

J.P.Morgan

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**Guide to**

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# Investment Services and Brokerage Products

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INVESTMENT AND INSURANCE PRODUCTS ARE:

• NOT FDIC INSURED • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY • NOT A DEPOSIT  
OR OTHER OBLIGATION OF, OR GUARANTEED BY, JPMORGAN CHASE BANK, N.A. OR ANY OF ITS  
AFFILIATES • SUBJECT TO INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL  
AMOUNT INVESTED

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## **Thank you for your interest in investing with J.P. Morgan.**

We believe that our knowledge and experience, combined with our broad range of products and services, will provide the foundation to help you realize your investment goals.

Inside this Guide, you will find information to help you understand our investment services and brokerage products so that you can choose what works best for you. We will provide details on our products and services, as well as those we offer from third-party providers.

You will also learn about the compensation received by J.P. Morgan Securities LLC (JPMS), JPMorgan Chase Bank, N.A. (JPMCB) and their affiliates (collectively, J.P. Morgan), as well as the compensation that J.P. Morgan Advisors (advisors) reasonably expect to be paid from the sale of the products and for the services available through JPMS.

We hope you find the Guide to be a useful resource. The Table of Contents on the next page provides an overview of the information you will find inside. We may make periodic updates to this Guide and will notify you of any material changes. You can also view the most current version of the Guide at [www.jpmorganinvestment.com](http://www.jpmorganinvestment.com) or you can always contact your advisor for more information.

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# 1. Who We Are, Who We Serve and How We Serve You

## A. Who We Are

JPMS is a registered broker-dealer and investment advisor with the Securities and Exchange Commission (SEC). JPMS is also a member of the Financial Industry Regulatory Authority (FINRA), the Municipal Securities Rulemaking Board (MSRB) and the Securities Investor Protection Corp. (SIPC).

JPMS offers a broad range of investments and other services to help you and other clients meet their needs, whether it's saving for retirement, a major purchase or education. We can help you create an integrated and comprehensive strategy on your terms through your J.P. Morgan investment account.

## B. Who We Serve

We provide brokerage services and investment advisory services to retail clients in a number of ways, depending on their individual circumstances and how they prefer to engage with us. This includes working with an advisor located in a Chase branch, online or with a team of phone-based Financial Consultants.

To open an account you must have a valid U.S. residential address, a Social Security or taxpayer identification number and be a U.S. citizen or resident alien. In most states, a trust, corporation, non-profit or government entity can also open an account. Some account types may not be available for all clients.

We may ask you to provide certain documentation when you open your account, and from time to time thereafter, to maintain our relationship.

## C. How We Serve You

Our clients can receive a personalized investment strategy that evolves over time. We put the needs of our clients first, and it's the foundation of our business as we work to understand our clients' needs, offer informed advice and execute strategies to generate appropriate returns within their risk profile.

When you work with an advisor, they are available to provide personalized advice or other investment guidance (depending on the type of account you open). Among other things, at your request, they can:

- Help you take a holistic view of your investments, evaluating assets in the account in light of your overall portfolio. This may include suggestions regarding changes across your portfolio intended to help you reduce risk and potentially increase returns, and assistance with rebalancing.
- Provide views on the market and guidance during periods of market volatility in an attempt to help you avoid ill-timed actions.
- Periodically review your Goals Based Analysis and investment objectives to help you stay on track to meet the goals most important to you and your family.

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## 2. Investment Accounts & Services

### A. Different Types of Investment Accounts

JPMS offers both brokerage and investment advisory services. There are important differences between the two, including the types of services provided, the costs and how they are regulated. Below is a general overview of the main differences. We encourage you to speak with your advisor if you have any questions.

#### **Brokerage Accounts**

Brokerage accounts and related services primarily involve assisting you with the purchase and sale of securities based on your instructions. These accounts have a transaction-based cost structure and you retain the final investment decision on all transactions in the account.

- As part of a brokerage relationship, JPMS will handle the brokerage and related functions for your account, which may include: holding securities and cash; executing, clearing and settling transactions; collecting and processing dividends; issuing buy and sell confirmations and client statements; and looking after the various details associated with the clearing and carrying of accounts. Unless you have specified otherwise, JPMS will act as custodian of the assets in all brokerage accounts. For additional information regarding the services JPMS provides with respect to brokerage accounts, please refer to your J.P. Morgan Securities Customer Agreement or other applicable service-related documents, which may be amended from time to time. You may request additional copies of these agreements or other documents at any time.
- In exchange for our brokerage services, you generally pay a commission or other charge for each transaction, and other applicable fees. For example, you generally pay JPMS a commission for each equity transaction, a mark-up/mark-down for bond transactions and a sales charge for mutual fund transactions. Therefore, in a brokerage account, your total costs will generally increase or decrease as a result of the frequency of transactions in the account and the type of securities you purchase. We may also be paid by third parties who compensate us based on what you buy.

When acting as a broker-dealer:

- We provide assistance to you with the purchase and sale of securities based on your instructions. Your approval will be required before any securities transaction takes place. We do not have discretion to act on your behalf in a brokerage account. This means that although we may provide advice or recommendations regarding the purchase or sale of securities, we do not make investment decisions for you, manage your investments or monitor your account.
- We are not acting as a fiduciary under any federal law, federal rule or federal regulation<sup>1</sup>. As such, we are permitted to sell securities to you and buy securities from you through our own account as principal, and act as agent for you and another client in the same trade. We will disclose this on trade confirmations we send to you.
- When we make recommendations to you we do so in a broker-dealer capacity, not as your investment advisor, unless we have entered into a written investment advisory contract with you.

#### **Investment Advisory Accounts**

When acting as an investment advisor, we offer a variety of programs and services including discretionary and non-discretionary advisory programs. If you participate in a discretionary advisory program, we will have authority to make trades and other investment decisions on your behalf without seeking your prior approval. As part of our investment advisory programs and services, we provide ongoing account management and monitoring.

For investment advisory programs and services, you generally pay a fee based on the value of your account assets. Trade execution and other applicable fees may also apply. All fees will be outlined in our agreements with you.

While serving as your investment advisor, we are acting as a fiduciary. As part of our fiduciary duty to you, we are required to make full and fair disclosure of all material facts relating to our advisory relationship with you, including conflicts between our interests and your interests, and we must obtain your informed consent before engaging in transactions with you for our own account or that of an affiliate or another client (to the extent permitted under applicable federal law). We act as an investment advisor only when we have entered into a written agreement with you that describes our advisory relationship and obligations to you.

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<sup>1</sup> A fiduciary standard for broker-dealers may be set forth under the rules of certain states or as a condition to maintaining certain certifications. For state-specific information, where applicable, please refer to Section 5.

## **Both Brokerage and Investment Advisory Accounts**

In both brokerage and investment advisory accounts that include professionally managed investment products such as mutual funds or exchange-traded funds (ETFs), you will be charged additional operating expenses that are reflected in the product's share price. Additional expenses include, for example, investment management fees assessed by the manager of the funds. There may also be other fees and expenses in addition to those outlined above as described in agreements and disclosures provided to you. You can find additional information about brokerage fees and expenses in **Section 3, Brokerage Products**.

While we will take care in developing and making recommendations to you as a broker-dealer or investment advisor, securities involve risk and you may lose money. There is no guarantee that you will meet your investment goals or that our recommended investment strategy will perform as anticipated. Please review all of the documents you are provided for the details of that product or service, the risks associated with the product and other important information.

## **B. Different Types of Brokerage Accounts**

You can choose between a full-service and a self-directed brokerage account. The main differences between them are how you work with us, who you work with and the types of investment options and services available to you.

With full-service brokerage accounts, you can work with an advisor who can provide goals-based advice, guidance and help with specific investment needs. For self-directed brokerage, you can open a You Invest<sup>SM</sup> Trade account where you will make your own decisions and will primarily engage with us online.

As a result of these differences, the fees that you pay will vary.

Some account types, strategies, products and services may only be offered in one of the service models. For instance, certain mutual fund share classes, investment strategies or account types may only be available through You Invest Trade and others just through your advisor in a full-service account. You can open multiple accounts and choose to work with us in different ways depending on your objectives in each account.

<b>Full-Service Brokerage Account</b>	<b>Self-Directed Brokerage Account (You Invest Trade)</b>
<ul style="list-style-type: none"><li>• Designed for clients who wish to receive advice and guidance from an advisor, but who want to make the final investment decision on all transactions. For example, we may recommend the purchase of a security in your account, but you make the final decision about whether or not to accept our recommendation.</li><li>• These accounts have a transaction-based cost structure, however, any recommendation we make is considered part of your brokerage services and we do not charge a separate fee for this advice.</li><li>• You will primarily engage with a dedicated advisor who is located in a Chase branch or with a team of Financial Consultants available by phone, known as our National Branch team.</li><li>• In this account you can trade a variety of investments, which we describe in Section 3. Please note that you will not be able to invest in variable annuities or structured investments in brokerage accounts opened or supported by our National Branch team.</li><li>• We must act in your best interest at the time we make a securities recommendation to you.</li><li>• Account can additionally hold cash for liquidity, funding for future investments or for emergency funds.</li></ul>	<ul style="list-style-type: none"><li>• Designed for individual clients who wish to trade online themselves, with access to insights and research; accounts may include taxable brokerage accounts, traditional IRAs, and Roth IRAs.</li><li>• We will not provide investment advice or offer any opinion about the suitability of any security, order, transaction or strategy.</li><li>• You will primarily engage with us digitally through chase.com or the Chase Mobile® app.</li><li>• In this account, you trade online in products including U.S. equities, ETFs, mutual funds, options and fixed income securities.</li><li>• You will make investment decisions and transactions based on your own evaluation of your personal financial situation, needs, risk tolerance and investment objective(s).</li><li>• We do not have a general obligation to act in your best interest and will not make recommendations to you.</li><li>• Account can additionally hold cash for liquidity, funding for future investments or for emergency funds.</li></ul>

## C. Brokerage Account Fees

We charge certain account fees or other amounts in the normal course of providing services or products to you. These may include fees for certain administrative services.

Full-Service Brokerage Account	Self-Directed Brokerage Account (You Invest Trade)
<p>Please see the <b><i>Fee &amp; Commission Schedules for Brokerage Accounts</i></b> on pages 34 and 35.</p> <ul style="list-style-type: none"> <li>• Fees and charges may vary from one account to another based on a variety of factors. All such fees and charges are deducted from your linked bank account or brokerage account and are subject to change periodically.</li> <li>• For product-specific fees and other charges, please see <b>Section 3, Brokerage Products</b>.</li> </ul>	<p>Please visit <a href="http://www.chase.com/personal/investments/you-invest/pricing">www.chase.com/personal/investments/you-invest/pricing</a> for information on fees and commissions.</p>

## D. Different Types of Advisory Accounts

In addition to brokerage accounts, clients have the ability to invest in a number of advisory programs, including discretionary and non-discretionary investment advisory programs, where they can receive advice on the selection of investment managers, mutual funds, ETFs and other securities offered through our investment advisory programs. You also have the option to invest online in a J.P. Morgan-managed portfolio through a discretionary You Invest Portfolios advisory account. Please note that our National Branch team currently offers access to just one discretionary advisory program: J.P. Morgan Core Advisory Portfolio.

Discretionary Investment Advisory Account	Non-Discretionary Investment Advisory Account
<ul style="list-style-type: none"> <li>• Account in which you authorize JPMS and/or another affiliated or unaffiliated Portfolio Manager to act as your investment advisor.</li> <li>• You give JPMS and/or the Portfolio Manager the power to invest on your behalf by buying and selling securities in your account and making all investment decisions for your account.</li> </ul>	<ul style="list-style-type: none"> <li>• Account in which you have sole discretion as to the purchase and sale of assets.</li> <li>• Your advisor and/or JPMS gives you advice about securities that you may buy and sell, but you do not give JPMS the authority to invest on your behalf.</li> <li>• You are responsible for those investment decisions over the assets invested in those accounts.</li> </ul>

Discretionary You Invest Portfolios Advisory Account
<ul style="list-style-type: none"> <li>◦ Invest online and on the Chase Mobile® app.</li> <li>◦ You select the model that fits you best. Portfolios range from conservative to aggressive and are constructed from J.P. Morgan ETFs<sup>2</sup>.</li> <li>◦ Our technology tracks your portfolio daily and rebalances as needed.</li> <li>◦ Visit <a href="http://www.chase.com/personal/investments/you-invest">www.chase.com/personal/investments/you-invest</a> for more information.</li> </ul>

<sup>2</sup> JPMS has retained an affiliate, J.P. Morgan Investment Management Inc. (JPMIM), to have investment discretion over the construction of the model portfolios (including fund selection and replacements) for You Invest Portfolios. JPMS retains trading authority to implement the model portfolios and place orders consistent with each client's Selected Portfolio.

