contracts, fixed annuity contracts and foreign currency, or fluctuations in the market value of securities.

## ADDITIONAL PROTECTION FROM LLOYD’S OF LONDON AND OTHER LONDON INSURERS.

At Schwab, our customers receive an extra level of coverage. We’ve chosen a program led by Lloyd’s of London, a well-respected name in the insurance industry, as underwriter for additional brokerage insurance. This “excess SIPC” protection of securities and cash is provided up to an aggregate of \$600 million, limited to a combined return to any customer from a trustee, SIPC, Lloyd’s, and other London insurers of \$150 million, including up to \$1,150,000 in cash. This additional protection becomes available in the event that SIPC limits are exhausted and there are no additional funds available from the estate of the failed brokerage firm.

## FDIC coverage

**WHAT IS FDIC INSURANCE?** The Federal Deposit Insurance Corporation (FDIC) is a U.S. federal agency that protects investors against the loss of their deposit accounts (such as checking and savings) in the event of the failure of an FDIC-insured bank. For more information about FDIC coverage, go to [fdic.gov](https://www.fdic.gov).

The basic FDIC insurance amount is \$250,000 per account holder per insured bank and \$250,000 for certain retirement accounts deposited at an insured bank. These amounts include principal and accrued interest.

The FDIC does not insure money invested in stocks, bonds, mutual funds, life insurance policies, annuities, or municipal securities, even if these investments were bought from an insured bank.

### HOW IS FDIC INSURANCE COVERAGE

**DETERMINED?** The FDIC insurance limit applies to each account holder at each FDIC-insured bank. Here is how the FDIC defines coverage for different account holders by some common “ownership” types:

- **SINGLE ACCOUNTS**—deposit accounts (e.g., checking, savings) owned by one person. FDIC insurance covers up to \$250,000 per owner for all single accounts at each bank.
- **JOINT ACCOUNTS**—deposit accounts owned by two or more people. FDIC insurance covers up to \$250,000 per owner for all joint accounts at each bank.
- **CERTAIN RETIREMENT ACCOUNTS**—accounts such as IRAs and self-directed defined benefit contribution plans. FDIC insurance covers up to \$250,000 per owner for all deposits in such retirement accounts at each bank.

**WHAT FDIC-INSURED PRODUCTS ARE AVAILABLE THROUGH SCHWAB BANK®?** All deposit accounts held at Schwab Bank, including the Schwab Bank High Yield Investor Checking® account and the Schwab Bank High Yield Investor Savings® account, are FDIC-insured.

### WHAT FDIC-INSURED PRODUCTS ARE AVAILABLE THROUGH SCHWAB BROKERAGE ACCOUNTS?

Charles Schwab & Co., Inc., acting as a deposit broker, can place deposits at FDIC-insured banks on behalf of clients. In this case, the FDIC insurance available from the bank “passes through” to the client. FDIC-insured deposits are available through Schwab brokerage accounts in two ways:

- **CERTIFICATES OF DEPOSIT**—Schwab’s CD marketplace, Schwab CD OneSource®, enables clients to purchase CDs from FDIC-insured banks across the country. CDs purchased through Schwab, together with other deposits held at the issuing institution, are aggregated and FDIC-insured up to \$250,000 at each bank.<sup>1</sup> Through Schwab CD OneSource, clients may purchase CDs from multiple banks for added FDIC coverage.
- **BANK SWEEP FEATURE**—If the cash feature in effect for a Schwab brokerage account is the Bank Sweep feature, cash balances are automatically swept to deposits at Schwab Bank and are FDIC-insured. Keep in mind that all deposits held at Schwab Bank—whether an account is opened directly at the bank or Schwab brokerage holds the account on the client’s behalf—are added together to determine the total amount of FDIC insurance coverage for deposits.

**Financial results and more information about Schwab’s business and financial condition can be viewed at any time at [aboutschwab.com](https://about.schwab.com).**

## Additional information: Schwab's information security measures

In addition to protecting clients' assets, we are committed to protecting client privacy and safeguarding information.

**OUR PRIVACY POLICY.** To learn how we protect client privacy, please visit [schwab.com/privacy](http://schwab.com/privacy).

**HOW WE SAFEGUARD INFORMATION ONLINE.** To learn how we keep client personal and financial information safe online, visit [schwab.com/schwabsafe](http://schwab.com/schwabsafe).

**IN THE EVENT OF AN EMERGENCY.** To learn how we plan to provide continued client service in the event of disruption to normal business operations, please visit [schwab.com/businesscontinuity](http://schwab.com/businesscontinuity).

**Brokerage Products: Not FDIC-insured • No Bank Guarantee • May Lose Value**

1. Per ownership category, subject to FDIC decisions. Certificates of deposit are offered through Charles Schwab & Co., Inc. CDs from Schwab CD OneSource® are issued by other FDIC-insured institutions and are subject to change and system access. Certificates of deposit typically offer a fixed rate of return and are FDIC-insured up to \$250,000 per institution. Visit [fdic.gov](http://fdic.gov) for details. There may be costs or penalties associated with early redemption and possible market value adjustment.

Charles Schwab & Co., Inc. and Charles Schwab Bank are separate but affiliated companies and subsidiaries of The Charles Schwab Corporation. Investment products offered by Charles Schwab & Co., Inc. (a registered broker-dealer and SIPC member) are not insured by the FDIC, are not deposits or obligations of Charles Schwab Bank, and are subject to investment risk, including the possible loss of principal invested. Deposit and lending products and services are offered by Charles Schwab Bank, member FDIC and an Equal Housing Lender.



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