

**Part 2A of Form ADV: Investment Adviser Brochure**

**Oriental Financial Services LLC  
Investment Adviser**

**March 30, 2024**

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**This brochure provides information about the qualifications and business practices of Oriental Financial Services LLC. If you have any questions about the contents of this brochure, please contact us at (787) 474-1993. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Oriental Financial Services is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Oriental Financial Services is 29753. Registration as an investment adviser does not imply any level of skill or training.**

## **Item 2. Material Changes**

Oriental Financial Services LLC (“OFS” or “we”) delivers information about its qualifications and business practices to clients on at least an annual basis. Advisory clients of OFS will receive a summary of any material changes to this brochure (the “Brochure”) and subsequent Brochures, along with a copy of the updated Brochure or an offer to provide such clients a copy thereof, within 120 days after the end of our fiscal year. OFS may also provide other ongoing disclosure information to its clients. Any client may download the Brochure from the SEC’s website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), or it may contact OFS at (787) 474-1993 to request a copy at any time.

The material changes made by OFS to this Brochure, since its last annual update filed on March 30, 2023, are summarized as follows:

- (a) OFS address has been updated to 270 Muñoz Rivera Avenue, Suite Mezzanine, San Juan P.R. 00918.

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#### **Item 4. Advisory Business**

OFS is a Puerto Rico limited liability company engaged in securities brokerage and investment banking activities. It has been in business since January 4, 1993. It is a wholly owned subsidiary of OFG Bancorp, a Puerto Rico corporation and a financial holding company whose common stock is traded on the New York Stock Exchange. OFS is also affiliated with Oriental Bank, Oriental Insurance LLC, OFG USA LLC, Oriental International Bank, Inc., OFG Ventures LLC and OFG Reinsurance Ltd. Please refer to Item 10 for information on affiliated entities with which OFS has material relationships and the method by which OFS manages certain conflicts that may arise in such relationships.

OFS is registered as a securities broker-dealer and as an investment adviser with the U.S. Securities and Exchange Commission (the “SEC”). It is also registered with the Financial Industry Regulatory Authority (“FINRA”). Its investment advisory services are offered through financial consultants that are registered as investment adviser representatives with the Office of the Commissioner of Financial Institutions of Puerto Rico. Registration does not imply a certain level of skill or training.

As of December 31, 2023, OFS had approximately \$283,584,143.76 in client assets under management on a non-discretionary basis.

Investment advisory services offered by OFS include access to (a) sub-advisory services of Envestnet Asset Management, Inc. (“Envestnet”), a registered investment adviser that is independent of OFS, under its Private Wealth Management Programs (collectively, the “Envestnet Program”), and (b) sub-advisory services of Cyrus J. Laurence LLC (formerly, International Strategy and Investment, Inc.) (“Cyrus”), a registered investment adviser that is independent of OFS, under its Equity Account Advisory Program (the “Cyrus Program”). However, the Cyrus Program is no longer available for new clients. OFS also offers a (i) “dual-contract” advisory arrangement whereby the client enters into an investment advisory agreement with an independent portfolio manager and, in addition, enters into a contract with OFS, and (ii) a “single-contract” advisory arrangement whereby the client enters into an investment advisory agreement with OFS as the portfolio manager. OFS does not exercise discretion as a fiduciary under any of its investment advisory arrangements.

#### ***Envestnet Program***

OFS determines which services and programs under the Envestnet Program to use for its clients and may use the services of third-party service providers in conjunction with the programs offered by Envestnet. Currently, OFS provides its clients with access to the following wrap fee programs under the Envestnet Program: (i) Separately Managed Accounts (“SMA”), (ii) Unified Managed Account (“UMA”), (iii) PMC Sigma Mutual Fund Solutions (“MFS”), (iv) PMC Strategic ETF Solutions, (v) Paradigm Liquid Alternatives, and (vi) Third-Party Fund Strategists Program (collectively, the “Programs,” or individually, a “Program”). Investment strategies that are prefaced with “PMC” or “Sigma” designate that the investment strategy is a proprietary

strategy of Envestnet, as opposed to the third-party investment strategies that Envestnet also makes available in the SMA, UMA and Third-Party Fund Strategists programs.

For all the Programs, OFS compiles pertinent financial and demographic information as provided by each client to develop an investment program that will meet the client's goals and objectives. Prior to a client joining a Program, OFS interviews the client to ascertain the client's financial position, investment goals and objectives, investment limitations, and risk tolerance. Based on the information provided by the prospective client, OFS determines whether a Program is suitable for, and in the best interest of, the client. Using the Envestnet platform tools, OFS allocates the client's assets among the different options in the Envestnet Program and determines the suitability of the asset allocation and investment option for each client based on its needs and objectives, investment time horizon, risk tolerance, and any other pertinent factors. Clients that join a Program through OFS ("Program Clients") may impose reasonable restrictions on the management of their respective accounts. At least on an annual basis, OFS interviews each client who joined a Program to determine whether there has been a change in the client's financial situation or investment objectives or in any reasonable restrictions imposed by the client for the management of its account.

Each Program Client receives a separate wrap-fee program brochure (Part 2 of Form ADV) prepared by Envestnet describing in detail the services offered within the Envestnet Program (the "Envestnet Wrap Fee Program Brochure"). All Program Clients are encouraged to review the Envestnet Wrap Fee Program Brochure to learn about the characteristics of each service offered within the Programs.

