



# USBI Advisory Structured Product Guidelines

## Adtrax # 3929884

Investment and Insurance products and services including annuities are:  
**NOT A DEPOSIT • NOT FDIC INSURED • MAY LOSE VALUE •**  
**NOT BANK GUARANTEED • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY**

# Course Objectives

In this course, you will learn about the considerations and product guidelines when recommending an **Advisory Structured Product**. This training is required for you to sell an Advisory Structured product to a customer.

Please note, that in order to sell Advisory Structured Products, in addition to this course, Advisors are required to complete all SIMON created training courses, as well as USBI Best Practices Training, on SIMON to conduct any Structured Product business at USBI.

This course will cover the following topics:

- Prior to Recommendations
  - Reasonably Available Alternatives
  - USBI Structured Product Guidelines
- Advisory Structured Product Guidelines
  - Equity Linked CDs Specific Guidelines
  - Structured Notes Specific Guidelines
- Wealth Station Notes
- Product Acknowledgements



# Prior to Recommendations

- Before starting the investment process, based on the understanding of the recommended security or investment strategy and customer's investment profile, Representatives need to have a reasonable basis to believe that the recommendation is in the best interest of a retail customer and suitable for non-retail customers.
- Recommendations must be based on a customer's up-to-date investment profile. Representative should exercise reasonable diligence to obtain and analyze enough customer information to ascertain the customer's investment profile.
- The Representative who intends to recommend a complex product should discuss with the retail customer the features of the product, how it is expected to perform under different market conditions, the risks and the possible benefits, and the costs of the product.
- The Representative also should discuss the scenarios in which the product may perform poorly. The Representative should do so in a manner reasonably likely to facilitate the customer's understanding. The Representative should consider whether, after this discussion, the customer seems to understand the basic features of the product, such as the fundamental payout structure and the nature of underlying collateral or a reference index or asset.

# Reasonably Available Alternatives

- Representatives need to consider reasonably available alternatives before making recommendations to a particular customer. Representatives should consider whether less complex or costly products could achieve the same objectives for their customers. For example, Representatives should compare a structured product with embedded options to the same strategy through multiple financial instruments on the open market, even with any possible advantages of purchasing a single product.

# USBI Structured Product Guidelines:

- USBI has implemented specific guidelines for the sale of Equity Linked CDs and Structured Notes.
- At USBI, all structured products are considered to be complex. They are designed for customers with sufficient investment experience.
- When a Representative is determining whether a structured product is suitable for a particular customer, they must closely consider whether that customer has adequate financial means to purchase the product. Close consideration must be given to the customer's annual income, liquid net worth, and total net worth when assessing suitability.

# Advisory Structured Product Specific Guidelines and Considerations

- **Overall Concentration:** Equity Linked CD and Structure Note exposure should not exceed **25%** of the customers stated Liquid Net Worth.
- Advisory Structured Product offerings will be available for purchase in Advisor Select Accounts only.
  - As a reminder, any Structured Product purchased in a BD capacity or received via ACAT will mirror the current process and will need to be moved out of the advisory account promptly.
  - Advisory Structured Products are not available for purchase in Discretionary Accounts or Guided UMA.
- Purchases of new positions in Advisor Select accounts will affect the variance of the account and must be considered when building or adding to an existing model.
- Although Structured Products are designed to be held until maturity, Structured Products still may be appropriate in Advisor Select Accounts for your advisory customers. Active management still must be considered to ensure the Advisory relationship remains in the client's best interest.
  - Advisory offerings will be limited to a term length of 4 years or less.
  - All other applicable IA guidelines and policies (position count, single security concentration, variance and low trade count) must be considered when recommending a Structured Product in an Advisor Select account.

# Equity Linked CDs Specific Guidelines:

- Concentration – ELCD holdings should not exceed 25% of the customer's stated LNW, which includes holdings outside of USBI.
- Overall Structured Product (BFN's/PPN's/ELCD's) holdings should not exceed 25% of the customer's stated LNW.
- Cash on Hand - Customers should have minimum of three months' worth of expenses on hand.

## **Other key considerations in making a recommendation:**

- For Equity Linked CD purchases where customers are 65 or older and no stated investment experience (in any category) or where the source of funds is coming from a bank product (savings, MM, CD), trades will be escalated to a Supervisory Principal for further review.
- A Representative's best interest recommendation must also take into consideration the totality of the customer's investments.

# Structured Notes Specific Guidelines:

- Financials - \$70k annual income, \$100k LNW, \$250k NW
- Concentration – Structured Note exposure should not exceed 25% of LNW
- Overall Structured Product (BFN's/PPN's/ELCD's) holdings should not exceed 25% of the customer's stated LNW
- Experience – For structured Note purchases, customer's experience should be > 1 year in at least one experience category
- Age – For senior customers, features such as Embedded Feature/Survivors Option must be considered
- Cash on Hands - Customers should have minimum of three months' worth of expenses on hand

## **Other key considerations in making a recommendation:**

- For Structured Note purchases where customers are 65 or older and no stated investment experience (in any category) or where the Note exposure exceeds 25% of LNW, trades will generally not be approved.
- A Representative's best interest recommendation must also take into consideration the totality of the customer's investments.



# Wealthstation Notes:

- Each customer is unique and thus requires unique documentation to accurately capture relevant information and strategy details. The transaction documentation should provide the following information:
  - Description of the strategy employed to meet the customer's needs and goals. Including any discussion on customer milestones (i.e., retirement, major purchase, higher education).
  - Discussion of the risks with the customer, including how this recommendation will behave in varying market conditions.
  - Confirmation that reasonably available alternatives were considered and why the present solution was chosen over the other products to meet the customer's needs.
  - Documentation that applicable fees and expenses were discussed with the customer.
  - Other significant material information.

# Product Acknowledgements:

- An Acknowledgement Form is required for each individual purchase.
- Representatives should be reviewing and completing the acknowledgement with the customer at the time of recommendation.
  - Completion of the acknowledgement at the time of recommendation helps provide full and fair disclosure to the customer and allows further dialogue prior to the purchase of the product.
- Submission of Acknowledgment does not execute the trade.

# Important disclosures

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