



Building the Best Clearing and Execution Services Firm in the World

## Safety of Customer Assets at Penson Financial Services, Inc.

Penson Financial Services, Inc. (PFSI) is fully committed to principles of safety and soundness. We run our business with a sound capital structure and have taken appropriate actions to help give you peace of mind about the safety and security of your accounts. We take the protection of your assets very seriously and want to make you aware of the measures our firm is taking to safeguard your accounts and your information.

### Your Assets Belong to You

In compliance with the SEC's Customer Protection Rule, customer securities, such as stocks and bonds that are fully paid for or excess margin securities must be segregated from broker-dealer securities. This is a legal requirement for all broker-dealers. In the unlikely event of insolvency of a broker-dealer, these segregated assets are not

available to general creditors and are protected against creditors' claims. There are reporting and auditing requirements in place by government regulators to help ensure all broker-dealers comply with this rule. PFSI is fully compliant with these customer segregation requirements.

### SIPC Account Protection

In 1970 the Securities Investor Protection Act was enacted to protect investments and increase investor confidence. The Securities Investor Protection Corporation (SIPC) is a nonprofit membership corporation that was created by that federal statute. PFSI's membership in SIPC protects customers if the firm fails financially.

If a firm fails, SIPC will typically ask a federal court to appoint a Trustee to liquidate the firm and protect its customers. After customers receive securities registered in their name, the trustee then distributes the remaining assets, known as the customer property, back to all customers on a pro-rata basis. The trustee and SIPC will often arrange to have customer accounts transferred to another brokerage firm. Customers then have the option of staying at the new firm or moving to another firm of their choosing.

As a member of SIPC, funds are available to meet customer claims up to a ceiling of \$500,000, including a maximum of \$250,000 for cash claims.

SIPC does not cover certain types of investments such as commodity futures contracts, fixed annuity contracts and foreign currency, or fluctuations in the market value of securities. For more information regarding SIPC coverage, including a brochure, please contact SIPC at (202) 371-8300 or visit [www.sipc.org](http://www.sipc.org).

In addition to SIPC coverage, PFSI has purchased an additional insurance policy through a group of London Underwriters (with Lloyd's of London Syndicates as the Lead Underwriter) to supplement SIPC protection. This additional insurance policy becomes available to customers in the event that SIPC limits are exhausted and

provides protection for securities and cash up to an aggregate of \$600 million. This additional insurance is provided to pay amounts in addition to those returned in SIPC liquidation.

This additional insurance policy is limited to a combined return to any customer from a Trustee, SIPC and London Underwriters of \$150 million,

## FDIC Coverage

The Federal Deposit Insurance Corporation (FDIC) is a U.S. federal agency that protects you against the loss of your deposit accounts (such as checking and savings) if your FDIC-insured bank fails. For more information about FDIC coverage, please visit [www.fdic.gov](http://www.fdic.gov).

The basic FDIC insurance amount is \$250,000 per account holder per insured bank and \$250,000 for certain retirement accounts deposited at an insured bank. These amounts include principal and accrued interest. The FDIC does not insure money invested in stocks, bonds, mutual funds, life insurance policies, annuities or municipal securities, even if these investments were bought from an insured bank.

The FDIC insurance limit applies to each account holder at each FDIC-insured bank. Here is how the FDIC defines coverage for different account holders by some common "ownership" type.

- Single Accounts and deposit accounts (e.g., checking, savings) owned by one person. FDIC insurance covers up to \$250,000 per owner for all single accounts at each bank.

including cash of up to \$2.15 million. Similar to SIPC protection, this additional insurance does not protect against a loss in the market value of securities.

- Joint Accounts are deposit accounts owned by two or more people. FDIC insurance covers up to \$250,000 per owner for all joint accounts at each bank.
- Certain Retirement Accounts are accounts such as IRAs and self-directed defined benefit contribution plans. FDIC insurance covers up to \$250,000 for all deposits in such retirement accounts at each bank.

Acting as a deposit broker, PFSI can place deposits at FDIC-insured banks on your behalf. In this case, the FDIC insurance available from the bank will pass through to you. The FDIC-insured deposits are available through your PFSI brokerage account if the cash feature in effect in your account is the Bank Sweep Feature. With this feature, cash balances are automatically swept to deposits at FDIC-insured Banks. Keep in mind that all deposits you hold are added together to determine the total amount of FDIC insurance coverage for your deposits.

If you have additional questions or need help regarding your account with PFSI, please contact your broker dealer.