## E. Advisory Account Fees

Fees and costs associated with our full-service advisory programs are available on request or at [www.chase.com/personal/investments/advisory-program](http://www.chase.com/personal/investments/advisory-program).

Fees and costs associated with You Invest Portfolios can be found at [www.chase.com/personal/investments/you-invest/pricing](http://www.chase.com/personal/investments/you-invest/pricing).

## F. Related Brokerage & Advisory Services

Some additional products and services we provide include:

### **RETIREMENT ACCOUNTS**

#### **Description:**

We offer Individual Retirement Accounts to our clients, including:

- Traditional IRAs - a type of tax-advantaged retirement account where your contributions may be tax-deductible, and any investment gains will not be taxed while in the IRA. When you withdraw your money you will have to pay taxes on any amounts withdrawn comprised of pre-tax dollars, including investment gains and deductible contributions.
- Roth IRAs - a type of tax-advantaged retirement account where your contributions are made with after-tax dollars (if you are eligible to contribute). Investment gains will not be taxed while in the account and your withdrawals will be tax-free if they are qualified.

#### **Fees & Costs:**

Please see the *Fee Schedule for Brokerage Accounts* on page 34.

### **529 PLAN (FULL-SERVICE ONLY)**

#### **Description:**

An investment account that offers:

- Tax-deferred earnings growth and tax-free withdrawals when the funds are used to pay for a designated beneficiary's qualified education expenses. Contributions may be tax-deductible in some states.
- Numerous professionally managed investment options from which to choose, including mutual funds and ETFs. You have full control over your plan's investments and withdrawals.

#### **Fees & Costs:**

- 529 plans may charge a program management fee and/or a state administration fee (generally 0%-0.50% in aggregate), in addition to the expense ratios of the underlying mutual funds.
- Many plans charge an annual account maintenance fee (generally \$20-\$25 annually). Such plans often reduce or eliminate this fee for residents, clients who make automatic contributions or for accounts above a minimum balance, typically \$25,000.
- 529 plan investments include A Shares and C Shares, and sales charges vary by plan. Please see **Section 3, Brokerage Products**, for more information on mutual fund share classes and sales charges.



## **MARGIN (FULL- SERVICE ONLY)**

### **Description:**

- Margin involves borrowing from JPMS in order to purchase an investment.
- Securities in your margin account are collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and, as a result, JPMS can take action, such as issue a margin call and/or sell securities or other assets in any of your accounts with us, in order to maintain the required equity in the account.
- A margin loan allows you to borrow against the value of securities you already own. JPMS will earn interest and may also earn additional compensation when extending margin. When you have a margin account with us, we are permitted to use certain securities in your account for, among other things, settling short sales and lending securities for short sales. We will generally be compensated in connection with these transactions. As a result, we have a financial incentive for you to incur margin debt to buy securities in your account.
- Your advisor is not compensated based on interest paid for your margin loans.
- Before trading in a margin account, you should carefully review the FINRA Margin Disclosure Statement, which you can view at [www.finra.org/sites/default/files/InvestorDocument/p005895.pdf](http://www.finra.org/sites/default/files/InvestorDocument/p005895.pdf).

### **Fees & Costs:**

Interest will be charged as provided below on any credit extended to you by JPMS for the purpose of purchasing, carrying or trading in any security. The annual rate of interest you are charged may fluctuate with changes in the stated base rates. The changes in rates resulting from this fluctuation will be made without prior notice to you.

- \$0 to \$25,000: JPMS Base Lending Rate<sup>3</sup> + 2.5%
- \$25,001 to \$50,000: JPMS Base Lending Rate + 2%
- \$50,001 to \$100,000: JPMS Base Lending Rate + 1.5%
- \$100,001 to \$500,000: JPMS Base Lending Rate + 1.25%
- \$500,001 and above: JPMS Base Lending Rate + 1%
- Listed Option Margin Requirement Minimum account equity for clients writing options: \$25,000
- Naked Equity Options Margin Requirement (per contract): Option premium plus 30% of Underlying Market Value (UMV) less Out-of-the-Money (OTM) amount.

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<sup>3</sup> The JPMS Base Lending Rate is the rate quoted each business day by JPMS at our main office in New York. Factors affecting the determination of the JPMS Base Lending Rate will include the short-term market interest rates quoted by money center banks and the Federal Reserve and the rate that JPMS is charged for borrowing money.

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## 3. Products Available for Brokerage Accounts

This section is intended to provide you with a general description of the various products for brokerage accounts. Before making any investment, each client should evaluate if the product is suitable for their needs and financial situations, and their ability to take on risks.

As a reminder, while we will take appropriate care in developing and making recommendations to you, securities and investment products involve risk, and you may lose money. There is no guarantee that you will meet your investment goals, or that our recommended investment strategy will perform as anticipated. Please consult any available offering documents for any security we recommend for a discussion of risks associated with the product. We can provide those documents to you, or help you find them.

### A. Equities/Stocks

#### **Description:**

What is a stock?

- Stocks represent an ownership interest in a company. When you own a company's stock, you can have an equity interest in the company, or own a fractional portion of the company.
- A stockholder can achieve returns through price appreciation/depreciation and dividends.
- A stock's market value can change at any moment, depending on market conditions, investor perceptions or a host of other issues.
- Owning stock typically gives you the right to vote on important company issues and policies.
- Stockholders have a claim on a company's assets if the company goes bankrupt. However, in the event of liquidation, stockholders will receive what is left after all of the company's creditors have been paid.

There are different types of stocks:

- **Listed common stock** - stock that is made available by public companies to the public for purchase, typically through an initial public offering (IPO) and may also refer to the secondary trading of these shares.
- **Preferred stock** - stock that entitles the holder to a fixed dividend, whose payment takes priority over that of common stock dividends.
- **Restricted stock** - shares in a company issued in private transactions (e.g., to employees as part of their pay), but which cannot be transferred by them until certain conditions have been met.

#### **Fees/Commissions:**

- Please see the *Commission Schedule for Brokerage Accounts* on page 35.

#### **Risks and Other Relevant Information:**

An investment in stock involves a number of risks. The following section discusses some of those risks but is not meant to be exhaustive and the risks discussed do not comprise a complete list of all the risks relating to equity securities. You should consider these risks as you choose your investments.

- The price of stocks may rise or fall because of changes in the broad market, changes in a company's financial condition or industry-specific risks, sometimes rapidly or unpredictably.
- If a company becomes insolvent, its stock is repaid only after all other debts of the company have been repaid. This can potentially result in a severe reduction in, or total loss of, their value.
- Some stocks, often of smaller or new companies, trade less frequently or in smaller volumes. In addition, smaller or newer companies may be more vulnerable to economic, market and industry changes, and thus, can be riskier.

- Stocks may not be registered, publicly listed or traded on an exchange, and they are more likely to be illiquid and therefore subject to a higher degree of liquidity risk than registered or listed securities.

### **Resource(s) to Obtain Additional Information:**

Please see available documents for any security we recommend for a discussion of risks associated with the product. We can provide those documents to you, or help you find them.

## **B. Fixed Income/Bonds**

### **Description:**

What is a bond?

- Bonds are a type of fixed income security which are debt of an issuer. By buying a bond, the bondholder extends a loan to the bond issuer. In return, the bond issuer promises to pay the bondholder interest periodically, and principal at maturity.
- Fixed income securities generally provide investors with a steady stream of income, creating a consistent cash inflow to investors. An investor can also use fixed income securities to achieve returns through price appreciation/depreciation.
- Key risks of bonds and other fixed income investments include interest rate risk, credit risk and inflation risk and are described further below.
- There are different types of bonds and other fixed income products, including Government, Municipal, Agency, Corporate, Emerging Markets and Brokered CDs.
  - **Government bonds** are debt securities issued by a federal government to support government spending. Government bonds can pay periodic interest payments called coupon payments. Government bonds are generally considered low-risk investments since the issuing government backs them. Examples include U.S. Treasuries, Japanese Government Bonds (JGBs), and UK Government Bonds (Gilts).
  - **Municipal bonds** are loans investors make to state and local governments. They are issued by cities, states, counties or other local governments. Income from municipal bonds is generally exempt from federal taxation.
  - **Agency bonds** are issued by a government agency. These bonds do not include those issued by the U.S. Treasury or municipalities and are not fully guaranteed in the same way as U.S. Treasury bonds. Agency bonds are also known as agency debt.
  - **Corporate bonds** are debt obligations issued by corporations to fund capital improvements, expansions, debt refinancing or acquisitions. Interest is subject to federal, state and local taxes. These include:
    - **Investment-grade corporate bonds** are typically issued by high-quality corporations, those with credit ratings between AAA and BBB.
    - **High-yield corporate bonds** have a higher risk of default or other adverse credit events, but typically pay higher interest rates than better quality bonds in order to make them attractive to investors. These bonds also tend to have higher levels of illiquidity.
  - **Emerging market debt** is a term used to encompass bonds issued by less developed countries. It does not include borrowing from governments, supranational organizations such as the IMF or private sources, although loans that are securitized and issued to the markets can be included.
  - **Brokered CDs** are certificates of deposit sold by an intermediary, called a broker. Financial institutions use brokers to market their CDs to help them gain deposits. The rates on brokered CDs tend to be very competitive because the financial institution is competing directly with other institutions for your deposit.
- In addition to exchange-traded securities, we may offer new bond issuance/syndicate<sup>4</sup>, which are bond securities that have been registered, issued and are being sold on a market to the public for the first time.

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<sup>4</sup> The firm leading the underwriting process may bring together several firms (or syndicate) to distribute the new offering.

**Fees/Mark-Ups:**

- JPMS charges a mark-up/mark-down for bond transactions. A mark-up is the difference between a security's lowest current offering price and the price charged to the client, while a mark-down is the difference between the highest current bid price for a security and the lower price that a client receives when selling the security.

<b>Asset Class (\$/Bond)</b>	<b>Maximum Mark-Up</b>
High Grade	20.00
High Yield	25.00
Treasury Bills	0.50
Treasury Notes/Bonds	6.25
Municipal Bonds	25.00

**Risks and Other Relevant Information:**

Although fixed income investments are generally perceived to be more conservative than stocks, they are not without risk. Below are some of the major risks associated with fixed income securities.

- Bond prices rise when interest rates fall and vice versa. Longer-term securities are more prone to price fluctuation than shorter-term securities. Any fixed income security sold or redeemed prior to maturity may be subject to substantial gain or loss. Income is subject to the credit risk of the issuer of the bond. If an issuer defaults no future income payments will be made.
- Credit risk is the risk that the issuer of a security may not honor its obligation to pay principal or interest, resulting in a loss to the investor. You should consider the credit risk of an issuer when making an investment decision.
- There are many fixed income products with different degrees of liquidity. There may be no market for a particular security, and you may not be able to sell the security at the desired time or price. Even when a market exists, there may be a substantial difference between the secondary market bid and ask price for a fixed income security.
- Even when a market exists, there may be a substantial credit spread, which is the difference in yield between two fixed income instruments that have a similar maturity but different credit quality. For example, if a 10-year U.S. Treasury note has a yield of 4% and a corporate bond has a yield of 7%, the spread would be  $(7-4)*100 = 300$  basis points. The value of fixed income securities generally moves in the opposite direction of credit spreads. Values decrease when credit spreads widen, and increase when credit spreads narrow.
- A callable bond permits the issuer to redeem the bonds before the maturity date. Investors in callable bonds may not receive the bond's original coupon rate for the entire term of the bond, and once the call date has been reached, the market value of the bond may be capped at the call price.
- Although U.S. government securities issued directly by the U.S. government are guaranteed by the U.S. Treasury, other U.S. government securities issued by an agency of the U.S. government may not carry such a guaranty. The U.S. government may not provide financial support to its agencies if not required to do so by law. Similar risks apply to securities issued by state government agencies and municipalities.
- Many of the risks in fixed income securities apply to other investments as well. For instance, inflation risk (the risk that returns will not keep pace with inflation) affects every investment. Foreign investments also have currency risk (the risk that currency exchange rate fluctuations may reduce gains or increase losses on foreign investments). Exchange rate volatility also may affect the ability of an issuer to repay its foreign currency denominated debt, thereby increasing credit risk.
- Issuers typically compensate JPMS for the distribution of new issues of securities. Similar to other products, compensation JPMS receives may be allocated as revenue to J.P. Morgan.