### ***Cyrus Program***

OFS no longer actively offers the Cyrus Program. Currently, under the program there is only one account managed that remains from when the program was offered.

### ***Private Bespoke Account Programs***

Unlike arrangements with wrap fee program sponsors, such as Envestnet and Cyrus, when OFS provides services to an advisory client under a dual-contract arrangement, which we refer to as the "OMI Gateway Program," the client enters into an investment advisory agreement with an independent portfolio manager, which exercises discretion over the investment assets, and, in addition, the client enters into a separate contract with OFS under which we provide certain services, including portfolio manager oversight and performance reporting. This type of arrangement is offered with (a) a wrap fee structure under which specified fees are not based directly upon transactions in the advisory client's account, or (b) a transaction-based fee structure under which specified fees for the execution of trades are charged to the client. The investment assets under this arrangement are held by Charles Schwab & Co., Inc. ("Charles Schwab"), as custodian.

OFS also provides non-discretionary investment advisory services to clients under a single-contract arrangement pursuant to which OFS acts as the portfolio manager and assists advisory clients in the construction of their asset allocation and investment strategies on a non-

discretionary basis following the same process, including, for example, risk tolerance questionnaire, used in the Envestnet Program. Accounts under this arrangement may be administered using the Envestnet platform, but with Envestnet solely providing non-advisory administrative services. The investment assets under this arrangement are held by Pershing LLC (“Pershing”), as custodian, which is also our clearing broker.

Under either arrangement, OFS follows the same client intake process, including anti-money laundering, know-your-customer procedures, and analyzes the client’s financial and investment needs, determining which advisory services are suitable for the client, monitoring and evaluating client account performance, and providing the client with periodic reporting of account performance, activity, and the like.

## **Item 5. Fees and Compensation**

### ***Envestnet Program***

For services provided under the Envestnet Program, each client pays a program fee (the “Program Fee”) calculated by applying the applicable annual fee schedule, as set forth below, to the account’s asset value under the Program (determined quarterly on an account by account basis, not in the aggregate).

The Program Fee is debited on a quarterly basis in advance from the Program Client’s account (as provided in the Envestnet Program’s terms and conditions). Under the Envestnet Program, clients authorize the broker of their choice to pay the Program Fee directly to Envestnet from the Program’s client account, and Envestnet, as agent for the client, pays all amounts due to the broker or custodian, any sub-managers, and OFS. For certain Programs, the Program Fee may also include custody fees. In addition, if there is insufficient cash in the accounts at the time the Program Fee must be debited, Envestnet or a designated sub-manager may sell Program assets to generate sufficient cash to pay the Program Fee. This may create a taxable gain or tax loss for the client. If Program assets are illiquid and Envestnet or a designated sub-manager determines that the sale of Program assets to pay the Program Fee is not feasible, Envestnet will send the client an invoice for the quarterly Program Fee, which the client must pay within 10 days of receipt. For information regarding the refund of any prepaid fees upon the client’s termination of the advisory contract, please refer to the Envestnet Wrap Fee Program Brochure.

For its ongoing services to clients in connection with the Envestnet Program, OFS receives a portion of the Program Fee that is charged by Envestnet to such clients, which varies according to the Program. Below are the fee schedules for the various Programs currently offered by OFS.

Separate Managed Account Program – Generally for clients seeking a long-term, customized, goals-driven approach to investment planning.

Equity & Balanced	
Program Assets	Program Fee

Up to \$250,000	2.50%
\$250,000-\$1,000,000	2.25%
\$1,000,000-\$5,000,000	2.00%
Above \$5,000,000	1.75%

A minimum annual platform fee of \$350 will be applied if the threshold is not met. The minimum account size is typically \$100,000 per manager.

Unified Managed Account Pricing at Various Breakpoints – Combines the investment expertise of globally prominent asset managers, exchange-traded funds (“ETFs”) and mutual funds into a single portfolio and custodial account.

Program Fee Structure: Tiered base fee plus an additional manager fee for each SMA Model as detailed below:

Program Assets	Program Fee
Up to \$1,000,000	2.25%
\$1,000,000 to \$2,000,000	2.15%
\$2,000,000 to \$5,000,000	2.00%
Above \$5,000,000	1.80%

Although certain models may have fees outside this range, the additional fee per SMA model will be approximately 35 to 60 basis points (bps). Applicable manager fees will apply only when an SMA manager is included in the allocation and those fees will only apply against the percentage of the portfolio for which the SMA manager is allocated.

There is no minimum fee. Any custody fees are not included. The minimum account size is \$150,000 per model allocation.

Advisor as Portfolio Manager (Oriental Managed Investments EFT Models) – Offers individual investors an actively managed portfolio comprised of carefully selected ETFs. Unlike some programs that are restricted to a specific fund family, Envestnet has virtually unlimited choice in the ETFs that may be selected. This provides Envestnet the freedom to choose the best solutions available to suit each client’s needs.

Program Assets	Program Fee
Up to \$50,000	1.00%
\$50,000 to \$500,000	1.50%
Above	1.25%

Minimum annual account fee: \$75. Minimum investment is \$10,000. Any custody fees not included.

