



Christopher Gilkerson
SVP, General Counsel
Charles Schwab & Co., Inc.
211 Main Street
211MN-08-260
San Francisco, CA 94104
Tel: [REDACTED]
Email: [REDACTED]

February 26, 2019

Via Electronic Filing

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090

**Re: Form CRS Relationship Summary (Release No. 34-83063; IA-4888; File No. S7-08-18)
("Form CRS" or "Proposal")**

Charles Schwab & Co., Inc. ("Schwab") appreciates the continued efforts of the Commission to seek input from the industry on how to improve the proposed Form CRS to best serve retail investors. To that end, attached to this cover letter as **Appendix A** is a redline of the proposed General Instructions for Form CRS, and new instructions for the 5 mandatory items that correspond to the one-page alternative disclosures (brokerage and investment advisory) that we submitted with our previous comment letters.¹

Based on the independent research surveying 1,000 retail investors attached to and discussed at length in our first comment letter (the "Koski Research"), Schwab believes that a one-page disclosure with links to additional information would be most effective for all firms and retail investors. We understand there are other viewpoints. Accordingly, our mark-up of the General

¹ See Letter dated August 6, 2018, by Christopher Gilkerson SVP, General Counsel and Tara Tune, Director, Charles Schwab & Co., Inc., at <https://www.sec.gov/comments/s7-07-18/s70718-4171499-172243.pdf> (First Schwab Comment Letter); and Letter dated December 7, 2018, by Christopher Gilkerson, SVP, General Counsel, and Tara Tune, Director, at <https://www.sec.gov/comments/s7-08-18/s70818-4733749-176788.pdf> (Second Schwab Comment Letter).

Instructions would allow firms to choose either the original four-page format or the recommended one-page with layered disclosures.

The attached redlined **General Instructions** would enable firms to use:

- A one-page format for the relationship summary, plus layered disclosure with links to additional information on a firm’s website (or for investment advisors, links to additional information within their Form ADV Part 2A disclosure brochure), provided that they make available on their website and in paper form upon request a complete document in PDF form that contains all of the covered information.
- If a dual registrant, a link from the Form CRS for their broker-dealer service to the Form CRS for their investment advisory service and vice-versa in lieu of the originally proposed, confusing side-by-side comparative format.
- Electronic methods to deliver the Form CRS initially and when subsequent changes are made, consistent with the Commission’s past guidance and common industry practice.

The attached **instructions for the Required Items** are a rewrite of that part of the Form CRS instructions to mandate 5 items (instead of the current 7) in a particular order based on insights from the Koski Research as well as other research and comments in the record.²

The attached instructions include and reference our one-page alternative disclosures (previously submitted with our prior comment letters) as mock-up disclosures to illustrate the one-page layered format that would be available to firms.³ The mock-up in **Appendix B** is a hypothetical relationship summary for brokerage accounts as offered by Schwab (“Brokerage Mock-up”). The mock-up in **Appendix C** is a hypothetical relationship summary for one type of advisory account, a wrap account that combines brokerage and advisory services for one fee, offered by Schwab (“Advisory Mock-up”).

We want to emphasize that these instructions, and the disclosures they would produce, adhere to core principles we understand the Commission intends with the Proposal. Specifically:

1. Disclosure should be uniform and prescriptive, but also enable tailoring so that the disclosure is accurate as applied to individual firms given the specific brokerage and investment advisory accounts they offer.
2. Too much information may overwhelm the typical retail investor, so it is important to cut through the clutter.

² Schwab First Comment Letter at 17, 19; Schwab Second Comment Letter at 2-3 (discussing consistency between Koski Research and Rand Research released by the Commission regarding topics that investors care about most: fees/costs and services/relationships)

³ See Appendix B to Schwab First Comment Letter and Appendix A to Schwab Second Comment Letter.

3. Some investors may want more information than can fit on one printed page, providing an opportunity for layered disclosure.

The need to cut through the clutter applies with extra force to the proposed Form CRS for dual-registrant firms. The Commission has received consistent feedback from investors, consumer groups, researchers and firms that serve retail investors every day: the current side-by-side comparison format is problematic and confusing.⁴ The attached disclosures and instructions would respond to this evidence in the record to allow dual-registrants to produce separate disclosures that highlight the availability of other account types and link to other relationship summaries for those accounts. This formatting change will allow for a simpler but more direct, focused, relevant and visual presentation.

