

# REGULATION BEST INTEREST DISCLOSURE

**Banco do Brasil Securities LLC**  
 2 S. Biscayne Boulevard Suite 3150  
 Miami, FL 33131

This Regulation Best Interest Disclosure provides information about the scope and terms of the brokerage services that Banco do Brasil Securities LLC (BBS, or we, us or our) provides to retail clients that engage BBS for brokerage services, specific products’ investment risks, and conflicts of interest related to the products and services we offer.

BBS is a broker-dealer registered with the [SEC](#) and member of [FINRA](#) and [SIPC](#). BBS is an introducing broker clearing through Pershing LLC on a fully disclosed basis. BBS is a wholly owned subsidiary of Banco do Brasil S.A. (“the Bank”).

Investment products are NOT BANK GUARANTEED, Not FDIC Insured, and May Lose Value. Securities are not bank products and are distinct from your banking accounts, including those with our affiliate entities.

**November 2021**

## Table of Contents

1. IMPORTANT INFORMATION ABOUT OUR RELATIONSHIP WITH YOU .....	2
2. TYPES AND SCOPE OF OUR SERVICES .....	2
3. TYPES OF ACCOUNTS .....	4
4. STANDARD OF CONDUCT UNDER REGULATION BEST INTEREST .....	5
5. CONFLICTS OF INTEREST & COMPENSATION .....	5
6. RISKS INHERENT WHEN INVESTING IN STOCKS.....	6
7. RISKS INHERENT WHEN INVESTING IN BONDS.....	7
8. RISKS INHERENT WHEN INVESTING IN CONTINGENT CONVERTIBLE BONDS.....	9
9. RISK INHERENT WHEN INVESTING IN MUTUAL FUNDS.....	10
10. RISKS INHERENT WHEN INVESTING IN EXCHANGE TRADED FUNDS.....	12
11. RISKS INHERENT WHEN INVESTING IN OPTIONS.....	13
12. RISKS INHERENT WHEN INVESTING IN STRUCTURED PRODUCTS.....	14
13. RISKS INHERENT WHEN INVESTING IN LOW PRICED EQUITY SECURITIES.....	18
14. PLEDGE PROGRAM - CONFLICT OF INTEREST AND RISKS DISCLOSURE .....	18
15. BROKERED / YANKEE CERTIFICATE OF DEPOSITS - CONFLICT OF INTEREST AND RISKS DISCLOSURE ..	19
16. CONCENTRATION RISK.....	20
17. FEE SCHEDULE AND EXPLANATION OF FEES .....	21

## 1. IMPORTANT INFORMATION ABOUT OUR RELATIONSHIP WITH YOU

At BBS we understand that each client is unique and has different investment needs. In order to ensure that those needs are met, each client is assigned a dedicated financial professional so we can build a long-lasting relationship that will enable us to get to know our clients in order to serve those needs to the best of our ability.

We believe that it is imperative that our clients understand the products that we offer, so your financial professional will take the time you need to make sure all your questions and concerns are addressed. You may select investments based upon your own research or we may recommend investment for your account, but the ultimate decision as to your investment strategy and the purchase or sale of investments will be yours.

The following disclosures are intended to summarize key features of some of the products we may recommend to our retail clients, as well as outline conflicts we have regarding these products.

Aside from this document, you can also find other disclosures regarding your BBS account by reviewing the following documents we provide to you:

- The Client Relationship Summary ([Form CRS](#)), which contains certain SEC required information about us and our services as a broker-dealer.
- The account agreements and related disclosures provided to you at account opening.
- The [Fee Schedule and Explanation of Fees](#).
- The [Margin Disclosures](#).
- Trade confirmations.
- Prospectuses and other offering memorandums and subscription documents, provided in connection with purchase of certain investment products

You may also search for offering documents and company reports at the SEC's Edgar database here: <http://www.sec.gov/edgar.shtml> should you have any questions, please contact your financial professional or ask us for more information.

This disclosure is intended to satisfy our obligations under Regulation Best Interest and does not modify any other agreement you have with us. Our obligations under Regulation Best Interest apply when we make a recommendation of a type of account with us, a securities transaction in a brokerage account with us, an investment strategy, or recommend that you open an account with us.

Should you have questions, do not hesitate to contact your financial professional. Always read the prospectus before making a decision to invest.

---

## 2. TYPES AND SCOPE OF OUR SERVICES

BBS is an introducing broker with Pershing acting as our clearing broker. We provide the following Brokerage Services for our retail customers:

**Investment recommendations** - We provide investment recommendations to you regarding securities or investment strategies involving securities from time to time. These recommendations are incidental to the brokerage service we provide, meaning you do not pay a separate fee for advise in brokerage transactions but compensate us only by payment of a commission or markup/markdown, depending on the product in which you are transacting. When we make a recommendation to you, it must be in your best interest at the time it is made based on, among other things, your Investment Profile.

**Unsolicited transactions** - You are permitted to disregard our recommendations or otherwise make your own investment decisions and to ask financial professionals to execute transactions other than those we recommend to you. Your purchases and sales of securities that are not recommended by us are not subject to Regulation Best Interest and can cause your account to perform in a way that is inconsistent with our recommendations.

**Transaction execution** - We execute transactions at your direction subject to availability and our policies and procedures for which you pay a fee or commission as described in our [Fee Schedule and Explanation of Fees](#). We execute transactions consistent with our best execution obligation.

BBS routes all equities, options, ETFs and mutual funds orders to Pershing for execution and clearance. Fixed income trades and proprietary fixed income products are executed by our NYC trading desk and may be traded as principal from our own account. While BBS offers a wide selection of products that include mutual funds, stocks, ETFs, bonds and fixed income products, options and structured products, there are some limitations with regard to the availability of some product types based upon contractual agreements in place with BBS. For instance, there are a wide selection of mutual fund companies available to investors, however BBS has limited its offering to the following mutual fund operators: Alliance Bernstein, The BB Funds SPC, Blackrock, EFG Asset Management (UK) Limited, Franklin Templeton, Ninety One Luxembourg SA, J.P. Morgan Asset Management, Lord Abbett, MFS, Morgan Stanley Investment Funds, Pictet, PIMCO Europe Ltd., Principal Global Investors, Schroders Investment Management, Wells Fargo Securities International Limited and Goldman Sachs Asset Management LP. This means that you will not be able to purchase mutual funds from other investment managers through BBS.

All products will be available to clients who have the appropriate risk profile to take the corresponding risk. Some products, such as the mutual funds distributed by BBS are not available to US residents. BBS only distributes offshore mutual funds. BBS distributes both, domestic and offshore ETFs. Offshore ETFs are available only to non-US residents. Domestic ETFs are available to all clients, US or otherwise. Eurobonds have selling restrictions to US residents; those will be discussed prior to execution according to the specific issue and client's residential status.

BBS requires a minimum account size or investment amount of \$200,000 to open an account with us.

Our Brokerage Services do NOT include:

- Investment advisory services. Although we can provide you with investment recommendations and related advice that is incidental to brokerage transactions executed in your account, we do NOT provide on-going investment recommendations or advice for transactions in your account. We do not act in the capacity of an investment adviser for your account.
- Ongoing monitoring. From time to time, we may voluntarily review the holdings in your account for the purposes of determining whether to make a recommendation to you. For purposes of Regulation Best Interest, however, we do NOT provide an ongoing monitoring service or monitor your account and Regulation Best Interest does not require us to do so.
- Discretionary authority. We have no discretionary authority over your account and can only purchase or sell securities or investment strategies that you authorize. This means that you make all decisions for your account.

### 3. TYPES OF ACCOUNTS

**Standard Brokerage Accounts** - When you establish a standard brokerage account with us, the account is held through Pershing, our clearing firm. Pershing executes transactions at our request and maintains custody of your funds and securities. We will either trade on an agency basis (as agent for you) and charge a commission, or act as principal, purchasing or selling a security solely to fill your order (often referred to as riskless principal). Your transaction confirmation will disclose the capacity in which we acted, agency or principal. Our standard brokerage account is a cash account, meaning that you must pay for transactions as they occur.

We offer various products in brokerage accounts, including but not limited to stocks, bonds, options, mutual funds, and others. When we sell these products, we send you a confirmation at or before the completion of the transaction. You should carefully review the transaction confirmation for additional details about the transaction.

