



Itaú International Securities Inc.

Regulation Best Interest – Disclosures and Conflicts of Interest

This disclosure document provides information about the business practices, compensation and conflicts of interest related to the collective brokerage and advisory business of Itaú International Securities Inc. (IIS) (also referred to as “we,” “us,” the “Firm” or “IIS”). Additional information about IIS and its financial professionals is available on FINRA’s website at <http://brokercheck.finra.org>, or via the SEC’s website at www.sec.gov. IIS is considered a dual registrant, which means the Firm is registered as a broker-dealer and investment adviser; therefore, approved to provide both services to customers. The following information is being provided in order to make available additional (enhanced) disclosures related to the Firm’s brokerage/advisory compensation structure, fees, and conflicts of interests. This information should be viewed collectively with other applicable documentation and disclosure information referenced accordingly.

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ITEM 1 INTRODUCTION

IIS is a broker-dealer registered with the Securities and Exchange Commission (SEC) and member of the Financial Industry Regulatory Authority (FINRA). As a broker-dealer, IIS transacts business in various types of securities, including mutual funds, exchange-traded funds (ETFs), stocks, bonds, options, private placement under Regulation S and other investment products, while offering such services to clients located in its majority outside of the U.S., as well as domestically.

As a registered investment adviser with the SEC, IIS provides advisory services to individuals, including high net worth individuals, corporations or other business entities domiciled or residing in the United States, and in a few cases in Latin America. Clients may elect IIS to manage a portion or all of their assets on a non-discretionary basis.

IIS employs individuals, referred to as “financial professionals”, who offer brokerage services, investment advisory services, or both, depending on their licenses. Some of IIS’ financial professionals are investment adviser representatives (IARs) of IIS.

IIS sometimes refers to these specific financial professionals as “advisors.” IIS’ financial professionals are always employees of the Firm and in certain instances dually associated with our bank affiliate Banco Itaú International (BII) located on the same premises, and considered dually hatted with responsibilities at both the bank and the broker-dealer.

Financial professionals may offer both brokerage and investment advisory services, but most only offer brokerage services and a small number of individuals offer both brokerage and investment advisory services. **When you are discussing services with a financial professional, you should ask in what capacity the financial professional is acting or will be acting – as a broker-dealer registered representative and/or an IAR – when providing services to you.** This disclosure discusses important information regarding financial professionals who act as registered representatives of IIS’ broker-dealer. For more information about IIS and the services financial professionals provide when they act as IARs, please see IIS Advisors’ Form ADV disclosure brochures available at www.adviserinfo.sec.gov or contact us for a copy of our Form ADV Part 2A. For additional information on which type of investment account is right for you, please see IIS’ Form CRS (Customer Relationship Summary) provided along with this disclosure document as well as available at www.itauinternational.com.

Based on the Firm’s business model, compensation structure and affiliations, IIS and its financial professionals have **conflicts of interest**.

IIS and its financial professionals are compensated based on a salary plus annual bonus. The base salary is a fixed yearly amount paid two (2) times per month. The bonus component is based on a set of goals which vary according to the professional's position within the organization. The bonus component typically includes revenue growth, performance of model portfolios versus a benchmark, client satisfaction surveys and net income growth of the institution. Financial Professionals are not compensated directly by customers and the investments made by customers.

It means IIS generates more revenue the more transactions a customer makes, and our financial professional will benefit from this revenue through their annual bonus. In addition, we receive compensation from the sponsors of some of the investment products that customers purchase through us. The amount we receive varies depending on the particular type of investment a customer makes. The compensation described in this disclosure represents the maximum gain or profit we receive on an investment, before subtraction of our expenses. This sponsor compensation creates an incentive and conflict of interest for IIS financial professionals to recommend transactions in sponsors' securities.

Please also note that not all of the conflicts described in this disclosure apply to a particular financial professional, his /her services, or all the products we sell. The types and amounts of compensation we receive change over time. You should ask your financial professional if you have any questions about compensation, costs, fees, or conflicts of interest.