We appreciate the Commission's efforts to fine-tune its Form CRS Proposal so that it can best inform retail investors about their account type and the investment advice they receive rather than become another boilerplate disclosure they ignore.

Very truly yours,



Christopher Gilkerson
Senior Vice President and General Counsel
Charles Schwab & Co. Inc.



Tara Tune
Director and Corporate Counsel
Charles Schwab & Co. Inc.

⁴ Schwab Second Comment Letter at 6-7.

APPENDIX A

[Form ADV, Part 3:]1 Instructions to Form CRS**General Instructions**

Under rule 17a-14 under the Securities Exchange Act of 1934 and rule 204-5 under the Investment Advisers Act of 1940, broker-dealers registered under section 15 of the Exchange Act and investment advisers registered under section 203 of the Advisers Act are required to deliver to retail investors a relationship summary disclosing information about the firm's **provision of investment advice to retail investors**. Read all the General Instructions as well as the particular item requirements **in the Specific Instructions** before preparing or updating the relationship summary.

1. Narrative and Graphical Format.

- a. The *relationship summary* must include the required items enumerated below **in the order prescribed below**. The items require you to provide specific information **about your firm**, and, in some cases, ~~prescribe the require~~ particular wording **or substantially similar wording** that you must use **provided that it is applicable and accurate with respect to you**.
- b. You must respond to each item and must provide responses in the same order as the items appear in these instructions. ~~Unless otherwise noted, you must also present the required information within each item in the order listed.~~
- c. Whether in electronic or paper format, the *relationship summary* must not exceed four 8½" x 11" pages if converted to PDF format, using at least an 11 point font size and a minimum 0.75" margins on all sides. **You may present the required information in the *relationship summary* on one page, if you provide layered disclosure as described below.**
- d. You may not include disclosure in the *relationship summary* **itself** other than disclosure that is required or permitted by these Instructions and the applicable item. **If you choose to use a one-page *relationship summary* with layered disclosure, then to the extent necessary to meet the requirements of these Instructions, you must provide hyperlink(s) or description(s) of where the investor can find additional information about each item. You must incorporate by reference those additional materials into your *relationship summary*, and such materials should not require an investor to link to or access any additional materials to meet the requirements of these Instructions. For Investment Advisers, the layered disclosure should ~~Investment advisers must link to or identify particular pages of the narrative brochure required by Part 2A of Form ADV.~~**
- e. If you are a *dual registrant*, **you may** present the information in Items ~~12~~ through 4 **and Item 6** in a tabular format, comparing advisory services and brokerage services side-by-side. **If you choose the comparative format, in the section or column discussing brokerage services, include the heading "Broker-Dealer Services" and the sub-heading "Brokerage Accounts." In the section or column discussing investment advisory services, include the heading "Investment Adviser Services" and the sub-heading "Advisory Accounts." *Dual registrants* may also provide a separate *relationship summary* for each type of account offered instead of the comparative format. If choosing this alternative, a *dual registrant* must link the**

~~*relationship summary* for the broker-dealer service(s) to the *relationship summary* for the investment advisory service(s), and vice-versa. - *Dual registrants should not complete Item 5; which must be completed by standalone investment advisers and standalone broker-dealers.*~~

- f. You may use charts, graphs, tables, and other graphics or text features to explain the required information, so long as the information: (i) is responsive to and meets the requirements in these instructions (including space limitations); (ii) is not inaccurate or misleading; and (iii) does not, because of the nature, quantity, or manner of presentation, obscure or impede understanding of the information that must be included. When using interactive graphics or tools, you may include instructions on their use and interpretation.
- g. In a *relationship summary* that is posted on your website or otherwise provided electronically, you must use hyperlinks for any document that is cross-referenced in the *relationship summary* if the document is available online. See General Instruction 8.a. You may add embedded hyperlinks within the *relationship summary* in order to supplement required disclosures **as set forth in General Instruction 1.d**, for example, links to fee schedules, conflicts disclosures, the firm's narrative brochure required by Part 2A of Form ADV, or other regulatory **or firm** disclosures.

2. Plain Language.

The items of the *relationship summary* are designed to promote effective communication between you and *retail investors*. Write your *relationship summary* in plain language, taking into consideration *retail investors'* level of financial experience. The *relationship summary* should be concise and direct. In drafting the *relationship summary*: (i) use short sentences; (ii) use definite, concrete, everyday words; (iii) use active voice; (iv) avoid legal jargon or highly technical business terms unless you clearly explain them or you believe that reasonable *retail investors* will understand them; and (v) avoid multiple negatives. You must write the *relationship summary* as if you are speaking to the *retail investor*, using "you," "us," "our firm," etc.