**Resource(s) to Obtain Additional Information:**

Please refer to the prospectuses and other offering materials for additional information.

## C. Listed Options

### **Description:**

What are listed options?

Listed options are a type of derivative security traded on an exchange. Specifically, options are contracts that grant the right, but not the obligation, to buy or sell an underlying asset at a set price on or before a certain date.

- **Call options** are financial contracts that give the option buyer the right, but not the obligation, to buy an underlying asset at a specified price within a specific time period. The underlying asset can be a stock, bond, or commodity.
- **Put options** are contracts that give the option buyer the right, but not the obligation, to sell, or sell short, a specified amount of an underlying asset at a specified price within a specified time frame.

There are three types of listed options:

- **European option** - may only be exercised on expiration.
- **American option** - may be exercised on any trading day on or before expiry.
- **Bermudan option** - may be exercised only on specified dates on or before expiry.

### **Fees:**

Please see the *Commission Schedule for Brokerage Accountson page 35*.

### **Restrictions:**

Listed option exchanges may, from time to time, restrict the types of transactions that are permitted.

### **Risks and Other Relevant Information:**

Options trading involves additional risk, is not suitable for all investors and is subject to approval. Before buying and selling options, investors should understand all their rights and obligations associated with trading options.

For example, the risk of selling (writing) options is considerably greater than the risk involved in buying options. If you buy an option, you cannot lose more than the premium. If you sell (write) an option, the risk can be unlimited. Fluctuations in currency exchange rates may affect the value of any over-the-counter (OTC) option on securities trading in, or denominated in, a foreign currency, as well as the value of any payment or delivery of securities in connection with such OTC options.

In addition, options can be structured to allow for significant leverage. The use of leverage may have the effect of magnifying an investor's losses or gains and can cause an investor to be highly exposed to risk with very little capital or cash investment. As a result, a relatively small, unexpected change in the notional amount of an investor's position could have a much larger adverse impact on the principal amount invested.

For information about options trading, including the risks, please review the Characteristics and Risks of Standardized Options which you can view at [www.theocc.com/about/publications/character-risks.jsp](http://www.theocc.com/about/publications/character-risks.jsp).

JPMS or an affiliate may act as Primary Market Maker or Competitive Market Maker in option trades executed on an options exchange, and may have a position (long or short) in such securities and may be on the opposite side of public orders executed in such securities.

## D. Structured Investments

### **Description:**

#### **What is a Structured Investment?**

- Structured Investments (or Structured Products), in general terms, are fixed tenor securities that establish payoff profiles and details potential benefits and risks linked to market outcomes. The underlying reference assets may include single equity or debt securities, indexes, commodities, interest rates and/or foreign currencies, as well as baskets of these reference assets or market measures.

- Structured Products typically have two underlying components parts – a note and a derivative, which is often an option. The note, in some instances, may pay interest or a coupon rate at a specified rate and interval.
- When packaged into a single security, the components of a Structured Product have the ability to adjust the underlying reference asset's overall risk and return profile.
- Potential investors should consider whether to invest in Structured Products in light of their own circumstances, investment objectives, tax position and financial condition. Structured Products will be offered by prospectus, term sheet or offering memorandum. The offering document will provide more detailed information regarding the Structured Product. Potential investors should carefully consider all the information and risk factors set forth in the term sheet or pricing supplement along with all the information set forth in the offering memorandum.

### **Fees:**

- J.P. Morgan is typically paid a distribution fee of up to 3% of the notional amount of the security. Details on the specific fees and costs associated with each note will be contained in the term sheet for the Structured Product.
- A Structured Product's issue price will reflect the costs associated with issuing, selling, structuring and hedging the Structured Product and will include compensation to an issuer or its affiliate for the structuring work involved in packaging it as one instrument.
- Costs and compensation will vary with each Structured Product. A Structured Product may also include an annual fee embedded in an index or calculation, payable to the issuer or index sponsor (which may be JPMS or a non-JPMS affiliate issuer) for structuring or calculating a proprietary index or formula.
- In addition, the issue price of a Structured Product purchased in a brokerage account will include a fee to compensate JPMS for marketing and distributing it.
- If a Structured Product has an early redemption feature and is redeemed prior to maturity, the compensation will not be prorated to the period during which the Structured Product was outstanding and, as a result, the rate of compensation will be higher.

### **Restrictions:**

- **Paperless delivery** - You must be enrolled in paperless delivery of all investor materials through chase.com or the Chase Mobile app to be approved for Structured Products. If we do not have your electronic consent and email address on file, you will not be able to invest in this product.
- **Issuers** - We will only recommend Structured Products issued by counterparties approved by J.P. Morgan.
- **Payoff profiles** - The payoff profiles we recommend are documented and evaluated through the appropriate internal approval channels.
- Clients need to meet suitability criteria to transact in Structured Products.

### **Risks and Other Relevant Information:**

- Investments in Structured Products may not be suitable for all investors. These types of investments entail varying degrees of risk, and while some Structured Products offer full or partial principal protection, others can result in the loss of the full amount invested. In addition, Structured Products are subject to the issuer's financial ability to meet its payout obligations.
- Structured Products may not be publicly listed or traded on an exchange and therefore may be illiquid.
- Prior to maturity, Structured Products will generally only be repurchased by the issuer and only upon terms and conditions acceptable to the issuer. In most cases, Structured Products are non-transferable and non-negotiable. In the event that an issuer consents to early liquidation, you will likely not fully participate in the benefits of the Structured Product, such as principal protection, buffers or enhanced returns.
- Investing in a Structured Product is not the same as investing directly in the underlying asset. The return on a Structured Product at maturity may not be the same as the return on a direct investment in the underlying asset, and the maximum payment on a Structured Product may be subject to a cap, which would limit appreciation potential compared to a direct investment. Because the amounts payable with respect to a Structured Product are generally calculated based on the value or level of the underlying asset on a specified date, or over a limited period of time, the volatility of the asset

increases the risk that the return on the Structured Product may be adversely affected by a fluctuation in the level of the underlying asset. The volatility of an asset, particularly a currency or commodity, may be affected by political or economic events, including governmental actions, or by the activities of participants in the relevant markets.

- Issuers of Structured Products generally hedge their exposure in the Structured Product. Such hedging may involve the issuer, directly or through its affiliates, entering into transactions involving the securities, commodities, currencies or other instruments underlying the Structured Product, or derivative instruments, such as swaps, options or futures, on the underlying asset. By engaging in transactions of this kind, the issuer could adversely affect the value of a Structured Product and could achieve substantial returns from its hedging transactions, while the value of the Structured Product may decline. Issuers and their affiliates also may engage in trading, including trading for hedging purposes, for their proprietary accounts or for other accounts under their management, in the securities, commodities, or other instruments underlying a Structured Product, or in other derivative instruments related to the underlying asset. These trading activities could adversely affect the value of a Structured Product. The issuer and its affiliates may also introduce competing products into the marketplace which adversely affect the value of a Structured Product.
- There is a conflict of interest when recommending Structured Products issued by JPMS affiliates because it increases the overall revenue of JPMS.
- When playing multiple roles and performing duties, JPMS's and J.P. Morgan's economic interests and your economic interests in Structured Products potentially could be adverse. It is also possible that JPMS's or its affiliates' hedging or trading activities in connection with Structured Notes could result in substantial returns for JPMS or its affiliates while the value of Structured Products decline.
- Use of Structured Products may not be suitable for all investors. Neither JPMS, nor any of its affiliates render tax or legal advice. Therefore, clients are strongly encouraged to consult with outside tax and legal professionals regarding the potential that the use of Structured Products may generate undesired tax liabilities and penalties.

#### **Resource(s) to Obtain Additional Information:**

Please review available offering documents for any security we recommend for a discussion of risks associated with Structured Products. We can provide those documents to you, or help you find them.

## **E. Mutual Funds**

### **Description:**

#### **What is a Mutual Fund?**

- Many investors turn to mutual funds to meet their long-term financial goals. Mutual funds offer the benefits of diversification and professional management, and are seen as an easy and efficient way to invest. A mutual fund is an investment company that pools assets from many investors and invests the money in stocks, bonds and other securities or assets in some combination. The holdings of the mutual fund are its "portfolio." Each share of the mutual fund represents an investor's proportionate ownership of the fund's holdings and the income those holdings may generate.
- There is a wide variety of mutual funds, covering a range of strategies and risks, including stock, fixed income, balanced, multi-asset and index funds. Although many mutual funds available through JPMS will follow a traditional long-only investment strategy, some mutual funds may use more complex investment strategies similar to those employed by private alternative investment vehicles such as hedge funds and private equity funds. Please see section titled "**Non-Traditional Mutual Funds and Exchange-Traded Products**" in **Section 4** for more information regarding these products.
- All mutual funds carry risk. Your investment will go up and down in value. You can lose some or all of your money. Your earnings can fluctuate too.
- All mutual funds have costs that lower your investment returns.
- The mutual funds and share classes available through JPMS are limited and will change from time to time. It is important to work with your advisor to determine which funds and share classes are available for purchase in your account.
- Before you invest, be sure to read the fund's prospectus to learn about the fund you're considering. The fund prospectus contains important information regarding the fund's investment objectives, strategies, risks, charges, expenses and other matters significant to your investment choice. By clearly understanding the investment you're considering, you'll be better prepared to make a sound investment decision. To obtain a prospectus, please contact your advisor.



## **Fees & Expenses:**

### **Fees and charges paid directly by investors – share classes**

- In general, there are fees you pay to a mutual fund company and/or financial intermediary when you purchase a mutual fund share class. Each share class invests in the same investment portfolio of securities, but has different sales charges and expenses. Among the most common retail brokerage share classes, and the ones generally available through the JPMS platform, are Class A and Class C shares. Certain other mutual fund share classes are subject to conditions and restrictions and may not be available for purchase by all investors. Investors should be aware that the share class of a fund available through the JPMS brokerage platform may differ from the share class available to similar accounts managed by or held at JPMS or its affiliates, including the J.P. Morgan Private Bank (Private Bank), and that certain lower cost fund share classes may be available outside the JPMS brokerage platform. Clients should contact their advisor for information about any limitations on share classes available through the brokerage platform.
- The following is a summary of share classes and fees associated with client mutual fund purchases in a JPMS brokerage (i.e., not fee-based advisory) account. For additional information about mutual fund fees, you should refer to the fund's prospectus.
  - **Class A Shares – Front-End Sales Charge** - Class A Shares generally include a front-end sales charge (or load) that's included in the purchase price of the shares and is determined by the amount you invest. These loads generally range from 0% to 5.75% and are disclosed in the prospectus. The more you invest, the lower your purchase cost as a percentage of your investment. Many mutual fund families offer volume discounts known as "breakpoints," based on the amount of investment. Information regarding a mutual fund's breakpoints may be found in the prospectus. Class A shares usually have lower 12b-1 fees (annual marketing or distribution fees, described below) than Class C shares offered by the fund and therefore may be the less costly method to purchase mutual funds for long-term investors. Many mutual funds provide that purchases of \$1 million or more of Class A shares will not be subject to a front-end sales charge. However, the purchaser will incur a deferred or back-end sales charge if any of the shares are sold within a specified time period, generally 12 to 18 months. In addition, certain investors may be entitled to a sales charge or load waiver based, for example, on account type or employment affiliation (see "Waivers" below).
  - **Class C Shares – Contingent Deferred Sales Charge** - These are sales charges that are applied when mutual fund shares are redeemed within a specified number of years (varies by prospectus). These charges generally range up to 1% for C shares. These charges can be reduced or eliminated based on how long the shares are held and as described in the prospectus. While C shares generally do not include front-end sales charges, they do contain higher 12b-1 fees and may have a sales charge if you sell within the first year. In addition, 12b-1 fees never convert to a lower amount, and over a longer period of time, the higher total fund expenses will result in lower returns than Class A shares.
  - **Waivers** - It's important to read the prospectus and work with your advisor to learn how a particular fund establishes eligibility for mutual fund sales charge reductions and waivers. A mutual fund's breakpoint schedule and waiver eligibility rules can be found in the fund's prospectus or Statement of Additional Information (SAI). If you believe you are eligible for a front-end sales charge waiver, please notify your advisor.
- **Share Class Availability** - In your full-service brokerage account, you generally may purchase either Class A or Class C shares. Be aware that many mutual funds offer institutional, retirement, no-load or other share classes that have lower aggregate fees than Class A or Class C shares. Because JPMS receives higher compensation from mutual funds for Class A and/or Class C shares relative to less expensive share classes that may otherwise be available, there is a conflict of interest. If you believe you are eligible for a lower price share class, please contact your advisor for availability.
  - Institutional, retirement, no-load and other fund share classes may be available to you through JPMS asset-based fee advisory programs. In these programs, you typically pay an annual fee based on a percentage of the value of the assets held in your account, including the value of the fund shares. These programs provide features and benefits that may not be available in a full-service brokerage account that receives sales loads. The total cost of purchasing and holding mutual fund shares through an asset-based fee advisory program may be more or less than investing in mutual fund shares in a JPMS brokerage account that is serviced by your advisor.
  - No-load mutual funds may be purchased directly through many mutual fund companies without intervention of a financial intermediary and without payment of a service fee. Please consult the prospectus for the fund in which you are interested for direction on how to do so.



