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December 7, 2018

Via Electronic Filing

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

Re: November 2018 Investor Testing Research Report of Form CRS Relationship Summary and 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 Commission staff’s efforts to test the Form CRS Proposal and the opportunity to comment on the recently released research by the RAND Corporation, *Investor Testing of Form CRS Relationship Summary* (“Rand Research”). Schwab strongly supports an empirical approach to designing an optimal Form CRS Relationship Summary for retail investors. That is why we based our Form CRS recommendations – including one-page alternative disclosures – on our 45 years of experience in communicating with retail investors and new independent research we commissioned after the Commission released the Proposal (“Koski Research”). We draw the Commission’s attention to our comment letter and the Koski Research which is based on responses from 1,000 retail investors.¹

¹ See Letter dated Aug. 6, 2018, by Christopher Gilkerson SVP, General Counsel and Tara Tune, Director, Charles Schwab & Co., Inc. re: (1) Regulation Best Interest (Release No. 34-83062); (2) Form CRS Relationship Summary (Release No. 34-83063); (3) Proposed Commission Interpretation Regarding Standard of Conduct for Investment Advisers; Request for Comment on Enhancing Investment Adviser Regulation (Release No. IA-4889), <https://www.sec.gov/comments/s7-07-18/s70718-4171499-172243.pdf> (“First Schwab Comment Letter”). Appendix A contains Retail Investor Study on Standards of Conduct and Communications for Investment Advice, Research Conducted by Koski Research, July 31, 2018 (“Koski Research Report”). For the Commission’s convenience we attach to this letter as Appendix A the materials from Appendix B of the First Schwab Comment Letter, Schwab’s one-page alternative disclosures.

We will not repeat all the data and analysis we previously submitted, but will focus on the Rand Research and offer two recommendations:

1. *The Commission should acknowledge and act on consensus findings to improve the Form CRS.* Across different industry perspectives and investor testing efforts, including the Rand Research and the Koski Research, retail investors, firms and experts have consistently aligned on several key improvements for Form CRS: shorten, simplify, and design around questions and layer with links to additional information at the start of a relationship and whenever there are subsequent changes to that information; do not require unnecessary or redundant disclosures.
2. *Because the Rand Research was not designed to objectively assess comprehension of the proposed dual form and did not test alternatives, the Commission should not rely on it for determining final content and presentation.* The Rand Research found that 85% of investors agreed that the side-by-side comparison of brokerage and advisory accounts in the dual-registrant form was “helpful.” This self-assessed observation from the survey is flawed because it did not test objective comprehension and conflicts with investors’ answers to knowledge-based questions elicited in the Rand Research interviews. The isolated finding also conflicts with more detailed testing results and the common view from dual-registrant firms themselves that they would struggle to provide meaningful disclosures using the current format. The Rand Research was also flawed on this point as it did not test any alternatives, such as a focused one-page disclosure with links to more information.

I. The Commission Should Take Note of Rand Research that Reinforces and Validates Consensus Views and Recommendations

A. Form CRS: Simplify, Shorten, and Design Around Questions with Links to Additional Information

Schwab believes that to be effective, the disclosures will need to be simplified and shortened with added hyperlinks to unfold complexity in stages. The current Form CRS tries to do too much, so we designed alternative one-page disclosures for the Commission’s consideration. *See Appendix A* to this letter. The Rand Research validates the “too much” concern with the following findings:

- More than 50% of those surveyed think Form CRS is too long.²

² Rand Research at 23 (“more than half of respondents believe [Form CRS] is ‘too long’”). Although the Rand Research only tested the dual-registrant Form CRS, we believe certain results are applicable to all versions.

- 60% prefer a Question and Answer format over the current format.³
- At least 2/3 would use hyperlinks with more information for each topic. This number goes up to 90% for topics investors care about most.⁴
- Investors care the most about Fees and Costs (73%), with Services and Relationships coming in second (52%).⁵

These findings are consistent with the Koski Research, which found that over half of investors either rarely read disclosures or selectively skim them. When asked what would motivate them to read disclosures more, the following were selected the most: “*relevant to me* and my account” (91%) and “*short and to the point with links to more information* if I want it” (85%).⁶ Consistent with the Rand Research, the Koski Research found that the top two most important topics for investors are: (1) “costs I pay for investment advice” and (2) “advice services the firm will provide to me.”⁷

These consistent research findings translate into straightforward, but fundamental, changes the Commission can and should make to the current proposed format of Form CRS. Specifically:

- Form CRS should be shorter
- Form CRS should be organized around questions
- Form CRS should focus on what matters most: fees/costs and services/relationships
- Form CRS should contain more hyperlinks where investors can obtain more detailed information about each topic, if they so choose.