Note: The SEC's Office of Investor Education and Advocacy has published A Plain English Handbook. You may find the handbook helpful in writing your relationship summary. For a copy of this handbook, visit the SEC's website at www.sec.gov/news/extra/handbook.htm or call 1-800-732-0330.

3. Full and Truthful Disclosure.

All information in your *relationship summary* must be true and may not omit any material facts necessary to make the disclosures required by these Instructions and the applicable item not misleading, **taking into consideration any materials that are incorporated by reference as set forth in General Instruction 1.d**. If a statement is inapplicable to your business or would be misleading to a reasonable retail investor, you may omit or modify that statement.

Broker-dealers and investment advisers have disclosure and reporting obligations under state and federal law, including, but not limited to, obligations under the Exchange Act, the Advisers Act, and the respective rules thereunder. Broker-dealers are also subject to disclosure obligations under the rules of self-regulatory organizations. Delivery of this document will not necessarily satisfy the

additional disclosure requirements that you have under the federal securities laws and regulations or other laws.

4. Preserving Records.

You must maintain a copy of each version of the relationship summary and make it available to the SEC staff upon request. See SEC Advisers Act rule 204-2(a)(14)(i); SEC Exchange Act rule 17a-4.

5. Initial Filing and Delivery; Transition Provisions.

a. **Initial filing.** If you are a registered investment adviser and are required to give a *relationship summary* to a *retail investor*, you must complete Form ADV, Part 3 (Form CRS) and file it electronically in a text-searchable format with the Investment Adviser Registration Depository (IARD). If you are a registered broker-dealer and are required to give a *relationship summary* to a *retail investor*, you must complete Form CRS and file it electronically in a text-searchable format with the Electronic Data Gathering, Analysis and Retrieval System (“EDGAR”). If you do not have any *retail investors* to whom you must deliver a *relationship summary*, you are not required to prepare one.

Note to instruction 5(a): If you are a *dual registrant*, ~~you must file all *relationship summaries* and are required to give a *relationship summary* to one or more *retail investor* clients or customers of both your advisory and brokerage businesses, you must prepare only one *relationship summary* and file it on IARD and EDGAR.~~

Information for investment advisers on how to file with IARD is available on the Commission’s website at www.sec.gov/iard. Information for broker-dealers on how to file with the Commission on EDGAR is available on the Commission’s website at <https://www.sec.gov/edgar>.

b. **Initial delivery.** You must give a *relationship summary* to each *retail investor*, if you are an investment adviser, before or at the time you enter into an investment advisory agreement with the *retail investor*, or if you are a broker-dealer, before or at the time the *retail investor* first engages your **advice** services. See SEC Advisers Act rule 204-5(b)(1) and SEC Exchange Act rule 17a-14(c)(1). You must deliver the *relationship summary* even if your agreement with the *retail investor* is oral. A *dual registrant* should deliver the *relationship summary* at the earlier of entering into an investment advisory agreement with the *retail investor* or **when** the *retail investor* engages **ing** the firm’s **advice** services. **Consistent with General Instruction 8.a and 8.b, delivery may be by electronic means if, for an investment adviser you also deliver the investment advisory agreement by the same electronic method, or if for a broker-dealer you also deliver your account agreement by the same electronic method. If you choose to use a one-page *relationship summary* with layered disclosure providing hyperlink(s) or description(s) of where the investor can find additional information about each item, then you must make a PDF or complete paper document available upon your retail investor customer’s request that includes all of the materials incorporated by reference into your *relationship summary*.**

c. **Transition provisions for initial filing and delivery after the effective date of the new Form CRS requirements.**

(i) If you are a broker-dealer, you must file your initial *relationship summary* with the Commission as required by instruction 5.a, by [INSERT DATE SIX MONTHS AFTER EFFECTIVE DATE OF RULES/FORM]. If you are an investment adviser or a *dual registrant*, you must amend your Form ADV by electronically filing with IARD your initial *relationship summary* as part of the next annual updating amendment you are required to file after [INSERT DATE SIX MONTHS AFTER EFFECTIVE DATE OF RULES/FORM].

(ii) As of the date by which you are first required to electronically file your *relationship summary* with the Commission, you must begin to deliver your *relationship summary* to new and prospective clients and customers who are *retail investors* as required by Instruction 5.b.