- Private Bank, a different line of business, only recommends J.P. Morgan funds, and provides its clients an institutional share class.
- You may purchase load-waived and no-load mutual funds in your You Invest Trade account. Representative-assisted trades are subject to a transactional fee.
- For more information, please refer to the fund prospectus or contact your advisor.

## **Fees and expenses paid to or indirectly through the mutual fund**

- **Fund fees and expenses** - The ongoing costs of running a fund are called its fees and expenses. The fund pays these fees and expenses from the fund's assets before distributing any earnings to investors, which reduces the returns of the fund. You can find the fees and expenses of a fund by looking at its "expense ratio," which is disclosed in the fund's fact sheet and prospectus/summary prospectus. The expense ratio is the fund's total annual costs as a percentage of its assets, or net asset value (NAV). Types of fees and expenses include:
  - **Management fees** - The management fee is paid to the fund's investment advisor for running the fund and managing its assets.
  - **12b-1 fees** - Fees paid by some mutual funds pursuant to Rule 12b-1 of the Investment Company Act of 1940. Rule 12b-1 fees allow funds to use fund assets to pay the costs of marketing and distribution of the fund's shares.
  - **Other expenses** - Other costs, such as shareholder servicing, recordkeeping, legal and accounting services, custody, transfer agency and administration, are also included in the fund's expenses.
- **Additional fees on transactions** - In addition to sales charges, you may need to pay other fees on certain mutual fund transactions, including:
  - **Redemption fees** - Some funds may charge fees to investors who redeem their shares within a specified time period (generally within a few months of purchasing them). These fees are typically up to 2%, and are usually returned to the portfolio to offset the trading costs.
  - **Exchange fees** - Exchange privileges allow a shareholder to exchange their investment in a fund for another within the same fund family. However, in some cases, you may be charged a small exchange fee for doing so.

For complete information about mutual fund fees associated with specific funds, you should refer to the fund's prospectus and SAI. You can find information about sales charges in the standardized fee table located near the front of a fund's prospectus under the heading "Shareholder Fees" and information about the expenses you pay indirectly through fund assets in the standardized expense table under the heading "Annual Fund Operating Expenses".

## **Compensation JPMS receives from mutual fund companies<sup>5</sup>**

- **12b-1 fees** - JPMS receives 12b-1 fees from the mutual fund companies on its brokerage platform. Like other fees and expenses in a mutual fund, 12b-1 fees will reduce investment returns. The exact amount of 12b-1 fees paid out varies among funds and share classes but is disclosed in the applicable fund prospectus. The typical ranges of 12b-1 fees in mutual funds on the platform are as follows: A shares: 0%-0.5% (most frequently 0.25%), C shares: 0%-1% (most frequently 1%).
- **Shareholder servicing/recordkeeping fees** - Mutual funds or their fund affiliates may pay JPMS fees for providing certain administrative services, which may include maintaining and updating separate records for each client, preparing and delivering client statements, tax reporting, proxy voting and solicitation, processing purchase and redemption orders, processing dividends, distributing prospectuses and other fund reports, and responding to client inquiries. The fees for these services are typically called "shareholder servicing fees," or "recordkeeping fees." The fees may be based on the number of fund positions held by JPMS clients (generally in the range of \$0-\$20 per position) or based on assets, expressed as a percentage (generally in the range of 0%-0.25%). These fees generally are paid from investor assets in mutual funds, but in some cases are subsidized in part by affiliates or the distributor of the mutual funds (such affiliate payments may be referred to as "revenue sharing").
- **Revenue sharing** - Separate from the sales charges, 12b-1 fees, and shareholder servicing fees described above and in the mutual fund's prospectus, mutual fund sponsors or distributors may make additional payments to JPMS or its

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<sup>5</sup>The fee ranges quoted in this section are generally for the funds approved for purchase on the JPMS full-service brokerage platform. Similar fees may be taken by J.P. Morgan in connection with other funds held upon client request, and applicable rates may differ.

affiliates in certain sales channels based on overall sales and/or assets. These payments are typically called revenue sharing and are paid from the entity's revenues or profits, not from the fund's assets, but the entity's revenues or profits may reflect fees paid to them by the fund.

JPMS may receive payments as a percentage of:

- The total purchase amount of one of these mutual funds. Percentage payments currently range from 0% to 0.25%; and
- The amount you hold in your account (for any fund you hold in your account, and for as long as you hold that fund). Percentage payments range from 0% to 0.08%.

In addition, JPMS may receive a fixed annual payment from the mutual fund of up to \$50,000.

JPMS may allow representatives of all its approved mutual funds, including the J.P. Morgan Funds, access to its advisors for educational and promotional purposes, subject to conditions imposed by JPMS. Some funds allocate more resources for these purposes, which could cause advisors to become more familiar with those funds and focus on them when meeting with clients. Funds or their affiliates may pay for sales meetings, seminars and conferences JPMS holds in conducting its business, subject to conditions imposed by JPMS. The extent to which a fund is willing to pay for these activities is solely determined by the fund's advisers or affiliates, not by JPMS. You can find additional information at [www.chase.com/content/dam/chasecom/en/investments/documents/understanding-revenue-sharing.pdf](http://www.chase.com/content/dam/chasecom/en/investments/documents/understanding-revenue-sharing.pdf).

- **Conflicts of interest** - The level of payments to JPMS varies in any given year. Payments for sales of one fund's shares may be more or less than the payments JPMS receives from other mutual funds' advisers, distributors or other entities, and in certain instances, the payments could be significant. While any such payments will not change the net asset value or price of a fund's shares, the payments create a conflict of interest, as there may be a direct incentive to promote and recommend those funds whose sponsors make significant payments. Similarly, JPMS has a conflict in recommending mutual funds that pay these fees instead of ETFs or other securities or products that do not pay any of these fees.

### **Advisor compensation for mutual funds sales**

Depending on the type of mutual fund and share class you buy, as well as account type, advisors receive 12b-1 fees and a portion of sales charges paid to JPMS by mutual fund companies up to a maximum of 4% regardless of the prospectus charges. In some instances, where there is no sales charge to a client, advisors may also receive a finder's fee, paid by a mutual fund's distributor, which is up-front, "time of sale" compensation. For more information, please refer to the applicable mutual fund prospectus.

### **Proprietary mutual funds and affiliates service providers**

Affiliates of JPMS provide investment management and other services, such as shareholder servicing, custody, fund accounting, administration, distribution and securities lending to the J.P. Morgan Mutual Funds for which those affiliates receive fees. Therefore, J.P. Morgan as a firm will receive greater compensation if its clients buy shares of the J.P. Morgan Mutual Funds than if they buy shares of non-affiliated mutual funds.

### **Resource(s) to Obtain Additional Information:**

Please consult a fund's prospectus, SAI and any other available offering documents for any fund we recommend, for a discussion of risks associated with the product. You can also find additional information about investing in mutual funds at [www.chase.com/mutualfunds](http://www.chase.com/mutualfunds).

## **F. Money Market Funds**

### **Description:**

#### **What Is a Money Market Fund?**

- These funds seek to pay higher returns than interest-bearing bank accounts. Money market funds invest in high-quality, short-term debt securities and pay dividends that generally reflect short-term interest rates. However, they are not bank accounts, not FDIC-insured and not guaranteed to maintain their value.

- During extreme market volatility, money market funds may impose:
  - “Redemption gates” that could temporarily prevent you from selling your shares.
  - “Liquidity fees” that could charge up to 2% for selling your shares.
- Fund companies must designate money market funds (at the strategy level) as retail, institutional or government.
  - Retail money market funds have policies and procedures reasonably designed to limit all beneficial owners to “natural persons” (e.g., individuals, but not corporations) and maintain a stable \$1.00 NAV.
  - Institutional money market funds may also impose a “floating NAV” (no longer maintaining a stable price) that would allow the value of its shares to fluctuate in extreme conditions.
  - Government money market funds invest at least 99.5% of their total assets in cash, government securities or equivalents and maintain a stable \$1.00 NAV.

## **Fees & Expenses:**

### **Fees and expenses paid to or indirectly through a money market fund**

- **Fund fees and expenses** - The ongoing costs of running a fund are called its fees and expenses or its annual fund operating expenses. The fund pays these fees and expenses from its assets before distributing any earnings to investors, which reduces the returns of the fund. You can find the fees and expenses of a fund by looking at its “expense ratio,” which is disclosed in a fund’s fact sheet and prospectus/summary prospectus. The expense ratio is the fund’s total annual costs as a percentage of its assets, or NAV. Types of fees and expenses may include:
  - **Management fees** - The management fee is paid to the fund’s investment advisor for researching and selecting securities in the portfolio, as well as some administrative expenses.
  - **12b-1 fees** - Fees paid by some money market funds pursuant to Rule 12b-1 of the Investment Company Act of 1940. Rule 12b-1 fees allow funds to use fund assets to pay the costs of marketing and distribution of the fund’s shares.
  - **Other expenses** - Other costs, such as shareholder servicing, recordkeeping, legal and accounting services, custody, transfer agency and administration are also included in the fund’s expenses.
- **Additional fees on transactions**- In addition to sales charges, you may need to pay other fees on certain money market fund transactions, including:
  - **Liquidity fees** - In times of extreme market volatility, some money market funds may charge fees to investors who redeem their shares, typically up to 2%.
  - **Exchange fees** - Exchange privileges allow a shareholder to exchange their investment in a fund for another within the same fund family. However, in some cases, you may be charged a small exchange fee for doing so.
- For complete information about money market fund fees associated with specific funds, you should refer to the fund’s prospectus and SAI. You can find information about sales charges in the standardized fee table located near the front of a fund’s prospectus under the heading “Shareholder Fees” and information about the expenses you pay indirectly through fund assets in the standardized expense table under the heading “Annual Fund Operating Expenses”.

### **Compensation J.P. Morgan receives from money market fund companies<sup>6</sup>**

- **12b-1 fees** - JPMS may receive 12b-1 fees from the money market funds approved for its full-service brokerage platform. Like other fees and expenses in a money market fund, 12b-1 fees will reduce investment returns. The exact amount of 12b-1 fees paid out varies among funds and share classes but is disclosed in the applicable fund prospectus. The typical range of 12b-1 fees for money market funds is 0%-0.25%.
- **Shareholder servicing/recordkeeping fees** - Money market funds or their fund affiliates may pay JPMS fees for providing certain administrative services, which may include maintaining and updating separate records for each client, preparing and delivering client statements, tax reporting, proxy voting and solicitation, processing purchase and redemption orders, processing dividends, distributing prospectuses and other fund reports, and responding to client inquiries. The fees for these services are typically called “shareholder servicing fees” or “recordkeeping fees.” Such fees may be based

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<sup>6</sup>The fee ranges quoted in this section are generally for the funds approved for purchase on the JPMS full-service brokerage platform. Similar fees may be taken by J.P. Morgan in connection with other funds held upon client request, and applicable rates may differ.

on the number of positions held by J.P. Morgan clients (generally in the range of \$0-\$20 per position) or based on assets, expressed as a percentage (generally in the range of 0%-0.35%). These fees generally are paid from investor assets in money market funds, but in some cases are subsidized in part by affiliates or the distributor of the funds (such affiliate payments may be referred to as “revenue sharing”).