These principles align with the recommendations offered by consumer groups and firms that serve retail investors every day.⁸ They also align with the views of disclosure design expert

³ Rand Research at 23.

⁴ Rand Research at 24 (“at least two-thirds of respondents reported being “somewhat likely” or “very likely” to use the hyperlink in each case”). 90% indicated that they would use hyperlinks with additional information on fees and costs. *Id.* at 44.

⁵ Rand Research at 15.

⁶ Koski Research Report at 11-12 (attached to First Schwab Comment Letter).

⁷ *Id.* at 15.

⁸ See Letter dated Aug. 6, 2018 by Karen L. Barr, President and CEO, Investment Advisers Association at <https://www.sec.gov/comments/s7-07-18/s70718-4171283-172164.pdf> (“the relationship summary *should be streamlined and simplified*”); Letter dated Aug. 7, 2018 by Kenneth E. Bentsen, Jr., President and CEO, SIFMA at <https://www.sec.gov/comments/s7-07-18/s70718-4185817-172705.pdf> (“the dual-registrant *Proposed Form CRS is trying to do too much* and for that reason, may contribute to, rather than alleviate, investor confusion”); Letter dated Aug. 7, 2018 by Jason Chandler and Michael Crowl, UBS at <https://www.sec.gov/comments/s7-07-18/s70718->

Susan Kleimann, who has emphasized that investors have short attention spans and designing around questions is critical.⁹

B. Form CRS Delivery: Initial, once a year (or periodic update) and always current on a firm's website

As discussed in our first comment letter, the Commission needs to recognize that in today's digital environment investors are already saturated with information. So the content must cut through the clutter. And the frequency must also be approached with caution and based on what retail investors tell us they want and need. Rand Research found that 70% of retail investors would prefer to receive Form CRS at the outset of the relationship and 50% would prefer to receive an updated summary whenever there is a material change, such as a change to fees. However, only 30% wanted to receive the disclosure before the investment professional recommends a transaction or investment strategy.¹⁰ These findings align with the Koski Research findings: 82% would like to receive disclosures about investment advice at or before account opening, with an annual update and availability online, while only 17% said they want such disclosures each time they receive investment advice.¹¹

[4180471-172237.pdf](https://www.sec.gov/comments/s7-07-18/s70718-4184381-172572.pdf) (UBS “agrees with SIFMA that the proposed dual-registrant *Form CRS is trying to do too much and is likely to lead to investor confusion*”); Letter dated Aug. 7, 2018 by Tod Quaadman, Executive VP, US Chamber of Commerce, at <https://www.sec.gov/comments/s7-07-18/s70718-4184381-172572.pdf> (“We believe Form CRS should be *shorter, more focused, less prescriptive*, and allow firms more flexibility in how to approach the disclosure obligation.”); Letter dated July 16, 2018 by John L. Thornton, Hal S. Scott, and R. Glenn Hubbard, Committee on Capital Markets Regulation, at <https://www.sec.gov/comments/s7-07-18/s70718-4051623-169025.pdf> (“[T]he Form CRS Relationship Summary is excessively complicated and *should be shortened and simplified with supplemental disclosures made available online*”); Letter dated Aug. 7, 2018 by Anne Tennant, Managing Director and General Counsel, Morgan Stanley, at <https://www.sec.gov/comments/s7-08-18/s70818-4184421-172606.pdf> (“With regard to Form CRS, the form should be a *clear and concise document with available links to a firm's website to allow for additional detail*.”); Letter dated Aug. 7, 2018 by David Certner, Legislative Counsel and Legislative Director of Policy, AARP, at <https://www.sec.gov/comments/s7-07-18/s70718-4184390-172575.pdf> (“The *forms should be short, preferably with key information on no more than one page*”; “We believe the current *four-page CRS forms are too long*. . . .”); Letter dated Aug. 7, 2018 by R. Scott Henderson, Bank of America, at <https://www.sec.gov/comments/s7-07-18/s70718-4186164-172726.pdf> (“Firm's Form CRS should be *allowed to use links and references to other disclosures*, including on its website or in account opening documents.”).

