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SCHWAB

How your 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 you."

— *Charles R. Schwab*
Chairman

Own your tomorrow™

Measures we take to protect your assets.

Schwab is committed to staying financially strong, and we are confident 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 you peace of mind about the security of your accounts.

Your assets are yours

Customer 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. There are reporting and auditing requirements in place by government regulators to help ensure all broker-dealers comply with this rule.

SIPC account protection

How SIPC protects you. The Securities Investor Protection Corporation (SIPC) is a nonprofit membership corporation created in 1970 by federal statute, the Securities Investor Protection Act, to protect investments and increase investor confidence. For more information about SIPC, go to **www.sipc.org**.

What SIPC does. SIPC protects customers of SIPC-member broker-dealers if the 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 name, the trustee then 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 record-keeping 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 you against the loss of your deposit accounts (such as checking and savings) if your FDIC-insured bank fails. For more information about FDIC coverage, go to **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 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 are FDIC-insured, including the Schwab Bank High Yield Investor Checking® account and Schwab Bank High Yield Investor Savings® accounts.

What FDIC-insured products are available through my Schwab brokerage account? Charles Schwab & Co., Inc., acting as a deposit broker, can place deposits at FDIC-insured banks on your behalf. In this case, the FDIC insurance available from the bank "passes through" to you. FDIC-insured deposits are available through your Schwab brokerage account in two ways:

- **Certificates of deposit**—Schwab's CD marketplace, Schwab CD OneSource®, enables you to purchase CDs from FDIC-insured banks across the country. CDs you have purchased through Schwab, together with other deposits you hold at the issuing institution, are aggregated and FDIC-insured up to $250,000 at each bank.* Through CD OneSource, you may purchase CDs from multiple banks for added FDIC coverage.
- **Bank Sweep Feature**—If the cash feature in effect for your Schwab brokerage account is the Bank Sweep Feature, your cash balances are automatically swept to deposits at Schwab Bank and are FDIC-insured. Keep in mind that all deposits you hold at Schwab Bank—whether you open an account directly at the bank or Schwab brokerage holds the accounts on your behalf—are added together to determine the total amount of FDIC insurance coverage for your deposits.

If you have questions or need help, please call **1-800-435-4000** to speak with a Schwab Client Service Specialist.

Own your tomorrow™

*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 FDIC-insured institutions, and are subject to change and system access. Certificates of deposit offer a fixed rate of return and are FDIC-insured up to $250,000, per depositor per institution, based on account ownership type. Visit www.fdic.gov for details. There may be costs associated with early redemption and possible market value adjustment.

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