

# 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 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 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’ assets are made whole by 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 SIPC and Lloyd’s 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 client accounts have not been made whole.

## 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, for each ownership category, 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 up to the applicable limits.<sup>1</sup>

### 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>2</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, it gains extended FDIC coverage, and cash balances are automatically swept to deposit accounts at up to two FDIC-insured Affiliated Banks.<sup>3</sup> Keep in mind that all deposits held at an Affiliated Bank—whether an account is opened directly at the bank or Schwab brokerage holds the account on the client’s behalf at that bank—are added together to determine the total amount of FDIC insurance coverage for deposits at that bank.

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

### 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](https://schwab.com/privacy).

#### How we safeguard information online

To learn how we keep client personal and financial information safe online, visit [schwab.com/schwabsafe](https://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](https://schwab.com/businesscontinuity).

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

1. Funds deposited at Charles Schwab Bank are insured, in aggregate, up to \$250,000 based on account ownership type, by the Federal Deposit Insurance Corporation (FDIC).
2. Certificates of Deposit available through Schwab CD OneSource typically offer a fixed rate of return, although some offer variable rates. They are FDIC insured and offered through Charles Schwab & Co., Inc.
3. Bank Sweep deposits are held at up to two FDIC-insured Affiliated Banks. Funds deposited at Affiliated Banks are insured, in aggregate, up to \$250,000 per Affiliated Bank (up to a total of \$500,000), per depositor, for each account ownership category, by the Federal Deposit Insurance Corporation (FDIC). Securities products and services (including unswept or intra-day cash, net credit or debit balances, and money market funds) offered by Charles Schwab & Co., Inc. (member SIPC) are not deposits or obligations of the Affiliated Banks, are subject to investment risk, are not FDIC insured, may lose value, and are not Affiliated Bank-guaranteed. Charles Schwab & Co., Inc. and the Affiliated Banks are separate entities and are all affiliates of The Charles Schwab Corporation.

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