⁹ See *Making Disclosures Work For Consumers*, Susan Kleimann, PhD, available at <https://www.sec.gov/spotlight/investor-advisory-committee-2012/iac061418-slides-by-susan-kleimann.pdf>.

¹⁰ Rand Research at 21.

¹¹ Koski Research Report at 14 (attached to First Schwab Comment Letter).

II. The Commission Should Not Use Isolated Survey Results to Mandate a Highly Prescribed Disclosure for Dual-Registrants

Schwab believes that to be effective, firms need the flexibility to focus on the specific account type and relationship (BD or RIA) that the client is in the process of selecting. The information presented should uphold investor freedom of choice, not unnecessarily raise doubts and confusion by including alternatives that are not viable options for the investor. This applies to all versions of the Form CRS,¹² but here we focus on the particular difficulty and potential for unintended consequences and investor confusion created by the dual-registrant form.

A. The Rand Research does not provide sufficient support to mandate side-by-side comparison of advisory and brokerage accounts in a single form

The Rand Research found that 85% of the online survey respondents indicated that the side-by-side comparison would be helpful for the purpose of deciding between an advisory or brokerage account.¹³ The Rand Research was “not designed to objectively assess comprehension of the document”¹⁴ and did not test any alternative to determine whether a different, simplified format would have been more helpful. Although investors self-assessed that it was “helpful,” there is no evidence that they accurately understood the information that Form CRS is trying to convey.

To the contrary, when the Rand researchers asked performance questions to test investor comprehension, there was “significant” confusion.¹⁵ The Rand Research concluded that although “some people understood discrete sections of the Relationship Summary . . . when questioned at the end of the interviews, they did not appear to have synthesized the information and be able to apply it.”

Participants answered multiple questions incorrectly. For example, when asked about which type of financial professional has an incentive to encourage investors to buy and sell frequently, one participant answered, “I think there’s probably more incentive on the advisory account.”

¹² With respect to the Form CRS for standalone firms, it is unfair and illogical to make sole-registered RIAs and BDs explain a type of account and relationship they do not offer.

¹³ Rand Research at 24.

¹⁴ The Rand Research was designed to “to collection information on the opinions, preferences, attitudes, and level of self-assessed comprehension.” *Id.* at 1.

¹⁵ Unfortunately, the Rand Research did not provide any quantitative data with respect to the percentage of respondents that were confused. Instead, the report used vague terms – indicating that “some” identified “some” differences between account types while “others” demonstrated “significant” misunderstanding. It is unclear whether “some” is more than “others.” *See* Rand Research at 47 (“Although Some Participants Identified Some Differences Between Brokerage and Advisory Accounts, Others Demonstrated Significant Misunderstanding.”)

Similarly, when asked which type of investor would be better off with an IA account and which type of investor would be better off with a BD account, the respondent could not answer.¹⁶

These responses caution that the Rand Research on-line survey response is an insufficient basis to require dual-registrants to describe both account types in a single disclosure. While investor preferences are important with respect to certain elements—length, frequency, and identifying subjects that are most important to investors—objective comprehension is important to determine whether the proffered format and presentation actually can help retail investors make informed decisions. As consumer groups and communication experts have emphasized, it is important to test performance with respect to the content of disclosures.¹⁷

Because of this importance, several consumer groups—AARP, Consumer Federation of America, Financial Planning Coalition— commissioned Kleimann Communications Group to conduct usability testing of the proposed dual-registrant form.¹⁸ Kleimann’s testing of the Form CRS was more definitive and specific with respect to confusion introduced by the current dual-registrant format. “The testing demonstrated that *many, if not most, investors failed to understand this key information* and, therefore, could not use the CRS to make an informed choice of accounts.”¹⁹

Kleimann concluded that “[P]articipants in our testing probably read the CRS in more depth than they would on their own. Despite that more in-depth reading, participants struggled throughout with sorting out the similarities and differences between the Broker-Dealer Services and Investment Adviser Services. Both the formatting and the language contributed to the confusion.”²⁰ Kleimann’s other findings included:

¹⁶ Rand Research at 47-48. The proposed Form CRS could cause additional confusing by prescribing the language firms must use to describe conflicts and incentives, such as “We [] have an incentive to encourage you to engage in transactions.” That description may not accurately describe how some firms, like Schwab, compensate their investment professionals and would contradict existing disclosures available to investors.