Third-Party Strategist Program and Mutual Fund Strategist – Offers individual investors an actively managed portfolio comprised of carefully selected mutual funds or ETFs managed by independent investment management firms.

Program Assets	Program Fee
Up to \$500,000	1.50%
Above \$500,000	1.25%

Minimum investment: \$25,000 to \$50,000. A minimum annual platform fee of \$75 will be applied.

When a client terminates its participation in the Envestnet Program, its Program assets are withdrawn from the Program prior to the end of the relevant quarter and the pro rata portion of the Program Fee is reimbursed to such client.

### ***Cyrus Program***

The equity account fee schedule for the Cyrus Program is as follows:

Market Value of Account	Client Fee	OFS Fee	Portfolio Manager Fee
First \$500,000	2.50%	1.75%	.75%
Next \$500,000	2.25%	1.50%	.75%
Next \$1,000,000	2.00%	1.40%	.60%
Next \$3,000,000	1.85%	1.30%	.60%

### ***Private Bespoke Account Programs***

In the dual-contract and single-contract arrangements, the advisory client is assessed an advisory fee payable quarterly in advance at a mutually agreed upon rate per annum of the market value of the total assets in its account. The investment advisory fee is calculated at the beginning of each quarter based on the assets in the account at the end of the immediately preceding quarter. Each advisory client authorizes OFS and the custodian to debit directly from the account such fee when due. A minimum annual fee may be established.

Below are our fee schedules for the dual-contract and single-contract arrangements:

#### Dual-Contract

Program Assets	Program Fee
All assets	1.00%



### Single-Contract

Program Assets	Program Fee
Up to \$500,000	1.50%
Above \$500,000	1.25%

### ***Other Fees and Expenses***

The Program Fee does not cover certain charges associated with securities transactions in a Program Client's account including: (i) dealer markups, markdowns or spreads charged on transactions in over-the-counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the internal charges and fees that are imposed by any mutual funds, ETFs, closed-end funds, unit investment trusts and real estate investment trusts ("Collective Investment Vehicles"), such as fund operating expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses, which may be found in the appropriate prospectus or offering document, or other regulatory fees; (iv) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; (v) the charge to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, returned check charges, transfer taxes, stock exchange fees or other fees mandated by law; and (vi) any brokerage commissions or other charges, including contingent deferred sales charges imposed upon the liquidation of "in-kind assets" that are transferred into a Program Client's account and which Envestnet or Cyrus, as applicable, may liquidate in its sole discretion. For additional information on brokerage practices, please see Item 12 below.

The Program Fee also does not include any custodial fees that may be charged to Program Clients by the custodian, which may charge a minimum account fee. Program Clients may also be charged for specific account services, such as ACAT transfers, electronic fund and wire transfers, and other optional services. Accounts may be subject to transaction-based ticket charges assessed by the custodian for the purchase of certain mutual funds. Similarly, the Program Fee does not include certain non-brokerage-related fees, such as individual retirement account ("IRA") trustee or custodian fees, tax-qualified retirement plan account fees, and annual and termination fees for retirement accounts (such as IRAs).

Some mutual funds assess redemption fees to investors upon the short-term sale of its funds. Depending on each mutual fund, this may include sales for rebalancing purposes. Please see the prospectus for the specific mutual fund for detailed information regarding such fees. In addition, a Program Client may incur redemption fees, when the portfolio manager for an investment strategy determines that it is in the client's overall interest, in conjunction with the stated goals of the investment strategy, to divest from certain Collective Investment Vehicles prior to the expiration of the applicable minimum holding period. Depending on the length of the redemption period, the particular investment strategy and/or market circumstances, a portfolio manager may be able to minimize any redemption fees when, in the portfolio manager's discretion, it is reasonable to allow a Program Client to remain invested in a Collective Investment Vehicle until expiration of the minimum holding period.

For smaller accounts, a minimum account fee or any fees charged by the custodian may apply to the Program Fee. Minimum account fees are expressed in annual amounts but are determined and assessed based on the account asset value at the beginning of each quarter. For example, if an account has a \$100 minimum annual account Program Fee, it will be assessed a minimum of \$25 every quarter. Therefore, if a client has large asset inflows or outflows during the year that cross the minimum asset value threshold, it is possible for an account to be assessed a minimum fee for a particular quarter even if at the end of the year a look back over the account's average balance for the entire year would have placed it above the minimum asset value threshold.

The compensation received by OFS and its supervised persons in connection with the Envestnet Program and the Cyrus Program, as applicable, consists of a portion of the Program Fees set forth above. OFS may also receive from time to time Rule 12b-1 fees from mutual funds in which Program Clients have invested under the Envestnet Program. However, any such Rule 12b-1 fees paid to OFS are credited to the applicable Program Clients. The term "Rule 12b-1 fees" refers to fees paid by a mutual fund out of its assets pursuant to a plan adopted in accordance with Rule 12b-1 of the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), to cover the costs of distribution (marketing and selling) of mutual fund shares and/or the costs of providing shareholder services. OFS does not allocate to its supervised persons any such Rule 12b-1 fees.