- **Revenue sharing** – Separate from the 12b-1 fees and shareholder servicing fees noted above and described in the fund’s prospectus, money market fund sponsors or distributors may make additional payments to JPMS or its affiliates in certain sales channels based on overall sales and/or assets. These payments are typically called revenue sharing and are paid from the entity’s revenues or profits, not from the fund’s assets, but the entity’s revenues or profits may reflect fees paid to them by the fund. JPMS may receive a payment as a percentage per year of the amount held in these money market funds. Percentage payments generally range from 0% to 0.16%.
  - JPMS may allow representatives of all its approved money market funds, including the J.P. Morgan Money Market Funds, access to its advisors for educational and promotional purposes, subject to conditions imposed by JPMS. Some funds allocate more resources for these purposes, which could cause advisors to become more familiar with those funds and focus on them when meeting with clients. Funds or their affiliates may pay for sales meetings, seminars and conferences JPMS holds in conducting its business, subject to conditions imposed by JPMS. The extent to which a fund is willing to pay for these activities is solely determined by the fund’s advisers or affiliates, not by JPMS.
  - The level of payments to JPMS varies in any given year. Payments for sales of one fund’s shares may be more or less than the payments JPMS receives from other money market funds’ advisers, distributors or other entities, and in certain instances, the payments could be significant. While any such payments will not change the net asset value or price of a fund’s shares the payments create a conflict of interest, as there may be an incentive to promote and recommend those funds whose sponsors make significant payments. You can find additional information at [www.chase.com/content/dam/chasecom/en/investments/documents/understanding-revenue-sharing.pdf](http://www.chase.com/content/dam/chasecom/en/investments/documents/understanding-revenue-sharing.pdf).
- **Financial Advisor compensation for money market funds sales** – Depending on the type of money market fund and share class you buy, as well as account type, advisors may receive some or all of the compensation described in the section "Compensation J.P. Morgan receives from money market fund companies" above, generally up to 0.25% of the total. Advisors may also receive finder’s fees, paid by a money market fund’s distributor, which is up-front, “time of sale” compensation to dealers for their activities that result in the sale of a money market fund. Amounts vary by fund company, category, classification and share class. For more information, please refer to the applicable money market fund prospectus.
- **Proprietary money market funds and affiliates service providers** – Affiliates of JPMS provide investment management and other services, such as shareholder servicing, custody, fund accounting, administration, distribution and securities lending to the J.P. Morgan Money Market Funds for which those affiliates receive fees. Therefore, J.P. Morgan as a firm will receive greater compensation if its clients buy shares of the J.P. Morgan Money Market Funds than if they buy shares of non-affiliated money market funds.

### **Restrictions:**

The money market funds and share classes available through JPMS are limited and will change from time to time. It is important to work with your advisor to determine which funds and share classes are available for purchase in your account.

### **Disclosures Language:**

An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency, nor is it guaranteed by any private entity, such as an investment adviser or custodian. Although money market funds strive to preserve the value of the investment, it is possible to lose money by investing in them.

### **Resource(s) to Obtain Additional Information:**

For complete information about money market fund risks and fees associated with specific funds, you should refer to the fund’s prospectus and SAI.

## G. Exchange-Traded Products (ETPs)

### **Description:**

#### **What are ETPs?**

- ETPs seek to provide investors with exposure to financial instruments, financial benchmarks or investment strategies across a wide range of asset classes. In addition to ETFs, which are index funds or trusts that are listed on an exchange and linked to the collective performance of an entire stock or bond portfolio, ETPs include, but are not limited to, closed end funds (CEFs) and exchange-traded notes (ETNs).
- Similar to mutual funds, certain ETPs, such as ETFs, are SEC-registered investment companies that offer investors a way to pool their money in a fund that makes investments in stocks, bonds, other assets or some combination of these investments and, in return, receive an interest in that investment pool. Other types of ETPs, such as ETNs, are structured as trusts or partnerships that may physically hold a precious metal, a portfolio of futures or other derivative contracts on certain commodities or currencies, or are secured debt obligations of financial institutions.
- Unlike mutual funds, which have their NAVs calculated at the end of each trading day, the prices for ETPs typically change within the trading day, fluctuating with supply and demand. Therefore, for example, the price of an ETF may be different than its NAV. ETP trading occurs on national securities exchanges and other secondary markets, instead of selling individual shares directly to, or redeeming their individual shares directly from, investors (as is the case with mutual funds).
- There are costs associated with owning ETPs. Before investing in ETPs, you should consider the products' investment objectives, risks, charges and expenses. Contact your advisor for a prospectus or, if available, a summary prospectus containing this information. Read it carefully. ETPs are subject to market fluctuation and the risks of their underlying investments; ETPs are also subject to management fees and other expenses. Unlike mutual funds, ETPs are bought and sold at market price, which may vary from the published value of the ETP, and are not individually redeemed from the fund. The market price of an ETF may be higher or lower than its NAV.
- Please see section titled "Non-Traditional Mutual Funds and Exchange-Traded Products" for more information regarding these products.

### **Fees:**

Please see the *Commission Schedule for Brokerage accountson page 35*.

### **Restrictions:**

JPMS may restrict activity in certain types of financial instruments including, but not limited to, crypto-linked instruments and shares of mutual funds and ETPs that are considered inverse, leveraged or volatility-linked. Please contact your advisor for product availability through your full-service brokerage account.

### **Risks and Other Relevant Information:**

- The prospectus of an ETP contains important information regarding the investment objectives of the ETP, its merits, risks, charges, expenses and other matters of interest, and must be read carefully before a decision is made to invest. JPMS will provide a copy of the prospectus to you on request.
- ETPs are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. In addition, there is no guarantee that an ETP will track the exact performance of its index.
- Like mutual funds, some ETPs may not, for example, have the liquidity of traditional ETPs, provide periodic pricing or valuation information to investors, and be subject to the same regulatory requirements as traditional ETPs. These non-traditional ETPs also typically pursue alternative investment strategies. While traditional ETPs generally focus their investment strategies on long-term buy-and-hold stock and bond investing, non-traditional ETPs generally employ more complex trading strategies, such as selling securities short in anticipation of a drop in their price, using leverage, and purchasing options and futures. Some non-traditional funds also focus their investment strategies on investing in gold, commodities (such as copper and oil) or real assets such as real estate. These strategies have generally been associated with alternative investment products such as hedge funds, may charge higher fees, have higher expenses and that may increase the risk of the complete loss of the investment compared to traditional ETPs.

## **Resource(s) to Obtain Additional Information:**

Please refer to the prospectuses for additional information.

## **H. Annuities**

### **Description:**

What is an annuity?

- An annuity is a contract between you and the insurance company in which you make a lump sum or series of payments in exchange for certain guarantees related to income, death benefits, accumulation and tax deferral, to name a few.
- There are different types of annuities, many of which are designed to meet specific needs and help clients achieve their retirement goals. With a deferred annuity, assets accumulate on a tax deferred basis until distributions are made, usually during retirement; with an immediate annuity, the contract owner converts assets into income and starts receiving payments right away. Fixed annuities accumulate savings or distribute income at guaranteed rates and in guaranteed amounts; variable annuities accumulate savings or distribute income based on the performance of the underlying investment options chosen by the contract owner.
- Annuities are created by insurance companies and are filed with the various state insurance commissioners for approval. JPMS is the distributor of the annuity product on behalf of the insurance company through Chase Insurance Agency Inc., (CIA).
- It is important to note that insurance products are not bank deposits, and are not insured by the FDIC or any other agency of the U.S., nor are they obligations of, nor insured or guaranteed by JPMCB, CIA, JPMS, or their affiliates, except where specifically disclosed. Brokerage services are offered through JPMS. Securities (including variable annuities), certain insurance products and annuities involve investment risks, including the possible loss of value. Variable annuities are not guaranteed and the value may go up and down. There is no assurance that the investment objectives of any variable annuity subaccount will be met. Past performance is no guarantee of future results. The value of a variable annuity will fluctuate depending on the performance of the investment subaccounts chosen as a result of market conditions and other factors. Upon liquidation, the value of a variable annuity may be more or less than the original purchase price. Annuity guarantees are based on the claims-paying ability of the issuing insurance company.

### **Types of Annuities**

#### **Fixed annuities**

- Fixed annuities accumulate funds or distribute income at guaranteed rates and in guaranteed amounts. Fixed annuities earn interest at a set rate for a specified period of time. A fixed annuity may be a good choice if you are seeking predictable returns, tax-deferred growth and principal protection. Tax-deferred fixed annuities also offer an income option that converts the balance of the fixed annuity into a guaranteed income stream through annuitization. Note: some fixed annuities may have a living benefit rider that can provide income without annuitization.

#### **Fixed index annuities**

- Fixed index annuities are designed to provide a return based on the performance of an underlying index such as the S&P 500. While the benchmark index does track to the market, the client is not directly exposed to the market. Typically the clients' return is either a percentage of the underlying index's performance, or the return is capped at a certain percentage of the index's performance. Fixed index annuities provide the client the opportunity to have growth based on market performance while having 100% downside protection in down markets.

#### **Single premium immediate annuities (SPIAs)**

- SPIAs are designed to provide an immediate income stream through annuitization of the purchase payment. SPIAs typically require the income benefit to commence within 13 months of purchase.

#### **Variable annuities**

- Variable annuities accumulate funds or distribute income based on the performance of the underlying investment options chosen by the contract owner. Some of the features variable annuities may provide include guaranteed lifetime income,

standard or enhanced guaranteed minimum death benefits, and/or tax deferral. A variable annuity offers a range of investment options. The value of your investment as a variable annuity owner will vary depending on the performance of the investment options you choose. The investment options for a variable annuity are typically investment subaccounts or funds that invest in stocks, bonds, money market instruments or some combination of the three.

### **Buffer annuities**

- Buffer annuities are designed to provide a return based on the performance of an underlying index such as the S&P 500, and similar to index annuities while the index does track to the market, the client is not directly exposed to the market. The key difference between a buffer and traditional index annuity is the buffer annuity will typically provide higher caps or percentage of the index performance of a return but limits downside protection options of 10%, 20% or 30% vs. the traditional index providing 100% downside protection.

### **Advisory Fee-Based Variable Annuities**

- An advisory fee-based variable annuity is sold without a sales load, and instead is distributed by advisors for an ongoing annual asset-based advisory fee. Advisors selling advisory fee-based annuities do not receive commissions for the sale of the variable annuity, but instead the advisor and the associated investment adviser charge a fee for the investment advice related to asset allocation of the underlying subaccounts/funds in the variable annuity.

Note: As with any annuity, guarantees are based on the claims-paying ability of the issuing insurance company.

### **Fees:**

Annuity product fees, including contingent deferred sales charges, are collected by the insurance carrier. Depending on the type of annuity and the issuing insurance company, clients will incur certain product fees associated with their annuity. These fees range from fees to cover the cost of insurance to investment management fees. The following outlines the fees typically incurred on annuities by product type:

### **Fixed rate for term annuities**

- Fixed annuities do not have explicit fees.
- **Surrender charges** - If applicable, surrender charges are incurred if the annuity is liquidated during the surrender charge period, or withdrawals in excess of the “free withdrawal amount” afforded by the contract are taken prior to the contract terms maturing. These charges offset the cost the insurance carrier incurs for various acquisition costs and early liquidation of investments they make to back the guarantees. Surrender charges are stated in terms of a schedule that defines the percent of the surrender charge for that particular year and usually declines until the contract term matures. Our fixed annuities surrender charges match the guarantee period of the interest rate credited to the contract. For example, our three-year fixed deferred annuities will have a three-year surrender charge, and our five-year fixed deferred annuities will have a five-year surrender charge.

### **Fixed rate for term with a living benefit rider**

- Fixed deferred annuities with living benefits may have a fee associated with the living benefit rider. These fees are charged to cover the cost of providing guaranteed living benefits.
- **In New York** - There is no explicit fee for the living benefit.
- **Countrywide** - The fee in the non-New York product is 0.95% and is charged annually against the contract value.

### **Fixed index annuities**

- Fixed index annuities do not have an explicit cost.
- **Surrender charges** - If applicable, surrender charges are incurred if the annuity is liquidated, or excess withdrawals are taken prior to the contract terms maturing. These charges offset the cost the carrier incurs for various acquisition costs and early liquidation of investments they make to back the guarantees. Surrender charges are stated in terms of a schedule that defines the percent of the surrender charge for that particular year and usually declines until the contract term matures. Our index annuities have seven-year surrender charges that decrease from 9% to 3% over the surrender charge period.



