



**SWBC Investment Services, LLC**  
**SWBC Investment Company**

**Regulation Best Interest Disclosure**  
**June 29, 2020**

The purpose of this disclosure supplement is to provide additional information beyond the information provided in the Customer Relationship Summary (“Form CRS”) of SWBC Investment Services, LLC and SWBC Investment Company. Please review this information carefully, along with any applicable account agreement(s), disclosure documentation and our Form CRS.

**SWBC Investment Services, LLC**

An SWBC Investment Services, LLC registered representative may offer recommendations to you for each security transaction. The registered representative is obligated to have a reasonable basis for believing that any recommendation made to you is in your best interest given your investment goals, objectives and the amount of risk that you have set for your account at that time. Your registered representative may recommend specific security transactions but will not provide ongoing management of your account.

Your registered representative does not have discretion to buy, sell or exchange securities on your behalf. Discretion is defined as exercising the right to select which security will be purchased or sold, the amount of securities to be bought or sold, and whether the transaction is to buy, sell or exchange.

Your registered representative must contact you for approval prior to purchasing, selling or exchanging securities for your account. You may contact your registered representative to buy, sell or exchange securities, but you must select the asset, amount and action to buy, sell or exchange; you cannot grant discretion to your registered representative to act on your behalf. In a non-discretionary account, the registered representative may only decide the time your trade is placed after you have already discussed the asset, amount and action to buy, sell or exchange.

As compensation, your registered representative may receive a commission, which can be charged to your account for a buy, sell or exchange transaction. A commissionable account may be appropriate if you want to maintain greater control over your investments, but still want the benefit of a registered representative’s guidance. There may be ticket charges or additional fees charged by the qualified custodian for executing a transaction, which the registered representative does not receive.

**SWBC Investment Company**

An SWBC Investment Company investment advisor may offer ongoing investment advice to you, which is referred to as an advisory relationship. SWBC Investment Company cannot enter into an advisory relationship with you without first obtaining a written investment advisory agreement from you, which describes our obligations to you.

In an advisory account, you set the overall strategy for your account, including such decisions as your investment goals, objectives and the establishment of your risk tolerance. You may offer discretionary authority to your investment advisory, which allows the investment advisor to execute trades on your behalf without discussing each trade prior to placing the buy, sell or exchange order. Your investment advisor executes your overall strategy by recommending or selecting a portfolio of securities that he/she believes will help you meet your goals and objectives within the appropriate amount of risk. Your investment advisor is obligated by law to act in your best interest when providing advice and investment recommendations, disclose or avoid any material conflicts of interest, and make suitable and appropriate recommendations or transactions based on your investment goals, objectives and risk tolerance.

An advisory account may be appropriate if you do not want to be actively involved in the day-to-day management of your investments as you work toward your goals and objectives. Your investment advisor will monitor your account in accordance with a timeframe you establish within the written investment advisory agreement.

Your investment advisor typically receives a fee, usually deducted from your account, based on the arrangement established in your investment advisory agreement. There also may be ticket charges or additional fees charged by the qualified custodian for executing a transaction, which are not included in the advisory fee and are not part of the compensation paid to the advisor.

There are various types of advisory accounts. It is important you carefully consider the differences between the advisory services when contracting with your investment advisor. Please refer to our Form ADV Schedule A Part 2 and Wrap Fee Program Brochure.

<https://adviserinfo.sec.gov/firm/brochure/140994>

## **Financial Professionals**

Our registered representatives (referred to as “Financial Professionals”) may be restricted as to the services they can provide and sometimes by the types of securities for which they can provide advice or recommendations. These restrictions are based on the exams they have passed, the designations they maintain, as well as the states in which they are registered to do business. Each exam a Financial Professional passes allows them to provide additional services and/or recommendations and each designation requires unique qualification standards and ongoing maintenance expectations. Your Financial Professional is required to inform you of any limitations that apply to them. When discussing services with your Financial Professional, you should understand which services he/she can provide based on their individual licensing, designations and qualifications.

