

# National Financial Services LLC

A Guide to Your Brokerage Account



# Quality Service for Your Account

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As part of our effort to provide you with quality service, our broker-dealer, Avantax, has an agreement with National Financial Services LLC by which National Financial Services LLC provides trade execution, clearing, and other related services for your brokerage account.



## **National Financial Services LLC**

Established in 1983, National Financial Services LLC, a Fidelity Investments company, is one of the largest providers of brokerage services.

## **About Fidelity Investments**

Fidelity Investments is one of the world's largest providers of financial services, with assets under administration of \$7.4 trillion, including managed assets of \$2.7 trillion, as of March 31, 2019. The firm is one of the largest mutual fund companies in the United States. Fidelity's goal is to make financial expertise broadly accessible and effective in helping people live the lives they want.

## Quality Products and Services

The strength and reputation associated with Fidelity Investments are two of the many reasons we are pleased to be working with National Financial Services LLC.

As a privately held business, Fidelity doesn't have the distractions of a publicly held firm, so it can continue to focus on providing quality products and services that we can pass on to our customers. These products and services include:

- The retirement product line, which offers a wide array of funding options and services to help meet a range of retirement planning needs
- Access to a virtual supermarket of mutual fund and annuity providers
- A choice of asset management accounts designed to combine your brokerage account with a range of banking features, including checkwriting and debit cards
- Flexible money movement options to and from your brokerage account, including check, wire, and electronic funds transfers
- Online access to your brokerage account, quotes, market data, and bill payment features
- A comprehensive statement that gives you the convenience of having your investment activities in one place, helping you better manage your investments and plan for your financial future



## Roles and Responsibilities

Our broker-dealer and National Financial Services LLC play different roles with respect to the servicing of your brokerage account.

### **The role of our broker-dealer:**

- Opening, approving, and monitoring your account
- Determining the suitability of the investments in your account based on information you provide to us
- Responding to any questions or inquiries related to your account

### **As custodian of your brokerage account, National Financial Services LLC, at the direction of our broker-dealer, is responsible for:**

- The execution, clearance, and settlement of securities transactions
- The preparation and delivery of transaction confirmations and periodic statements of your account
- The custody (or safekeeping), receipt, and delivery of funds and securities
- The extension of margin credit upon approval

A photograph of a man and a woman smiling. The man is standing behind the woman, both looking towards the camera. The man is wearing a grey sweater, and the woman is wearing a colorful striped shirt. The background is a plain, light-colored wall.

## How Your Assets Are Protected

### **Regulatory Controls for Your Protection**

As a registered broker-dealer, National Financial Services LLC is subject to the rules and regulations of the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA) and other exchanges of which National Financial Services LLC is a member, and the Municipal Securities Rulemaking Board (MSRB). These regulatory organizations have certain rules and regulations that National Financial Services LLC must follow to safeguard your assets, including:

- Keeping accurate records of your assets held at National Financial Services LLC
- Maintaining net capital at required levels

In compliance with SEC rules, National Financial Services LLC has its financial information audited every year by an independent public accounting firm. Further, as a member of the New York Stock Exchange (NYSE) and of FINRA and in keeping with its being registered with the SEC, National Financial Services LLC is subject to these organizations' regulatory oversight and examinations.

## **Further Safeguards**

National Financial Services LLC is required by the SEC to file monthly and quarterly financial and operational reports (FOCUS Reports) within 17 business days of the month's end. The quarterly FOCUS Reports contain financial statements, including:

- Statement of financial condition
- Income statement and statement of changes in stockholders' equity
- Regulatory schedules, including a computation of net capital, a reserve formula computation, and other key financial and operational data

As a broker-dealer, National Financial Services LLC cannot use your fully paid securities for its business. These securities must be held for your exclusive benefit, and are subject to the instructions we provide to National Financial Services LLC.

National Financial Services LLC must account for and inspect every physical security owned by an investor at least once every calendar quarter. Any differences must be recorded and corrected within specific time frames. Net customer cash balances not required for customer transactions must be maintained in a cash account segregated for the exclusive benefit of customers.