(iii) ~~Within 30 days a~~After the date by which you are first required to electronically file your *relationship summary* with the Commission, you must deliver your *relationship summary* to each of your existing clients and customers who are *retail investors* **no later than your next quarterly account statement. This will allow the *relationship summary* to accompany the account statements, whether delivered in paper or electronically.-**

6. Updating Relationship Summary.

a. You must update your *relationship summary* within 30 days whenever any information in the *relationship summary* becomes materially inaccurate. **This includes any materials that are incorporated by reference into the *relationship summary*, although the *relationship summary* itself may not need to be updated or refiled.**

b. You must communicate any changes in the updated *relationship summary* to *retail investors* who are existing clients or customers of the firm within 30 days after the updates are required to be made and without charge. You can make the communication by delivering the amended *relationship summary* or by communicating the information in another way to the *retail investor*. **In lieu of delivering the amended *relationship summary* to your existing clients, consistent with General Instruction 8.a and 8.b, you may maintain an up-to-date *relationship summary* on your public-facing website noting any recent changes, and remind your existing clients on a quarterly basis to review periodically the website for any material changes.**

c. You must file each amended *relationship summary* electronically with the Commission, on IARD if you are an investment adviser or *dual registrant*, and on EDGAR if you are a broker-dealer.

7. Additional Delivery Requirements to Existing Clients and Customers.

a. You must deliver the *relationship summary* to a *retail investor* who is an existing client or customer before or at the time: (i) a new account is opened that is different from the *retail investor's* existing account(s) **in terms of the advice service to be provided**; or (ii) changes are made to the *retail investor's* existing account(s) that would materially change the nature and scope of your **advice** relationship with the *retail investor*. For example, you must deliver a *relationship summary* before or at the time you recommend that the *retail investor* transfers from an investment advisory account to a brokerage account, transfers from a brokerage account to an investment advisory account, or moves assets from one type of account to another in a transaction not in the normal, customary or already agreed course of dealing. **Generally this would not include transferring money from one kind of account to another in order to facilitate the recommended purchase of securities.** Whether a change

would require delivery of the *relationship summary* would depend on the specific facts and circumstances.

b. You also must deliver the *relationship summary* to a *retail investor* within 30 days upon the *retail investor's* request.

8. Electronic Posting and Manner of Delivery.

a. You must post the current version of the *relationship summary* prominently on your public website, if you have one, in a location and format that is easily accessible for *retail investors*. If you do not have a public website, include in your *relationship summary* a toll-free number that *retail investors* may call to request documents.

b. You may deliver the relationship summary electronically, including updates, consistent with SEC guidance regarding electronic delivery of documents, in particular Use of Electronic Media by Broker-Dealers, Transfer Agents, and Investment Advisers for Delivery of Information, which you can find at www.sec.gov/rules/concept/33-7288.txt.

c. If the relationship summary is delivered on paper and not as a standalone document, you should ensure that it is the first among any documents that are delivered at that time. **For investment advisers, the *relationship summary* can be incorporated as a cover page to the Form ADV Part 2 brochure.**

9. Definitions.

For purposes of this Form CRS, the following terms have the meanings ascribed to them below:

a. **Affiliate:** Any persons directly or indirectly controlling or controlled by you or under common control with you.

b. **Dual registrant:** A firm that is dually registered as a broker-dealer and an investment adviser and offers services to retail investors as both a broker-dealer and an investment adviser.

c. **Portfolio Manager:** An investment adviser that manages investments in a wrap fee program.

d. **Relationship summary:** A written disclosure statement that you must provide to retail investors. See Advisers Act rule 204-5; Exchange Act rule 17a-14; Form CRS.

e. **Retail investor:** A prospective or existing client or customer who is a natural person (an individual). This term includes a trust or other similar entity that represents natural persons, even if another person is a trustee or managing agent of the trust.

f. **Standalone investment adviser and standalone broker-dealer:** A standalone investment adviser is a registered investment adviser that offers services to retail investors and (i) is not dually registered as a broker-dealer or (ii) is dually registered as a broker-dealer but does not offer services to retail investors as a broker-dealer. A standalone broker-dealer is a registered broker-dealer that offers

services to retail investors and (i) is not dually registered as an investment adviser or (ii) is dually registered as an investment adviser but does not offer services to retail investors as an investment adviser.

g. **Wrap fee program:** An advisory program under which a specified fee or fees not based directly upon transactions in a retail investor's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of retail investor transactions.