There are various fees for brokerage accounts, including account maintenance, inactive account fee, wire transfers, account termination, ticket charges, etc. Please refer to our [Fee Schedule and Explanation of Fees](#) for more details.

**Margin Accounts** - Brokerage accounts come in several forms. Typically, a brokerage account is a cash account meaning that you pay for your securities transactions with cash in the account or you pay for each transaction by settlement date by transferring funds into the account. However, a margin account involves borrowing money from your brokerage firm to purchase securities. The portion of the purchase price that you must deposit is called **margin** and is your initial equity or value in the account. The loan from the firm is secured by the securities you purchase. If the securities you are using as collateral go down in price, your firm can issue a **margin call**, which is a demand that you repay all or part of the loan with cash, a deposit of securities from outside your account, or by selling some of the securities in your account.

Margin loans involve interest which you must pay regardless of whether you make or lose money on your investments. Additionally, you must maintain minimum margin, meaning you must meet the margin requirements of your brokerage firm. If the value of an investment declines, you may be required to deposit more money or liquidate your positions.

Margin requirements can change from time to time. If you have a margin account, make sure you understand how the margin account works and you know the margin rules. Also, because we earn more money when you engage in more transactions, and we earn money on margin interest you pay, we have an incentive to recommend a margin account.

**You can lose more funds than you deposit in the margin account.** A decline in the value of securities that are purchased on margin may require you to provide additional funds to BBS to avoid the forced sale of those securities or other securities in your account.

**BBS can force the sale of securities in your account.** If the equity in your account falls below the margin maintenance level required by law, or below our higher "house" requirements, BBS' can sell the securities in your account to cover the margin deficiency. You will also be responsible for any shortfall in the account after such a sale.

**Securities can be sold without contacting you prior to the sale.** Some investors mistakenly believe they must be contacted before a margin call becomes valid, and that the securities in their accounts cannot be liquidated to meet the call, unless they have been contacted first. This is not the case. Most firms will attempt to notify you of margin calls but are not required to do so. However, even if BBS has contacted you and provided a specific date by which you can meet a margin call, BBS can still take the necessary steps to protect its financial interests, including immediately selling the securities without notice to you.

**You are not entitled to choose which securities in your margin account are liquidated or sold to meet your margin call.** Because the securities are collateral for the margin loan, BBS has the right to decide which security to sell in order to protect its interests.

**BBS can increase its “house” maintenance requirements at any time and is not required to provide you with written notice in advance.** These changes in policy can take effect immediately and may result in the issuance of a margin maintenance call. Your failure to satisfy this call may cause a forced liquidation in your account.

**You are not entitled to an extension of time on a margin call.** While an extension of time to meet margin requirements may be available to clients under certain conditions, a client does not have a right to the extension.

For more information about margin accounts and the use of margin visit FINRA’s investor alert “ Investing with Borrowed Funds: No “Margin” for Error” at: <https://www.finra.org/investors/alerts/investing-borrowed-funds-no-margin-error>.

---

#### **4. STANDARD OF CONDUCT UNDER REGULATION BEST INTEREST**

When we make recommendations to you in our capacity as a broker-dealer regarding securities transactions or investment strategies involving securities (including account recommendations), we must act in your best interest at the time the recommendation is made. This means we cannot place our, one of our financial professional’s, or other interests ahead of yours. Our recommendations are based on, among other things, your Investment Profile and other information that you provide to us.

---

#### **5. CONFLICTS OF INTEREST & COMPENSATION**

BBS is a wholly owned subsidiary of Banco do Brasil S.A. The bank is a publicly owned company listed in the Brazilian Stock Exchange. However, the Brazilian Federal Government controls the Bank with slightly more than 50% of the total shares. Additional information about the ownership structure can be found at the bank website: [Ownership Structure - Banco do Brasil RI \(bb.com.br\)](http://bb.com.br)

BBS may recommend and sell proprietary products that are issued by our affiliate. The Bank and BBS are each indirectly controlled by the Brazilian Federal Government as are many of the BBS’ affiliates.

**Country and Political Risk** - The value of an investment can decline as a result of political changes or instability. This risk can increase or decrease depending on conditions in the country of issuance of the securities. Because BBS offers investments in securities issued by Brazil, clients should be aware of these risks. Actions taken by the Brazilian Federal Government may impair the value and liquidity of the assets, therefore negatively impacting the liquidity, price and performance of securities issued by the Brazilian Federal Government or government-owned enterprises such as Banco do Brasil S.A. and its affiliates. BBS offers securities in issuers that might be considered under this category such as: BNDES, the Federative Republic of Brazil, Petrobras, and all others that have the Federative Republic of Brazil as its major shareholder.

**Transactions with affiliates** - Because BBS is ultimately controlled by Banco do Brasil S.A. which is majority owned by the Brazilian Federal Government, we may have an incentive to recommend that you purchase securities issued by the Federative Republic of Brazil or those for which it is a major shareholder as illustrated in the paragraph above. Clients should be aware of this conflict before investing in such securities.

Additionally, BBS affiliates offer accounts in which clients may borrow against securities they pledge as collateral (e.g., Pledge Program). For this reason, and because we can earn commissions, we have an incentive to recommend that clients purchase more securities from us. Clients must be aware of the related costs and how BBS and its affiliates are being compensated and benefiting from these transactions.

**Compensation** - Some products offer higher compensation than others. For example, you pay a lower fee for a stock than you would pay for a structured product. This creates a conflict because we have an incentive to sell you products with higher fees. However, we have procedures in place to mitigate these conflicts. Other material conflicts do apply to BBS. For example, BBS is an affiliate of Banco do Brasil S.A. and may recommend and sell proprietary products that are issued by our affiliate.

We typically earn compensation by marking up the price of the securities we sell you or by marking down the price of the securities we buy from you. BBS can act as agent on behalf of one of its affiliates, which is the principal to the transaction, and BBS will receive remuneration from the affiliate for its role in such transaction. In addition, certain investments that BBS may sell or buy from a retail investor may be executed from BBS's own principal account. We can earn a profit on these trades, so we have an incentive to encourage you to trade with us. We also pay a referral fee to two BBS affiliates (BB Miami and BB Americas) of \$400 when an account executive at those offices refers a client to BBS.

**Firm Compensation** - BBS is to be compensated on a commission basis for the products listed above. Each product has a different commission structure. Please refer to our [Fee Schedule and Explanation of Fees](#) for more details.

BBS receives ongoing compensation from certain investment products such as mutual funds. This compensation (commonly known as "trailer" or "Rule 12b-1 fees") is typically paid from the assets of the investment product under a distribution or servicing arrangement with the investment sponsor and is calculated as an annual percentage of assets invested by BBS customers. The more assets you invest in the product, the more BBS will be paid in these fees. Therefore, we have an incentive to encourage you to increase the size of your investment. The amount of trailers received varies from product to product. This creates an incentive to recommend a product that pays a higher trail rather than a lower trail. We also have an incentive to recommend a product that pays trails (regardless of amount) rather than products that do not pay trailers. BBS does not directly share trailer fees with its financial professionals.

**BBS Financial Professional Compensation** - BBS pays its financial professionals on a salary plus discretionary bonus model. The discretionary bonus is not directly related to the amount of transactions conducted but might be related to the amount of assets you place in your account with BBS. BBS financial professional compensation is based upon overall company goals, such as net new assets, new accounts, fee income and customer satisfaction. Brokers are not compensated based on sales of a specific product or based on the levels of their production. From time to time, financial professionals may receive non-cash compensation in the form of meals or educational seminars offered by product sponsors or may receive business gifts of nominal value such as promotional items.

## 6. RISKS INHERENT WHEN INVESTING IN STOCKS

Stock markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. When you invest in a stock, you could lose all the money that you invested, and in some cases, more than you invested. It is important to understand all the risks that you are taking when you invest in stocks to ensure you are comfortable taking those risks.

**Investment Risk** - Returns are never guaranteed. While stocks have historically performed well over the long term, there is no guarantee you will make money on a stock at any given point in time. Although a

number of things can help you assess a stock, no one can predict exactly how a stock will perform in the future. There is no guarantee that prices will go up or that the company will pay dividends. Or that a company will even stay in business. You may lose money. Stock prices can be volatile for a variety of different reasons. You must be comfortable with the risk that you might lose all of your money when you buy and sell stocks, especially if you are not planning to invest for the long term. If you use leverage to invest in stocks, like buying on margin you could lose more than you invest.