Our Financial Professionals use various methods of analysis and investment strategies and these methods and strategies will vary based on the Financial Professional providing the service. Our firm does not require or mandate particular analysis methodologies or investment strategies be implemented by its Financial Professionals. Your Financial Professional is provided flexibility, subject to supervision and compliance requirements, when developing their investment strategies. It is important you understand the particular method of analysis and investment strategy utilized by your Financial Professional when contracting for services.

## **Risk of Loss**

As a current or prospective client, you should never assume that past performance of any specific investment or investment strategy is indicative of future results. Investing in any type of

security, including stocks, mutual funds and bonds, as well as the development of any type of investment strategy involves risk of loss. When investing, you need to be prepared to bear investment loss including loss of original principal.

Due to the inherent risk of loss associated with investing, our firm and its Financial Professionals cannot represent, guarantee or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

There are a number of risks investors face when choosing to invest, including some of the following, of which you should be aware.

- Market risk – investments decline in value due to economic developments or other events that affect the entire market. The main types of market risk are:
  - Equity risk – a drop in the market price of shares as prices vary all the time depending on demand and supply.
  - Interest rate risk – a change in interest rates. As it applies to bonds, as interest rates increase, bond market values decrease.
  - Currency risk – a decline in exchange rates can cause foreign investment values to decline.
- Liquidity risk – in order to sell your investment when you want to, you may need to accept a lower price if market conditions have declined since your initial purchase.
- Credit risk – financial difficulties for an individual entity could result in repayment issues or credit rating downgrades that could decrease the value of your investment.
- Inflation risk – loss of purchasing power due to the value of your investments not keeping up with inflation.

The best way to manage risk in your investments is through the use of diversification, consistent investing and investing over time.

- Diversification – diversifying means spreading investments across different industry sectors (i.e., technology and health care), security types (i.e., stocks and bonds) and using a variety of investment products to protect the value of your overall portfolio in the event a single security or market sector takes a serious downturn.
- Invest consistently – one way to make the most of investments over time is to commit to investing a certain dollar amount on a regular basis, which is referred to as Dollar-Cost Averaging. Dollar-cost averaging is an investment strategy where you invest a specific amount of money in the same fund or stock at a regular time interval (i.e., monthly or bi-weekly), regardless of what the market is doing. Sometimes you will buy in a high market (less shares per dollar invested) and sometimes you will buy in a low market (more shares per dollar invested), but with this strategy, the average cost per share will be favorable over time.
- Investing over time – Research shows that investing for the long term reduces investment risk, even though the price of a given investment may rise and fall within a short period of time. Investing is a long-term strategy for long-term goals.

### **Account Types and Minimums**

Our firm offers many different account types including individual and joint accounts, custodial accounts, Delivery versus payment (“DVP”) accounts, estate and trust accounts, partnership

accounts, individual retirement accounts and other types of retirement accounts as outlined in our account agreement(s).

We provide brokerage services through either a cash brokerage account or margin brokerage account, which requires the execution of a separate margin agreement that contains certain eligibility and selection requirements. In a cash brokerage account, you must pay for your purchases in full at the time of purchase. In a margin brokerage account, you must eventually pay for your purchases in full, but you may borrow part of the purchase price from our clearing firm, National Financial Services, LLC (“NFS”). This type of borrowing is generally referred to as a margin loan. Typically, your margin loan will require the payment of interest costs to our clearing firm and the pledge of securities in your account as collateral against the loan. Be aware that some assets in your account are not available for margin collateral purposes.

Given that our margin brokerage account has specific eligibility requirements, unique costs and additional regulatory requirements, our default brokerage account option is our cash brokerage account. Talk to your Financial Professional or refer to our account agreement(s) for more information concerning available account types.