[Delete instructions for Items 1-7 (deletion not shown) and replace with new specific instructions for Items 1-5 (shown in redlined text below). Note that the mock-ups reference “Schwab” but could readily be made generic for purposes of the final instructions. The advisory account relationship summary mock-up is for a wrap account for a dual registrant that combines brokerage and advisory services for one fee.]

Specific Instructions for Required Items

1. The mock-up in **Appendix B** is a hypothetical relationship summary for brokerage accounts (“Brokerage Mock-up”). The mock-up in **Appendix C** is a hypothetical relationship summary for one type of advisory account (“Advisory Mock-up”). As shown in the Mock-ups, the information required in the *relationship summary* must be presented in a question and answer format. Each *relationship summary* must include every question presented in Items 1 through 5, using the exact wording for the question and in the exact order as the questions appear in these specific instructions.
2. The responses to each Item must address the specific information identified below and in the exact order as specified below. You must respond to each instruction within each Item. The Mock-ups provide sample language that may or may not correspond to your particular firm’s services, compensation and conflicts of interest. You should use the Mock-ups for guidance with respect to scope and style of responses. Any hyperlinks to firm material should be simple and descriptive similar to the examples used in the Mock-ups. Item 5 requires prescribed language for the entire section and you must use the hyperlinks identified below; no additional information may be included.

Heading / Introduction

At the top of the page state that the document is a relationship summary for the *retail investor’s* account with your firm and provide a link where the investor can find more information about your firm and the account type being described.

For brokerage accounts, as shown in the Brokerage Mock-up, include the following introductory paragraph:

- “A Summary of Your Brokerage Account Relationship with [FIRM NAME.] The purpose of this summary is to inform you about the nature of our relationship for this and other brokerage accounts you may have with [FIRM NAME]. For more information, please go to [firm.com/relationship](#).”

For advisory accounts, include a brief description of the nature of the advisory services or advisory program being provided. For example, as shown in the Advisory Mock-up, you may state:

- “A Summary of Your Advisory Account Relationship with [FIRM NAME.] The purpose of this summary is to inform you about the nature of our relationship [IN

PROGRAM NAME, an advisory program that gives you access to select money managers and investment strategies.] For more information, please go to firm.com/investmentadvice.”

The hyperlink in the heading and instruction section must link to a website version of the *relationship summary* that consolidates all of the required and linked information and enables the *retail investor* to download a comprehensive and printable PDF.

In either the header or the footer include the date of the *relationship summary* and your firm’s full legal name.

Item 1: Investment Advice Services and Obligations

Include the following heading as a question in bold font: **“What investment advice services do you provide and what are your obligations?”**

A. Brokerage Account Services

1. Briefly describe the investment advice services you provide and state that you must act in the *retail investor’s* best interest and not place your interest ahead of theirs.
2. State that the *retail investor* will make the final investment decisions and that you will not manage or monitor the account.
3. As shown in the Brokerage Mock-up, you may state:
 - “If we give you investment advice such as recommending an investment or investing strategy, we will act in your best interest and not place our interests ahead of yours.”
 - “You may invest in your own in this account without any advice from us.”
 - “Even when we give you investment advice, you make the final decisions.”
 - “We will not manage or monitor this or other brokerage accounts.”
4. State that other firms offer different account types that may be available to the *retail investor* and that more information about those account types can be found in the links provided below in Item 5.
5. If you significantly limit the types of investments available to *retail investors*, disclose that fact,¹ and provide a link where additional information can be found about the types of investments your firm makes available. If you do not significantly limit the types of investments available to *retail investors*, no information is required or allowed.

¹ You significantly limit the types of investments if, for example, you only offer one type of asset, you only offer proprietary products, or you only offer a small number of investments.

B. Advisory Account Services

1. Briefly describe the investment advice services you provide and state that in providing those services you “act as a fiduciary and in your best interests at all times.”
2. Briefly describe your monitoring practices and explain that investment decisions will be made in the account without the *retail investor’s* prior approval.
3. Provide page numbers and a link to your firm’s current Form ADV Part 2 Brochure (for example Items 4, 13) where the *retail investor* can find more information about your advisory services and monitoring practices, such as frequency and method of review.
4. For example, as shown in the Advisory Mock-up, you may state:
 - “[FIRM or Money Manager] will monitor your account and make specific investment decisions in your account without your prior approval.”
 - “For more information, see pages 1-2 and 13 of the [\[FIRM\] Brochure](#).”
5. If you significantly limit the types of investments available to *retail investors*, disclose that fact,² and provide a link where additional information can be found about the types of investments your firm makes available. If you do not significantly limit the types of investments available to *retail investors*, no information is required or allowed.