¹⁷ At the June 14 Investor Advisory Committee Meeting in Atlanta, Susan Kleimann, noted that testing is critical to understand if an approach works. It is important to test for understanding of the material, not just a potential reader’s favorability or preference. See *Making Disclosures Work For Consumers*, *supra* footnote 9 (“Can they answer basic questions correctly, not merely give rote answers? Can they apply the information to their own circumstances? Can they synthesize the information to see implications?”).

¹⁸ See Letter dated Sept. 11, 2018 from AARP, Consumer Federation of America and Financial Planning Coalition, at <https://www.sec.gov/comments/s7-08-18/s70818-4341455-173259.pdf> attaching Final Report on Testing of Proposed Customer Relationship Disclosures, dated Sept. 10, 2018, by Kleimann Communications Group, Inc. (“Kleimann Study”).

¹⁹ *Id.*

²⁰ Kleimann Study at 30.

- “Sometimes [] matching [across columns] was relatively easy to do, as in the Types of Relationship and Services section because the bullets aligned almost exactly. They struggled and found the misaligned bullets confusing in subsequent sections.”
- “[Investors] were unwilling or unable to deal with the confusion of the layout, the subtlety of language differences, or the complexity of the information.”
- “[I]n our testing, we saw very few participants who were able to integrate and synthesize the information into a deep comprehension of the differences between the Broker-Dealer Services and the Investment Adviser Services. In fact, we saw few participants who were able to consistently comprehend the information within a single section.”²¹

Because of the evidence that the side-by-side comparison will confuse and overwhelm investors, we urge the Commission to allow dual registrants to use separate Form CRS disclosures for brokerage and advisory accounts, and require that the separate forms have a link to one another. As set forth below, many firms have recommended the Commission to take such a flexible approach to accommodate different business models and client bases.

B. Dual-registrant firms recommend flexibility because of real-world concerns that the side-by-side comparison format will not be effective

In addition to the research findings discussed above, there are other foundational concerns about requiring all dual-registrant firms to explain both advisory and brokerage accounts in the same Form CRS.

First, the current side-by-side comparison format does not comport with the real world. Based on our 45 years of experience in serving retail investors and today’s digital environment, investors, from the experienced to those just starting out, already will have spent time and effort comparative shopping for the right investing firm and the type of relationship they want. A representative of a BD firm or RIA will have already explained the options available at that firm. At the decision point whether or not to open the selected account, the most useful information within the context of the decision should confirm the key aspects of that account and advice relationship to avoid any misunderstanding.

Second, and related to the first point, in most cases, one account type won’t be appropriate given a particular client’s level of investible assets and needs. It makes no sense to force dual-registrant firms to suggest otherwise. It is hard to see the value of explaining an account type that the investor does not want or cannot afford. It is easy to see the danger if a representative has to tell the investor that the document is mandated by the government and they should ignore as

²¹ Kleimann Study at 30-31.

irrelevant boilerplate half of the document being presented: it will lead the investor to ignore the other important information about the actual account they are about to open.²²

This concern is supported with evidence. As discussed above, the Koski Research found that more than half of investors skim or do not read disclosures. When asked what would encourage them to read more, the number one answer selected by over 90% was: *make it relevant to me and my account*.²³ No investor wants to read boilerplate and research shows they will not read it.

Third, many in the industry, with a variety of represented business models, share these real-world concerns about the side-by-side format.

- IAA recommended that the Commission “require dually-registered firms to prepare and deliver different relationship summaries to investors depending on whether the investors enter into an advisory or brokerage relationship . . . [E]ach relationship summary should include an additional disclosure item intended to highlight the availability of both advisory and brokerage accounts.”²⁴
- LPL urged that dual-registrants be permitted to prepare different versions of relationship summaries corresponding to different service offerings to avoid investor confusion. “At a minimum, depending on their service offerings, dual-registrants should have the option to provide either (i) a dual-registrant relationship summary to all or certain investors or (ii) a standalone brokerage relationship summary to investors who have a brokerage relationship and a standalone investment adviser relationship summary to investors who have an advisory relationship.”²⁵

²² Here, we remind the Commission of Commissioner Peirce’s observation that to be effective disclosures must engage with investor needs: “I am concerned that the approach we are taking will simply mean a few more pages of unread paper landing in investor trash cans We do not want to turn an investor’s visit to her investment adviser or broker-dealer into a sterile compliance exercise that focuses on *delivering a pile of documents and checking off a list of required disclosures rather than engaging with the investor’s needs*.” Commissioner Hester M. Peirce, April 18, 2018, Statement at the Open Meeting on Standards of Conduct for Investment Professionals, available at <https://www.sec.gov/news/public-statement/statement-peirce-041818>

²³ Koski Research Report at 11-12 (attached to First Schwab Comment Letter).

