Brokered Certificate of Deposit Disclosure Statement

Important Notice: Please read this entire Disclosure Statement carefully before purchasing any brokered certificate of deposit ("CD") through Ally Invest. This document contains important information about how brokered CDs work, the risks involved, and your rights as an investor. Nothing in this Disclosure Statement may be modified by any oral representation made before or after your purchase.

1. What Is a Brokered CD?

A brokered CD is a certificate of deposit issued by a bank or other federally insured depository institution but made available to you through a brokerage firm—in this case, Ally Invest Securities LLC ("Ally Invest" or the "Firm"). While the concept might sound like a small twist on a familiar product, it opens up some potentially useful possibilities for your savings strategy.

Like a traditional bank CD, a brokered CD:

- Is issued by a bank or federally insured thrift institution (the "Issuer");
- Carries a fixed or variable interest rate for a specified term;
- Is insured by the Federal Deposit Insurance Corporation ("FDIC") up to applicable limits; and
- Obligates the Issuer to repay your principal plus accrued interest at maturity.

The key differences are in how you buy a brokered CD and where you hold it. Banks typically issue brokered CDs in large denominations, which brokerages then make available in smaller increments—often as low as $1,000—through a dealer network. You hold the CD in your brokerage account, not directly at the issuing bank. Because the CD is a direct obligation of the Issuer, and not of the brokerage, it qualifies for FDIC deposit insurance (subject to the important limitations described in Section 4).

Each CD is identified by a CUSIP number, which functions similarly to a ticker symbol for a stock. This means brokered CDs can be traded in a secondary market between investors before they mature—a feature that distinguishes them from bank CDs you purchase directly. However, that secondary-market feature comes with its own set of trade-offs, which we explain in Sections 6 and 7.

Brokered CDs vs. Bank CDs at a Glance

Feature	Brokered-CD(Ally Invest)	Bank-CD(Direct)
Where held	Your Ally Invest brokerage account	Directly at the issuing bank
CUSIP number	Yes—tradeable like a bond	No
Interest	Simple interest, paid to account	Compound interest (typically)
Early exit	Sell in secondary market (may be at a loss)	Early withdrawal penalty
FDIC insured	Yes (via pass-through insurance from FDIC-insured issuing bank)	Yes
Rolls over at maturity	No—proceeds returned to account	May auto-renew
Market value	Fluctuates with interest rates	Stable (face value)
Access to multiple banks	Yes—in one brokerage account	One bank at a time

2. How Brokered CDs Work

2.1. Purchasing Your CD

You may purchase brokered CDs through Ally Invest in one of two ways:

- Primary market: You purchase the CD at its original issuance. The Settlement Date — the date your CD is established with the Issuer — will be disclosed to you at the time of purchase.
- Secondary market: You purchase a CD that another investor has already held for part of its term. In this case, the yield may differ from the original coupon rate, and you will pay any interest accrued up until your purchase to the seller.

When you purchase a CD through Ally Invest, you do not deal directly with the issuing bank. Ally Invest acts as your agent, facilitating the transaction on your behalf. For this service, we receive a flat per-transaction fee. This compensation will be disclosed to you in your trade confirmation.

2.2. Settlement and Ownership

Your CD is held in your Ally Invest brokerage account in "street name," meaning the CD is registered in the name of Ally Invest's carrying firm at the issuing bank on your behalf. Ally Invest maintains records showing your ownership interest. This is standard practice for brokered CDs and does not affect your FDIC insurance eligibility (see Section 4).

You can verify the financial condition of any issuing bank by visiting the FFIEC Central Data Repository at https://cdr.ffiec.gov/public/. Ally Invest does not guarantee the financial condition of any Issuer, nor the accuracy of financial information provided by any Issuer.

2.3. Maturity and Proceeds

On the maturity date, the Issuer returns your principal plus all accrued and unpaid interest directly to your Ally Invest account. Unlike some bank CDs, brokered CDs do not automatically roll over into a new CD at maturity. If you wish to reinvest, you will need to actively purchase a new CD or other investment.

If your CD matures on a weekend or federal holiday, the maturity date will typically be the next business day. Interest will continue to accrue through the actual maturity date.