ITEM 2 COMMISSIONS, FEES, AND OTHER TYPES OF SALES COMPENSATION

Commissions and Sales Charges

IIS receives upfront commissions when it executes transactions that result in the purchase or sale of a security. A commission, which also may be called a sales load, sales charge or placement fee, is typically paid at the time of the sale and can reduce the amount available to invest or can be charged directly against an investment. Commissions are often based on the amount of assets invested. IIS receives the sales charge or commission. In some cases, a portion of the sales charge or commission is retained by the investment's sponsor. Commissions vary from product to product, which creates an incentive to sell a higher commission security rather than a lower commission security. The maximum and typical commissions for common investment products are listed below. For more information about other commissions that apply to a particular transaction, please refer to the applicable investment's prospectus or other offering document.

- **Equities and Other Exchange Traded Securities.** The commission charged by IIS in an agency capacity on an exchange-traded security transaction, such as an equity, option, ETF, exchange traded note (ETN) or closed-end fund (CEF), is based on the size of the relationship, the amount charged decreases as the size of the relationship increases. For US Equities valued greater than \$12 a share the maximum amount charged will be \$0.10 per share, while for US Equities valued less than \$12 a share the maximum amount charged will be 1.00% of the transaction amount. For Non-US equities the maximum amount charged will be 1% of the transaction amount. The minimum fee per trade for equities is \$100. For Options the maximum amount charged will be \$5.00 per contract, the minimum fee per trade for options is \$250.
- **Mutual Funds.** The commission or sales charge for mutual funds is between 1% and 2%, depending on the asset type. The minimum fee per transaction is \$100. Money market funds are exempt from these charges.
- **Structured Notes.** For alternative investment products, such private placements under the Regulation S exemption, also known as structured notes, the upfront sales charge varies based on the type of note and its tenure, and can range from 0.50% to as high as 4.5%.
- **Actively Managed Solution (AMS).** The sales charges for these certificates fall between 0 to 2% per annum, unless otherwise stated on the documentation of each specific certificate.

Markups and Markdowns – Principal or Dealer Transactions

When IIS buys from or sells a security to you in a principal capacity (i.e. riskless principal), IIS buys or sells the security directly from you or on your behalf, rather than acting as your agent to buy or sell the security from a third party. These transactions are also known as "dealer transactions." In these circumstances, if we sell a security at a price higher than what we paid for it, we will earn a markup. Conversely, if we buy a security from you at a price lower than what we sell it for, we will earn a markdown. Transactions in bonds and other fixed-income securities such as structured products often occur as dealer transactions. The amount of markup and markdown that we charge is reflected on a percentage basis on your transaction confirmation.

The maximum markup/markdown on a transaction with a customer that we receive when acting in a principal capacity typically does

not exceed 0.85% of the value of the security. On rare occasions, a markup/markdown may exceed 0.85% on a deeply discounted security. In many cases, the actual markup/markdown percentage is lower based on factors such as quantity, price, type of security, rating, maturity, etc. The minimum fee is \$250.

Direct Fees and Charges

If you hold an account at IIS, IIS charges miscellaneous fees directly to your account such as fees for transaction processing, account transfers, and account maintenance. For direct fees that apply per transaction, IIS receives more fees the more transactions that result from a financial professional's recommendation. These direct fees and charges are set out in the Miscellaneous Account and Service Fee Schedule at www.itauinternational.com.

ITEM 3 THIRD PARTY COMPENSATION

IIS and financial professionals receive compensation from investment product sponsors and other third parties in connection with investments that IIS customers make in securities such as mutual funds. Some types of third party compensation are received by IIS and shared with financial professionals through the bonus structure, and other types are retained only by IIS. For more information about the third party compensation IIS receives, the investment product sponsors and other third parties that pay IIS the compensation, and related conflicts of interest, please see below.

