



# **Folio** Institutional<sup>®</sup>

The right custodian for your practice



# About Folio Institutional

Folio Institutional is a division of FOLIOfn Investments, Inc., the custodian your advisor has chosen to hold and support management of your investment assets.

Founded in 2000 by Steven M.H. Wallman, a former commissioner of the U.S. Securities and Exchange Commission (SEC), we have been a self-clearing broker-dealer and a direct member of the Depository Trust & Clearing Corporation (DTCC) since 2001. Today, we provide custody and brokerage services for billions of dollars of investor assets.

We provide you with direct, independent online access to view your investments, receive tax information, monitor performance, vote proxies, or take other actions not assumed by your advisor.

We are a member in good standing of the Financial Industry Regulatory Authority (FINRA), the independent, non-governmental regulator for all securities firms doing business with the public in the United States, and are subject to oversight by the SEC, FINRA, and various state securities regulatory agencies. As a clearing broker-dealer, we are subject to periodic financial audits performed by the SEC and/or FINRA.

With access to innovative, patented online brokerage and investing solutions, advisors can efficiently maintain diversified portfolios of securities, retain hands-on control over investments, and utilize tools to manage tax liabilities, produce analytical reports, conduct compliance-type reviews, and take many other actions for their clients' benefit.

We are an ideal match for advisors and their clients seeking an established, well-respected custodian for client assets, and a cost-effective portfolio management, investment, and high-end client services platform that provides advisors with powerful tools to manage diversified strategies for clients.

## The Folio Advantage

Folio Institutional provides secure asset custody and a state-of-the-art, patented portfolio management, trading, and brokerage platform to support your investing needs. Advisors can use our platform to build and manage integrated investment portfolios called "folios" that can contain stocks, ETFs, or mutual funds and deliver better control and greater transparency for clients at a lower cost. We believe Folio Institutional is the most complete solution available for advisors seeking to meet the growing needs of today's more sophisticated and demanding investors.

# Custodial Account Services

## FOR ADVISORS

Folio Institutional provides asset custody, low-cost order execution, and commission-free window trading of single securities and whole portfolios. We also provide performance, tax, and transaction reporting, and analytical tools on our simple-to-use platform. We offer clients and anyone they designate direct, independent, online access to custodian issued statements, tax documents, and proxy voting. We provide custody and trade execution services to advisors whose clients invest in equity securities, mutual funds, and ETFs.

## FOR CLIENTS

While your financial advisor remains the primary point of contact for all of your investment accounts, as a custodian, we maintain separate and independent records of all important account information and provide online access to statements, confirmations, tax documents, transaction history and more. We also offer a feature called Folio Vote that provides you or anyone you designate with information about upcoming corporate actions affecting your investments and allows proxy voting directly online.

## Account Protection and Security

Our custodianship over your securities and cash are covered by multiple forms of insurance.

### SECURITIES INVESTOR PROTECTION CORPORATION (SIPC)

We are a member of SIPC, which protects the securities and cash in each client brokerage account up to \$500,000 (including up to \$250,000 protection for cash in an account). SIPC protection wards against losses stemming from the financial failure of member brokerage firms. A brochure explaining SIPC coverage is available on the SIPC website ([www.sipc.org](http://www.sipc.org)).

### SUPPLEMENTAL INSURANCE COVERAGE

In addition to the required SIPC coverage, we have purchased from underwriters at Lloyds of London supplemental customer securities insurance with a total aggregate limit of \$50 million. This coverage is limited to a combined return to any customer from SIPC and certain underwriters at Lloyds of London of \$10 million each. Neither SIPC nor the supplemental insurance coverage protects against losses from the decline in the market value of securities.

### BLANKET FIDELITY BOND COVERAGE

We maintain a Blanket Fidelity Bond as required by applicable regulation.

### DIRECTORS & OFFICERS AND PROFESSIONAL LIABILITY COVERAGE

We maintain, in addition to our Blanket Fidelity Bond Coverage, policies from Chubb covering Directors and Officers Liability and from Lloyds of London covering Professional Liability.

### FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC)

Through a unique FDIC-insured cash sweep program, cash deposited with us in excess of investment requirements that we do not hold as part of the program is automatically distributed across two or more domestic banks that pay interest on those deposits. By depositing cash with multiple banks, we are able to ensure that cash in client accounts is covered by FDIC insurance at levels not available when depositing at a single bank. For current coverage amounts and a list of participating banks, visit [www.folioinstitutional.com](http://www.folioinstitutional.com) and select **Advisor Features** or visit [www.folioclient.com](http://www.folioclient.com) and select **Account Features**. Cash we hold is covered by SIPC insurance.

