CASH SWEEP CAPACITY OVERFLOW SOLUTION Q&A

Last updated: 8/30/21

In spring 2021, we communicated that we added money market fund to be used as an overflow solution for cash holdings that exceed cash sweep programs capacity.

LPL currently has two cash sweep programs, Insured Cash Accounts (ICAs) and Deposit Cash Accounts (DCAs), with our partner banks. The contracts LPL has with those banks limit the amount that can be held in the accounts.

Initially, the money market fund implemented was the JPM US Government Investor Class (GVI) money market fund. In August, LPL replaced this fund with the Goldman Sachs Asset Management (GSAM) Financial Square Government Fund (GGPXX), which provided investors with a better yield while offering the same investment objective, scale, and quality.

In August and in upcoming months, several banks are reducing the volume that can be held in ICA. As a result, more investor cash may be moved into the money market fund.

Your impacted clients will see this activity reflected in their monthly statements.

Below are questions and answers to help you better understand this initiative and answer your clients' questions.

Why are banks reducing the amount of cash they hold in ICA?

Banks continue to face pandemic-related deposit pressures due to increased consumer savings, government stimulus, and elevated money supply.

How will this initiative impact investors?

There will be little to no impact on investors, and no action is needed on their part. Investments in the money market fund will receive a comparable interest rate and will be eligible for SIPC insurance, and there will be no impact to any automated activity that leverages cash-related balances, such as required minimum distributions.

Is there a benefit to investors?

If clients' cash in ICA or DCA exceeded FDIC insurance limits and some of that cash is moved to the money market fund, that money market fund will be eligible for SIPC insurance.

Was this communicated to investors?

It was initially communicated to investors in statement messages in December 2020 and again in June 2021, when we replaced the previous money market fund, JPM US Government Investor Class (GVI).

What's the difference between how the ICA and DCA programs and the money market fund are insured?

Cash in the ICA/DCA is insurable up to the FDIC insurance limit of $250,000 per bank, and covers losses if the bank of deposit were to fail. LPL's ICA and DCA program provides $2.5 million FDIC insurance in the aggregate, when there are enough banks in the program with capacity to accept deposits. The

deposit amount in each bank must be under the FDIC insurance limit. (For joint accounts, it's $500,000 per bank and $5 million in the aggregate.) FDIC insurance is in addition to the SIPC insurance available for investments in the account.

Money markets are considered investments, and SIPC insurance will cover up to $500,000 in value over the entire account (including other securities and investments). SIPC coverage applies if the brokerage firm fails and customer assets are lost or misappropriated by the firm. SIPC does not cover losses due to a decline in value of securities. Cash in the ICA/DCA is insurable up to $250,000 per bank and $2.5 million in the aggregate. FDIC insurance is in addition to the SIPC insurance available for investments in the account.

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Do you expect this to be a permanent option for cash balances?

No. This enhancement is intended to be used only on a temporary basis, at least through year's end, and as long as banks continue to face pandemic-related deposit pressures due to increased consumer savings, government stimulus, and elevated money supply. It won't be available as a permanent, long-term choice for investors.

Who can we contact if we have additional questions?

For more information, contact the Corporate Actions Service Team at (800) 877-7210, option 9, then option 2 (Service), and state the keywords "Corporate Actions."