A minimum account value of \$500 is required to open and maintain a brokerage account with our firm. Due to account maintenance fees, transfer fees, closure fees and custodial fees charged by NFS, it may not be in your best interest to maintain passive, low value brokerage accounts with us.

### **Custody Services and Fees**

If you choose to establish an account with us, your account will be custodied either directly with the company offering a particular securities product or with NFS. The qualified custodian is the entity responsible for safekeeping your assets and providing account services. The decision concerning which custody solution to use depends on the services you choose and will be made in conjunction with your Financial Professional. Generally, your Financial Professional will use NFS for your brokerage service needs.

Our firm has chosen to use NFS as their brokerage custodian based on past experience, costs and other offerings or services that they provide to us and our clients, including but not limited to, online access, account custody, trade execution services and clearing services. In addition, for a fee, NFS provides electronic trade entry and account information look-up services for Financial Professionals and clients, recordkeeping services, exception reporting and access to various financial products.

Most securities are purchased either through NFS or directly with the company offering a particular security and then custodied in a brokerage account. Brokerage accounts are subject to transaction fees and certain maintenance fees, which are generally not paid to our firm or your Financial Professional as compensation. A one-time transaction fee, referred to as a ticket charge, is charged for each buy, sell or exchange transaction by the custodian. There may be additional fees charged by the custodian for executing a transaction or performing a service. For additional details related to account fees, please refer to our Brokerage Commission and Fee Schedule.

Our firm has directed NFS to mark-up certain non-transaction fees, which we then receive indirectly from you, and are not paid to your Financial Professional. These fee mark-ups include services or activities related to account inactivity, cash management services, stop payments,

wires and transfers. Information regarding the specific fees and expenses associated with NFS can be found on your account statement and on the Brokerage Commission and Fee Schedule available on our website. Please contact your Financial Professional with questions about direct custodian fees and expenses.

## **Product Types and Compensation**

Our firm performs due diligence on a wide range of securities products prior to their approval. Not all securities products pass this due diligence review and as such, are not offered by us. Contact your Financial Professional for information regarding specific approved products.

For brokerage accounts, our firm receives a service charge (commonly referred to as a commission, sales load or sales charge) as a result of buying securities for you. A commission is typically charged when a transaction occurs within your account. A commission varies from product to product and is often based on the total value of the assets invested, which can reduce the amount available to invest. The commissions received by us are shared with your Financial Professional.

The following are descriptions of the primary product types available through our firm. These descriptions provide the range of commissions for each product type along with the fees, expenses and other types of compensation we receive. Specific information regarding the fees and expenses associated with these products, and other products offered by our firm, can be found by reviewing each individual product prospectus or other offering documents.

- General securities – Your Financial Professional may provide recommendations or assist with buying, selling or exchanging publicly traded stocks, bonds, exchange traded products, municipal securities and options, if properly licensed or registered to do so. These products can only be custodied with NFS. A commission, mark-up or mark-down may be charged for transactions in these products. Generally commissions will be 3.5%, but may be lower or higher. Fees can range from 0.15% to 1.3%.
  - Exchange traded products include exchange traded funds (“ETFs”) and exchange traded notes (“ETNs”). ETFs are pooled investment funds that trade like stocks on stock exchanges and can be bought or sold throughout the trading day at fluctuating prices. ETNs are a type of debt security that trades on exchanges and promise a return linked to a market index or other benchmark.
  - Municipal bonds and municipal fund securities, including 529 plans, may offer tax advantages to certain investors and are issued by states, cities, counties, and other governmental entities. Municipal securities issuer risks, tax implications, time horizons and product features should be discussed with your Financial Professional prior to purchase.
  - Options are contracts that give the purchaser the right, but not the obligation, to buy or sell a security. Options are derivative securities, meaning their value is derived from the value of the stocks and ETFs after which the options are named. Options are typically only used by experienced options investors as the decision to purchase, sell and exercise options contracts may result in additional costs, losses, and/or negative tax implications.
- Mutual funds – Mutual funds are baskets of stocks or bonds with a range of options based on the investment choices of the portfolio manager. Those choices can affect the range of costs. Generally commissions will be from 1% to 5.25%, but may be lower or higher. Fees will range from 0.5% to 2.25%. Refer to the Understanding Fees and Charges section below for more information on the compensation structures associated

with share classes. You should also carefully read the specific investment product's prospectus prior to making an investment decision and for detailed information on the fees and expenses associated with the particular investment.

