



# Preferred Deposit<sup>®</sup>

Disclosure

January 2025

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***This disclosure contains important information regarding Preferred Deposit.  
Please keep it for future reference.***

## Introduction

Preferred Deposit® is a bank deposit product that is offered through your Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S or Merrill Lynch) brokerage account. Deposits made prior to 5 PM ET will settle the same business day, and net deposits/withdrawals for all MLPF&S clients will transfer to a Demand Deposit Account (DDA) at Bank of America, N.A. (BANA). The DDA account will be an omnibus account in the name of "MLPF&S, as agent and custodian for its clients." The deposits at BANA are insured by the Federal Deposit Insurance Corporation ("FDIC"), up to applicable limits.

Merrill Lynch is not a bank and FDIC deposit insurance only covers the failure of an FDIC-insured bank. Certain conditions must be satisfied for deposit insurance coverage to apply when bank deposits are opened on your behalf in the name of Merrill Lynch as your agent. Merrill Lynch has in place business requirements and practices that are reasonably designed to satisfy those conditions, which include, but are not limited to, proper account titling and recordkeeping.

## How Preferred Deposit works

The minimum initial deposit for Preferred Deposit is \$100,000. MLPF&S may impose a maximum deposit amount. Thereafter, deposits in whole dollar amounts of \$1,000 or more and withdrawals in whole dollar amounts may be made. Deposits and withdrawals may be placed by calling your financial advisor, the Merrill Advisory Center at 888.654.6837 or via MyMerrill.com® if you are enrolled in online order entry. If you establish a balance in Preferred Deposit and at any time withdraw all funds, future participation in Preferred Deposit will be considered an initial deposit and the minimum initial deposit will be required.

When you select Preferred Deposit, your money is deposited by MLPF&S in a deposit account with BANA. MLPF&S deposits your funds in its name, acting as your agent. Preferred Deposit will not create an account in your name at BANA, and you may not access Preferred Deposit by making deposits directly to or withdrawals directly from BANA.

Initial and subsequent deposits and withdrawals can be made by contacting your advisor, a Merrill representative, or online if you are enrolled in online order entry. Cash balances will not automatically be deposited to Preferred Deposit or automatically withdrawn from Preferred Deposit to cover transactions or loans that may occur within your MLPF&S account.

## Interest rate

The interest rate paid on Preferred Deposit is a variable rate, determined at the discretion of BANA. The interest rate and annual percentage yield may change at any time without notice or limit. To learn the annual percentage yield, contact your

financial advisor or the Merrill Advisory Center. You may also visit MyMerrill.com (see the "Deposit Account & Money Fund Rates" link at the bottom of the page).

The rate of return paid on Preferred Deposit may be higher or lower than the rates of return available to direct depositors of BANA for comparable accounts. Of course, you should compare the terms, rates of return, required minimum amounts, charges and other features of Preferred Deposit with other accounts and cash alternatives before deciding to establish Preferred Deposit.

BANA uses the daily balance method to calculate interest. The daily rate is 1/365 of the interest rate. The daily balance method applies a daily periodic rate to the collected balance in the account each day.

Interest will accrue on account balances from the day they are remitted to BANA, up to but excluding the day of withdrawal. Interest will be compounded daily and credited monthly. Your interest will automatically reinvest in whole dollar amounts to your Preferred Deposit balance. The remaining cents will be credited to the cash balance in your MLPF&S account. If you withdraw the entire Preferred Deposit balance all accrued interest will be credited as cash.

## Deposit bank

Funds in Preferred Deposit are deposited in BANA, which is a Merrill Lynch affiliated bank.

## Withdrawals and transfers

Withdrawals for any reason, including those necessary to satisfy debit or loan balances in your MLPF&S account, will not automatically be made from Preferred Deposit. You must contact your financial advisor or the Merrill Advisory Center to manually withdraw the funds from Preferred Deposit. Withdrawals can also be made using MyMerrill.com if you are enrolled in online order entry.

Preferred Deposit is nontransferable.

## Customer statements

Although the deposit is held at BANA, all Preferred Deposit activity will appear in chronological sequence on your MLPF&S periodic statement. The statement will also show the total of your opening and closing deposit account balances. In addition, the statement will show the yield and interest earned for the period.

## SIPC coverage

The Securities Investor Protection Corporation (SIPC) does not cover cash on deposit at BANA. Deposits in Preferred Deposit, however, are protected by the Federal Deposit Insurance Corporation (FDIC) as described in the section titled "Deposit insurance."

## Deposit insurance

Deposits in Preferred Deposit are insured by the FDIC up to a maximum of \$250,000 (\$500,000 for two-party joint accounts), including principal and interest, for all deposits held at the same depository institution in the same legal ownership category.

Any accounts or deposits—including certificates of deposit (CDs) you may maintain directly or through any other intermediary with BANA in the same legal ownership category as you maintain Preferred Deposit—would be aggregated with Preferred Deposit for purposes of the applicable FDIC insurance limits.

Your FDIC insurance protection takes effect as soon as BANA receives your deposits from MLPF&S. MLPF&S will not be obligated to you for insured amounts or amounts not covered by insurance and will not be obligated to pay you deposit insurance proceeds in advance of payment to MLPF&S by the FDIC.

Please note that the discussions of FDIC insurance in this disclosure are subject in their entirety to the rules, regulations and interpretations of the FDIC and to any changes in FDIC insurance coverage, or the FDIC rules, regulations or interpretations that may become effective during your participation in Preferred Deposit.