C. Dual-Registrant Firms

1. *Dual registrant* firms must add additional language to highlight the availability of both advisory and brokerage accounts at the firm with a reference to additional information that allows the *retail investor* to compare account types, such as additional *relationship summaries*.
2. For example, as shown in the Brokerage Mock-up, you may state:
 - “[FIRM] offers investment advisory accounts, which include management of your investments for an ongoing fee. To inquire whether that type of account is right for you, talk to a [FIRM] representative or go to [firm.com/investmentadvisory](#) to see a summary like this one for advisory accounts.”
3. For example, as shown in the Advisory Mock-up, you may state:
 - “[FIRM] offers other types of investment advisory accounts, and also brokerage accounts through which you can receive investment advice. To

² You significantly limit the types of investments if, for example, you only offer one type of asset, you only offer proprietary products, or you only offer a small number of investments.

inquire what type of account is right for you, talk to a [FIRM] representative or go to firm.com/relationship to see other summaries like this one.”

Item 2: Summary of Fees and Costs for Investment Advice

Include the following heading as a question in bold font: “**What are the fees and costs for investment advice?**”

A. Brokerage Account Services

1. Briefly summarize costs and transaction fees *retail investors* will occur in the brokerage account.
2. State whether your firm receives other compensation related to investment advice on investments that do not have a commission or transaction fee, and whether or not the price is different for investments that you recommend versus investments that *retail investors* makes without a recommendation.
3. Provide a link to a website or PDF document that provides pricing information including commissions, transactions fees, and any other fees related to the account.
4. For example, as shown in the Brokerage Mock-up, you may state:
 - “If you decide to buy or sell a stock, certain exchange-traded funds, mutual funds, or bonds, you will pay a commission or transaction fee. Other investments do not have a commission or transaction fee; instead, the price of the investment includes compensation for [FIRM].”
 - “The price you pay is the same whether we recommend an investment to you or not.”
 - “For details on fees and pricing, please go to firm.com/pricing.”

B. Advisory Account Services

1. Briefly describe your fees explaining that asset-based fees are a percentage of the assets in the advisory account.
2. If you are offering your services through a *wrap fee program* disclose that fact and explain what services the fee covers.
3. Explain that there are additional costs, such as operating expenses and fees charged by mutual funds.
4. Provide page numbers and a link to your firm’s current Form ADV Part 2 Brochure (for example Item 5) where the *retail investor* can find more information about your fees and additional costs.
5. For example, as shown in the Advisory Mock-up, you may state:

- “You will pay us a quarterly asset-based fee that is a percentage of the assets in your account.”
- “This is a wrap fee program so you do not pay separate commissions for trades executed at [FIRM].”
- “The asset-based fee covers the [] account management services and our program and brokerage services.”
- “There are additional costs, such as fees for trades executed at other broker-dealers, certain fixed income trades executed by [FIRM] and operating expenses and fees charged by mutual funds.”
- “For more information, go to pages 4-5 of the [\[FIRM\] Brochure](#).”

Item 3. How Your Firm Makes Money and Conflicts of Interest

Include the following heading as a question in bold font: **“How does your firm make money from investment advice and what are its conflicts of interest?”**

A. Brokerage Account Services

1. Briefly describe how your firm makes money from investments and products that *retail investors* select and whether your compensation varies for certain investments, including whether you make more money for investments that you recommend.
2. If applicable, state whether your firm makes more money from certain products based on affiliate or third-party relationships.
3. Provide a link to a website or PDF document where the *retail investor* can find more information about how your firm makes money on each investment product you offer and the related conflicts of interest. The information should identify the investment products on which you make the least amount of money and the investment products on which you make the most amount of money.
4. For example, as shown in the Brokerage Mock-up, you may state:
 - “[FIRM] makes more money from some investments you may select compared to others, whether or not a [FIRM] representative recommends the investment to you.”
 - “For example, [FIRM] and its affiliates earn more if you purchase a [FIRM]-affiliated mutual fund or exchange-traded fund that if you purchase one managed by another company.”
 - “For a detailed explanation about how [FIRM] makes money depending on the investments you choose and our related conflicts of interests, go to [firm.com/firmcomp](#).”