Third Party Compensation Shared by IIS Trail Compensation

IIS receives ongoing compensation from certain investment products such as mutual funds. This compensation (commonly known as trails 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 IIS customers. The more assets you invest in the product, the more IIS will be paid in these fees. Therefore, we have an incentive to encourage you to increase the size of your investment. The amount of trails 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 trailers (regardless of amount) rather than products that do not pay trailers. Although these may be viewed as incentives to offer some products over others, IIS does not directly share trailer fees with its financial professionals, and mitigates such incentives. When recommending these investment products our financial professionals will consider your investment profile, including but not limited to time horizon, liquidity needs and risk tolerance, your investment objectives, and your investment experience. For more information about trail compensation received with respect to a particular investment product or recommendation, please refer to the prospectus or offering document for the investment, as well as request such information from your IIS financial professional.

- **Mutual Funds**. The ongoing payment depends on the class of shares but is typically between 0.25% and 0.85% of assets annually.

Non-Cash Compensation

IIS, IIS employees, and financial professionals receive non-cash compensation from investment sponsors that is not in connection with any particular customer or investment. Compensation includes such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event. Investment sponsors also from time-to-time provide education or training events that may be attended by IIS employees and financial professionals. The referenced non-cash compensation items may create an incentive for IIS financial professionals to recommend transactions in sponsor securities. The Firm mitigates these potential conflicts by monitoring these incentives to ensure they are not often or excessive.

Third Party Compensation Retained by IIS Cash Sweep

If a customer holds an account with IIS, IIS offers a service to sweep cash held within accounts into limited choice of interest-bearing money market funds. For each fund in which IIS deposits customer cash, IIS receives distribution assistance from the fund equal to a percentage of the average fund balance. The fee paid to IIS is at an annual rate of up to 0.15% as applied across all deposit accounts. In the event that a fund company determines, in its sole discretion that in order to maintain a positive yield to customers on one or more of its money market funds, the fund company may reduce or waive a portion or all of the funds' fees. In such an event, the fund company may proportionately reduce or waive the fee paid to IIS.

Non-Sweep Money Market Mutual Funds

Customers are able to invest cash balances in a limited number of money market mutual funds other than as part of a sweep arrangement (Non-Sweep Money Market Funds). IIS does not charge commission or sales charge on Money Market Funds, but depending on interest rates and other market factors, investment returns of money market mutual funds have been, and may continue

in the future to be, lower than the aggregate fees and expenses charged by IIS in connection with the holding. This may result in a customer experiencing a negative overall investment return with respect to cash reserves invested in the Non-Sweep Money Market Funds. Customers should understand that the share class offered for a particular Non-Sweep Money Market Fund charges higher fees and expenses than other share classes that are offered by the same Non-Sweep Money Market Fund but are not available on IIS' platform. IIS receives compensation for the IIS customer assets invested in the Non-Sweep Money Market Funds for distribution, recordkeeping, shareholder servicing and administrative services it provides for the funds and in connection with marketing support services IIS provides to the fund sponsors as described in this disclosure.

Unlike other types of mutual funds available on IIS' platform, IIS makes available Non-Sweep Money Market Funds from only a limited number of mutual fund sponsors. By making available a limited number of Non-Sweep Money Market Funds, IIS is able to negotiate greater compensation from the fund companies for services it provides to the funds. Because of the limited number of Non-Sweep Money Market Funds available on the platform and the fees paid by those funds, other money market mutual funds not available through IIS' brokerage platform are likely to have higher returns than the Non-Sweep Money Market Funds.

Collateralized Lending Arrangements

IIS facilitates a program that enables customers to collateralize certain investment accounts to obtain secured loans through our banking affiliate BII. IIS does not receive compensation from its affiliate bank, but allows for the blocking of those assets used as collateral to prevent them from leaving the institution while the loan is still outstanding with BII. IIS and its financial professionals do have an incentive to recommend that customers borrow money rather than liquidating some of their account assets so that IIS can continue to receive brokerage commissions and fees on those assets.