It is *your responsibility* to monitor the total amount of your deposits with BANA to determine the extent of insurance coverage available on your deposits. You may also obtain information by contacting the FDIC by letter at Deposit Insurance Unit, National Center for Consumer and Depositor Assistance (NCDA), 550 17th Street, N.W., Washington, D.C. 20429; by phone at 877-ASKFDIC (877-275-3342) or by visiting the FDIC website at [fdic.gov](http://fdic.gov).

## Payments under adverse circumstances

Merrill Lynch is not a bank and FDIC deposit insurance only covers the failure of an FDIC-insured bank. In the event that FDIC insurance payments become necessary, the FDIC is required to pay principal plus unpaid and accrued interest to the date of the closing of the relevant depository institution, as prescribed by law and applicable regulations. Certain conditions must be satisfied for deposit insurance coverage to apply when bank deposits are opened on your behalf in the name of Merrill Lynch as your agent. Merrill Lynch has in place business requirements and practices that are reasonably designed to satisfy those conditions, which include, but are not limited to, proper account titling and recordkeeping. There is no specific time period during which the FDIC must make available such insurable payments, although they attempt to do so as soon as practicable. Nevertheless, you should be prepared for the possibility of an indeterminate delay in obtaining insurable payments. The records maintained by MLPF&S regarding ownership of the deposits would be used to establish your eligibility for federal deposit insurance payments. In addition, you may be required to provide certain documentation to

the FDIC and to MLPF&S before insurance payments are released to you. For example, if a deposit account is held by you as trustee for the benefit of trust participants, you may be required to furnish an affidavit to that effect; you may be required to furnish other affidavits and indemnities regarding the insurance payments.

## Merger or consolidation of depository institutions

Since FDIC coverage is based on funds on deposit at any one depository institution, coverage can change if BANA merges or consolidates with another institution at which you have deposits in the same legal ownership category. In this case, deposits made through Preferred Deposit would continue to be separately insured from deposits with the acquired bank for six months from the date that the merger takes effect. Thereafter, any deposits assumed by the surviving depository institution would be aggregated with existing deposits at the surviving depository institution for purposes of FDIC insurance.

## Conflicts of interest

There are conflicts of interest relating to Preferred Deposit. Both Merrill Lynch and BANA benefit financially when cash is held in deposit with BANA through Preferred Deposit.

Merrill Lynch receives a fee from BANA based on the average daily balances of Preferred Deposit. You will not be charged any commissions in connection with your purchase of Preferred Deposit.

Financial advisors are compensated based on their clients' deposits held in BANA through Preferred Deposit. In addition, they can receive a compensation award based on achieving a number of strategic objectives, including, among other activities, the growth in their clients' balances in Preferred Deposit and bank sweep deposit accounts. Together, these compensation incentives create a conflict of interest.

BANA and other Bank of America Corporation wholly owned banks (known as the "Merrill Lynch Affiliated Banks") benefit financially from their use of deposits. Through Preferred Deposit, BANA receives a stable, cost-effective source of funding. BANA uses bank deposits to fund current and new lending, investment and other business activities. BANA's participation in Preferred Deposit increases its deposits and overall profits. Bank profitability is determined in large part by the "spread" they earn on the deposits—the difference between the interest paid and other costs incurred by them on bank deposits (including payments to Merrill Lynch), on the one hand, and the interest or other income earned on their loans, investments and other assets, which may be funded in part by bank deposits, on the other hand. The greater the amount of cash balances maintained in deposit accounts with the Merrill Lynch Affiliated Banks (which could be as a result of a recommendation from your financial advisor) and the lower the interest rate paid on the related bank deposit, the more Merrill Lynch Affiliated Banks benefits.

The deposits will bear a rate of interest that has been established for, and in light of the features of, Preferred Deposit. The rate of interest for such deposit accounts is periodically set and reset by BANA in their discretion. The interest rate you earn in a bank deposit account with Preferred Deposit will likely be lower than yields on certain money market funds and other cash alternatives.

**Fees**

Under the arrangements established by MLPF&S with BANA, MLPF&S will receive a fee from BANA based on the average daily balances of Preferred Deposit. You will not be charged any commissions in connection with your purchase of Preferred Deposit.

Merrill financial advisors are compensated on their clients’ total deposits in Preferred Deposit.

**For further information**

Please contact your financial advisor, the Merrill Advisory Center or call 800.MERRILL (800.637.7455), if you have any questions about Preferred Deposit. Deaf and hard-of-hearing clients may call 800.MERRILL through video relay service.



Merrill Lynch, Pierce, Fenner & Smith Incorporated (also referred to as “MLPF&S” or “Merrill”) makes available certain investment products sponsored, managed, distributed or provided by companies that are affiliates of Bank of America Corporation (“BofA Corp.”). MLPF&S is a registered broker-dealer, registered investment adviser, Member SIPC and a wholly owned subsidiary of BofA Corp.

Banking products are provided by Bank of America, N.A., and affiliated banks, Members FDIC and wholly owned subsidiaries of BofA Corp.

Preferred Deposit is an FDIC-insured deposit account at Bank of America, N.A., offered through MLPF&S. While Bank of America, National Association (Member FDIC), is an MLPF&S-affiliated depository institution, deposits at Bank of America, National Association, are obligations of that institution only and are not guaranteed by or obligations of BofA Corp., or any other subsidiary thereof, including MLPF&S.

Investment products:

<b>Are Not FDIC Insured</b>	<b>Are Not Bank Guaranteed</b>	<b>May Lose Value</b>
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