- 529 Plans – College savings plans and prepaid tuition plans are known as 529 plans. These plans allow the account owner to pay in advance for certain education expenses, most commonly college tuition. 529 plans may be considered municipal securities and the underlying investments generally use mutual funds. For detailed information regarding 529 Plan fees and expenses, refer to the specific investment product's prospectus.
- Variable annuities (“VAs”) – VAs combine features of insurance and securities investments. Commission ranges vary depending on the type of annuity purchased and the time of the purchase. The portfolios may be comprised of stocks, bonds or money market instruments. Generally commissions will be from 1% to 5.5%, but may be lower or higher. Fees will range from 0.25% to 2%. You should carefully read the specific investment product's prospectus prior to making an investment decision and for detailed information on the fees and expenses associated with the particular investment.
- Unit investment trust (“UIT”) – UITs are similar to mutual funds and closed-end funds, except their underlying investments typically will not change during the fixed period of time, known as the term. The UIT portfolio generally consists of stocks and bonds which are redeemable as units, which will affect the upfront commission. Generally commissions will be between 1.5% and 3.5%, but may be higher or lower. Fees will range from 0.4% to 2.4%. You should carefully read the specific investment product's prospectus prior to making an investment decision and for detailed information on the fees and expenses associated with the particular investment.
- Variable universal life (“VUL”) – VUL insurance combines features of universal life insurance (“ULI”) and variable life insurance (“VLI”). ULI provides coverage for the life of the insured, while at the same time, providing flexibility in premium payments and in insurance coverage. With VLI, cash values are invested in portfolios of securities in an account separate from the general assets of the insurance company. A VUL will typically pay up-front commissions based on the premiums paid into the policy for a set number of months. Commissions of starting premiums range from 25% to 115%. Fees will range from 0.35% to 2%. You should carefully read the specific investment product's prospectus prior to making an investment decision and for detailed information on the fees and expenses associated with the particular investment.
- Money market – A money market account is an interest-bearing account that generally pays a higher interest rate than a regular savings account. These accounts can include check writing and debit card privileges, but are more restrictive than a checking account. Money market products offered through us are not held through financial institutions, but have insurance coverage provided by the Federal Deposit Insurance Corporation (“FDIC”).

Money market mutual funds are offered through our firm and include short-term investment vehicles such as certificates of deposit, government securities and commercial paper. The interest rate and features are similar to those of a money market account; however, they are not FDIC insured.

- Alternative investments – Alternative investments are investments using strategies that go beyond traditional methods. These asset classes include such investments in real estate investment trusts (“REITs”), limited partnerships, private placements and structured notes. Alternative investments involve substantial risks that may be greater than risks associated with traditional investments. These types of investments are not

suitable for all investors and may only be offered to those that meet specific suitability requirements, including, but not limited to, net worth minimums. Compensation and fees in this category vary widely but generally range from 1%-10% of the investment amount. You should carefully read the offering documents or prospectus prior to making an investment decision and for detailed information on the fees and expenses associated with a particular alternative investment.