When a customer pledges assets in an account, the customer is a borrower and uses the cash and securities in the account as collateral for a loan and pays interest to BII. BII's collateralized loan program is the only way to obtain a secured loan utilizing the client's assets held at IIS.

Debit Cards

As part of its cash management services, through the ProCash Plus program offered by our clearing firm Pershing, LLC, IIS makes available debit cards for its customers. Once IIS opens and maintains 250 ProCash Plus Gold accounts, Pershing credits \$25 annually to IIS for each additional ProCash Plus Gold account opened thereafter. As such IIS and its financial professionals maintain an incentive to offer and encourage clients to establish ProCash Plus arrangements with Pershing.

ITEM 4 PRODUCT COSTS AND RELATED CONFLICTS

Financial professionals provide recommendations with respect to a broad range of investment products, including stocks, bonds, ETFs, mutual funds and alternative investments such as structured notes. Each type of investment product carries unique risks, and many investment products charge fees and costs that are separate from and in addition to the commissions and fees that IIS and financial professionals receive. You can learn more about these risks and the fees and costs charged by an investment product by reviewing the investment product's prospectus, offering memorandum, or other disclosure documents.

Set out below is the typical range of expenses of the various investment products we sell. In most cases, these expenses are in addition to the commissions and fees that IIS receives for its brokerage services.

- **ETFs.** The expense ratios range from 0.05% to 1.0%, with an average expense ratio of around 0.44%.
- **Mutual Funds.** Expense ratios can vary based on the type of mutual fund purchased. The average expense ratio for actively managed funds is 0.5% to 1.0%, for passive index mutual funds the average is 0.2%.

Share Class and Fund Selection

IIS offers a limited number of share classes of mutual funds. Our distribution is primarily done through retail share classes generally known to be Class A shares, which charge an upfront sales charge, refer to ITEM 2 COMMISSIONS, FEES, AND OTHER TYPES OF SALES COMPENSATION. For other mutual fund share classes not offered by IIS, often titled Class C shares, there is no upfront sale charge paid, however, there is an ongoing trail payment and a contingent deferred sales charge to the investor if there is a redemption within a certain period of time after purchase. Depending on the length of the holding period for the mutual fund, and other factors, one share class may be less expensive to the investor than another, but IIS and the financial professional will only offer one share class which has been analyzed to be more beneficial to the client. Frequent purchases and sales of mutual funds can result in significant sales charges unless the transactions are limited to exchanges among mutual funds offered by a sponsor that permits exchanges without additional

sales charges. IIS maintains policies and procedures that are designed to detect and prevent excessive mutual fund switching, but you should monitor your account and discuss with your financial professional any frequent mutual fund purchases and sales.

IIS also offers various mutual funds and ETFs, some of which have similar or identical investment strategies but differing fee structures. For example, a mutual fund that is designed to track an index of securities, such as the S&P 500 Index, may have higher or different types of fees than an ETF that is designed to track the same index. Whether a fund or ETF is more expensive than another fund or ETF with a similar or identical investment strategy may depend on factors such as length of holding, size of the initial investment and other factors. IIS and a financial professional may earn more compensation for one fund or ETF than another, giving IIS and the financial professional an incentive to recommend the product that pays more compensation to us. Our financial professionals will always recommend the best product for its clients based on objectives and suitability.

ITEM 5 CUSTOMER REFERRALS, OTHER COMPENSATION, AND OTHER CONFLICTS

Payment for Referrals

IIS has entered into a referral agreement with one of its international affiliates (Itaú Comisionista de Bolsa Colombia S.A.), following the acceptable nonregistered foreign finders program, where IIS pays its international affiliate, for referrals on a transaction fee basis. In one such program, IIS pays such affiliate for referrals exclusively related to its broker-dealer business, and customers acknowledge the referral payment to the foreign financial institution.

IIS and financial professionals do not enter into lead generation, marketing and/or referral arrangements with third parties or other financial intermediaries, other than to one mentioned, for the purpose of introducing new customers.