## Variable annuities

- **Mortality and expense fees** - These fees pay for the insurance guarantees in the annuity such as guaranteed lifetime income or a death benefit. They can range from 1.15% to 1.55% and are charged against the contract value daily.
- **Contract fee** - This fee covers the maintenance of the contract such as producing statements, mailings and other client services. It is usually a flat fee that ranges from \$30.00 to \$50.00 and is charged annually. The contract fee is normally waived above certain contract amounts, anywhere from \$50,000 to \$100,000.
- **Average fund expense** - This fee covers the investment management and operating expense of the underlying investment subaccounts. The fee ranges from 0.7% to 1.20% and is usually charged daily against the contract value.
- **Surrender charges** - If applicable, contingent deferred sales charges (CDSC) are only incurred if the annuity is liquidated during the surrender charge period, or withdrawals in excess of the “free withdrawal amounts” afforded by the contract are taken prior to the contract terms maturing. These charges offset the cost the insurance carrier incurs for various acquisition costs and early liquidation of investments they make to back the guarantees. CDSCs are stated in terms of a schedule that defines the percent of the surrender charge for that particular year and usually declines until the contract term matures. For example, a typical CDSC on a traditional variable annuity would be 7%, 7%, 6%, 6%, 5%, 3% and 1%. If the client surrenders the contract within the first year of purchase they would be charged 7% of the contract value; if they surrender the contract in year 6, they would be charged 3% of the contract value.
- **Living benefits rider fees** - These fees are charged to cover the cost of providing guaranteed lifetime income. In general these fees range from 0.95% to 1.45%. The fee can be charged daily, quarterly or annually and is assessed against the contract value, benefit base or a combination. Please refer to your contract for specific rider fees and charges.
- **Enhanced death benefit fees** - These fees are charged to cover the cost of providing guaranteed and/or stepped-up death benefits. Similar to living benefit rider fees, enhanced death benefit fees can range from 0.2% to 0.65%. They can be charged daily, quarterly or annually and are assessed against the contract value, benefit base or a combination. Please refer to your contract for specific rider fees and charges.

## Buffer annuities

- Buffer annuities do not have an explicit cost, unless the buffer annuity offers subaccounts in addition to the indices. In those cases similar to a variable annuity there would be subaccount fees and mortality & expense fees calculated on the value of those subaccounts.
- **Average fund expense** - If applicable, this fee covers the investment management and operating expense of the underlying mutual funds. This fee ranges from 0.7% to 0.9% and is usually charged daily against the value of the underlying subaccount.
- **Surrender charges** - If applicable, surrender charges are incurred if the annuity is liquidated, or excess withdrawals are taken prior to the contract terms maturing. These fees offset the cost the carrier incurs for various acquisition and early liquidation of investments they make to back the guarantees. Surrender fees are stated in terms of a schedule that defines the percent of the surrender charge for that particular year and usually declines until the contract term matures. Buffer annuities have either a five- or six-year surrender charge schedule that decrease from 6% to 3% over the surrender charge period.
- **Mortality & expense and administrative fees** - If applicable these fees pay for the insurance guarantees in the annuity such as guaranteed lifetime income or a death benefit. They can range from 1.15% to 1.25% and are charged against the value of the underlying subaccounts daily.

## Advisory Fee-Based Variable Annuity Fees

- Fees and costs associated with our full-service advisory programs are available on request or at [www.jpmorgan.com/securities/securities/adv](http://www.jpmorgan.com/securities/securities/adv).

## Compensation

- Annuity commissions are not fees and are not taken from the contract value.
- J.P. Morgan operates its insurance business through CIA. CIA maintains agreements with insurance companies to represent them in selling and servicing their insurance and annuity products and to receive compensation. Pursuant to those selling agreements with the carriers, CIA receives compensation based on a percentage of the total purchase payments and/or a percentage of the total contract value of the annuity contract. The amount of compensation paid may vary by product



type, so more compensation may be received by your advisor for selling one annuity product type versus another annuity product type; however, the portion of compensation that is passed on to the advisor is level by product type.

- Unless otherwise indicated, all compensation is earned by CIA. For additional information on the compensation paid by the issuing insurance company for annuity products, please refer to the applicable prospectus or other documents provided by your advisor or the insurance carrier.
- Clients that select an advisory fee-based variable annuity do not pay commissions, but instead pay an annual investment advisory asset-based fee to JPMS. This fee is paid out of the annuity contract assets to JPMS for investment advisory services. Clients should review the prospectus to the advisory fee-based variable annuity and the Form ADV disclosure brochure of JPMS for information about the advisory variable annuity asset allocation program and the applicable fees for the program. Fees and costs associated with advisory programs are available on request or at [www.jpmorgan.com/securities/securities/adv](http://www.jpmorgan.com/securities/securities/adv).

### **Paid to CIA**

A portion of the compensation received by CIA is paid to your advisor as noted in the section “Paid to advisors”.

- We receive compensation for sales of annuities from the insurance carriers that issue the annuity products as follows:
  - For variable annuities, either:
    - A one-time up-front commission that ranges from 6% to 7.15% of initial purchase payment, or
    - A trailing commission, which in year one ranges from 1.25% to 2.15% of the initial purchase payment and in subsequent years is typically 1% of the account value.
  - Fixed annuity commissions range from 0.5% to 2.5%.
  - Index annuity commissions range from 2.5% to 3.5% based on initial purchase payment.
  - Single premium immediate annuity commissions are 4%.

### **Paid to advisors**

All advisor commissions stated above are gross commissions; the actual net payment the advisor receives will vary.

- **Variable annuities** – Advisors can receive a one-time up-front commission of 4%, or a trail commission of 1.25% in year one, and 1% starting in year two as long as the contract stays in force.
  - After June 30, 2020, all new variable annuities sales will only pay the trail option.
  - Contracts issued prior to June 30, 2020, will continue to pay the advisor based on the compensation chosen at the time of the original sale.
- **Fixed deferred annuities** pay the advisor 1% for clients less than 86 years old and 0.50% for clients aged 86+.
- **Fixed deferred annuities with a living benefit** pay the advisor a one-time commission of 2%.
- **Fixed index annuities** pay the advisor 2% for purchase payments over 100,000 and 3% for purchase payments under 100,000.
- **Single premium immediate annuities** pay the advisor a one-time payment of 4%.

### **Restrictions:**

- JPMS has guidelines on when certain products/riders are suitable and may impose age restrictions that are younger than those stated in the contract and/or prospectus.
- Waivers may not be available in all states.

### **Risks and Other Relevant Information:**

#### **Fixed annuities**

- Fixed annuities are designed to provide a stated return for a stated period of time. While fixed annuities provide a guaranteed return of the original purchase payment if the contract is fully surrendered in the surrender charge period, early withdrawals and partial surrenders could result in the loss of any earnings credited to the contract, in addition to potential tax penalties.

- A fixed annuity typically does not have cost-of-living adjustments to keep pace with inflation, so your spending power from the payments you receive may decline over time. If inflationary protection is a priority for you, you may want to consider financial products other than a fixed annuity.

### **Fixed index annuities**

- Fixed index annuities are designed to provide a return based on indexes such as the S&P 500. While fixed index annuities provide a guaranteed return of the original purchase payment on a full surrender, early withdrawals and partial surrenders could result in the loss of any returns credited to the contract, in addition to potential tax penalties.
- An index annuity typically does not have cost-of-living adjustments to keep pace with inflation, so your spending power from the payments you receive may decline over time. If inflationary protection is a priority for you, you may want to consider financial products other than an index annuity.
- Though an indexed annuity can be an important part of your overall portfolio and provide steady income, the assets you commit to an index annuity will not be available for other types of financial products or investments. You should carefully consider your overall needs and goals prior to committing any part of your assets to an index annuity.

### **Single premium immediate annuities (SPIAs)**

- SPIAs are designed to provide an immediate income stream through annuitization of the purchase payment. SPIAs typically require the income benefit to commence within 13 months of purchase. Since immediate annuities provide lifetime income via annuitization, once income starts there is no longer a deferred or surrender value to the annuity. You should carefully consider your ability to meet emergency expenses prior to converting your asset into an income stream.

### **Variable annuities**

- Variable annuities are designed as an investment for long-term goals. They are not suitable for short-term goals because you may be subject to charges or other penalties if you withdraw your money early. Variable annuities also involve investment risks similar to owning a mutual fund. Note that if you sell or withdraw money from a variable annuity too soon after your purchase, the insurance company will impose a “surrender charge.” Surrender charges will reduce the value of, and the return on, your investment. Carefully review the annuity contract and where applicable the investment subaccount prospectuses.
- Your contract value is not guaranteed. It may increase or decrease based on investment performance, additions and withdrawals. Election of a variable annuity living benefit rider does not guarantee a rate of return on your contract value – only a percentage of the withdrawal amount.

### **Buffer annuities**

- Buffer annuities are designed as an investment for long-term goals. They are not suitable for short-term goals because you may not be able to readily access your funds once invested in one of the buffered annuity segments, and you may be subject to charges or other penalties if you withdraw your money early. While buffer annuities provide certain downside market protections, your contract value is not guaranteed. That value may increase or decrease based on the investment performance of the underlying indices.

### **Resource(s) to Obtain Additional Information:**

- Prior to sale, advisors are required to deliver the annuity buyers' guide, which is a regulatory requirement. The guide details what consumers should know and what they should ask their advisor when contemplating an annuity, including fees and cost. Clients are also provided a prospectus if required.
- In order to initiate the purchase of any annuity, a Summary Statement of Charges form is included as part of the application documents the client must sign. The Summary Statement of Charges form is specific to each product type and details the cost and fees associated with the product.
- When the contract is issued the contract is mailed directly to the client's resident address. The contract contains all the fees, terms and conditions of the contract inclusive of carrier service numbers and websites where additional information can be obtained.

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## 4. Compensation & Potential Conflicts

JPMS and its affiliates earn compensation in various ways that you should be aware of so you can better evaluate the recommendations you receive from your advisor and JPMS. Depending on the type of account and transaction, JPMS will earn revenue from our clients, our affiliates and, for some products and services, third parties, including product vendors, underwriters and investment managers whose products and services are purchased by clients. JPMS also receives compensation as a result of certain intercompany profit-sharing and servicing agreements.

In a brokerage account, you generally compensate JPMS and your advisor through costs incurred with each transaction. This differs from an investment advisory account relationship in which the compensation is fee-based, not transaction-based, meaning the client pays a set fee or a fee based on the percentage of assets in the account in an advisory program. Miscellaneous account and administrative charges, as noted earlier, will also be charged to your account.

### A. Advisor Compensation

We design our compensation program to encompass best practices, support our business objectives and enhance shareholder value. J.P. Morgan's compensation system plays a significant role in our ability to attract, retain and motivate the highest quality workforce. The compensation components described below do, however, create various incentives for advisors, including an incentive to recommend certain products and services, solicit business and bring assets to the firm at various times. J.P. Morgan policies and procedures exist to mitigate these conflicts of interest, where possible.

#### **Brokerage Relationships Generate Transaction-Based Fees**

Your advisor may only recommend or refer you to investments and products that are offered for sale by JPMS or through the JPMS platform. JPMS and its advisors recommend, sell and service investment products and services and are compensated on such products generally through the commissions, fees and expenses paid on the products and services that are sold. Fees vary by product, service and transaction size, so JPMS and its advisors may receive more for selling one product or service than another. As such, a conflict of interest exists based on the specific advice that you receive concerning the type of transactions, including the nature, timing and frequency of the advice that you receive. These transaction-based fees are in connection with, for example, the buying and selling of stocks, bonds, mutual funds, annuity contracts and other investment products, as well as trading and exercising options. These include commissions, transaction fees, loads and sales charges or other expenses that are embedded in the purchase price as well as compensation from third parties in some cases, all as further described in this document.

#### **Cash Compensation**

In general, we pay our advisors monthly cash compensation consisting of two components: (1) a guaranteed monthly minimum salary and (2) an incentive payout if it exceeds the monthly minimum salary. The incentive payout is a percentage (called a grid rate) of the product-related revenue (called revenue credit) that each advisor generates during that month with respect to the clients he or she serves. The grid rate is based on monthly revenue levels and generally ranges from 22% to 35%. Revenue reported must be greater than or equal to the fee schedule minimum in order for a trade to qualify for payment.

Advisors may be eligible to receive a non-cumulative draw, essentially an advance, against their incentive compensation under the plan. The amount and term of the draw is determined at the sole discretion of Executive Management.

Advisors do not provide investment advice and do not receive revenue credit with respect to transactions in You Invest accounts.