3. Interest Rates and Payment Terms

3.1. Fixed-Rate CDs

Most brokered CDs carry a fixed interest rate for their entire term. Your rate is set at the time of purchase and does not change, regardless of what happens to market interest rates. This predictability can be helpful when planning your finances, though it also means you won't benefit if rates rise after your purchase.

Brokered CDs pay simple interest rather than compound interest. Interest is typically credited to your Ally Invest account on a periodic basis—monthly, quarterly, semi-annually, or at maturity, depending on the terms of the specific CD. Interest payment frequency will be disclosed to you before you purchase.

3.2. Step-Rate (Step-Up/Step-Down) CDs

Some brokered CDs have interest rates that change—either upward ("step-up") or downward ("step-down")—at predetermined intervals over the life of the CD. For example, a five-year step-up CD might pay 3.00% in years one and two, 3.75% in year three, and 4.50% in years four and five.

Key things to understand about step-rate CDs:

- The full schedule of rate changes is fixed at issuance.
- Step-down CDs begin with a higher rate that decreases over time. They may look attractive because of the high initial rate, but your blended yield over the full term may be lower than a comparable fixed-rate CD.

- Step-rate CDs are frequently callable (see Section 5). The issuing bank may call—that is, redeem—the CD early, typically when market rates have fallen and the bank can refinance at a lower cost. If called, you will receive your principal back and all accrued interest through the call date, but you may not be able to reinvest at the same rate.

3.3. Floating-Rate CDs

A small number of brokered CDs carry floating interest rates tied to a benchmark index (such as the Secured Overnight Financing Rate, or SOFR). The applicable index, the spread above or below that index, and the reset frequency will all be disclosed before your purchase. Floating-rate CDs carry additional complexity and may not be suitable for investors seeking payment certainty.

4. FDIC Insurance Coverage

Because each brokered CD is a direct deposit obligation of the issuing bank, it is eligible for FDIC insurance—just like a savings account you open at your local branch. FDIC insurance protects you if the issuing bank fails, up to the applicable limits described below.

4.1. The Basic $250,000 Limit

The standard FDIC insurance limit is $250,000 per depositor, per insured bank, per ownership category. "Ownership category" refers to how the account is legally titled. For example, individual accounts, joint accounts, certain retirement accounts (such as IRAs), and revocable trust accounts each represent a separate ownership category, potentially each eligible for its own $250,000 of coverage.

⚠ **Critical**: The $250,000 limit applies to your total deposits at a single issuing bank across all account types—including any savings accounts, checking accounts, money market deposit accounts, or other CDs you hold directly at that same bank. If you already have deposits at a bank and you purchase a brokered CD issued by the same institution, your combined deposits may exceed the insurance limit.

4.2. Expanding Coverage Across Multiple Banks

One of the most practical advantages of brokered CDs is the ability to spread your deposits across CDs from multiple issuing banks—all managed through a single brokerage account. By keeping your balance at any one issuing institution below $250,000 (taking into account all of your deposits at that institution in the same ownership category), you can effectively extend FDIC protection well beyond what a single bank account would provide.

Ally Invest will disclose the name of each issuing bank before you complete a purchase. You are responsible for monitoring your aggregate deposits at any single institution to ensure you remain within FDIC limits. Ally Invest does not guarantee or monitor your overall FDIC coverage position.

4.3. What FDIC Insurance Does Not Cover

FDIC insurance does not protect against:

- Market value fluctuations if you sell your CD in the secondary market before maturity;
- Interest payments that would have been due after the date of a bank failure;
- Losses resulting from Ally Invest's own financial difficulties (Ally Invest is separately protected as a SIPC member up to applicable limits for the return of securities and cash); or
- Deposits in excess of the applicable insurance limits at any single issuing institution.

Tip: For the most current information on FDIC insurance categories and limits, visit www.fdic.gov or call 1-877-275-3342 (1-877-ASK-FDIC). The FDIC also offers an online Electronic Deposit Insurance Estimator (EDIE) at https://edie.fdic.gov.

5. Callable CDs

A callable CD gives the issuing bank the right—but not the obligation—to redeem ("call") the CD before its stated maturity date. The call feature exists for the bank's benefit, not yours.