Margin

IIS offers customers the ability to purchase securities on credit, also known as margin purchases. When a customer purchases securities on margin, IIS extends a line of credit to the customer and charges interest on the margin balance. IIS has a financial incentive to offer margin borrowing because IIS earns compensation in the form of interest, transaction charges and other fees on investments made with borrowed amounts. That financial incentive creates a conflict of interest insofar as IIS and financial professionals benefit from your decision to borrow and incur the various fees and interest described above, but financial professionals do not actively encourage clients to purchase securities through Margin. If contemplating use of margin, please consult the IIS Margin Agreement and related disclosures for additional details.

Credit Interest Schedule and Participation

Client accounts not electing a sweep option are credited interest at PMMR (Pershing's Money Market Rate) when the client maintains a minimum daily balance of \$1,000 for more than three consecutive days. Accrued interest that is less than \$1.00 for the period will not be credited. Pershing will credit IIS a monthly participation based on the average balances eligible for payment. IIS' monthly participation will be the lower of PMMR paid to the client or an annualized rate not to exceed 30 basis points.

Error Correction

If a customer holds an account at IIS and a trade error caused by IIS occurs in the account, IIS will cancel the trade and remove the resulting monetary loss to a customer from the account. If a trade correction is required as a result of a customer (e.g., if a customer does not make full payment for purchases or fails to deliver negotiable securities for liquidations before trade settlement), IIS will cancel the trade and any resulting monetary loss will be borne by the customer. In the case of a trade that requires a correction and that resulted in a monetary gain to the customer, such gain may be removed from the account and may result in a financial benefit to IIS.

Limitations on Investment Recommendations

IIS and financial professionals offer and recommend investment products only from investment sponsors with which IIS has entered into selling and distribution agreements. Other firms may offer products and services not available through IIS, or the same or similar investment products and services at lower cost. In addition, IIS may only offer certain products in a brokerage account, even though there is a version of the product that may be offered at a lower cost through an advisory account, and vice versa. It should be noted certain investment products are derived and issued from the Firm's affiliates; therefore, while IIS and its financial professionals may not receive direct compensation for offering such products the overall group benefits from sales in such product, thus creating a material conflict and incentive to offer affiliated products. IIS does not offer Life Insurance, Annuities, nor municipal bonds as IIS is not duly licensed to do so.

The scope of products and services offered by certain financial professionals may also be more limited than what is available through other financial professionals. A financial professional's ability to offer individual products and services depends on his/her licensing, training or IIS' policy restrictions. For example, a financial professional maintaining a Series 7 is able to provide solution including

investment company securities, such as mutual funds, individual stocks, bonds, alternative investment including structured notes, among others. As another example, a financial professional may only be licensed to provide brokerage services, and not advisory services, or vice versa. To provide investment advisory services, a financial professional is often required to obtain the Series 63 or 66 and be registered as an IAR with the state in which he/she has a place of business.

You should ask your financial professional about the securities or services he/she is licensed or qualified to sell, and his/her ability to service investments that you transfer to IIS from another firm. You should also review the licenses held by your financial professional by visiting the FINRA BrokerCheck system at <https://brokercheck.finra.org>.

ITEM 6 FINANCIAL PROFESSIONAL COMPENSATION, FEES AND RELATED CONFLICTS

IIS generally compensates financial professionals pursuant to a salary and annual bonus. Some financial professionals are employed by IIS' bank affiliate BII and are dually hatted to service both your brokerage account as well as your bank account.

Cash Compensation

All of our financial professionals employed by IIS or its bank affiliate BII are paid a base salary which is a fixed yearly amount paid two (2) times per month. The bonus component is based on a set of goals which vary according to the professional's position within the organization, but typically include revenue growth, performance of model portfolios versus a benchmark, client satisfaction surveys and net income growth of the institution. Some financial professionals also have as part of their goals a component to include net new asset growth, increase in trading volume and maintenance of budget/cost limits. Based on this compensation structure IIS' financial professionals are incentivized to generate revenue by way of your account as well as recommend investment in certain product classes. IIS seeks to mitigate or minimize this conflict by including non-revenue factors which collectively combine to determine overall compensation for each financial professional.