## **Understanding Fees and Charges**

Certain types of securities, including 529 plans, mutual funds, UITs, money market funds, VAs, VULs and other investment products, utilize share classes. Fees and expenses that are commonly associated with share class securities include, sales charges (commonly referred to as “loads”), fund maintenance fees, potential volume discounts (often referred to as “breakpoints”) and 12b-1 fees which are paid to us and shared with your Financial Professional from fund assets, thus, indirectly from your invested assets. Understanding these charges and volume discounts will assist you in identifying the best investment for your particular needs and may help you to reduce the cost of your investment. More details about share classes, commissions, fees and expenses of these securities can be found by reviewing each individual product prospectus or other offering documents.

The most common types of compensation structures associated with share classes are front-end load, back-end (or contingent deferred) load and level load.

- Front-end load – A sales charge is deducted from your investment at the time you buy the investment. This sales charge is a percentage of your total purchase. Some investments offer volume discounts to the front-end sales charge assessed on certain share classes at predetermined levels of investment.
- Back-end load – No sales charge is deducted at the time of purchase. The load is paid by deducting it from profits or principal when you sell the investment.
- Level load – An annual charge, also referred to as a 12b-1 fee, is deducted from your investment for as long as you hold the investment. These share classes typically do not have set surrender periods.

## **General Conflicts of Interest**

A conflict of interest is a situation in which our firm engages in a transaction or activity where our interest is materially adverse to your interest. Conflicts typically occur as a result of compensation structures and other financial arrangements between our firm, you, your Financial Professional and third parties. The mere presence of a conflict of interest does not imply that harm to your interests will occur, but it is important for us to acknowledge the presence of conflicts. In addition, regulatory obligations require us to establish, maintain and enforce written policies and procedures reasonably designed to address conflicts of interest associated with any recommendations made to you by our firm.

Your Financial Professional may be licensed as either a registered representative, an investment advisor or both (referred to as dully-registered). In the capacity as a registered representative with us, your Financial Professional is licensed to sell (depending on his/her securities and/or insurance licenses obtained), for commissions, general securities products such as stocks, bonds, alternative investments, exchange-traded funds, mutual funds and variable annuity and variable life products. As such, if your Financial Professional is dully-registered as both a registered representative and an investment advisor, he/she can suggest

you implement investment advice by purchasing securities products through a commission-based brokerage account in addition to an advisory account. In the event you elect to purchase these products through our broker-dealer, our firm and your Financial Professional will receive the normal and customary commission compensation in connection with the specific product(s) purchased. This presents a conflict of interest, in that it gives your Financial Professional an incentive to recommend investment products based on the compensation received. However, you should understand that, due to certain regulatory constraints, Financial Professionals, in the capacity as a duly-registered representative, must place all purchases and sales of securities products in commission-based brokerage accounts through our firm. The fees charged by our firm and its approved custodians can be higher or lower than other broker-dealers and custodians.

Our firm shares its commissions received with your Financial Professional. Commissions vary from product to product. This presents a conflict of interest as it gives your Financial Professional an incentive to recommend investment products based on the compensation received. While our firm generally shares its commissions received at a standard rate per Financial Professional, in some instances, the percentage of commissions that we share with certain Financial Professionals varies depending on the level of aggregate commissions generated by that Financial Professional. This presents a conflict of interest as it gives your Financial Professional an incentive to recommend investment products based on their increased commission payout potential.

Certain investment product sponsors provide us and your Financial Professional with economic benefits as a result of the sale of their products. In addition, our firm has entered into various arrangements with some insurers to distribute their insurance products directly. Our firm may receive economic benefits as a result of a sale involving these investment product sponsors and insurers. The economic benefits received can include but are not limited to, sponsorship of conferences and educational sessions, marketing support, payment of travel expenses and tools to assist your Financial Professional in providing various services to clients. These economic benefits may be received directly by your Financial Professional or indirectly through our firm depending on the specific arrangement with product sponsors and insurers. Although our firm endeavors at all times to put the interest of its clients ahead of its own or those of its Financial Professionals, these arrangements present a conflict of interest as they can affect our judgment and the judgment of your Financial Professional when recommending investment and insurance products.