B. Advisory Account Services

1. Briefly describe how your firm makes money from providing investment advice by charging asset-based fees and /or hourly fees for certain services.
2. If applicable, state whether you firms make more money from certain investments, such as fixed income investments purchased from your firm’s inventory.
3. State whether you earn additional direct or indirect compensation for certain investments based on relationships with third-parties or affiliates. If you do not have such relationships, you may state “The amount we make from your account generally does not vary based on the type of investments you choose or that we select on your behalf.”
4. Provide page numbers and a link to your firm’s current Form ADV Part 2 Brochure (for example, Items 5, 10, 14) where the retail investor can find more information about how your firm makes money and the related conflicts of interest.
5. For example, as shown in the Advisory Mock-up, you may state:
 - “Our firm makes money based on the asset-based fees we charge you and from investments you make.”
 - “[FIRM] makes more money from some investments your [advisor or money manager] may select compared to others – for example, bonds purchased from [FIRM’s] inventory.”
 - “[FIRM] has additional business relationships with and earns additional direct and indirect compensation from some [third parties], either because they are affiliates or they use other [FIRM] services.”
 - “For more information, go to pages 5, 7-8 and 14 of the [FIRM] Brochure.”

Item 4. How You Pay Your Service Professionals

Include the following heading as a question in bold font: **“How do you pay professionals who give investment advice?”**

A. Brokerage Account Services

1. Briefly describe how you compensate representatives that provide investment advice to *retail investors*.
2. State whether or not you pay your representatives based on product sales commissions. If you do, state: “Our representatives make more money with each additional transaction in your account.”
3. Provide a link where the *retail investor* can find information that specifically identifies the different types of investment professionals that may assist the *retail*

investor with their account (such as branch representative or specialty online or phone-based representatives) and describe how each is compensated.

4. For example, as shown in the Brokerage Mock-up, you may state:
 - “We compensate our representatives who provide investment advice based on factors such as the amount of client assets they service and the time and complexity required to understand your needs, make recommendations, and provide services to you.”
 - “We do not pay our representatives based on product sales commissions.”
 - “For details on how we pay all of our representatives, please go to [firm.com/repcomp](#).”

B. Advisory Account Services

1. Briefly describe how you compensate your representatives for the advisory services they provide in connection with the account, and if applicable, the factors used to determine salaries or compensation, such as types of investments or assets under management.
2. Provide page numbers and a link to your firm’s current Form ADV Part 2 Brochure (for example Items 5, 6, and 14) where the retail investor can find more information about how your firm compensates its representatives with respect to advisory accounts.
3. For example, and as shown in the Advisory Mock-up, you may state:
 - “In addition to base salaries, our representatives receive compensation for successfully enrolling clients in the program and servicing those clients after enrollment; the amount of this compensation is based on factors such as time, complexity and expertise to understand and recommend a program.”
 - “We pay [money managers] asset-based fees based on the assets they manage in the program and the type of investment strategy for those assets.”
 - “For a detailed explanation about how [FIRM] pays its representatives and [money managers], see pages 5-6 of the [FIRM] Brochure.”

Item 5. Additional Information for Retail Investor to Consider

Include the following heading as a question in bold font: **“What additional information should I consider?”**

As shown in the Advisory and Brokerage Mock-ups, state:

- “For investor education information about different types of investing account relationships and services that may be available to you, and other questions you might want to consider, please visit www.sec.investoreducation.com.”
- “For free and simple tools to research our firm, our representatives, and other firms, including disciplinary events, please visit investor.gov and brokercheck.finra.org.”

APPENDIX B

A Summary of Your Brokerage Account Relationship with Charles Schwab & Co., Inc.

The purpose of this summary is to inform you about the nature of our relationship for this and other brokerage accounts you may have with Schwab. For more information, please go to [schwab.com/relationship](https://www.schwab.com/relationship).

What investment advice services do you provide and what are your obligations?

- If we give you investment advice such as recommending an investment or investing strategy, we will act in your best interest and not place our interests ahead of yours.
- You may invest on your own in this account without any advice from us.
- Even when we give you investment advice, you make the final decisions.
- We will not manage or monitor this or other brokerage accounts. Schwab offers investment advisory accounts, which include management of your investments for an ongoing fee. To inquire whether that type of account is right for you, talk to a Schwab representative or go to [schwab.com/investmentadvisory](https://www.schwab.com/investmentadvisory) to see a summary like this one for advisory accounts.