Recruitment Compensation and Operational Assistance

Even though a financial professional may become associated with IIS after working with another financial services firm, he/she does not receive recruitment compensation from IIS in connection with the transition. The financial professional is offered a base salary paid two (2) times per month and an annual bonus based on several components specified under Cash Compensation section referenced above.

Financial Professional's Outside Business Activities

Financial professionals are permitted to engage in certain IIS-approved business activities other than the provision of brokerage and advisory services through IIS. As our financial professionals are full time employees of IIS and in certain instances also associated with BII, when IIS reviews the request for an outside business activity it ensures the activities do not present a conflict for the employee to be able to perform his expected duties for the institution during regular business hours. Employees are not allowed to offer services related to their outside business activities to clients. Additional information about your financial professionals outside business activities is available on FINRA's website at <https://brokercheck.finra.org>.

Compensation for Other Services

IIS and financial professionals can offer various types of advisory and brokerage programs, platforms and services, and earn differing types and amounts of compensation depending on the type of service, program or platform in which you participate. This variation in compensation can incentivize a financial professional to recommend services, programs or platforms that generate more compensation for IIS and the financial professional than others. For example, if you expect to trade securities frequently in your account, a brokerage account in which you pay a commission for each transaction may generate more compensation for IIS than an advisory account that generates compensation in the form of investment advisory fees. Our financial professionals will always offer you what is suitable based on your objectives and needs at the time of the investment and throughout the relationship with our financial institution.

ITEM 7 OTHER FINANCIAL INDUSTRY AFFILIATIONS

Itaú BBA International PLC is a foreign bank and IIS' parent company. The bank issues structured notes which IIS in turn offers or recommends to our clients. Although we do not receive direct compensation for distributing these products, the common ownership and affiliate status creates a conflict as such affiliates benefit from our distribution.

Itaú USA Asset Management Inc. is a registered investment adviser and affiliated company of IIS. IIS recommends the registered investment advisor's fund of funds. Although we do not get direct compensation for distributing these products, the common

ownership and affiliate status creates a conflict as such affiliates benefit from our distribution. The affiliates products are only offered to client that are suitable for the purchase and based on account objectives.

BII is a banking entity with an Edge Act license to operate in the United States, with whom IIS shares office space with. The entity serves as advisors to the AMS certificates. Even though we are not compensated by BII for the distribution of the certificates, the common ownership and affiliate status creates a conflict as such affiliates benefit from our distributions.

In general, Itaú is a group of related companies, and the investment products discussed in this document may be issued, managed or sponsored by our affiliates, and/or our affiliates may provide services related to the product and be compensated therefor. We have an incentive to offer or recommend such proprietary products rather than products of other financial institutions, and any recommendation of a proprietary product is subject to an inherent conflict of interest. Even if we are not directly compensated for distribution of the proprietary product, our affiliation and common ownership creates a conflict as our affiliates would benefit from our distribution. You should carefully understand which Itaú entities are providing service in connection with any given product or advise, and what fees are being charged by what parties. Your IIS financial professional can provide further details and answer any question you may have. If we do make any investment recommendation to you, we will consider your investment profile, including but not limited to time horizon, liquidity needs and risk tolerance, your investment objectives, and your investment experience, to determine that the investment recommendation complies with all applicable suitability, best interest, or other obligations.

Please consult the Disclosures page on IIS' website for the current information about IIS' brokerage and advisory compensation and related conflicts of interest. IIS posts changes to this disclosure on its website www.itauinternational.com on a periodic basis. IIS may not notify you when these changes are made, so you should consult the website to learn about any changes that have been implemented accordingly. If you are unable to access the website or require paper copies of any documents referenced in his information, please contact a financial professional.