Neither OFS nor its supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds under the Envestnet Program and the Cyrus Program. OFS and/or its supervised persons may, however, receive compensation from the sale of securities or other investment products, including mutual funds, offered outside the Envestnet Program and the Cyrus Program. Said compensation may be more than what such persons would receive if the client had participated in the Envestnet Program; therefore, they may have a financial incentive to recommend such securities or investment products over the Envestnet Program or the Cyrus Program. Clients must refer to the disclosure documents for each investment product for information about the terms, fees and costs of such products. In addition, Program Clients may purchase investment products recommended by OFS through other brokers or agents that are not OFS affiliates. OFS has in place a Code of Ethics (please see Item 11) that establishes certain controls to manage and minimize the risk of potential conflicts of interest.

OFS is also the introducing broker on the Program accounts of its clients. Presently, OFS does not receive compensation as introducing broker for such accounts. However, if in the future it were to receive separate brokerage compensation, such compensation would be part of the Program Fee payable to Envestnet or Cyrus, as applicable. Program Clients should refer to the Envestnet's and Cyrus' program brochures for more information in this regard.

## **Item 6. Performance-Based Fees**

Performance-based fees are fees based on a share of capital gains on, or capital appreciation of, assets of a client. OFS does not charge any performance-based fees.

## **Item 7. Type of Clients**

As more fully described in Item 4, we provide investment advisory services to various types of clients pursuant to various types of arrangements, as discussed above. Our advisory services are available to individuals (including high net worth individuals), banking or thrift institutions, investment companies, business development companies, pooled investment vehicles (other than investment companies), pension and profit-sharing plans, charitable organizations, state or municipal government entities, other investment advisers, insurance companies, corporations, trust and retirement accounts, and other businesses. Please see Item 5 for a discussion of our compensation for managing each of the following types of client accounts.

### ***Envestnet Program***

The Programs are intended to comply with Rule 3a-4 under the Investment Company Act. Each Program Client's account is managed based on the client's financial situation and stated investment objectives in accordance with any reasonable investment restrictions imposed by the client on the management of the assets in its account. In addition, clients of OFS that join a Program are contacted at least annually by OFS, and notified quarterly to contact OFS, to confirm whether there have been any changes to the client's financial situation or investment objectives or if it would like to impose or modify investment restrictions on its account.

Certain Programs have minimum account sizes and minimum program fees associated with them. For any minimum investment requirements under the Programs, please refer to the fee schedules under Item 5 above.

Envestnet operates the Programs as a directed brokerage, subject to most favorable execution of Program Client transactions. Please see Item 12 for more information on brokerage practices.

### ***Cyrus Program***

OFS no longer actively offers the Cyrus Program. Currently, OFS has a single remaining account that is managed thereunder. On an annual basis, OFS reviews with such client the continuing appropriateness of the investment objectives selected under the Cyrus Program in light of investment results achieved and such client's overall financial circumstances and any changes therein. The minimum account size under the Cyrus Program was \$100,000.

### ***Private Bespoke Account Programs***

A minimum of \$2,000,000 in investment assets per account is required for the dual-contract arrangement and a minimum of \$100,000 in investment assets per account is required for the single-contract arrangement.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

### ***Envestnet Program***

OFS obtains information from each Program Client, including but not limited to a complete profile questionnaire detailing the Program Client's financial position, investment goals and objectives, investment limitations, reasonable restrictions and risk tolerance. Based on the information provided by each Program client, OFS determines the Program's suitability for such clients. In addition, on an annual basis, OFS interviews each Program Client to determine whether there have been any changes in the Program Client's financial situation and investment objectives or in any reasonable restriction imposed by the Program Client on the management of its account.

In cases in which services involve the selection of asset allocations and portfolio construction by OFS, OFS counts with the assistance of Envestnet and with a variety of portfolio construction methods using an analytics module that allows choices among multiple Programs and products to blend a solution that best meets the Program Client's requirements. For more information on the analysis methods, investment strategies (including the ability to use asset allocation from third-party sources to assist in the construction of portfolios for OFS and the use of any sub-managers under certain Programs) and risk loss regarding the Envestnet Program, please refer to the Envestnet Wrap-Fee Program Brochure.

The variety of investment strategies offered through the Envestnet Program entails a variety of investment risks for Program Clients. Some may be high-risk strategies with the potential for substantial returns but with correspondingly significant risks. As such, not all strategies are intended for all types of clients. Program Clients who choose to follow high risk strategies should be aware that there is a higher risk of significant losses, including the possibility of losing all the assets placed in the strategies. It is strongly recommended that Program Clients diversify their investments and do not place all their investments in high risk investment strategies.

