

How Your Morgan Keegan Brokerage Accounts Are Protected

Securities Investor Protection Corporation (SIPC)

Morgan Keegan brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC), a member-supported organization created by Congress in 1970 to provide certain financial protection to clients should a brokerage firm become insolvent. Additionally, Morgan Keegan has for many years purchased supplemental protection, significantly raising the level of coverage for our clients.

Understanding the Role of SIPC

SIPC is your first line of defense in the event of a brokerage firm failure. No fewer than 99% of eligible investors get their investments back from SIPC. When a brokerage firm is closed due to bankruptcy or other financial difficulties, the Securities Investor Protection Corporation steps in as quickly as possible and, within certain limits, works to return to you cash, stock and other securities you had at the firm.

You should also understand that SIPC is not the FDIC. The Securities Investor Protection Corporation does not offer to investors the same blanket protection that the Federal Deposit Insurance Corporation provides to bank depositors. SIPC helps individuals whose money, stocks and other securities are put at risk when a brokerage firm fails for any reason.

Morgan Keegan does offer investors an FDIC-insured deposit account option that is described further in the section titled "FDIC-Insured Deposit Account".

What SIPC Covers and What It Does Not

The cash and securities – including stocks, bonds, notes, CDs, and money market funds – held in your accounts at Morgan Keegan are protected by SIPC up to stated limitations (\$500,000 maximum per eligible client, of which \$250,000 may be cash).

SIPC coverage does not protect against losses from market fluctuations in portfolio value. Certain investments are ineligible for SIPC protection, such as commodity and futures contracts, as well as investment contracts (such as limited partnerships) and fixed annuity contracts that are not registered with the U.S. Securities and Exchange Commission under the Securities Act of 1933.

More detailed information about the Securities Investor Protection Corporation is available online at www.sipc.org, or you may request a SIPC brochure from your Morgan Keegan financial advisor.

Morgan Keegan Provided Protections

Net Capital Requirements

Under direction of the U.S. Securities and Exchange Commission, all registered broker-dealers are required to maintain net capital to provide financial resources so that customers will get their cash and securities back in the event the firm fails. According to the SEC, brokerage firm customers' claims for their funds and securities are senior to other claims on the broker-dealer.

Segregation of Assets

In addition to the protections provided by SIPC and the SEC's net capital rule, the SEC requires registered broker-dealers to place client assets into accounts that are segregated from the broker-dealer's own proprietary funds and securities. The segregated assets are held in distinct accounts that prevent comingling of client assets with assets of the broker-dealer. As a result, clients are protected from potential trading losses that the firm may incur. These rules insure that there is no question of ownership of assets being held by the brokerage firm on behalf of their clients.

Supplemental Protection Provided by Morgan Keegan

Since 2006, Morgan Keegan has provided supplemental coverage in excess of SIPC coverage obtained through Lloyd's of London, the second largest surplus line insurer in the U.S. The per account limitation of this coverage is \$124,500,000 for all Morgan Keegan accounts, subject to an overall aggregate loss limit of \$400 million.

The supplemental coverage follows the same guidelines which apply for the SIPC coverage, and is provided at no cost to you. In the unlikely event that client assets are not fully recovered and SIPC protection limits have been paid, the supplemental protection takes effect. If you maintain more than one account with Morgan Keegan in separate capacities (i.e. individually, jointly, as a trustee), each account is protected by SIPC and the excess coverage up to the client and aggregate limits set forth. **For more details go to www.sipc.org.**

FDIC-Insured Deposit Accounts

Morgan Keegan brokerage clients may also select an FDIC-Insured Deposit Account as a sweep vehicle for available cash in your account. The FDIC-Insured Deposit Account is offered through Regions Bank. Assets deposited into this account are insured by the Federal Deposit Insurance Corporation (FDIC) in the same manner as other bank deposits.

FDIC protects customers against the loss of their deposits dollar-for-dollar up to the insurable limit. FDIC covers bank-held checking, NOW, savings, money market, CDs, and “self-directed” retirement accounts. The FDIC does not cover stocks, bonds, mutual funds, life-insurance policies, annuities, or municipal securities.