**Economic Risk** - One of the risks of investing in the stock market is economic risk, meaning that the economy can take a turn for the worse at any time. An example of this is the COVID-19 pandemic. While younger investors have a longer time horizon to recover losses due to economic risks, older investors do not. If you are in or near retirement, a major downturn in the stock market can be devastating if you have over exposures to equity securities.

**Inflationary Risk** - Inflationary risk is the risk that inflation will undermine an investment's returns through a decline in purchasing power. It is the risk that an investor takes on when holding cash or investing in an asset which is not linked to inflation. The risk is that the cash value will be reduced by inflation. For example, if an investor holds 40% of a \$1,000,000 portfolio in cash and inflation is running at 5%, the cash value of the portfolio can lose purchasing power of \$20,000 per year ( $\$1 \text{ million} \times 0.4 \times 0.05$ ) due to inflation.

**Liquidity Risk** - Liquidity risk arises when an investment cannot be bought or sold quickly enough to prevent or minimize a loss. While Many securities actively trade, some may be difficult to sell and may cause you to take a bigger loss and/or prevent access to your funds when you need them.

## 7. RISKS INHERENT WHEN INVESTING IN BONDS

Like other investments, when you invest in bonds and bond funds, you face the risk that you might lose money. Here are some common risk factors to be aware of with respect to bond and bond fund investments.

**Interest Rate Risk** - When interest rates fall, bond prices rise, and when interest rates rise, bond prices fall. Interest rate risk is the risk that changes in interest rates (in the U.S. or other world markets) may reduce (or increase) the market value of a bond you hold. Interest rate risk—also referred to as market risk—increases the longer you hold a bond. Rising interest rates also make new bonds more attractive (because they earn a higher coupon rate). This results in what is known as opportunity risk—the risk that a better opportunity will come around that you may be unable to act upon. The longer the term of your bond, the greater the chance that a more attractive investment opportunity will become available, or that any number of other factors may occur that negatively impact your investment. This also is referred to as holding-period risk—the risk that not only a better opportunity might be missed, but that something may happen during the time you hold a bond to negatively affect your investment.

**Currency Risk** - Also called foreign-exchange risk or exchange-rate risk. Any change in the exchange rate between two relevant currencies can increase or reduce your investment return. You probably have exposure to currency risk if you own investments in a foreign firm or in a large U.S. company with significant foreign sales.

**Call Risk** - Similar to when a homeowner seeks to refinance a mortgage at a lower rate to save money when loan rates decline, a bond issuer often calls a bond when interest rates drop, allowing the issuer to sell new bonds paying lower interest rates—thus saving the issuer money. For this reason, a bond is often called following interest rate declines. The bond's principal is repaid early, but the investor is left unable to find a similar bond with as attractive a yield. This is known as call risk. With a callable bond, you might not receive the bond's original coupon rate for the entire term of the bond, and it might be difficult or impossible to find an equivalent investment paying rates as high as the original rate. This is known as reinvestment risk.

Additionally, once the call date has been reached, the stream of a callable bond's interest payments is uncertain, and the market value of the bond may not rise above the call price, and in some instances may be lower than the call price. Finally, if you pay a premium for a bond (over the call price) your yield to call may be significantly lower than the yield to maturity. Carefully review the prospectus and make sure you understand call features of a bond and how they can affect your returns.

**Duration Risk** - If you own bonds or have money in a bond fund, there is a number you should know. It is called duration. Although stated in years, duration is not simply a measure of time. Instead, duration signals how much the price of your bond investment is likely to fluctuate when there is an up or down movement in interest rates. The higher the duration number, the more sensitive your bond investment will be to changes in interest rates. Duration risk is the name economists give to the risk associated with the sensitivity of a bond's price to a one percent change in interest rates. For more information, see FINRA's alert, *Duration—What an Interest Rate Hike Could Do to Your Bond Portfolio*.

**Refunding Risk and Sinking Funds Provisions** - A sinking fund provision, which often is a feature included in bonds issued by industrial and utility companies, requires a bond issuer to retire a certain number of bonds periodically. This can be accomplished in a variety of ways, including through purchases in the secondary market or forced purchases directly from bondholders at a predetermined price. This is referred to as refunding risk. Holders of bonds subject to sinking funds should understand that they risk having their bonds retired prior to maturity, which raises reinvestment risk.

**Default and Credit Risk** - If you have ever loaned money to someone, chances are you gave some thought to the likelihood of being repaid. Some loans are riskier than others. The same is true when you invest in bonds. You are taking a risk that the issuer's promise to repay principal and pay interest on the agreed upon dates and terms will be upheld. While U.S. Treasury securities are generally deemed to be free of default risk, most bonds face a possibility of default. This means that the bond obligor will either be late paying creditors (including you, as a bondholder), pay a negotiated reduced amount or, in worst-case scenarios, be unable to pay at all.

**Using Ratings Agencies to Assess Default & Credit Risk** - The Securities and Exchange Commission (SEC) has designated 10 rating agencies as Nationally Recognized Statistical Rating Organizations (NRSROs). These organizations review information about selected issuers, especially financial information, such as the issuer's financial statements, and assign a rating to an issuer's bonds—from AAA (or Aaa) to D (or no rating). Each NRSRO uses its own ratings definitions and employs its own criteria for rating a given security. It is entirely possible for the same bond to receive a rating that differs, sometimes substantially, from one NRSRO to the next. While it is a good idea to compare a bond's rating across the various NRSROs, not all bonds are rated by every agency, and some bonds are not rated at all. In such cases, you may find it difficult to assess the overall creditworthiness of the issuer of the bond.

**Slow Down When You See "High Yield"** - Generally, bonds are lumped into two broad categories—investment grade and non-investment grade. Bonds that are rated BBB, bbb, Baa or higher are generally considered investment grade. Bonds that are rated BB, bb, Ba or lower are non-investment grade. Non-investment grade bonds are also referred to as high-yield or junk bonds. Junk bonds typically offer a higher yield than investment-grade bonds, but the higher yield comes with increased risk—specifically, the risk that the bond's issuer may default.

**Inflation and Liquidity Risk** - Inflation risk is the risk that the yield on a bond will not keep pace with purchasing power (in fact, another name for inflation risk is purchasing power risk). For instance, if you buy a five-year bond in which you can realize a coupon rate of 5 percent, but the rate of inflation is 8 percent, the purchasing power of your bond interest has declined. All bonds but those that adjust for inflation, such as TIPS, expose you to some degree of inflation risk. Liquidity risk is the risk that you will not be easily able to find a buyer for a bond you need to sell. A sign of liquidity, or lack of it, is the general level of trading activity: A bond that is traded frequently in a given trading day is considerably more liquid than one which only shows trading activity a few times a week. Some bonds, like U.S. Treasury securities, are quite easy to



sell because there are many people interested in buying and selling such securities at any given time. These securities are liquid. Others trade much less frequently. Some even turn out to be "no bid" bonds, with no buying interest at all. These securities are illiquid. Investors can check corporate bond trading activity—and thus liquidity—by using FINRA's Market Data Center. For insight into municipal bond liquidity, investors can use trade data found on the Municipal Securities Rulemaking Board's website at msrb.org.

**Event Risk** - Mergers, acquisitions, leveraged buyouts and major corporate restructurings are all events that put corporate bonds at risk, thus the name event risk. Other events can also trigger changes in a company's financial health and prospects, which may trigger a change in a bond's rating. These include a federal investigation of possible wrongdoing, the sudden death of a company's chief executive officer or other key manager, or a product recall. Energy prices, foreign investor demand and world events also are triggers for event risk. Event risk is extremely hard to anticipate and may have a dramatic and negative impact on bondholders.

Any fixed income security sold or redeemed prior to maturity may be subject to loss.

**Conflict of Interest** - BBS is a wholly owned subsidiary of Banco do Brasil S.A. We have an incentive to recommend bonds of Banco do Brasil as well as bonds issued by the Federative Government of Brazil and those entities in which it holds ownership over other bonds.