#### **Special Compensation Awards**

Advisors are also eligible to receive a net new money award based on net new money (NNM) generated from new clients and based on new money from existing clients as a result of deepening those relationships.

In order to be eligible for the award, an advisor must meet a minimum threshold in total NNM in the annual award measurement period and be actively employed at the time of payout. The new money needs to be invested into an eligible investment product to receive the award. The award is a percent of NNM, and averages between 0.11% and 0.175% of on NNM annually. On average, the award makes up about 5% of overall advisor compensation.

NNM-eligible products:

- Investment advisory accounts
- Mutual funds
- Equities
- Corporate and municipal bonds
- Fixed, variable, and indexed annuities
- J.P. Morgan Donor Advised Funds (DAF)<sup>7</sup>
- Structured Products

The award includes NNM credit for referrals to the You Invest platform if the client was referred and the account was funded with at least \$25,000 NNM by year end.

### **Non-Cash Compensation**

Advisors may receive certain non-cash compensation under limited circumstances. J.P. Morgan has implemented policies and procedures intended to ensure that its employees avoid actual or perceived conflicts of interest when giving or receiving non-monetary compensation from relevant parties, and to comply with all applicable laws and regulations. To that end, J.P. Morgan's policies generally prohibit acceptance of any gifts, entertainment or other non-monetary compensation in connection with the services we provide to any particular client or in return for any business of the firm. Exceptions may be made for certain nominal non-cash gifts to J.P. Morgan employees of less than \$100 meeting certain criteria, including potentially from third-party investment managers. Meals, refreshments and entertainment in the course of a host-attended business-related meeting or other occasion may also be permitted in limited circumstances. Travel or accommodation expenses are prohibited. The firm's policies set conditions for each of these types of payments and do not permit any gifts or entertainment unless it is clear that the gift-giving person is not trying to influence or reward the employee inappropriately in connection with any business decision or transaction, and the gift is unsolicited.

In addition, certain representatives who demonstrate exceptional performance during the year may also be eligible to earn an annual trip through the National Achiever's Conference.

### **Other Non-Cash Compensation and Subsidies**

Third-party providers (such as fund companies) may participate in JPMS-sponsored internal training and education conferences and meetings, seminars and sales meetings and may make payments to, or for the benefit of, JPMS or its advisors to reimburse for certain expenses incurred for these events. Providers may also sponsor their own educational conferences or due diligence meetings and only pay for expenses while onsite for the event of advisors attending these events. JPMS's policies require that the training or educational portion of these conferences comprise substantially all of the event and such conferences and meetings are subject to review and approval.

Further, JPMS may provide sponsorship opportunities and access to our branch offices and advisors to such providers for educational, marketing and other promotional efforts. Any payments made by providers could potentially lead advisors to focus on products managed by these providers when recommending products to clients instead of those from other providers that do not commit similar resources to educational, marketing and other promotional efforts. As a general matter, clients should be aware that the receipt of economic benefits from others, in and of itself, creates a potential conflict of interest.

### **Compensation to National Branch Financial Consultants**

National Branch Financial Consultants receive an annual base salary and are eligible to receive an annual discretionary incentive compensation award. Base salaries are determined primarily on the basis of the individual's job, i.e., his/her meritorious performance.

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<sup>7</sup> J.P. Morgan offers a DAF through collaboration with National Philanthropic Trust (NPT) with approximately \$6B in AUM called the J.P. Morgan Donor Advised Fund, which has approximately \$32M AUM.

NPT serves as the sponsoring public charity for the DAF accounts and is the third-largest such DAF sponsor in the United States. J.P. Morgan is currently about 40% of NPT's book of business.

Through NPT, J.P. Morgan offerings accept complex and illiquid assets, offer a larger variety of investment options and have international grant-making capabilities, giving clients greater flexibility, enhanced options and fewer restrictions than competitors.

## **Recruitment Incentives**

JPMS does not offer advisors located in Chase branches any hiring or recruitment incentives to join the firm.

## **Banker Investment Referral Credit**

Certain bank employees are compensated when they refer clients to JPMS. Licensed Bankers who have identified an investment referral opportunity and have been instrumental in the client's decision to meet with an advisor or invest through You Invest may receive referral compensation. A licensed investment referred transaction occurs when a referral from the licensed banker to an advisor results in an eligible investment (fixed annuities, variable annuities, mutual funds, investment advisory accounts and 529 plans). Licensed Banker compensation is in the form of a referral credit which is based on the dollar amount ultimately invested in eligible products.

Unlicensed bankers can also earn a one-time flat credit based on each referral that results in a completed appointment attended by the potential client and an advisor.

Such payments to Bank employees do not affect the cost to a client.

## **B. Compensation to JPMS and Affiliates**

JPMS is compensated from various sources, as described under Section 3 and more fully below, in addition to the account fees and transactions costs.

### **Purchasing J.P. Morgan Affiliated Funds and ETFs and Related Compensation**

JPMS and its affiliates provide a wide range of financial services to various mutual fund companies. Some of these affiliates provide investment management and other services to J.P. Morgan Funds or ETFs, for which those affiliates will benefit from that purchase as a result of receiving investment management fees and other forms of compensation in connection with the operation of such funds, such as shareholding servicing, custody, fund accounting, administration, distribution, securities lending and other services. Therefore, because JPMS and its affiliates will in the aggregate receive more compensation if you purchase shares in a J.P. Morgan Fund or ETF than if you were to purchase shares in a non-affiliated mutual fund, there is a conflict of interest when JPMS clients purchase J.P. Morgan Funds. The prospectus, descriptive brochure, offering memorandum or similar documents for such products describe these fees and other compensation in detail.

### **Compensation for Other Services**

J.P. Morgan or JPMS-related persons provide financial, consulting, investment banking, advisory, brokerage (including prime brokerage) and other services to, and receive customary compensation from, an issuer of equity and debt securities that may be held by client accounts. Such compensation could include financial advisory fees, monitoring fees, adviser fees or fees in connection with restructurings or mergers and acquisitions, as well as underwriting or placement fees, financing or commitment fees, trustee fees and brokerage fees.

To compensate JPMS for the placement and other services (including structuring, administration, investor relations, reporting and other similar or related services) provided by JPMS or any of its affiliates in respect of hedge funds, private equity funds and other alternative funds on the JPMS platform, the fund manager (or an affiliate) generally pays JPMS fees equal to a percentage of the aggregate amount of subscriptions accepted from investors introduced by JPMS. Such fees are paid out of the assets of the fund manager (or other affiliate) and not from the fund's assets. There is, therefore, a potential conflict of interest in the form of an additional financial incentive to JPMS for making available to clients on the JPMS platform funds whose affiliates pay JPMS such fees. In certain circumstances, a portion of these fees may be passed on as compensation to certain advisors.

### **Bank Sweep Program**

JPMS offers clients a bank deposit sweep program option where uninvested cash from investment accounts is swept into FDIC insured deposit accounts opened with JPMCB by JPMS. JPMCB benefits from deposits and credits to your JPMS account(s) that are swept into the Bank Sweep Program. JPMCB makes money on those sweeps. The profitability on such lending activities and investments is generally measured by the difference, or "spread," between the interest rate paid on the deposits and other costs associated with the Chase Deposit Sweep, and the interest rate or other income earned by JPMCB on loans and investments made with the deposits. Therefore, JPMS and JPMCB have a financial incentive in the use of the Chase Deposit Sweep as the primary sweep option. Advisors are not compensated on the assets in the sweep programs.

## **Float Earnings**

JPMCB or an affiliate may retain, as compensation for the performance of services, your account's proportionate share of any interest earned on aggregate cash balances held by JPMCB or an affiliate with respect to "assets awaiting investment or other processing." These "assets awaiting investment or other processing" are invested by JPMCB in a number of short-term and long-term investment products and strategies, including without limitation loans to clients and investment securities. The amount of earnings retained by JPMCB on such assets, known as "float," due to their short-term nature, is generally considered to be at the prevailing Federal Funds interest rate (a publicly available average rate of all Federal Funds transactions entered into by traders in the Federal Funds market on a given date), less FDIC insurance and other associated costs, if any. "Assets awaiting investment or other processing" for these purposes includes, to the degree applicable, new deposits to the account, including interest and dividends, as well as any uninvested assets held in the account caused by an instruction to purchase and sell securities. JPMCB or an affiliate will generally earn float until such time as such funds may be automatically swept into a sweep vehicle or otherwise reinvested. "Assets awaiting investment or other processing" may also arise when JPMCB facilitates a distribution from your account. Pursuant to JPMCB's standard processes for check disbursement, cash is generally debited from the account on the date on the face of the check (also called the payable date). Such cash is deposited in a non-interest-bearing omnibus deposit account at JPMCB, where it remains until the earlier of the date the check is presented for payment or the date payment on the check is stopped at your instruction (in which case the underlying funds are returned to the account). JPMCB derives earnings (float) from use of funds that may be held in this manner, as described above.

## **Principal Trading and Agency Cross Transactions Compensation**

When permitted by applicable law, JPMS may sell securities to you and buy securities from you through our own account as principal and act as agent for you and another client in the same trade without first obtaining your consent. The trading capacity is disclosed to you on the trade confirmation. When we or an affiliate act as principal in buying a security from or selling a security to a client, we earn compensation on the transaction by marking up the price of the security sold to the client and marking down the amount received by the client when selling a security to us. This spread is the firm's compensation for taking market risk and making a market in the security.

We have adopted policies and procedures that govern transactions for our principal accounts and the accounts of our employees. These policies and procedures are designed to prevent, among other things, improper or abusive conduct when there is a potential conflict with interests of clients.

JPMS also has the authority to effect "agency cross" transactions (i.e., transactions for which JPMS or one of its affiliates acts as a broker for both the account and the counterparty to the transaction) when permitted by applicable law. JPMS or its affiliates may receive compensation from each party to the transaction, and for that reason, we will have a potentially conflicting division of loyalties and responsibilities regarding the parties to the transaction.

## **Order Flow, ECNs, Trading System Payments**

JPMS may receive payment for order flow in the form of discounts, rebates, reductions of fees or credits. This does not alter JPMS's policy to route client orders to the market where it believes clients will receive the best execution, taking into account price, reliability, market depth, quality of service, speed and efficiency.

In addition, JPMS may effect trades on behalf of your account(s) through exchanges, electronic communications networks, alternative trading systems and similar execution systems and trading venues (collectively, "Trading Systems"), including Trading Systems in which J.P. Morgan may have a direct or indirect ownership interest. J.P. Morgan may receive indirect proportionate compensation based upon its ownership percentage in relation to the transaction fees charged by such Trading Systems in which it has an ownership interest. Please contact your advisor to request an up-to-date list of all Trading Systems through which we might trade. Such Trading Systems (and the extent of our ownership interest in any Trading System) may change from time to time.

## **C. Conflicts of Interest & Other Disclosures**

A conflict of interest can be defined as an interest that might incline a broker-dealer or its advisors to consciously or unconsciously make a recommendation that is not disinterested. J.P. Morgan has adopted policies and procedures reasonably designed to appropriately prevent, limit or mitigate conflicts of interest that may arise between JPMS, its advisors and its affiliates. These policies and procedures include information barriers designed to prevent the flow of information between JPMS and certain other affiliates. Certain actual or potential conflicts of interest are described below, while others are described throughout this booklet including, in particular, those relating to fees and other compensation earned by advisors, JPMS and its affiliates when transacting in a brokerage account.

### **J.P. Morgan Acting in Multiple Commercial Capacities**

J.P. Morgan is a diversified financial services firm that provides a broad range of services and products to its clients and is a major participant in the global currency, equity, commodity, fixed income and other markets in which JPMS Client Accounts invest. J.P. Morgan is typically entitled to compensation in connection with these activities. In providing services and products to clients other than JPMS's clients, J.P. Morgan, from time to time, faces conflicts of interest with respect to activities recommended to, or performed for, JPMS clients on one hand and for J.P. Morgan's other clients on the other hand. J.P. Morgan also advises and represents potential buyers and sellers of businesses worldwide. JPMS client accounts have invested in, and in the future may invest in, such entities represented by J.P. Morgan or with which J.P. Morgan has a banking, advisory or other financial relationship. In addition, certain clients of J.P. Morgan, including JPMS clients, invest in entities in which J.P. Morgan holds an interest, or with respect to which J.P. Morgan provides services, including a J.P. Morgan Fund or J.P. Morgan ETF. In providing services to its clients and as a participant in global markets, J.P. Morgan, from time to time, recommends or engages in activities that compete with or may otherwise adversely affect a JPMS client account or its investments. It should be recognized that such relationships can preclude JPMS's clients from engaging in certain transactions and can also restrict investment opportunities that would otherwise be available to JPMS clients. J.P. Morgan is often engaged by companies as a financial adviser, or to provide financing or other services in connection with commercial transactions that are potential investment opportunities for JPMS's clients. J.P. Morgan reserves the right to act for these companies notwithstanding the potential adverse effect on JPMS's clients. J.P. Morgan derives ancillary benefits from providing investment advice, custody, administration, prime brokerage, transfer agency, fund accounting and shareholder servicing and other services to JPMS's clients. Providing such services to JPMS's clients enhances J.P. Morgan's relationships with various parties, facilitate additional business development and enables J.P. Morgan to obtain additional business and generate additional revenue.