## Securities Investor Protection Corporation

Both National Financial Services LLC and our broker-dealer are members of the Securities Investor Protection Corporation (SIPC), which was created in 1970 to protect customers of member broker-dealer firms in case of broker-dealer liquidation. A nonprofit membership corporation, SIPC is funded by broker-dealers, and protects its membership by law. To cover assets such as yours, the SIPC fund is supported by:

- A \$1 billion line of credit with a bank consortium
- Borrowing power of up to \$1 billion from the U.S. Treasury through the SEC

Because the Securities Investor Protection Act of 1970 affords special benefits to SIPC-covered firms, such as National Financial Services LLC, our agreement with National Financial Services LLC provides a high level of coverage for your assets.

Securities in accounts carried by National Financial Services LLC are protected in accordance with SIPC statutes up to \$500,000 (including cash claims limited to \$250,000).

For more details, please visit [SIPC.org](https://www.sipc.org).



Within certain limits, SIPC coverage applies both to investor securities held by National Financial Services LLC and to cash on deposit that will be used to purchase securities or that has been generated from the sale of securities. This SIPC coverage protects your assets in the unlikely event that National Financial Services LLC should fail to meet its obligations, but it is separate from the SIPC coverage that is available should our broker-dealer fail to meet its obligations. However, this coverage does not protect against a decline in the market value of your securities.

When analyzing your SIPC coverage, you should consider the following additional facts:

- The maximum SIPC coverage for covered amounts is \$500,000.
- The \$500,000 total amount of SIPC protection is inclusive of up to \$250,000 protection for claims for cash, subject to periodic adjustments for inflation in accordance with the terms of the SIPC statute and subject to approval by SIPC's Board of Directors.
- These limits are on a per-customer basis, as defined in the Securities Investor Protection Act.
- Most types of securities held in a brokerage account at National Financial Services LLC are protected, including stocks, bonds, notes, debentures, certificates of deposit (CDs), and mutual funds.



## **“Excess of SIPC” Coverage**

In addition to SIPC protection, National Financial Services LLC provides “excess of SIPC” coverage for brokerage accounts.

The excess of SIPC coverage will be used only when SIPC coverage is exhausted. Like SIPC protection, excess of SIPC protection does not cover investment losses in customer accounts due to market fluctuation. It also does not cover other claims for losses incurred while the broker-dealer remains in business. Total aggregate excess of SIPC coverage available through National Financial Services LLC’s excess of SIPC policy is \$1 billion. Within National Financial Services LLC’s excess of SIPC coverage, there is no per-account dollar limit on coverage of securities, but there is a per-account limit of \$1.9 million on coverage of cash awaiting investment. This is the maximum excess of SIPC protection currently available in the brokerage industry.

## **Additional Information**

### **Consolidated Statement of Financial Condition**

Under the Securities Exchange Act of 1934, on a semiannual basis, National Financial Services LLC is required to provide information regarding its financial standing. To view National Financial Services LLC's current consolidated statement of financial condition, please visit [mybrokerageinfo.com](http://mybrokerageinfo.com).

### **Business Continuity Statement**

In the event of a business disruption, National Financial Services LLC has an extensive and sophisticated business continuity plan in place to safeguard your assets and protect vital account information. To view the National Financial Services LLC business continuity statement, please visit [mybrokerageinfo.com](http://mybrokerageinfo.com).

### **National Financial Services LLC Privacy Policy**

National Financial Services LLC and our broker-dealer are proud of their respective privacy and confidentiality practices. As the custodian and clearing firm for your brokerage account, National Financial Services LLC has created a privacy policy that describes its practices pertaining to the collection, use, disclosure, and safeguarding of your personal information. To view the detailed National Financial Services LLC privacy policy, please visit [mybrokerageinfo.com](http://mybrokerageinfo.com).

## **For More Information**

To learn more about our relationship with National Financial Services LLC, please contact your Avantax advisor.

Your broker-dealer is an independent company and is not affiliated with National Financial Services LLC.

Clearing, custody, or other brokerage services are provided by National Financial Services LLC, Member NYSE, SIPC.

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