In addition to general investment risks, certain types of investments have particular types of risk, including, among others: (i) strategies that invest in international securities involve currency risk, political risk, and risk associated with varying accounting standards (strategies that invest in emerging markets may accentuate those risks); (ii) strategies that invest in small capitalized companies involve risks of relatively low trading volumes, a greater degree of change in earnings, greater short-term volatility, and higher risk of failure; (iii) growth strategies can perform differently from the market as a whole and from other types of stocks and can be more volatile than other types of stocks; (iv) high-yield bond strategies, which invest in lower-rated debt securities (commonly referred to as "junk bonds"), involve the risk of higher level of volatility and increased risk of default; (v) "alternative" investment types (that is, not one of the three traditional asset types —stocks, bonds and cash— and generally with low correlations to stocks and bonds) may have complex terms and features that are not easily understood and are not suitable for all investors and, in the case of liquid alternative investments, additional risks may include leverage, shorting, security valuation, and nightly reconciliation; (vi) concentrated,

non-diversified or sector strategies (that is, those that invest more of their assets in a few holdings) involve additional risks of share price fluctuations because of the increased concentration of investments and increased industry-specific risks; (v) municipal investment strategies can be affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities; and (vi) tactical and dynamic investment strategies involve more frequent trading than the traditional “buy-and-hold” investment strategies and, therefore, can increase transaction costs and create more short-term tax gains than client may be used to seeing in other types of strategies.

In providing advisory services, OFS takes into consideration such risks. However, for more information on the material risks involved for each significant investment strategy or method of analysis under the Envestnet Program, please refer to the Envestnet Wrap-Fee Program Brochure.

### ***Cyrus Program***

As stated previously, OFS no longer actively offers the Cyrus Program and has a single remaining account that is managed thereunder.

### ***Private Bespoke Account Programs***

As described in Item 4, under the dual-contract and single-contract arrangements, OFS obtains information from each advisory client, including but not limited to a complete profile questionnaire detailing the client’s financial position, investment goals and objectives, investment limitations, reasonable restrictions and risk tolerance. Based on the information provided by each client, OFS determines the program’s suitability for such clients. In addition, on an annual basis, OFS interviews each client to determine whether there have been any changes in its financial situation and investment objectives or in any reasonable restriction imposed by the client on the management of its account. Further, under the single-contract arrangement, OFS acts as the portfolio manager and assists advisory clients in the construction of their asset allocation and investment strategies on a non-discretionary basis following the same process, including, for example, risk tolerance questionnaire, used in the Envestnet Program.

### ***Risk of Loss***

Investing in securities involves risk of loss (including loss of principal) that each advisory client should be prepared to bear. The most common investment risks include (a) market risk, which is the risk associated with unexpected large-scale events or factors that occur (or expected events or factors could occur earlier or later than expected) and affect the overall performance of financial markets, and (b) individual security risk, which is the risk associated with unusual or unexpected events that can occur with specific securities that might cause their market value to fall, such as an earnings disappointment or a downgrade in the rating of a bond. Both types of risk could also adversely affect similarly situated securities or even an entire portfolio. In addition, stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Fixed-

income strategies are subject to interest rate risk and the inherent credit risk related to the underlying credit worthiness of the various issuers and the volatility of the bond market.

#### **Item 9. Disciplinary Information**

As registered investment adviser, OFS is required to disclose any legal or disciplinary event that is material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. OFS has the following disciplinary event to disclose:

- In December 2014, FINRA accepted a Letter of Acceptance, Waiver and Consent (the "2014 AWC") from OFS. The 2014 AWC alleges that from 2000 to August 5, 2013, OFS failed to disclose the markups and markdowns charged on approximately 2,800 riskless principal transactions in Puerto Rico Closed-End funds ("Puerto Rico CEFs"). In addition, it alleges that OFS failed to establish and maintain a supervisory system reasonably designed to achieve compliance with Securities Exchange Act ("SEA") Rule 10B-10. As such, OFS violated SEA Rule 10B-10(A)(2)(II)(A), NASD Rule 2230 (For Conduct before June 17, 2011), 3010(A), and 2110 (for conduct before December 15, 2008), and FINRA Rules 2232 (for conduct after June 16, 2011) and 2010 (For conduct after December 14, 2008). In addition, it alleges that between July 1, 2011, and June 30, 2013, OFS failed to establish, maintain, and enforce a supervisory system and procedures reasonably designed to identify and review concentrated securities, purchases including Puerto Rico Municipal Bonds and Puerto Rico CEFs. Therefore, it alleges that OFS violated NASD Rule 3010(A) and (B) and FINRA Rule 2010. On December 15, 2014, OFS paid a fine of \$245,000 and agreed to submit to FINRA a proposed methodology of how it would identify, review and remediate unsuitably concentrated Puerto Rico securities purchased so that FINRA could review and determine if it complied with specific requirements of the 2014 AWC. By June 2013, OFS had already reported to FINRA on Form 4530 that it had not disclosed on customers' confirmations the markups and markdowns for riskless principal transactions in Puerto Rico CEFs. On August 5, 2013, OFS corrected the deficiency by beginning to disclose to customers the markups and markdowns and amended the firm's procedures to reflect the disclosure requirement for riskless principal transaction in Puerto Rico CEFs. In addition, during the 2013 regular examination, FINRA determined that during the period between July 1, 2011 and June 30, 2013, OFS solicited concentrated purchases of Puerto Rico securities. OFS engaged a consultant to perform a self-review of accounts in order to identify potential unsuitable purchases of Puerto Rico securities and report to FINRA and provide restitution to affected customers. As required in the agreement between FINRA and OFS, prior to June 30, 2015, OFS conducted a review of its purchase transactions conducted in Puerto Rico securities (mutual funds and government bonds) between December 14, 2012 and June 30, 2013 assisted by a consultant. As a result of the review, on or about June 26, 2015, OFS provided restitution payment for 95 transactions concentrated in Puerto Rico assets for a total payment of \$2,109,917.
- In May 2015, FINRA accepted a Letter of Acceptance, Waiver and Consent (the "2015 AWC") from OFS Securities, Inc. ("OFS Securities"), under which OFS agreed to pay a fine of \$50,000. In 2012 and 2103, while operating as BBVA Securities of Puerto Rico, Inc., OFS Securities failed to produce certain documents and information prior to the start