### **J.P. Morgan's Proprietary Investments**

JPMS, J.P. Morgan and any of their directors, partners, officers, agents or employees also buy, sell or trade securities for their own accounts or for the proprietary accounts of JPMS and/or J.P. Morgan. JPMS and/or J.P. Morgan, within their discretion, can make different investment decisions and take other actions with respect to their proprietary accounts than those made for client accounts, including the timing or nature of such investment decisions or actions. Furthermore, JPMS is not required to purchase or sell for any client account securities that it, J.P. Morgan, and any of their employees, principals or agents may purchase or sell for their own accounts or the proprietary accounts of JPMS or J.P. Morgan. JPMS, J.P. Morgan and their respective directors, officers and employees face a conflict of interest as they will have income or other incentives to favor their own accounts or the proprietary accounts of JPMS or J.P. Morgan.

### **Investing in Securities in which JPMS or a Related Person Has a Material Financial Interest**

JPMS and its related persons may recommend or invest in securities on behalf of its clients that JPMS and its related persons may also purchase or sell. As a result, positions taken by JPMS and its related persons will be the same as or different from, or be made contemporaneously with or at different times than, positions taken for clients of JPMS. As these situations involve actual or potential conflicts of interest, JPMS has adopted policies and procedures relating to personal securities transactions, insider trading and other ethical considerations. These policies and procedures are intended to identify and mitigate actual and perceived conflicts of interest with clients and to resolve such conflicts appropriately if they do occur. The policies and procedures contain provisions regarding pre-clearance of employee trading, reporting requirements and supervisory procedures that are designed to address potential conflicts of interest with respect to the activities and relationships of related persons that might interfere or appear to interfere with making decisions in the best interest of clients, including the prevention of front-running. In addition, JPMS has implemented monitoring systems designed to ensure compliance with these policies and procedures.



## **Other Financial Services Provided by JPMS and its Affiliates**

In addition to the services provided by JPMS to its brokerage clients, JPMS and its affiliates provide other financial services to individuals, corporations and municipalities. Those companies provide a wide variety of financial services to each other and third parties to facilitate servicing clients. These services may include, but are not limited to, banking and lending services, sponsorship of deferred compensation and retirement plans, investment banking, securities research, institutional trading services, investment advisory services and executing portfolio securities transaction for funds and other clients. JPMS and its affiliates receive compensation for these services.

## **Transfer of Assets to JPMS**

When you transfer assets from another firm to JPMS, including a rollover of assets from retirement plans or other accounts, we earn compensation on the assets; please note, we will not earn this compensation if the assets are not transferred to JPMS. We may also earn more, and your advisor will begin to earn compensation, if your assets are transferred from a You Invest account and placed in a JPMS investment advisory account or a full-service brokerage account, or are used to purchase an annuity through us. Advisors are not currently compensated on You Invest accounts. Thus, you should be aware that we do have an economic interest in you transferring or rolling over your assets to JPMS.

## **Allocation**

Potential conflicts of interest may arise in the process of allocating securities to full-service brokerage accounts for the purchase of securities that are distributed through syndicate transactions, particularly with regard to some equity IPO securities. JPMS may have an incentive to allocate syndicate securities to certain accounts or clients, particularly in cases where the client demand for the syndicate offering exceeds the supply. For example, JPMS has an incentive to allocate to one account over another account because it may receive more revenue from one account than it does from a similar account. This could incentivize JPMS to allocate opportunities of limited availability to the account that generates more revenue for JPMS.

JPMS has established policies, procedures and practices to manage the conflict described above. JPMS's syndicate allocation practices are designed such that syndicate allocation decisions are made following established procedures that require consideration of multiple factors and are designed to comply with securities laws and other applicable regulations. Syndicate allocation decisions that may give rise to material actual, potential or perceived conflicts of interest will be identified and escalated for review and resolution.

## **Non-U.S. Investments**

International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Also, the volatility of some non-U.S. markets may be higher due to instability associated with their political and economic environments.

## **Non-Traditional Mutual Funds and ETPs**

For additional information regarding non-traditional mutual funds and ETPs, please speak with your advisor or review "Investing in Non-Traditional Funds" at [www.chase.com/content/dam/chase-ux/documents/personal/investments/investing-in-non-traditional-funds.pdf](http://www.chase.com/content/dam/chase-ux/documents/personal/investments/investing-in-non-traditional-funds.pdf).

## **Ownership Interest in J.P. Morgan Stock**

Certain asset management firms (each, an "asset manager") through their funds and separately managed accounts currently hold a 5% or more ownership interest in J.P. Morgan publicly traded stock. This ownership interest presents a conflict of interest when JPMCB, JPMS and J.P. Morgan recommends or purchases the publicly traded security of the asset manager or the separately managed accounts or funds that are managed or advised by the asset manager. J.P. Morgan addresses this conflict by disclosing the ownership interest of the asset manager and by subjecting the asset manager's separately managed accounts and funds to a research process. Additionally, the advisors and portfolio managers that may purchase or recommend securities, separately managed accounts and funds of an asset manager that has an ownership interest in J.P. Morgan, do not receive any additional compensation for that purchase or recommendation. A fund ownership interest in J.P. Morgan can cause the fund and its affiliates to determine that they are unable to pursue a transaction or the transaction will be limited or the timing altered. J.P. Morgan monitors ownership interests in J.P. Morgan for regulatory purposes and to identify and mitigate actual and perceived conflicts of interest. As of December 31, 2019, both Vanguard and BlackRock hold more than a 5% interest in J.P. Morgan.



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## 5. State-Specific Information

### A. Massachusetts

The Massachusetts Securities Division has adopted a standard of conduct rule which highlights the nature of our relationship with you under the state's law. Their rule, called "Fiduciary Duty of Broker-dealers and Agents," imposes a duty of care and loyalty on broker-dealers and advisors when providing certain investment advice or making certain recommendations to Massachusetts investors.

### B. Nevada

Nevada amended its Financial Planner statute to include broker-dealers and investment advisers and their representatives within the definition of a financial planner, and thus subject them to provisions of the Nevada financial planner law.

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## 6. Appendix

See [page 34 and 35](#) for **Fee Schedule for Brokerage Accounts** and **Commission Schedule for Brokerage Accounts**.

# Fee Schedule for Brokerage Accounts

## Please read carefully

This schedule contains information about the fees and charges that apply to your account and your transactions. Please note that fees and other information are subject to change without notice.

<b>ANNUAL ACCOUNT FEES</b>	Brokerage Account <sup>1</sup>	<b>\$50.00</b> - How to avoid this fee: Be a Chase Private Client, \$25,000+ in combined investment balances, transact a commissionable trade in a calendar year, \$50,000+ Chase Deposit Balance
	Retirement Brokerage Account (IRAs and SEPs) <sup>1</sup>	<b>\$30</b> - How to avoid this fee: Be a Chase Private Client, \$10,000+ in combined investment balances, \$25,000+ Chase Deposit Balance
<b>ADMINISTRATIVE FEES</b>	Brokerage Account Transfer/Termination Fee	<b>\$75</b>
	Confirm Postage/Handling <sup>1</sup>	<b>\$3 per confirm</b> - This fee does not apply to Chase Private Clients or paperless clients.
	Overnight/Express Mail	<b>\$10 per item</b> - This fee does not apply to Chase Private Clients.
	Wire Transfer <sup>2</sup>	<b>\$25 per wire</b> - This fee does not apply to Chase Private Clients.
	Late Payment/Cash Due Interest	JPMS Base Lending Rate + 2.5%
	Stop Payments	<b>\$30 per item</b> - This fee does not apply to Chase Private Clients.
	Check Returns	<b>\$12 per check</b> - This fee does not apply to Chase Private Clients.
	Pre-Payment Advance Before Trade Settles	Margin interest
Alternative Investment Administration <sup>3</sup>	<b>\$250 per investment, per year</b> - This fee does not apply to Chase Private Clients.	
<b>PHYSICAL CERTIFICATE FEES</b>	Legal Transfers	<b>\$25 per certificate</b> - This fee does not apply to Chase Private Clients.
	Safekeeping	<b>\$10 per position, per month</b> - This fee does not apply to Chase Private Clients.

All the above fees will be charged either to your linked bank account or brokerage account.

Other fees and costs, including fees intended to offset fees charged by regulatory bodies and costs for foreign currency transactions, foreign clearing charges and safekeeping may apply.

### Note: Additional foreign security fees may be charged as incurred from agent banks.

<sup>1</sup>Fees do not apply to managed accounts. Other exclusions may apply.

<sup>2</sup>This fee does not apply to internal wire transfers.

<sup>3</sup>Includes limited partnerships, private equity funds, hedge funds, REITs, etc.

Investment products and services are offered through **J.P. Morgan Securities LLC (JPMS)**, a registered broker-dealer and investment advisor, member of FINRA and SIPC. Annuities are made available through Chase Insurance Agency, Inc. (CIA), a licensed insurance agency, doing business as Chase Insurance Agency Services, Inc. in Florida. JPMS, CIA and JPMorgan Chase Bank, N.A., are affiliated companies under the common control of JPMorgan Chase & Co. Products not available in all states.

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 JPMORGAN CHASE BANK, N.A., OR ANY OF ITS AFFILIATES • SUBJECT TO INVESTMENT RISKS,  
 INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED

# Commission Schedule for Brokerage Accounts

## Please read carefully

This schedule contains information about the fees and charges that apply to your account and your transactions. Please note that fees and other information are subject to change without notice.

<b>STOCKS &amp; EXCHANGE-TRADED FUNDS</b>	1% of principal Minimum commission of \$25.00	
<b>STOCKS &amp; ETFs VIA CHASE.COM</b>	\$0 per trade	
<b>OPTIONS<sup>1</sup></b>	Premium Price	Fee per contract
	\$0.01-\$0.49	\$1.00 per contract
	\$0.50-\$0.99	\$2.00 per contract
	\$1.00 and over	\$4.00 per contract
	Minimum commission of \$25.00	
<b>FIXED INCOME</b>	Fixed income securities are typically purchased on principal basis and are subject to a markup (if you are a buyer) or markdown (if you are a seller) charged by J.P. Morgan. Transactions involving municipal securities in which J.P. Morgan cannot determine a fair price may be charged a commission as opposed to a markup or markdown. Your advisor can provide you with the markup, markdown or commission charged on fixed income securities.	
<b>UNIT INVESTMENT TRUSTS AND VARIABLE INSURANCE</b>	Read your prospectus for complete details regarding the sales loads, surrender charges and other fees for such products. There are no additional transaction fees applied for purchases or redemptions of such products.	
<b>STRUCTURED NOTES</b>	For new issues, read your offering documents for complete details on the offering price, which includes a selling concession. In cases where structured products are called before maturity, fees are not rebated.	
<b>MUTUAL FUNDS<sup>2</sup></b>	Read your prospectus for complete details regarding the sales load, redemption fees and other fees for such products. There are no additional transaction fees applied for purchases or redemptions of such products.	
<b>MARGIN</b>	Speak with your J.P. Morgan Advisor for current rates.	

All the above fees will be charged either to your linked bank account or brokerage account.

Other fees and costs, including fees intended to offset fees charged by certain regulatory bodies and costs for foreign currency transactions, foreign clearing charges and safekeeping may apply.

<sup>1</sup> Options are not suitable for all investors.

<sup>2</sup> **Investors should carefully consider the investment objectives and risks, as well as charges and expenses of the mutual fund before investing. To obtain a prospectus, contact your Investment Representative or visit the fund company's website. The prospectus contains this and other information about the mutual fund. Read the prospectus carefully before investing.**

INVESTMENT AND INSURANCE PRODUCTS ARE:  
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