²⁴ See Letter dated Aug. 7, 2018 from Karen L. Barr, President and CEO of Investment Adviser Association, at <https://www.sec.gov/comments/s7-08-18/s70818-4171674-172276.pdf>

²⁵ See Letter dated Aug. 7, 2018 from Michelle Bryan Oroschakoff, Chief Legal Office, LPL Financial at <https://www.sec.gov/comments/s7-08-18/s70818-4171674-172276.pdf> <https://www.sec.gov/comments/s7-08-18/s70818-4185929-172711.pdf> (“Form CRS would require a dual registrant to discuss all of its advisory and brokerage services in a single relationship summary. For firms that offer multiple service arrangements, like LPL, the proposed Form could create investor confusion.”).

- Mass Mutual made the same arguments, urging the Commission to provide flexibility with respect to dual registrants to avoid confusing investors and forcing financial representatives to explain services that he/she is not even licensed to provide.²⁶
- Morgan Stanley cautioned: “The highly prescriptive content of Form CRS in the proposing release poses particular challenges for firms that offer an extensive range of products and services, in that a form with prescriptive content may not be able to adequately address the nuances of all of their businesses.”²⁷
- Bank of America recommended that “Firms be provided the flexibility to draft their own Form CRS – using topic headings mandated by the SEC – so that it can be tailored to their particular business model, products, services, and client choices.”²⁸
- Wells Fargo echoed the need for flexibility: “Firms can decide whether one Form CRS can suffice or whether different versions are required.”²⁹

We urge the Commission to acknowledge and leverage this consensus view in its final rulemaking efforts. At a minimum, dual-registrant firms – who know their client base best – should be given the flexibility to create separate forms that link to one another, rather than using a prescribed side-by-side format.

For examples that meet the underlying purposes of proposed Form CRS while addressing the consensus results of the Rand Research, the Koski Research, and the views of many other commenters, *see* **Appendix A** to this letter. Separate forms, as in the attached examples, could better meet the Commission’s goal in educating investors generally about the differences between brokerage accounts and investment advisory relationships by requiring all CRS Forms to link to SEC Office of Investor Education and Assistance materials that could explain in a consumer friendly manner the different kinds of accounts and relationships that are available to retail investors today.³⁰

²⁶ See Letter dated Aug. 7, 2018, from John E. Detelbaum, Senior Vice President & Deputy General Counsel, Mass Mutual, at <https://www.sec.gov/comments/s7-07-18/s70718-4184432-172613.pdf>.

²⁷ Letter dated Aug. 7, 2018 by Anne Tennant, Managing Director and General Counsel, Morgan Stanley, at <https://www.sec.gov/comments/s7-08-18/s70818-4184421-172606.pdf>.

²⁸ Letter dated Aug. 7, 2018 by R. Scott Henderson, Bank of America, at <https://www.sec.gov/comments/s7-07-18/s70718-4186164-172726.pdf>.

²⁹ Letter dated Aug. 7, 2018 by David Kowach, Head of Wells Fargo Advisors, Wells Fargo, at <https://www.sec.gov/comments/s7-07-18/s70718-4251074-173035.pdf>.

³⁰ See also Letter from IAA, *supra* note 9 (“The Commission should provide the educational comparison between investment advisers and broker-dealers—and other financial professionals—on its website, rather than requiring firms to include disclosures about other firms’ services.”).

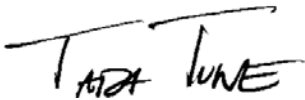
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Schwab appreciates the Commission's efforts on the Rule Proposals, and with the recommendations noted above, as well as in our first comment letter, we support adoption of the Form CRS Relationship Summary. Please contact us with any questions regarding our comments.

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.

APPENDIX A

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.