## 8. RISKS INHERENT WHEN INVESTING IN CONTINGENT CONVERTIBLE BONDS

Contingent Convertible ("CoCo") Bonds are complex instruments that present risks to the investor that are important to consider and disclose. Here, we highlight certain important risks of CoCos generally, but each CoCo has different terms that will significantly impact the type and level of risk presented. Those risks may differ materially from those described here. ***You must consult the relevant CoCo prospectus for information regarding the risks of each CoCo.***

**Background** - In their response to the financial crisis in 2008 and 2009, regulatory authorities increased the capital requirements for financial institutions. One means by which financial institutions may seek to fulfill those requirements is through the issuance of CoCos. CoCos are hybrid, subordinated bonds that have the properties of both fixed-income and equity securities and are intended to ensure that in the event that a financial institution encounters financial difficulty, losses are borne by the holders of the CoCos rather than taxpayers.

Generally, CoCos have a loss-absorption mechanism and a trigger (the "CoCo Trigger") that activates that mechanism, and after the CoCo Trigger event the CoCo is either converted to equity or suffers a principal write-down. These trigger events and loss-absorption mechanisms vary widely among different CoCos. The CoCo Trigger may also be activated by the regulatory authority at its discretion if it views the financial institution's existence as threatened. By purchasing a CoCo, you are subjecting yourself to the risk that the bond may be converted to equity or suffer a principal write-down, either of which would result in a financial loss that may be significant.

**Certain Risks** - CoCo structures are highly complex and carry a wide spectrum of risk, including market, credit, and regulatory risk. These risks include:

- Capital structure inversion risk: CoCos have the potential to permanently lose up to 100% of their value prior to a bankruptcy or other material permanent negative event for common stockholders. CoCos may lose their value even if the equity of an issuer does not.
- Subordination risk: CoCos are deeply subordinated in the event of a liquidation of the issuer.

- Perpetual instruments: The holders of CoCos generally do not have the ability to require the issuer to redeem the bonds, and the bonds have no scheduled maturity.
- Call extension risk: CoCos are generally perpetual instruments, and it cannot be assumed that they will be called on a call date. You may not receive return of principal on an expected call date.
- Redemption risk: The bonds can be redeemed by the issuer in its sole discretion for certain regulatory and tax reasons.
- Coupon cancellation:
  - CoCos are generally perpetual instruments whose coupon payments (distributions) are discretionary and may be cancelled at any time, for any reason.
  - There may also be mandatory coupon cancellation in certain circumstances.
  - Financial regulation may restrict the issuer's ability to make discretionary distributions to CoCo holders in certain circumstances.
- Unknown risk: CoCos are new instruments, are complex, and performance during periods of market stress is generally untested. In a stressed environment it is uncertain how they will perform, particularly because in the event of market distress there will be increased possibility that the CoCo Trigger will be reached, or that the applicable regulator may exercise a discretionary CoCo Trigger.

**Conflict of Interest** – BBS is a wholly owned subsidiary of Banco do Brasil S.A. We have an incentive to recommend CoCo bonds of Banco do Brasil over other bonds.

For the reasons noted above, CoCo Bonds are generally appropriate for sophisticated investors capable of understanding and bearing the risks of investing in these types of products. Please consult the prospectus for the risks related to each particular CoCo bond and consult your financial professional with any questions.

## 9. RISK INHERENT WHEN INVESTING IN MUTUAL FUNDS

A mutual fund is an investment vehicle comprised of a pool of funds from many investors that buys stocks, bonds and other securities. When you purchase a mutual fund, you get exposure to all the investments in that fund. Individual investors own shares of the mutual fund, while the fund (or investment company) owns the underlying investments selected by the fund's investment manager. Each mutual fund is different in its structure and philosophy. There are two main types of mutual funds: **open-end** funds, which redeem (or buy back) outstanding shares at any time upon the shareholder's request based on the current value of the fund's assets, and **closed-end funds**, which issue a fixed number of shares, trade similarly to stocks, and are typically listed on an exchange.

The type and level of risk will depend on what the mutual fund invests in. The following risks should be assessed before you invest in a mutual fund.

**Country Risk** - The value of an investment can decline as a result of political changes or instability in a country in which it is issued.

**Credit Risk** - Credit risk is the risk that the issuer's promise to repay principal and pay interest on the agreed upon dates and terms will be upheld. Mutual funds that invest in bonds are subject to credit risk. If the bond issuer cannot repay the bond, the security will be worthless.

**Currency risk** - Currency risks arise from changes in the relative valuation of currencies. These changes can create unpredictable gains and losses when the profits or dividends from an investment are converted from a foreign currency into U.S. dollars.

**Interest Rate Risk** - The value of fixed income securities falls when interest rates rise. Any fund that invests in fixed income products will be affected in the same way as individual fixed income securities.

**Liquidity Risk** - A fund can experience liquidity risk in situations where the fund invests in assets that are not easily sold, especially as it declines in value.

**Market Risk** - Market risk is the possibility of experiencing losses due to factors that affect the overall performance of the financial markets.

As with any investment decision, it is important to consider several factors before making an investment in a mutual fund. Not only should you consider the risks and objectives of the fund and match them to your own goals and risk tolerance, but you should also understand the costs associated with your investment and how your financial professional is compensated on that investment. Some key factors to consider include a mutual fund's investment strategy, risk profile, investment performance, and relationship to your overall asset allocation strategy and investment time horizon. **Mutual funds are offered by prospectus only.** The prospectus, which contains this and other important information, should be read carefully before investing.

Fees and expenses have an impact on a fund's investment returns and are important factors as well. All mutual funds, including "no load funds", incur transaction costs, expenses, and other fees that are passed through by the mutual fund and ultimately paid by the fund shareholders.

Mutual fund shares fluctuate in value, rising and falling in price depending on the performance of the underlying securities in the fund. **The Net Asset Value (NAV)** of a mutual fund indicates its value or price per share.

**Mutual Fund Shares Classes** - When purchasing mutual funds, choosing a share class is an important investment decision. The information below may help you decide which mutual fund share class is appropriate for you based upon your individual financial situation and investment time horizon. Generally, mutual funds are purchased in A, B, and C share classes, although other classes may also be appropriate.

- **Class A Shares** are typically characterized by a "front-end" sales load. The sales load is a charge paid by the investor. This amount is expressed as a percentage of a fund's public offering price. Sales charges are typically 4.50% for fixed income funds and 5.75% for equity funds. For larger investments, discounts known as "breakpoints" (see below) may reduce the sales charge. Once the sales charge has been deducted, the remaining amount is invested in the fund. In addition to front-end sales loads, investors in mutual fund Class A shares will pay ongoing expenses levied by the funds, including 12b-1 or "trailer" fees.
- **Class B Shares** carry higher internal expenses than Class A shares. These expenses will reduce your returns by the amount they exceed the internal expenses of A shares. Class B share expenses range 0.50% to 0.75% per annum higher than those of Class A shares. Class B shares are also characterized by "back-end" sales loads. Class B shares are not assessed an initial sales charge, allowing the entire purchase to be invested in the fund. However, if you redeem your investment within a prescribed time period, you will be assessed a charge called a "Contingent Deferred Sales Charge" or CDSC. CDSC periods usually expire in 4 to 7 years. The maximum amount of the CDSC is usually between 3.50% and 5.00% and declines the longer you hold your shares. Often when the CDSC period expires, your shares "convert" from Class B to Class A. This conversion allows you to pay lower ongoing internal expenses. We have an incentive to recommend Class B shares because we can earn more selling these shares than we can on Class A shares. This creates a conflict of interest, but we have procedures in place to mitigate the conflict.

- **Class C Shares** charge higher internal expenses than Class A shares. Class C shares usually are not assessed a front-end sales charge. Class C shares assess a CDSC if you redeem your investment within a short time period, typically the first 12 to 18 months of ownership. CDSCs for Class C shares are usually 1.00%. Class C shares do not "convert" to Class A shares, which means that the higher internal expenses continue throughout your ownership of Class C shares. Among Class A, B, and C shares, Class C shares typically have the highest internal expenses, which will reduce your returns. We have an incentive to recommend Class C shares because we can earn more over time when selling these shares versus other share classes. This creates a conflict of interest, but we have procedures in place to mitigate the conflict.

The Financial Industry Regulatory Authority (FINRA) maintains a Mutual Fund Expense Analyzer tool on its website at [https://tools.finra.org/fund\\_analyzer/](https://tools.finra.org/fund_analyzer/) that may help you in making a decision about which share class is best for you.

**Conflict of Interest** – BBS is a wholly owned subsidiary of Banco do Brasil S.A. We have an incentive to recommend Banco do Brasil S.A. mutual funds over other fund companies.