of a FINRA arbitration hearing as ordered by the arbitration panel and inaccurately represented to the claimant that it did not have responsive documents under its control. OFS Securities should have been aware that, and actively considered whether, responsive documents and information could have been located in its warehouse or obtained from its clearing firm. However, OFS Securities failed to produce the documents to the claimant until the hearing had already begun and thereby violated FINRA Rule 2010 and IM-12000.

- In May 2016, FINRA accepted a Letter of Acceptance, Waiver and Consent (the “2016 AWC”) from OFS, under which OFS agreed to pay a fine of \$40,000. During the period from July 1, 2013 through September 30, 2013, OFS purchased/sold municipal securities for five (5) customers’ accounts at an aggregate price (including any markdown and markup) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal dealer as to the fair market value of the securities at the time of the transactions and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the broker, dealer or municipal securities dealer is entitled to a profit and the total amount of the transaction. OFS was fined in the amount of \$40,000 and, on May 27, 2016, paid restitution to investors associated with the transaction in the amount of \$18,358.52 plus interest.
- In May 2019, FINRA accepted a Letter of Acceptance, Waiver and Consent (the “2019 AWC”) from OFS, under which OFS agreed to pay a fine of \$20,000. In August and September 2015, OFS included language conditioning the settlement of two arbitration proceedings on the customers’ agreements to consent and not to oppose expungement of their claims from the Central Registration Depository System. As a result, OFS violated FINRA Rules 2081 and 2010.

#### **Item 10. Other Financial Industry Activities and Affiliations**

OFS is also a full-service registered securities broker-dealer. Securities clearing is provided on a fully-disclosed basis to clients by Pershing, an affiliate of The Bank of New York Mellon Corporation.

OFS is a wholly owned subsidiary of OFG Bancorp, a Puerto Rico corporation and a financial holding company subject to regulation and supervision by the Board of Governors of the Federal Reserve System. Other affiliates of OFS include:

- Oriental Insurance LLC, a Puerto Rico limited liability company and an insurance agency subject to regulation and supervision by the Office of the Commissioner of Insurance of Puerto Rico.
- Oriental Bank (the “Bank”), a Puerto Rico commercial bank subject to regulation and supervision by the Office of the Commissioner of Financial Institutions of Puerto Rico (the “OCFI”) and the Federal Deposit Insurance Corporation.

- OFG USA LLC, a Delaware limited liability company engaged in commercial lending and a subsidiary of the Bank.
- Oriental International Bank, Inc., an international banking entity subject to the regulation and supervision of the OCFI.
- OFG Ventures LLC, a Delaware limited liability company engaged in strategic private equity investments.
- OFG Reinsurance Ltd, a Cayman Islands captive reinsurance company.

Registered representatives of OFS sell retail investments at seven branches including our main office in San Juan, Puerto Rico. As previously indicated, OFS and/or its supervised persons may receive compensation from the sale of securities or other investment products, including mutual funds, offered outside the Envestnet Program or the Cyrus Program. Said compensation may be more than what such persons would have received if the client had participated in the Envestnet Program. Therefore, they may have a financial incentive to recommend such securities or investment products over the Envestnet Program or the Cyrus Program.

Registered representatives of OFS may also be insurance agents for Oriental Insurance LLC. As insurance agents, the registered representatives of OFS may recommend and purchase insurance-related products for advisory clients of OFS, for which they will receive separate and additional compensation.

The situations mentioned above may present conflict of interests. Clients are not under any obligation to engage OFS or registered representatives of OFS for any additional services.

OFS has a Code of Ethics that establishes certain controls to manage and minimize the risk of potential conflicts of interest.

#### **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

OFS has a Code of Ethics that sets forth its commitment to the highest standards of ethical conduct in its operations (the “Code”). It is based on the principle that OFS has a fiduciary duty to place each advisory client’s interests above our own. The Code establishes a series of guidelines and rules aimed at ensuring that the actions carried out by supervised persons of OFS comply with applicable federal and local laws, rules and regulations and promotes ethical conduct and sound business practices. OFS requires all employees to disclose all of their brokerage account relationships and those of their immediate family members. It also requires the periodic reporting by supervised persons of personal securities holdings and transactions which permit the supervision of his or her personal securities activities and facilitates the enforcement of the Code, as applicable. Furthermore, supervised persons are required to report violations to the Code. In addition, the Code includes provisions regarding the handling and remedies available in case of any Code violations.



Each supervised person of OFS is required to (a) avoid serving his or her personal interests ahead of the interests of our clients and (b) prevent our clients from taking or not taking actions for the personal benefit of the supervised person. The Code implements controls aimed at minimizing the risk of possible conflicts of interest. Among other requirements, supervised persons are required to maintain their securities accounts and those of their immediate family members in OFS. Any exception for an account outside OFS has to be pre-authorized by our Chief Compliance Officer and is subject to controls including duplicate confirmations and custodial accounts statements.

