

Our Position Regarding Potential Standard of Care Reform

At Charles Schwab & Co., Inc., we have made it our business to put the needs of the individual investor first. Investors deserve to know that the investment advice they receive is in their best interest. That is why we fully support having the same best interest fiduciary standard for broker-dealers and registered independent investment advisors (RIAs) any time personalized advice is given. We also believe it is important that any new regulations continue to provide investors with choice and access to a wide range of approaches to getting investment advice, whether from an RIA or through a brokerage account, whether for an ongoing fee or by transaction for a commission.

Our position regarding potential standard of care reform is that when broker-dealers and RIAs provide personalized investment advice to customers about buying or selling securities, they should do so in the best interest of their customers, and this should be required explicitly under law.

Further, it is important for broker-dealers, like RIAs, to disclose the products and services to be provided and the fees and possible conflicts of interest associated with them in a clear, uniform manner at the beginning of the customer relationship. However, in keeping with our overall position, such disclosure requirements should not be costly and burdensome for investors to receive and read.

We believe that requiring better disclosure and application of the best interest standard can and should be accomplished while keeping RIAs and broker-dealers distinct under the existing statutory and regulatory frameworks. This distinction provides beneficial choice in terms of type of service and cost of service, which investors want. RIAs are very different from broker-dealers, often providing different types of service and expertise, and charging for those in a different way. We believe there is no need for broker-dealers to become investment advisers when giving transactional advice. Similarly, there is no need for investment advisers to take on broker-dealer rules or have their own self-regulatory organization, which would only increase costs and complexity for RIAs and their clients.

Our experience is that many retail investors seek to manage their investments through a mix of self-directed brokerage services, non-fee-based advice, and fee-based investment advisory services, both discretionary and non-discretionary. Investors greatly value having access to different approaches to investing and receiving investment advice, as validated by a recent poll conducted by Schwab in which 97% of respondents said that it was important to them to have a choice in the type of account they maintain and how they pay for advice and trades. The survey also found that customers do not want new regulations to be unduly burdensome or otherwise impede or limit their ability to receive investment advice.

About Charles Schwab

The Charles Schwab Corporation (NYSE: SCHW) is a leading provider of financial services, with more than 300 offices and 8.0 million client brokerage accounts, 1.5 million corporate retirement plan participants, 681,000 banking accounts, and \$1.5 trillion in client assets. Through its operating subsidiaries, the company provides a full range of securities brokerage, banking, money management and financial advisory services to individual investors and independent investment advisors. Its broker-dealer subsidiary, Charles Schwab & Co., Inc. (member [SIPC](http://www.sipc.org), www.sipc.org), and affiliates offer a complete range of investment services and products including an extensive selection of mutual funds; financial planning and investment advice; retirement plan and equity compensation plan services; referrals to independent fee-based investment advisors; and custodial, operational and trading support for independent, fee-based investment advisors through its Advisor Services division. Its banking subsidiary, Charles Schwab Bank (member FDIC and an Equal Housing Lender), provides banking and mortgage services and products. More information is available at www.schwab.com and www.aboutschwab.com.