## 10. RISKS INHERENT WHEN INVESTING IN EXCHANGE TRADED FUNDS

An Exchange Traded Funds ("ETF") is a type of security that tracks an index, sector, commodity, stocks, bonds or other assets. An ETF can be structured to track anything from the price of an individual commodity to a large and diverse collection of securities. ETFs can even be structured to track specific investment strategies.

ETFs are similar to mutual funds as they are registered investment companies, but different because they are traded on an exchange. Like stocks, ETFs are bought and sold on a stock exchange, experiencing price changes throughout the day. Some ETFs are not registered investment companies and invest in things such as commodities, currencies or other instruments. Leveraged ETFs seek to deliver a multiple of the performance of the benchmark they track. Inverse ETFs seek to return the opposite of the performance of the benchmark they track.

**Leveraged ETF's** may sound very appealing when they offer the amplification of returns by 2 or 3 times the value of a regular ETF, but some characteristics of these products bring about a significant amount of risk. Due to the complicated characteristics of these investments, they are not right for everyone and should be considered carefully before investing. An ordinary ETF is a pooled mutual fund that owns an underlying basket of securities or other assets, that trade under its own ticker symbol. From time to time, the net asset value (the value of the underlying securities) may deviate from the market price, but, on the whole, the performance should track the underlying index and equal that performance over long periods. When it comes to a leverage ETF, however, the **fund uses debt** and derivatives to amplify the returns of the underlying index at a ratio of 2-to-1 or even 3-to-1, instead of 1-to-1 like a regular ETF. The financial derivatives and debt used in these funds introduce an outsized amount of risk, even as they have the potential to have outsized gains. Leveraged ETF's also often come with higher expense ratios than regular ETF's. In addition to asset management fees and other expenses, such as trading costs and custody fees, there is also interest expense of the debt used to achieve the leverage. All of these expenses will have the effect of lowering the value of the portfolio. In addition to higher expenses, the portfolio of the leveraged ETF is rebalanced daily. This rebalance, especially in times of market volatility will cause the value of the ETF to decline. Due to compounding, leveraged ETFs held over the long term can see strikingly different returns than the fund's target. Because these funds reset each day, you can see significant losses, even if the fund itself appears to be showing a gain.

**Leveraged and/or inverse ETFs are generally short-term investments that are not appropriate to hold for a long period of time.**

We encourage you to review the prospectus, which contains additional risks, prior to purchasing any ETF.

**BBS does not recommend that its retail clients buy, sell, or hold leveraged or inverse ETFs. These securities are made available to clients on an unsolicited basis only.**

---

## 11. RISKS INHERENT WHEN INVESTING IN OPTIONS

Options can serve multiple purposes, including income strategies, hedging and speculating. Options investing is complex, carry a high level of risk and are not suitable for all investors. Hedging and protective strategies generally involve additional costs and do not assure a profit or guarantee against loss. With long options, investors may lose 100% of funds invested. Covered calls provide income, downside protection only to the extent of the premium received, and limit upside potential to the strike price plus premium received. Commissions on options can be substantial and the more options you trade, the more we earn. For that reason, we have an incentive to recommend more transactions, and this creates a conflict of interest. We have procedures to mitigate these conflicts.

Please read the [Characteristics And Risks Of Standardized Options, also known as the Options Disclosure Document \(ODD\)](#) and the subsequent [October 2018 Supplement](#) and [November 2012 Supplement](#). Before considering any options transaction.

**Uncovered Options** - There are special risks associated with uncovered option writing that expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all investors approved for options transactions.

**The potential loss of uncovered call writing is unlimited.** The writer of an uncovered call is in an extremely risky position and may incur large losses if the value of the underlying instrument increases above the exercise price.

As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such loss could be substantial if there is a significant decline in the value of the underlying instrument.

**Uncovered option writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially *substantial* losses, and has sufficient liquid assets to meet applicable margin requirements.** In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or options positions in the investor's account, with little or no prior notice in accordance with the investor's margin agreement.

For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.

If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated until expiration or assignment.

The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

For additional information, please visit The Options Clearing Corporations website at <https://www.theocc.com>.

---

## 12. RISKS INHERENT WHEN INVESTING IN STRUCTURED PRODUCTS

Structured products typically combine features of traditional investments, like bonds, with derivative instruments, like options. This approach creates a product that can provide returns based on performance of underlying assets like individual stocks, a market index, or other benchmark. Such returns will vary depending on the structure of the product and the pre-set level of participation. While these products can provide enhanced yield, there are also risks involved.

Structured products, as described by the Financial Industry Regulatory Authority (FINRA), are securities derived from, based on or linked to a single security, a basket of securities, an index, a commodity or group of commodities, a foreign currency or group of foreign currencies, changes to prevailing interest rates, a debt issuance, or other underlying or reference asset. Structured products generally do not represent ownership of any portfolio of assets but instead the product issuer's promise to pay, which is linked to the performance of the underlying or reference asset. They are a hybrid between two asset classes typically issued in the form of a corporate bond or a certificate of deposit but instead of having a pre-determined rate of interest, the return is linked to the performance of an underlying asset class. As this definition suggests, there are multiple types of structured products. These variations include certain products offering full protection of the principal invested while others may offer limited or no protection of principal.

Most structured products offer the potential to pay an interest or coupon rate above the prevailing market rate and are used as tools by high net worth investors for portfolio diversification. Structured products provide investors with highly targeted investments that are tied to a specific risk profile, return requirements and market expectations. Structured products can be in the form of certificates of deposit issued by a bank and protected by FDIC insurance (subject to applicable limits), which are often called "structured CDs", or in the form of a note or other debt security ("structured note"), which is not FDIC insured and may or may not otherwise offer any principal protection.

**Structured products are complex and investors should carefully consider their risks and costs prior to investing.** For these reasons, **structured products are generally appropriate only for sophisticated investors.**

**Risks to Consider** - As an investor, you must be fully aware of the associated risks and whether these securities fit within your investment parameters. Your investment objectives should be carefully considered and discussed with your financial professional. Investors must understand the product's features and be able to bear the risks associated with investing in them. Features of a particular product to consider when determining general suitability, dependent upon the type of structured products issued, include:

**Credit Risk** - Structured products are unsecured debt obligations of the issuer. As a result, they are subject to the risk of default by the issuer. The creditworthiness of the issuer will affect its ability to pay interest and repay principal. The financial condition and credit rating of the issuer are, therefore, important considerations. The credit rating, if any, pertains to the issuer and is not indicative of the market risk of the structured product or underlying asset. If a structured product provides principal protection or a minimum return, any such guarantee rests on the credit quality of the issuer. Structured products issued by banks in the forms of CDs provide FDIC insurance with standard coverage limitations.

**Liquidity Risk** - Structured products are generally not listed on an exchange or otherwise actively traded. As a result, there may not be a secondary market for these products, making it difficult for investors to sell them prior to maturity. Investors who need to sell structured products prior to maturity are likely to receive less than the amount they invested. Therefore, structured products with longer maturities are subject to greater liquidity risk. The price that someone is willing to pay for structured products in a secondary sale will be influenced by market forces and other factors that are hard to predict. Sometimes, a broker-dealer affiliate of the issuer may make a market for the resale of structured products prior to maturity but the price it is willing to pay will be adversely affected by the commissions paid by the issuer on the initial sale of the structured products and the issuer's hedging costs. Some structured products have lock-up periods prohibiting their sale during such periods. Persons who invest in structured products should have the financial means to hold them until maturity, as structured products are regarded as illiquid.

**Pricing Risk** - Structured products are difficult to price since their value is tied to an underlying asset or basket of assets and there typically is no established trading market for structured products from which to determine a price. Additionally, on the date of issuance, the issue price of a structured note is likely to be higher than the fair market value because of the issuer's costs for selling, structuring and hedging its exposure on the underlying asset. Issuers typically disclose the structured note's estimated value on the offering prospectus' cover page, allowing investors to gauge the difference between the issuer's estimated value of the note and the issuance price. After issuance, structured products do not provide daily pricing information, which makes value determinations more difficult.

**Income Risk** - Structured products may not pay interest (or may not pay interest in regular amounts or at regular intervals), so they are not appropriate for investors looking for current income. Because the return paid on structured products at maturity is tied to the performance of a basket of assets and will be variable, it is possible

that the return may be zero or significantly less than what investors could have earned on an ordinary, interest-bearing debt security. The return on structured products, if any, is subject to market and other risks related to the underlying assets.