5.1. How Callable CDs Work

If your CD is callable, the terms will specify:

- The call protection period—the minimum time the bank must hold the CD before exercising its call right (e.g., no calls for the first six months);
- The call dates or call frequency—specific dates, or a window during which the bank may call; and
- Any call premium—though most brokered callable CDs are called at par (face value) plus accrued interest, with no additional premium.

When the bank calls your CD, you will receive your full principal and all interest accrued through the call date. You will not receive interest that would have accrued through the original maturity date.

5.2. Reinvestment Risk

⚠ **Reinvestment Risk**: Banks typically call CDs when interest rates have declined—because they can replace your deposit with cheaper funding. That's exactly when reinvestment options for you are less attractive. If your callable CD is redeemed early, you may not be able to find another investment offering a comparable yield for the remaining term you originally planned for.

Callable CDs generally offer a higher stated interest rate to compensate you for accepting this risk. Before purchasing a callable CD, consider whether the yield premium is sufficient given your investment horizon and how you would reinvest the proceeds if the CD were called.

6. The Secondary Market

Unlike a bank CD—where your only exit before maturity is an early withdrawal (usually subject to a penalty fee)—brokered CDs can be sold in a secondary market before they mature. This gives you more flexibility, but it's important to understand the trade-offs.

6.1. How the Secondary Market Works

Ally Invest participates in a dealer network through which brokered CDs are bought and sold between investors. If you want to sell your CD before maturity, Ally Invest will attempt to find a buyer in this network. There is no guarantee that a buyer will be available at the time you wish to sell, or that you will receive a price equal to your original purchase price.

6.2. Interest Rate Risk

⚠ **Interest Rate Risk**: If interest rates rise after you purchase your CD, its market value will likely fall below its face (par) value. If you sell in the secondary market while rates are higher than your CD's coupon rate, you may receive less than you originally paid—potentially losing principal.

Conversely, if market rates fall, the market value of your CD may rise above par. But if the CD is callable, the issuing bank is likely to call it before you can capture much of that gain.

The longer a CD's remaining term, the more sensitive its market value is to interest rate changes. A 10-year CD will experience larger price swings for a given change in rates than a 1-year CD.

6.3. Transaction Costs

When you sell a CD in the secondary market, Ally Invest may act as principal (purchasing the CD from you at a mark-down from its market value) or as agent (charging a transaction fee). In either case, these costs reduce your net proceeds. Transaction costs will be disclosed on your trade confirmation. There are no early withdrawal penalties for brokered CDs in the traditional sense, but transaction costs and market value declines can have a similar economic effect.

6.4. Liquidity Is Not Guaranteed

While a secondary market for brokered CDs generally exists, it is not as liquid as markets for stocks or many bonds. In periods of market stress or for CDs with unusual terms, there may be no readily available buyer. You should plan to hold your brokered CD to maturity unless you are prepared to accept a potential loss if you need to sell early.

7. Risk Factors

We believe you deserve a clear, honest picture of what could go wrong—not because we expect it to, but because understanding risk is part of making a smart decision. Here is a summary of the key risks associated with brokered CDs.

Risk	What It Means for You
Interest Rate Risk	If you sell before maturity and rates have risen, you may receive less than face value. The longer the term, the greater this risk.
Call Risk	The issuing bank may redeem a callable CD before maturity, typically when rates fall, forcing you to reinvest at a lower rate.
Liquidity Risk	There is no guarantee that a secondary market buyer will exist at the time and price you want. You may need to hold to maturity or accept an unfavorable price.
Credit/Issuer Risk	If the issuing bank fails and your deposits exceed FDIC limits (in aggregate across all accounts at that institution), the portion above the limit is not guaranteed and may be lost in whole or in part.
Reinvestment Risk	If your CD matures or is called when rates are lower than your original rate, you may not be able to reinvest the proceeds at the same yield.
Inflation Risk	If inflation rises faster than your CD's interest rate, the purchasing power of your investment declines over the CD's term.
Concentration Risk	Purchasing multiple CDs from the same issuing bank could expose you to losses above FDIC limits if that bank fails.
Step-Rate Risk	For step-down CDs, your rate decreases over time; for callable step-ups, the bank is most likely to call when you would most benefit from the higher rates.