What are the fees and costs for investment advice?

- If you decide to buy or sell a stock, certain exchange-traded funds, mutual funds, or bonds, you will pay a commission or transaction fee. Other investments do not have a commission or transaction fee; instead, the price of the investment includes compensation for Schwab.
- The price you pay is the same whether we recommend an investment to you or not.
- For details on fees and pricing, please go to [schwab.com/pricing](https://www.schwab.com/pricing).

How does your firm make money from investment advice and what are its conflicts of interest?

- Schwab makes more money from some investments you may select compared to others, whether or not a Schwab representative recommends the investment to you.
- For example, Schwab and its affiliates earn more if you purchase a Schwab-affiliated mutual fund or exchange-traded fund than if you purchase one managed by another company.
- For a detailed explanation about how Schwab makes money depending on the investments you choose and our related conflicts of interest, go to [schwab.com/firmcomp](https://www.schwab.com/firmcomp).

How do you pay professionals who give investment advice?

- We compensate our representatives who provide investment advice based on factors such as the amount of client assets they service and the time and complexity required to understand your needs, make recommendations, and provide services to you.
- We do not pay our representatives based on product sales commissions.
- For details on how we pay all of our representatives, please go to [schwab.com/repcomp](https://www.schwab.com/repcomp).

What additional information should I consider?

- For investor education information about different types of investing account relationships and services that may be available to you, and other questions you might want to consider, please visit www.sec.investoreducation.gov.
- For free and simple tools to research our firm, our representatives, and other firms, including disciplinary events, please visit investor.gov and brokercheck.finra.org.

APPENDIX C

A Summary of Your Advisory Account Relationship with Charles Schwab & Co., Inc.

The purpose of this summary is to inform you about the nature of our relationship in Schwab Managed Account Services (MAS), an advisory program that gives you access to select money managers and investment strategies. For more information, please go to schwab.com/investment advice.

What investment advice services do you provide and what are your obligations?

- As the sponsor of this program and if we recommend it to you, we act as a fiduciary and in your best interest at all times. We review and select third-party money managers (MMs) that are made available to you and can recommend an MM based on your investment objectives.
- We periodically review MMs' performance and investment strategies, but do not review or monitor individual transactions in your account. The MM will monitor your account and make specific investment decisions in your account without your prior approval.
- For more information, see pages 1-2, and 13 of the [MAS Brochure](#).
- Schwab offers other types of investment advisory accounts, and also brokerage accounts through which you can receive investment advice. To inquire what type of account is right for you, talk to a Schwab representative or go to schwab.com/relationship to see other summaries like this one.

What are the fees and costs for investment advice?

- You will pay us a quarterly asset-based fee that is a percentage of the assets in your account.
- This is a wrap fee program so you do not pay separate commissions for trades executed at Schwab. The asset-based fee covers the MM's account management services and our program and brokerage services.
- There are additional costs, such as fees for trades executed at other broker-dealers, certain fixed income trades executed by Schwab and operating expenses and fees charged by mutual funds.
- For more information, go to pages 4-5 of the [MAS Brochure](#).

How does your firm make money from investment advice and what are its conflicts of interest?

- Our firm makes money based on the asset-based fees we charge you and from investments you make.
- Schwab makes more money from some investments your MM may select compared to others – for example, bonds purchased from Schwab's inventory.
- Schwab has additional business relationships with and earns additional direct and indirect compensation from some MMs, either because they are affiliates or they use other Schwab services.
- For more information, go to pages 5, 7-8 and 14 of the [MAS Brochure](#).

How do you pay professionals who give investment advice?

- In addition to base salaries, our representatives receive compensation for successfully enrolling clients in the program and servicing those clients after enrollment; the amount of this compensation is based on factors such as time, complexity and expertise to understand and recommend a program.
- We pay MMs asset-based fees based on the assets they manage in the program and the type of investment strategy for those assets.
- For a detailed explanation about how Schwab pays its representatives and MMs, see pages 5-6 of the [MAS Brochure](#).

What additional information should I consider?

- For investor education information about different types of investing account relationships and services that may be available to you, and other questions you might want to consider, please visit www.sec.investoreducation.gov.
- For free and simple tools to research our firm, our representatives, and other firms, including disciplinary events, please visit investor.gov and brokercheck.finra.org.