**Complexity and Derivatives Risk** - Structured products typically use leverage, options, futures, swaps and other derivatives, which involve special risks and additional complexity. Structured products can have complex features and the underlying asset can also be complex. Payoff calculations on structured products may include the use of a multiple applied to the performance of the underlying asset, caps, barriers or minimums on the potential return, and triggers or buffers designed to limit downside risk. Structured products can either make regular payments during their stated terms or make only a payment at maturity. It is important for investors to understand the features of a structured product and the underlying asset and its components.

**Pay-Out Structure Risk** - The underlying or referenced assets in structured products determine payoff structure and affect calculations regarding the product's performance. Complicated payoff structures make it difficult for investors to accurately assess the value, risk and potential for growth through the terms of a structured product. Some structured products impose limits, caps and barriers that affect their return potential by keeping loss and/or gain within a set price band. With barriers, a structured product may not offer any return if a barrier is broken or breached during the term of the structured product. Conversely, some structured products may not offer any return unless certain thresholds are achieved. Some structured products impose capped maximum return limits so, even if the underlying assets generate a return greater than the stated limit or cap, investors do not realize that excess return. Capped maximum limits offer no downside protection. However, capped buffers limit the maximum gain possible and offer downside protection until the downside threshold is surpassed, which then requires investors to cover any excess, negative return. Structured products also have participation rates that describe an investor's share in the return of the underlying assets. Participation rates below 100% mean that the investor will realize a return that is less than the return on the underlying assets.

**Market Risk** - The performance of the underlying asset on a structured product may cause investors to lose some, or all, of their principal. Depending on the nature of the underlying asset, the market risk of a structured note or other structured product that does not provide principal protection may include changes

in equity or commodity prices, changes in interest rates or foreign exchange rates, or market volatility. Because the performance of a structured product is linked to the performance of an underlying asset, a structured product is subject to market risk associated with the underlying asset.

**Principal Risk** - Some structured products do not offer 100% principal protection. This means an investor may lose principal. These are commonly referred to as “structured notes.” Some structured notes may provide partial principal protection or no protection at all. Loss of principal may result from the performance of the underlying asset. Principal return is also subject to credit risk of the issuer. Some structured notes feature a buffer or trigger, which protects a specified portion of the downside risk. The amount of principal at risk is determined by the specific terms of each deal. Some structured notes may also require customers to hold the note to maturity in order to receive principal protection. Additionally, some structured products impose a buffer or trigger, which protects a specified portion of the downside risk.

**Volatility and Historical Performance of Underlying Asset** - Past performance of an underlying asset class is not indicative of the profit and loss potential on any particular structured product. The value of the underlying asset can experience significant periods of fluctuation and prolonged periods of underperformance.

**Different from Traditional Fixed Rate Bonds** - Structured notes and other structured products are different from traditional fixed income securities. They do not pay a fixed rate of interest, as the interest income is a function of the performance of the underlying asset, which can vary dramatically. The terms and features of structured products can be more complex than those of traditional fixed income securities. Some structured products do not make any payments until maturity.

**Costs and Fees** - Costs and fees associated with the purchase of a structured product vary.

**Tax Considerations** - Structured products may be considered “contingent payment debt instruments” for federal income tax purposes. This means that investors will have to pay taxes each year on imputed annual income based on a comparable yield shown in the final term sheet or prospectus supplement. In addition, any gain recognized upon the sale or exchange, or at maturity, of these products will generally be treated as ordinary income. This especially pertains to principal protected issues. Please consult your tax advisor for guidance.

Additional vulnerabilities may include loss of principal and the possibility that at maturity the investor will own the underlying asset at a depressed price. Interest rates and time remaining until maturity are all factors that may affect the value of the structured product. As with any investment selection, structured products should be purchased as a limited percentage of your portfolio and overall investable assets.

**Categorization of Structured Products** - The structured product market can encompass many variations and the appropriateness of each issue should be evaluated by its specific terms. Most issues can be categorized by one of the following headings. BBS may recommend principally protected structured products to customers that have a minimum protection of 90% of the principal invested amount.

**Principal Protection** - Principal protected structured products may be more appropriate for conservative investors seeking market exposure with principal preservation. These typically offer full principal protection at maturity with the potential for additional return based on the performance of an underlying asset or group of assets. Investors may forfeit some upside exposure to an underlying asset in exchange for principal protection. Return of principal may not be obtained if the investment is sold prior to maturity. Principal protection and payment at maturity are subject to the credit risk of the issuer. The creditworthiness of the issuer is an important factor to consider in investing in a principal protected note. Certain principal protected notes have differing levels of protection; some, for instance, do not offer 100% principal protection. Please note that principal protection applies only to nominal principal and does not offer inflation protection. Some structured products are certificates of deposit of a bank, with the principal amount of the investment protected by FDIC insurance (up to applicable limits) in the case of a bank failure. Other structured products, such as structured notes, do not have FDIC insurance. Some structured notes and other structured products may offer partial principal protection or no principal protection. As a result,



those products are more appropriate for investors who are willing and able to bear a potential loss on their investment.

**Enhanced Yield** - Enhanced yield structures may be appropriate for more risk tolerant investors seeking higher returns than comparable debt instruments. Payment at maturity on these short-term notes is determined by the performance of an underlying asset or group of assets and principal may be at risk. Investors generally forfeit partial or full principal protection at maturity in exchange for the potential to earn a higher participation. Investors can be exposed to downside risk and may lose part or all of their original investment. Additionally, with some structured products, investors may receive shares of stock or a payment at a value below the original principal amount at maturity. Coupon payments and payment at maturity is subject to the credit risk of the issuer.

**Access** - Structured products can provide investors with access to an asset or group of assets not readily available to private investors. These products can offer exposure to markets or strategies that may be inefficient or difficult for investors to obtain, such as foreign exchange rates or commodities. Since these products may not provide for full repayment of principal at maturity and are typically linked to sophisticated underlying assets, they may be more appropriate for moderate to aggressive investors.

**Leverage** - Structured products that utilize leverage may be generally more appropriate for aggressive investors wanting to capitalize on a particular market view. These short-term products provide partial or no principal protection but do offer the potential to receive leveraged returns on the value of the underlying asset. Some structures may offer additional leverage in exchange for capped or limited upside potential. Investors are exposed to downside risk of the underlying investment and may lose part or all of their original investment. Structured products, principal protected or otherwise, may not be appropriate for all investors.

**Common Features of Structured Products** - Beyond the direct linking of an underlying asset class as a dictate of return, some structured products include varying features and specifications that may impact performance, some of which are described below. Some structured products may have some or all of these features. For any complex variations that may be present with a particular offering, discuss the performance parameters with your financial professional.

**Value Date** - Interest computations begin with the percentage change in the value of the underlying asset. It is the change between the "initial value date" and the "final value date" specified for the particular offering. The percentage change is the difference in the final value and the initial value divided by the initial value. The initial value date is usually the date of issuance while the final value is typically calculated just prior to the maturity date to allow for the interest payable to maturity to be available on the maturity date. Some structured products may determine the return of an underlying asset and pay interest at regular intervals such as annually (known as "observation points") rather than waiting until maturity to determine the change over the life of product.

**Participation Rates** - The participation rate (sometimes called a "gear") dictates the extent to which an investor will participate in the underlying asset's gain. This is applied to the percentage change in the underlying asset's value. A rate of 100% would allow the investor a return equal to the percent change in value of the underlying assets. Certain products may offer participation rates of less or more than 100%. Those with participation rates of more than 100% may offer the potential for a return on the structured product that is greater than the return of the underlying asset but may present the potential for a greater loss. Some structured products carry contingent protection, where no principal protection applies unless a pre-set contingency is met.

**Minimum or Maximum Interest Amount; Barriers** - In this case, the particular product will have a specified minimum and/or maximum interest, or cap, amount that may be paid at maturity. At maturity, if the interest calculated is less than the stated minimum, the interest amount paid to the investor will be the minimum interest amount. If the interest calculation results in a value greater than the maximum for the investment, only the maximum interest will be paid. If the value of the underlying asset decreases, a structured product with a minimum return (depending on how the minimum return is designed) may either mean that the investor will be returned his initial investment, or principal amount, at maturity or be exposed to the decline

in the underlying asset. Barrier structures place parameters on the upside and downside performance of an underlying asset. A structured product with a barrier typically means that if the change in the value of the underlying asset (positive for an upper barrier and negative for a lower barrier) exceeds a certain percentage, the investor realizes limited or no return on his investment.