The Code also includes procedures designed to prevent our supervised persons from committing prohibited insider trading. In this regard, any supervised person in possession of material nonpublic information may not trade in securities to which the information relates or tip such information to others. It also includes provisions requiring each supervised person to be given a copy of the Code and to acknowledge in writing his or her receipt of the Code.

Our Chief Compliance Officer is Ms. Mariela Torres. She has responsibility for assuring compliance with the Code. Violation by any access person of any provision of the Code may result in the imposition of sanctions by our Chief Compliance Officer as may be deemed appropriate under the circumstances. Upon written request by any client or prospective client, OFS will provide a copy of the Code. Any such request should be addressed to our Chief Compliance Officer at 270 Muñoz Rivera Avenue, Suite Mezzanine, San Juan, Puerto Rico 00918, or may be made by calling us at (787) 474-1993.

### ***Conflicts of Interest***

OFS employees or related persons may have accounts with investment managers that are generally available to our advisory clients as part of any of the programs described in this Brochure. In addition, OFS employees or related persons may personally buy or sell securities that advisory clients also own in their accounts. Any investment decisions for OFS personnel may not be made at the same time or in the same manner as those made for our advisory clients. OFS employees or related persons may purchase or sell securities that are recommended or purchased or sold for our advisory clients. Personal securities transactions by persons identified as OFS “access persons” (i.e., any of our supervised persons who has access to nonpublic information regarding any clients’ purchase or sale of securities, or nonpublic information regarding portfolio holdings of any reportable fund, or who is involved in making securities recommendations to clients, or which has access to such recommendations that are nonpublic) are subject to the Code, which includes various reporting, disclosure and approval requirements described above. OFS designed such requirements to prevent or mitigate actual or potential conflicts of interest with its advisory clients. The Code applies not only to transactions by the individual, but also to transactions for accounts in which such person or the person’s spouse, minor children or other dependents residing in the same household have an interest. Compliance with the Code is a condition of employment at OFS.

In accordance with SEC rules governing investment advisors, OFS requires prompt reports of all securities transactions by “access persons” identified in the Code as “reportable securities” transactions. OFS further requires that all brokerage account relationships of such

individuals be disclosed, that OFS receive duplicate confirmations of transactions and custodial account statements, and annual certifications of compliance with the Code from its access persons. Transactions in certain securities such as U.S. government securities, bankers acceptances, bank certificates of deposit, and commercial paper and shares of unaffiliated mutual funds are excluded from the reporting requirements.

The responsibilities of our Chief Compliance Officer include overseeing the regular monitoring and verification of compliance of covered persons with the requirements of the Code, and reporting material violations to our senior management. Covered transactions of the Chief Compliance Officer are reviewed by another officer (or designee) of OFS. In addition to reporting and recordkeeping requirements, the Code imposes various substantive and procedural restrictions on reportable securities transactions. Our Chief Compliance Officer may recommend to management the imposition of more severe sanctions, including suspension of personal investing privileges, or termination of employment, in the case of certain types of violations.

## **Item 12. Brokerage Practices**

In selecting or recommending any brokers for advisory client transactions and determining the reasonableness of their compensation, OFS has a “best execution” policy for securities transactions under which it considers a variety of factors, including, but not limited to, the range and nature of services and execution and operational capabilities, commission rates and other costs of executing securities transactions, financial strength, reputation and responsibility, the value and quality of any research services provided, client preferences regarding which broker to use and the continuity and quality of any ongoing relationship between the client and the broker, and the market(s) on which the security to be purchased or sold is traded. In considering the above factors and depending on the facts and circumstances of each situation, OFS could pay a broker a commission in excess of that which another broker might have charged for effecting the same transactions. To the extent that research services are provided by a broker, such services may be used for servicing our accounts and may not be used by us solely in connection with the accounts which paid the commission to the broker providing such service.

Although sponsors of the wrap fee programs in which we participate generally provide brokerage services for their wrap fee program clients, we will nonetheless analyze the services provided by such brokers according to the same best execution standards as for our non-wrap fee program clients. In the event we are concerned that best execution is not being achieved in using a wrap fee sponsor’s broker for a trade involving our client in the wrap fee program, we will contact the broker regarding the issue and undertake to resolve it so that best execution standards are met.

### ***Envestnet Program***

Under the Envestnet Program, Envestnet does not require a Program Client to utilize any particular executing broker or custodian and currently has relationships with many executing brokers and custodians that provide brokerage, clearing and custody services to Program Clients. The choice of which custodian to utilize is determined by the Program Client in consultation

with OFS. Program Clients generally pay an asset-based fee for the brokerage, custody or clearing services provided by the broker or custodian (as opposed to transaction-based fees, such as commissions). For more information on brokerage activity by Envestnet, please refer to the Envestnet Wrap-Fee Program Brochure.

Program Clients may not receive the benefit of the lowest trade price then available for any particular transaction, or Program Client account trade orders may not be aggregated to reduce transactional costs. In effecting securities transactions, Envestnet, any sub-manager or OFS may consider not only available prices and commission rates (including the fact that certain transactions effected through the broker are included in the Program Fee), but also other relevant factors such as execution capabilities and any research and other services provided by the broker. Envestnet, any sub-manager and OFS have the authority to effect transactions for the accounts with or through another broker, dealer or bank if OFS, Envestnet or such sub-manager believes that “best execution” of transactions may be obtained through such other broker, dealer or bank, including any broker-dealer that is affiliated with OFS, Envestnet, or such sub-manager.