8. Account Statements and Pricing

Your Ally Invest account statements will reflect the value of your brokered CDs. Because CDs can be bought and sold in the secondary market, their reported value may differ from their face (par) value depending on current market conditions.

8.1. Valuation on Your Statement

The value shown for your CDs on your account statement represents an estimate of the current market value of the CD based on prevailing interest rates and other market factors—not necessarily what you would receive if you sold today (which would also reflect transaction costs and the specific bids available at that time). For CDs you intend to hold to maturity, the face value at maturity is what matters most.

8.2. Trade Confirmations

For every CD transaction, you will receive a trade confirmation that includes:

- The name and location of the issuing bank;
- The CUSIP number;
- The face amount, interest rate (or rate schedule for step-rate CDs), and maturity date;
- Whether the CD is callable, and if so, the call protection period and call dates;
- The settlement date;
- Whether we acted as agent or principal, and the applicable mark-up, mark-down, or commission; and
- The total amount you paid or received.

9. Additional Features and Considerations

9.1. Death Put/Estate Feature

Some brokered CDs include a "death put" or "survivor's option" — a provision that allows your estate or heirs to redeem the CD at face value upon your death, without waiting for maturity and without incurring a market-value loss. Not all CDs include this feature.

If estate liquidity is a concern for you, confirm before purchasing whether the specific CD you are considering includes a death put, and review any restrictions (such as holding period requirements or redemption limits per year) that may apply to that feature.

9.2. Tax Considerations

Interest earned on brokered CDs is generally treated as ordinary income for federal income tax purposes and is taxable in the year it is received (or, for zero-coupon/original issue discount (OID) instruments, in the year it accrues, even if not actually paid). State and local tax treatment varies.

If you sell a CD in the secondary market at a gain or loss, that gain or loss may be treated as capital gain or loss depending on your holding period and the applicable tax rules. Ally Invest will provide you with tax reporting documents (such as Form 1099-INT and Form 1099-B) as required by law. We recommend consulting a qualified tax advisor about the tax consequences of your specific situation.

10. Your Responsibilities as an Investor

Buying a brokered CD is a straightforward process, but staying on top of a few things will help you get the most out of your investment.

Your Responsibility	Why It Matters
Track your deposits across all banks	To ensure you stay within FDIC insurance limits at each issuing institution.
Monitor upcoming maturities	Brokered CDs do not auto-renew; unattended proceeds may sit uninvested.
Review trade confirmations promptly	Confirm the terms—rate, maturity, call features—match your expectations.
Understand any CD before buying	Research the full terms of any CD before committing funds.
Consult a tax advisor	CD interest has tax implications; OID instruments may require annual reporting even before cash payment.

11. Legal and Regulatory Information

Ally Invest Securities LLC is a registered broker-dealer and a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). Ally Invest is an indirect, wholly owned subsidiary of Ally Financial Inc.

11.1. SIPC Protection

As a SIPC member, Ally Invest affords coverage that protects customers against the loss of cash and securities—up to $500,000 per customer, of which up to $250,000 may be in cash—in the event that Ally Invest fails. SIPC protection does not protect against declines in market value and does not supplement FDIC insurance for CD deposits held at issuing banks.

11.2. No Guarantee by Ally Invest

Each brokered CD is a direct obligation solely of the issuing bank. Ally Invest does not guarantee, endorse, or assume any liability for any CD offered through its platform. The financial condition and creditworthiness of each issuing bank are independent of Ally Invest.

While brokered CDs may be insured by the FDIC, it is important to remember that Ally Invest itself is not an FDIC-insured bank, and deposit insurance only covers the failure of an insured bank. You should also keep in mind that, separate and apart from FDIC-insured products like brokered CDs, securities products offered by Ally Invest are NOT FDIC INSURED, NOT BANK GUARANTEED, and MAY LOSE VALUE.

12. Questions?

We're here to help. If you have questions about a brokered CD purchase, your account, or the content of this Disclosure Statement, please reach out:

Channel	Details
Online	ally.com/invest
Phone	1-855-880-2559
Mail	Ally Invest Securities LLC P.O. Box 30248 Charlotte, NC 28230