A Layered Approach Leads To More Information

Current Schwab Trading Pricing Hub (would be linked from Form CRS)

Commissions & Trades	Account Fees	Index Fund Expenses	Transfer Money	Investment Advice	Common Questions	Open Your Account
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Commissions & Trades

– Minimize All

Stocks & ETFs – Commissions per Trade



	Online Trades	Automated Phone Trades	Broker-Assisted Trades
Stocks ^{1,10}	\$4.95	\$4.95 + \$5.00 service charge	\$4.95 + \$25.00 service charge
Schwab ETF OneSource™ ²	\$0	\$0 + \$5.00 service charge	\$0 + \$25.00 service charge
All other ETFs	\$4.95	\$4.95 + \$5.00 service charge	\$4.95 + \$25.00 service charge

Mutual Funds – Transaction Fees per Executed Trade



	Online Trades	Automated Phone Trades	Broker-Assisted Trades
Mutual Fund OneSource® Service and other No Transaction Fee funds ³	\$0	\$0	\$25.00 service charge
All other funds ⁴	Up to \$76 per buy \$0 per sell	Up to \$76 per buy \$0 per sell	Online pricing + \$25.00 service charge

Options – Commissions per Trade⁵



	Online Trades ⁷	Automated Phone Trades	Broker-Assisted Trades
Options ⁸	\$4.95 + \$0.65 Per contract	Online pricing + \$5.00 service charge	Online pricing + \$25.00 service charge

<https://client.schwab.com/secure/cc/products/fees#tradeCommissions>

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.

A Layered Approach Leads To More Information

Current Schwab Advice Pricing Hub (would be linked from Form CRS)

Commissions & Trades	Account Fees	Index Fund Expenses	Transfer Money	Investment Advice	Common Questions	Open Your Account
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Investment Advice

- Minimize All

Automated Investing

-

	Minimums	Annual Fees
Schwab Intelligent Portfolios ^{®21}	\$5,000	No advisory fees No commissions No account service fees

Personal Planning and Automated Investing

-

	Minimums	Annual Fees
Schwab Intelligent Advisory ^{™22}	\$25,000	You'll pay just 0.28% of the assets in your account (excluding cash). No commissions and no account service fees charged.

Dedicated Financial Advice

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	Minimums	Annual Fees
Schwab Private Client ^{™23}	\$500,000	Starts at 0.90% for equities Starts at 0.70% for fixed income
Schwab Advisor Network ^{®24}		No charge for referrals Fees vary by advisor

Additional Solutions

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	Minimums	Annual Fees
Schwab Managed Portfolios ²⁵	\$25,000	Starts at 0.90%
Managed Accounts: Equity Strategies ²⁵	\$100,000	Starts at 1.35%
Managed Accounts: Fixed Income Strategies ²⁵	\$250,000	Starts at 0.65%

<https://client.schwab.com/secure/cc/products/fees#advice>

Benefits of Alternate One-Page Approach to Form CRS

Simple

Plain English, easy-to-read content in brief, one-page format.

- Covers key questions and provides answers
- Allows for easier comparison with other firms, as well as necessary tailoring

Focused

Includes easy-to-understand information on the most important elements of the relationship:

- Services and corresponding obligations
- Fees and costs
- Conflicts of interest
- Additional information, including disciplinary history

Visual

Employs a variation of the Pew disclosure format, making it easier for investors to find and follow information conveyed.

Relevant

Focuses on the type of account an investor is in process of selecting (in this case, brokerage).

- Avoids confusion of mixing account types
- Instead, dual registrant links to summaries of advisory accounts
- Website version consolidates all linked information and enables download of comprehensive PDF

Layered

Q&A approach provides top-line answers on each topic area and links to more in-depth information on company website

Resourceful

Provides links to investor education materials and objective third-party sites.

Draft for Discussion Purposes (updated August 2, 2018)

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.

What investment advice services do you provide and what are your obligations?	<ul style="list-style-type: none">• 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 to see a summary like this one for advisory accounts.
What are the fees and costs for investment advice?	<ul style="list-style-type: none">• 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.
How does your firm make money from investment advice and what are its conflicts of interest?	<ul style="list-style-type: none">• 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.
How do you pay professionals who give investment advice?	<ul style="list-style-type: none">• 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.
What additional information should I consider?	<ul style="list-style-type: none">• 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.

Illustrative – for discussion only