**Triggers and Buffers** - A trigger or buffer feature means that there is downside exposure (i.e. principal is at risk); however, the trigger or buffer is intended to absorb a defined percentage of the underlying asset's decline so that the investor will not be exposed to the loss so long as it does not exceed the defined percentage. Beyond the trigger or buffer, the investor participates in the decline. There are different types of buffer features. In some cases, the initial buffer is always protected, so the investor cannot lose 100% of their principal, only the loss in excess of the buffer. This is known as a hard buffer. In other cases which may be known as a trigger buffer, there is full 1:1 downside exposure that is triggered once the buffer is passed. In this situation, an investor bears all losses or declines in value. Structured products may also have upside buffers, in which the investor is not entitled to share in the gain unless the buffer is exceeded. Other buffers may provide that if the gain exceeds the buffer, the investor is not entitled to any gain.

**Callable Structures** - Certain structured products may have call features allowing them to be redeemed by the issuer prior to maturity. The call is at the option of the issuer only. The call features will be disclosed prior to issuance and are expressed as a percentage of the initial investment amount. The issuer would be most likely to call the investment when the value is greater than the call price. The value of the investment can be based on a variety of unpredictable factors including the current value of the underlying asset, time remaining to maturity, volatility and interest rates.

**Sophisticated Investor** - Structured products are appropriate for experienced and sophisticated investors capable of understanding and bearing the risks of investing in structured products.

### 13. RISKS INHERENT WHEN INVESTING IN LOW PRICED EQUITY SECURITIES

Low Priced Securities, also known as "penny stocks", are generally low-priced shares of small companies not traded on an exchange or quoted on NASDAQ. BBS does not make recommendations that its clients purchase, sell, or hold penny stocks. Nor does BBS provide research or information about penny stocks. If you decide to buy and sell penny stocks, you must do it based on your own research and information. This means that no one at BBS has recommended that you purchase, hold, or sell the security. Penny stocks can be very risky investments. There is often limited information available about penny stock issuers. Prices are not often available. You may be unable to sell a penny stock you purchase. Therefore, you may lose your investment.

**BBS does not recommend that its clients buy, sell, or hold penny stocks. These securities are made available to clients on an unsolicited basis only.**

### 14. PLEDGE PROGRAM - CONFLICT OF INTEREST AND RISKS DISCLOSURE

The Pledge Program from BBS and its Bank Affiliates ("Bank") consists of loans provided by the Bank based on securities held at clients' brokerage accounts with BBS. Collateral takes the form of specified securities held in one or more securities accounts of the customer at BBS. As part of the Program, clients execute a Securities Account Control Agreement by which they agree to allow the Bank to have control over the Collateral.

Among the Collateral that customers can use to secure the Loans include bonds. In accordance with Bank policy, absent specific approval by the Bank, the only bonds that the Bank currently authorizes to secure the Loans are certain bonds issued by (i) Banco do Brasil S.A., (ii) Brasil Development Bank (“BNDES”) and (iii) the Federative Republic of Brazil (the “Republic”) (“Banco do Brasil S.A., BNDES, and the Republic, the “authorized issuers”).

The Bank and BBS are each indirectly controlled by the Republic. The other authorized issuers are also indirectly controlled by the Republic. Actions taken by the Republic may impair the value or liquidity of the Collateral.

Customers may invest the Loans in Banco do Brasil S.A. bonds (“BB Bonds”), to be used as Collateral to secure the Loans. The Bank collects interest and other fees on the Loans, and if the customers purchase the BB Bonds from BBS, then BBS collects a fee based on the mark-up that it charges in connection with the purchase of the BB Bonds. Also, the Bank receives the proceeds of any primary issuance of BB Bonds.

In addition, all Collateral that customers pledge to the Bank to secure the Loans is held by BBS in designated securities accounts and controlled by the Bank. As a result, customers will not have the authority to give instructions to BBS in respect to the Collateral, including instruction to sell the Collateral, without prior approval from the Bank. The Bank may impose margin calls on the pledge loan and request the sale of the assets that were pledged as collateral in order to satisfy the Bank’s margin call. The Bank will send instructions to BBS to liquidate and BBS, in accordance with our position as the coordinator of the account’s holdings for the Bank, will follow the Bank instructions without contacting the client. This may limit the liquidity of the Collateral, and clients may not be able to sell the Collateral at the time, or at the price, that clients expect.

BBS makes no representation and/or warranty regarding the soundness of the Pledge Program. **BBS does not recommend the use of pledge accounts to any of its customer. The decision to enter into the Pledge Agreement is made solely by the customer.** The Pledge Program is only available to investors who are sophisticated and understand the risks associated to such transaction.

## 15. BROKERED / YANKEE CERTIFICATE OF DEPOSITS - CONFLICT OF INTEREST AND RISKS DISCLOSURE

Brokered Yankee CDs are certificate of deposits issued in the United States by a branch or agency of a foreign bank. Yankee CDs are not FDIC insured and may be issued by an affiliate of BBS.

Each CD is a direct depository obligation of a depository institution (the “Issuer”). BBS will advise you of the names of Issuers currently making CDs available. The CDs are not, in any way, shape or form, directly or indirectly, obligations of BBS. BBS is not responsible and cannot be held liable for any losses you may incur in connection with the CD or other disputes you may have regarding the CD. All questions or concerns regarding your CD should be directed to the Issuer. The Issuer may use proceeds from the sale of the CDs for any purpose permitted by law and its charter, including making loans to eligible borrowers and investing in permissible financial products.

**Fees** - BBS typically receives a fee from the Issuer in connection with the placement of its CDs. The amount of the placement fee paid to Banco do Brasil Securities will affect the interest rate the Issuer is willing to pay on the CDs. Placement fees paid to Banco do Brasil Securities generally range from 2 to 5 basis points annualized.

**Federal Income Tax Consequences** - The federal income tax consequences of owning CDs will vary depending upon taxation laws and regulations applicable to you, the terms of your CD, and the type of account in which you hold your CD. In addition, there may be tax consequences upon the sale, early withdrawal, or other disposition of your CD. These tax consequences may differ for non-U.S. persons. BBS

may, but is not required to, provide you with an annual statement containing certain information relevant to the determination of the amount of interest or discount income (whichever may be applicable) upon which you will be taxed. You must consult your own tax advisor to determine the federal, state, local, and other income and estate tax consequences of your CD.

Purchasing a Yankee CD is subject to various risks, including the following:

- **THE CDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY.** Your receipt of any amounts due (including either principal of the CDs and/or interest thereon) on the maturity date is subject to the credit risk of Banco do Brasil S.A. Up-to-date financial information relating to Banco do Brasil S.A. is available at: <http://www.bb.com.br/ir>
- When you deposit funds into a CD, you agree to keep those funds on deposit with us until the stated maturity date of the CD. Redeeming your CD early will result in an early withdrawal penalty, which may exceed the amount of interest earned on the CD and may cause a loss of principal, as described in the CD Disclosures. Accordingly, the CDs are most suitable for purchasing and holding to maturity.
- The CDs are not securities under the laws of the United States and are not required to be registered under the Securities Act of 1933 or under any state securities laws.

**Conflict of Interest** - BBS is a wholly owned subsidiary of Banco do Brasil S.A. We have an incentive to recommend CDs issued by one of our affiliates over CDs issued by other companies.

**SEC Investor Tips** - The Securities and Exchange Commission periodically publishes suggestions for investors in various financial products, including CDs, on its website. You may access these suggestions at [www.sec.gov](http://www.sec.gov).

## 16. CONCENTRATION RISK

\*A diversified portfolio tends to be harder to achieve than simply following the mantra: don't put all your investment eggs in one basket.

This basic strategy can help, but it is often not enough to avoid concentration risk—the risk of amplified losses that may occur from having a large portion of your holdings in a particular investment, asset class or market segment relative to your overall portfolio.

The first step in managing concentration risk is to understand how it might occur. Concentration can be the result of a number of factors:

- **Intentional concentration.** You may believe a particular investment or sector will outperform its peers or an index, so you make a conscious decision to invest more of your money in a given asset or asset class.
- **Concentration due to asset performance.** Maybe one of your investments has performed very well relative to the rest of your portfolio. For instance, in a bull market, you may find your stock holdings now represent a significantly greater percentage of your portfolio than before since your stocks gained more value than your bond holdings.
- **Company stock concentration.** Employees may be tempted to concentrate their retirement savings in the stock of their employer. FINRA has cautioned investors about the risk of holding too much company stock.