Each bank in the cash sweep program is FDIC-insured. The FDIC is an independent agency of the federal government, created in 1933 to help preserve and promote public confidence in the U.S. financial system. One of its primary duties is to insure deposits in banks and thrift institutions for at least \$250,000. The FDIC directly examines and supervises member banking institutions. The aggregate amount of FDIC insurance available to each client is dependent on a number of factors, including the number of banks participating in the cash sweep program, the amount of cash held by a client in another account at a participating bank, and the amount of cash we hold as part of the program. Either a client or any advisor on the client's behalf can request that cash in the clients' account not be swept to a particular bank, if the combined total of all of the client's deposits might exceed FDIC coverage at that bank. If you would like more information about FDIC insurance, please visit [www.fdic.gov](http://www.fdic.gov).

FDIC insurance coverage  
in the millions of dollars  
for cash deposits in  
investor accounts.

For the exact current coverage amounts, please visit our website.

## Protecting Your Business From Online Risks

Cybercrime is the second most common type of fraud reported by financial firms—more than double that experienced across other industries.<sup>1</sup> At Folio, ensuring the confidentiality, integrity and availability of our systems and information is a top priority. We take a comprehensive risk-based approach to cybersecurity and devote significant resources to protect our customers' sensitive data from online risk.

Our structured methodology is based on the 2014 National Institute of Standards and Technology (NIST) *Framework for Improving Critical Infrastructure Cybersecurity*.<sup>2</sup> We employ multiple layers of secure IT infrastructure and 24/7 monitoring to protect the sensitive information entrusted to Folio. We also utilize third-party experts to test our networks and systems for vulnerabilities. Further, our security-focused practices and employee training programs allow us to detect and respond to cybersecurity threats more effectively.

Because the landscape of online threats, risks, and regulations continues to evolve, Folio's policies and procedures are continually reviewed and updated. Information security risk management is implemented across Folio's organization through assessment and governance, and by implementing the technology necessary to support the identification, prioritization, and mitigation of risks.

## Customer Protection And Conflicts Of Interest

Assurance that your investment assets are kept safe has never been more important.

We do not engage in any type of trading or lending using our customers' funds—which are kept segregated. While our Ready-to-Go portfolio designs are tested using the firm's capital, and our brokerage fractional share account (which facilitates our clients' ability to trade securities in fractional shares) involves a small percentage of the firm's capital, we conduct no proprietary trading as a business line and we do not engage in any form of high frequency trading. The firm does not offer its own proprietary products (e.g., derivatives) which might put it under future obligation to others. We do not conduct market making activities which would require the firm to hold inventory positions of securities. All trade processing is centralized at corporate headquarters, with internal security and supervision.

The separation of your assets from ours is also governed by SEC Rule 15c3-3, the "Customer Protection Rule." The Customer Protection Rule does not protect against losses from the decline in the market value of securities. We are audited regularly by FINRA and the SEC to review for our compliance with this rule.

## Business Continuity Plan

FINRA rules require broker-dealers to inform their clients of their plans to address possible business disruptions resulting from power outages, natural disasters, or other events. We have a comprehensive business continuity plan in place that we review, update, and test on a periodic basis. The plan provides for the continuation of client service in the event of various types of interruptions to our facilities and services, although obviously we cannot plan for or guarantee against all contingencies. More information on our Business Continuity Plan is available at [www.folioinstitutional.com](http://www.folioinstitutional.com) and [www.folioclient.com](http://www.folioclient.com) under Important Disclosures.

## References And Other Useful Information

- We are audited by Crowe Horwath LLP, one of the largest public accounting and consulting firms in the United States. They can be found at [www.crowehorwath.com](http://www.crowehorwath.com).
- Our most recent audited **Statement of Financial Condition** is available on our websites.
- Detailed information about FOLIOfn Investments, Inc. is available through the FINRA BrokerCheck® tool at [www.finra.org](http://www.finra.org). Our Central Registration Depository (CRD) number with FINRA is 48015.
- The SEC required routing of customer orders report for us may be found by visiting the Order Routing and Execution page on our websites under **Important Disclosures**.
- Our Privacy Policy may be viewed at [www.folioinstitutional.com](http://www.folioinstitutional.com) and [www.folioclient.com](http://www.folioclient.com) under **Privacy & Security**.

<sup>1</sup>PWC, *Managing Cyber Risks in an Interconnected World: Key Findings from the Global State of Information Security Survey 2015*, Sept. 30, 2014, [www.pwc.com/gssiss](http://www.pwc.com/gssiss)

<sup>2</sup><http://www.nist.gov/cyberframework/upload/cybersecurity-framework-021214-final.pdf>

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