

Annual Inactive Account Fee for Pershing Brokerage Accounts

Each calendar year, Pershing identifies retail client accounts that are subject to a fee because they meet certain inactive account criteria. To assist your office with identifying accounts subject to the charge, being prepared to manage client inquiries, and even providing the opportunity for the registered representative to absorb inactive fees on behalf of clients, we've summarized helpful information below.

Inactive Account Criteria

An inactive account is defined as a retail account that meets the following parameters:

- The account has been open since January 1
- The account had no settled trades from January 1 through December 31
- The account had one or more security positions for the entire year, exclusive of fixed income book entry-only positions, with margin and/or credit interest of less than \$100 per year

Fee Amounts, Account Charge Date and Exemptions

The inactive account fee is \$15.00 for a mutual fund only account and \$30.00 for a mixed securities account, which is charged in late February for the previous calendar year. There are some inactive account fee exemptions, which are as follows:

- Accounts executing one trade that settles during the calendar year, regardless of the commission generated, which includes systematic trades and exchanges, but excludes dividend reinvestment trades
- Accounts with an average monthly balance of \$10,000 or greater in certain sweep money market funds or an aggregate FundVest position of \$10,000 or more
- 529 Plans and Cash On Delivery (COD) accounts
- JPU accounts in the advisory office range
- Asset management accounts, such as Corestone Accounts (except for Silver level Corestone Accounts)
- Individual retirement accounts (IRAs), simplified employee pension accounts (SEPs), and qualified retirement plans (QRPs) for which Pershing LLC acts as the custodian or servicing agent and collects service fees for tax reporting
- Accounts holding annuities only will not be charged an inactive account fee

Reports to Identify Preliminary Inactive Accounts

To identify clients that are currently subject to an inactive account fee, based on account type, holdings and activity year to date, Pershing provides a preliminary

inactive account report in NetX360, which is usually available the first week of each month. To access the report, follow the process below:

1. Log into **NetX360**
2. Under the **Menu**, click on **Reports & Documents**, then click on **Report Center**. The Report Center landing page displays.
3. Click on **All Reports**. The All Reports criteria page displays.
4. In the **Keyword(s)** field, type **GLB820M3** and click **Apply**. The Preliminary Inactive Account Detail Report By OFF/IP displays.
5. Click on the report name hyperlink. The report detail criteria page displays. Some fields may be prepopulated.
6. Delete any criteria in the **OFF** field. This will allow all accounts to display, regardless of the account office range prefix.
7. Delete any criteria in the **IP** field. This will allow all accounts to display for all rep codes to which you are entitled.
8. Leave the **Report Date** field as-is. They will prepopulate with a date range that will include the most recent monthly reports.
9. Click **Display**. Results will display or a notification that there are no results to display will appear.
 - a. More than one monthly report may display, depending on the date range and the date that the Pershing report was generated.
 - b. Multiple reports for different rep codes and different office ranges may also display.
10. Click on the **View** link to view the report. The report displays the rep code, account number, short name and asset type of MF for mutual fund only or MX for mixed.
 - a. If you would like to view multiple reports in one document, select the checkboxes to the left and click View Selected as one at the bottom of the screen.

What Next?

We understand you know your clients best, as well as their goals and objectives for the accounts they have with you. However, we also know that many clients like to avoid inactive fees, if possible, so we've put together some questions to ask yourself as you review the inactive account report.

Is a brokerage account still the best account type? Review the report and client accounts to determine if a brokerage account is still suitable for the client. In some instances, clients no longer have equity or fixed income positions and will denetwork accounts back to the product sponsor if they hold only mutual funds.

Will the client be placing trades prior to year-end? Some clients have securities that are maturing within the next month, and they will be wanting to trade the proceeds soon. Maybe a client mentioned wanting to possibly trade idle cash or rebalance their account, and maybe it is time for a client review meeting.

Does the client want to keep things as-is? In other situations, clients are aware of the fee, as it is disclosed the PCS Client Fee Schedule, and they will let the fee be assessed to their account as an account expense. The only thing to consider here is that if a client does not have enough cash to cover the fee, and a debit balance sits in the client account too long or unsecured, Pershing will write the debit off, and it will be assessed to the representative of record.

Do I want to pick up the fee for the client? It is certainly understandable that you may want to absorb the fee on behalf of one or all clients. The final inactive account fee report will be available annually in early January via the Report Center in NetX360. After the final report has been posted and until **January 31**, you are able to submit requests to operations@pcsb.net to absorb fees on behalf of your clients. Any requests submitted prior to the final report posting cannot be processed. Provide the client name, account number, and indicate the registered rep is covering the inactive account fee. Please note that these fees cannot be set up to be absorbed on a perpetual basis, and this process will need to be completed each year.

Pershing reserves the right to charge the inactive account fee for clients that transfer out their securities prior to year-end to avoid this fee.

Should you have any additional questions, contact Lorna Hill at 502-992-3598 or via email at lhill@pcsb.net.