- **Concentration due to correlated assets.** Investments within the same industry, geographic region or security type tend to be highly correlated, meaning that what happens to one investment is likely to happen to the others. For instance, you may have investments in individual technology companies but also own a technology fund and have technology stocks represented in an index fund you own.
- **Concentration in illiquid investments.** Certain investments such as private placements, unlisted Direct Participation Programs and non-traded Real Estate Investment Trusts may be difficult to sell quickly. Should you need quick access to cash and are heavily invested in illiquid securities, you may not be able to tap this money in a timely or cost-efficient manner.

Tips to Manage Concentration Risk:

**Diversify across, and within, the major asset classes.** Do you hold multiple asset classes (such as stocks, bonds and real estate)? Are your stock holdings spread among different sectors (biotech, electronics, retail and emerging markets, to name a few)? Is your bond portfolio diversified by issuer and type of bond (Corporate and Treasury), and do the bonds mature at different intervals?

**Rebalance regularly.** Regardless of whether you manage your own portfolio or have it managed by a financial professional, perform periodic reviews of your holdings and make adjustments to ensure it coincides with your investment objective.

**Look "under the hood" of each mutual fund or ETF you own.** Read the fund's prospectus or visit the fund's website to see if your funds are holding positions in similar companies, or if they overlap with any individual stocks or bonds you may own. Make use of this information as you rebalance and examine your exposure to individual investments. Also be aware that some funds can be highly targeted to specific investments such as a single commodity, or emerging markets in a specific part of the world. Just because you hold only funds does not shield you from concentration risk.

**Know how easily you can sell your investments.** To learn about an investment's liquidity, read the offering documents or ask an investment professional.

It's not always easy to tell when your portfolio is exposed to concentration risk. This is especially true of portfolios that contain complex investments. For instance, if you own a structured product linked to the performance of a specific stock, you may be exposed to concentration risk if you also own the individual stock in your brokerage account. Similarly, you could own a mutual fund where the stock is one of the largest holdings.

If you think your portfolio may suffer from over concentration, talk to your financial professional, and take appropriate action to manage your risk.

\*Source: FINRA's website - [Concentrate on Concentration Risk | FINRA.org](https://www.finra.org/concentrate-on-concentration-risk)

## 17. FEE SCHEDULE AND EXPLANATION OF FEES

You pay a transaction-based fee, generally referred to as a commission, every time you buy or sell an investment. As such, you will be charged more fees when there are more trades in your account, thus we may have an incentive to encourage you to trade often and to invest more. The fee you pay is the same whether you transact because we recommend an investment to you or you invest based on your own trade ideas.

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make to your investments over time.

**Maintenance Fee** - BBS charges an annual maintenance fee of \$400. The annual maintenance fee is charged for all accounts, except accounts that solely hold mutual fund positions; and Home Broker accounts of clients who have a regular investment account. The annual maintenance fee is charged quarterly in four equal installments of \$100.

BBS charges an annual inactive fee of \$400 for any account that has not settled any trade between January 1<sup>st</sup> and December 31<sup>st</sup> of the prior year, except for Home Broker accounts.

**BBS brokerage transactional fees** are charged as follows:

**Equity Transactions** - Includes common stocks, preferred stocks, Exchange Traded Funds<sup>1</sup> and American Depositary Receipts<sup>2</sup>. You will pay a commission based on the principal value of the security being purchased or sold. The commission is in addition to the purchase price you pay or the sale price you receive for the security. ADRs, Stocks and ETFs are charged at 0.5% of volume traded with a minimum of \$100 per trade. Orders executed on International Exchanges incur an additional charge of 0.2% of the principal plus applicable royalties or local charges.

**Fixed Income Transactions** - Treasury securities, government agencies and corporate bonds, hybrid bonds and bank capital instruments. For purchases, you pay a "markup" which is added to the price of the security. For sales, you pay a "markdown" which is deducted from the price of the security. Markup / Markdown not to exceed 1.5% of the price negotiated on the secondary market. Minimum charge of \$250 per transaction. Minimum trade amount: \$20,000

**Brokered / Yankee Certificate of Deposits ("CDs")<sup>3</sup>** - Each CD is a direct depository obligation of a depository institution (the "Issuer"). BBS typically receives a fee from the Issuer in connection with the placement of its CDs. The amount of the placement fee paid to BBS will affect the interest rate the Issuer is willing to pay on the CDs. Placement fees paid to BBS generally range from 2 to 5 basis points annualized. The maturities, rates of interest, and interest payment terms of CDs will vary. The terms of your CD are determined solely by the Issuer of your CD. An early withdrawal penalty may apply. Costs and fees will be outlined in the Pricing Supplement and related Truth in Savings Disclosure provided by the issuer.

**Listed Options** - Options contracts cleared by the Options Clearing Corporation that are traded on options exchanges. You pay a commission calculated based on the principal value of the transaction and the number of contracts purchased or sold. Options Trading - \$5 per contract with a minimum of \$100 per order.

**Mutual Funds** - Funds that consist of a portfolio of securities that seek to meet a pre-defined investment objective and are managed by a Fund Manager. All mutual funds carry built-in operating expenses that affect the fund's return. Different share classes may carry different investment services fees. Additional fees and expenses relating to the fund may also be applied and are detailed in the fund's prospectus and offering materials.

Front load sales fee charged in accordance with bracket and share class:

2.00% (\$5,000 - \$49,999)  
 1.75% (50,000 - \$99,999)  
 1.50% (\$100,000 - \$249,999)  
 1.25% (\$250,000 - \$499,999)  
 1.00% (\$500,000 - \$999,999)  
 0.75% (\$1M - \$5M)  
 0.50% (over \$5M)

<sup>1</sup> ETFs also carry embedded fees that are charged by the manager.

<sup>2</sup> Some American Depositary Receipts (ADRs) are subject to periodic service fees charged by the depository bank.

<sup>3</sup> Brokered CDs are not, directly or indirectly, obligations of Banco do Brasil Securities or any of its affiliates. Yankee CDs are certificate of deposits issued in the United States by a branch or agency of a foreign bank. Yankee CDs are not FDIC insured and may be issued by an affiliate of Banco do Brasil Securities.

**Structured Products** - BBS and the corresponding issuer agree on pricing conditions for the specific issue. The fee could be a discount to the issue price or a separate fee payable by the issuer to BBS. Structured Notes – Markup / Markdown not to exceed 2.5% of the issue price

**Home Broker fee**<sup>4</sup>: \$38.50 per trade

**Non-US Market Execution, Clearance, Settlement and Free Credit Balance:** International service fees charged by custodians and/or agents are passed thru to clients as is.

**Margin Account Fees**<sup>5</sup> will be charged on the net debit balance. Standard surcharge over the PBLR (Pershing Base Lending Rate).

**Fees are subject to change.** BBS can, at its discretion, charge or discount fees in connection to the services rendered. Under certain conditions some of these fees may be waived. In addition, certain fees charged by custodians and/or agents related to the securities held in your account, may be passed on to you.

Our **complete Fee Schedule** can be found at [www.bancodobrasilsecurities.com/important-information/](http://www.bancodobrasilsecurities.com/important-information/).

---

**For additional information about our services**, visit our website [www.bancodobrasilsecurities.com/](http://www.bancodobrasilsecurities.com/) and refer to your account agreement. You may also review our **Client Relationship Summary (Form CRS)** at [Important Disclosures - Banco do Brasil Securities](#).

To request a copy of this document, email us at [bbsm@bb.com.br](mailto:bbsm@bb.com.br) or call (407) 608-1780.

---

**Investment products are NOT BANK GUARANTEED, Not FDIC Insured, and May Lose Value**

---

<sup>4</sup> Home Broker - online trading is offered through NetXInvestor, an online investor platform provided by Pershing LLC, member FINRA, NYSE, SIPC, a subsidiary of The Bank of New York Mellon Corporation.

<sup>5</sup> Margin Account Fees – The margin fees applied to Non-US net debit balances are not the same. Each currency, other than the US Dollar is charged at its own standard surcharge over PBLR (Pershing Base Lending Rate).