OFS is an introducing broker on a fully-disclosed basis and does not currently receive brokerage compensation in connection with Program Client accounts. If it did under the Envestnet Program, such compensation would be part of the Program Fee. OFS does not receive research or other products or services other than execution from a broker-dealer or third-party in connection with Program Client securities transactions (“soft dollar benefits”).

### ***Private Bespoke Account Programs***

Under the dual-contract and single-contract arrangements, OFS does not require an advisory client to utilize any particular executing broker. The choice of which executing broker to utilize in these programs is determined, in the case of the dual-contract arrangement, by the selected portfolio manager in consultation with the advisory client and, in the case of the single-contract arrangement, by us in consultation with the advisory client. If a portfolio manager requires an advisory client to utilize the services of an affiliated broker, the client should review such manager’s Form ADV Part 2A for a description of any potential conflicts of interest. In circumstances where the advisory client directs us to use a particular broker, we reserve the right, if permitted under the terms of the arrangement, to step out of the designated broker relationship to execute trades for the client if, in any particular instance, in our opinion, better overall execution for the client can be obtained elsewhere.

### **Item 13. Review of Accounts**

Our registered representatives conduct periodic reviews of Program Client accounts and private individual accounts as necessary or appropriate to review past performance, and past and future expectations, and to make any needed adjustments to the client’s investment objectives and strategies. Other account reviews may be triggered by, but not limited to, an account opening, an update of account documentation, and a purchase or sale of a security. For more information on account reviews under the Envestnet Program, please refer to the Envestnet Wrap-Fee Program Brochure.

Written reports are sent to advisory clients at least quarterly by the custodian of the client's account(s). Client reports may include (a) a statement of all transactions (including a listing of items bought/sold, brokers effecting the transaction, price, etc.), and (b) a portfolio valuation, which lists each asset's quantity, description, unit cost, market price, total market value, percentage of category, estimated annual income, current yield and unrealized gain or loss. These reports may also include an annual transaction statement, a gain/loss schedule indicating short-term and long-term gains and losses and a dividend and interest summary.

#### **Item 14. Client Referrals and Other Compensation**

OFS does not pay for referral business to its employees and officers. Employees of the Bank may refer potential customers to OFS. The Bank may pay nominal compensation to its employees and officers for any referrals to OFS.

#### **Item 15. Custody**

OFS does not maintain custody of client funds or securities. Each advisory client should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian holding and maintaining the client's investment account assets. We recommend clients to carefully reviews such statements.

Custody services are offered through Pershing in the Envestnet Program, the Cyrus Program, and the single-contract arrangement, and through Charles Schwab in the dual-contract arrangement. Basic monthly and annual reports are sent to each client and offer an overview of an account's performance, including holdings with all tax-lots and unrealized gains and losses, year-to-date realized gains and losses, asset allocation pie chart and performance measurement charts displaying account performance for prior quarters and years, as well as year-to-date and since inception snapshots. The performance of up to five indices is also included for benchmarking. In addition, Pershing or Charles Schwab, as applicable, prepares a summary statement of all income generated by investments held in a U.S. retail (1099-eligible) account, providing tax information that the clients generally need.

On a quarterly basis, Envestnet sends to OFS a report that reflects the accounts activity for the quarter, including net investment, contributions, withdrawals, dividends and interest. The report includes performance measurements net of fees, charts displaying account allocations and a description for prior quarters and year's returns, as well as year-to-date and since inception snapshots. The performance of up to five indices is also included for benchmarking. OFS then sends the report to Program Clients. Clients should carefully review and compare the statements received from Pershing with those received from Envestnet. In the event of any questions, please contact OFS.

#### **Item 16. Investment Discretion**

OFS does not provide discretionary investment advisory services. However, Envestnet and Cyrus typically require client discretionary authorization for them and any sub-managers under their respective programs.

**Item 17. Voting Client Securities**

OFS does not have nor does it accept authority to vote proxies on behalf of advisory clients. In the Envestnet Program, Program Clients may delegate proxy voting responsibilities to Envestnet. Program Clients retain the right to vote securities or delegate the authority to vote securities to another person and may do so by notifying OFS. It is Envestnet's policy to vote Client shares primarily in conformity with Glass Lewis & Co. ("Glass Lewis") recommendations and, in order to limit conflict of interest issues between Envestnet and its clients, Envestnet does not take an independent position on any proxy votes. Upon request, Program Clients can receive a summary of Envestnet's proxy voting policies and procedures, the proxy voting guidelines of Glass Lewis, or a copy of the record of how a proxy vote was cast by Envestnet by contacting Envestnet at (312) 827-2800.

**Item 18. Financial Information**

This item is not applicable to OFS because (i) we do not request or solicit prepayment of more than \$1,200 in fees per advisory client six months or more in advance, (ii) we do not have discretionary authority or custody of our client's funds or securities, and (iii) we have not been the subject of a bankruptcy petition at any time during the past ten years.