The standard maximum FDIC deposit insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. **Additional information is available at www.fdic.gov.**

- The FDIC deposit insurance coverage limits refer to the total of all deposits that an accountholder (or accountholders) has at each FDIC-insured bank.
 - o \$250,000 Single Accounts (owned by one person)
 - o \$250,000 per owner Joint Accounts (two or more persons)
 - o \$250,000 per owner IRAs and certain other retirement accounts
 - o \$250,000 per owner Trust Accounts, subject to specific limitations and requirements

The listing above shows only the most common ownership categories that apply to individual and family deposits, and assumes that all FDIC requirements are met.

Questions and Answers about Account Protection

Q: What is the difference between SIPC and FDIC protection?

A: It is important to understand that SIPC is not the securities world equivalent of the FDIC. When a member bank fails, the FDIC insures all depositors at that institution against loss up to a certain dollar limit. The FDIC’s no questions-asked approach makes sense because the banking world is “risk averse.” Most savers put their money in FDIC-insured bank accounts because they can’t afford to lose their money.

That is precisely the opposite of how investors behave in the stock market, in which rewards are only possible with risk. Most market losses are a normal part of the ups and downs of the risk-oriented world of investing. That is why SIPC does not bail out investors when the value of their stocks, bonds and other investments falls for any reason. Instead, SIPC replaces missing stocks and other securities where it is possible to do so - even when the investments have increased in value.

SIPC does not cover individuals who are sold worthless stocks and other securities. SIPC helps individuals whose money, stocks and other securities are put at risk when a brokerage fails for other reasons.

Q: Is everything I hold in my brokerage account covered by SIPC?

A: No, only the cash and securities – including stocks, bonds, notes, CDs, and money market funds – held in your accounts at Morgan Keegan are protected by SIPC up to stated limitations (\$500,000 maximum per eligible client, of which \$250,000 may be cash).

Certain investments are ineligible for SIPC protection, such as commodity and futures contracts, as well as investment contracts (such as limited partnerships) and fixed annuity contracts that are not registered with the U.S. Securities and Exchange Commission under the Securities Act of 1933.

Q: My brokerage assets are worth more than \$500,000. Am I at risk?

A: Morgan Keegan provides supplemental coverage up to \$125 million per account. The same guidelines in place for SIPC coverage apply to the supplemental coverage. You may also be eligible for more coverage based on the types of accounts you have at Morgan Keegan. For example, coverage may be provided for each eligible account, including individual, joint, trusts, etc. Contact your Morgan Keegan financial advisor if you have any questions about the coverage on your accounts.

Q: How can I get more information about SIPC coverage?

A: The SIPC web site is a good source of information about the organization and ways to protect yourself from investment fraud. The Web site address is: www.sipc.org. You may also request a printed brochure from your Morgan Keegan financial advisor.

Q: If my securities are in a margin account at Morgan Keegan, can they be loaned out?

A: Morgan Keegan can loan out your securities only if you have a margin debit. Even then, the firm is limited as to the amount of securities that may be loaned out. The limit is 140% of the outstanding margin loan value. For example: If your account is worth \$600,000, and you have a margin debit of \$100,000, Morgan Keegan can only use \$140,000 of security value to collateralize your loan. All other securities held in a margin account are held in customer segregation and can not be used by the brokerage firm.

Q: I have chosen the FDIC-Insured deposit option for some of the cash in my Morgan Keegan account. Are these assets safe, and are there any limits on the FDIC coverage?

A: Assets placed in the FDIC-Insured deposit option through your Morgan Keegan account are held at Regions Bank, a FDIC-insured institution, and are consequently eligible for FDIC coverage.

There are limits to the amount of FDIC coverage available to any individual depositor. Specifically, the FDIC insures consumer accounts up to \$250,000 per depositor per insured bank, and up to \$250,000 per individual per insured bank for IRAs ("self-directed retirement accounts). You should be aware that the FDIC-insured assets deposited through your Morgan Keegan account may be aggregated with other accounts you have at Regions Bank when determining the total amount of FDIC coverage. You should carefully review all accounts with your Morgan Keegan financial advisor and Regions banker to understand the applicable coverage.

Q: Are all of my bank accounts covered under FDIC?

A: The FDIC insures bank-held checking, NOW, savings, money market, CDs, and "self-directed" retirement accounts (IRAs). Stocks, bonds, Treasury Bills, mutual funds, life-insurance policies, annuities, and municipal securities are not covered by FDIC insurance.

Q: I have more than \$250,000 with my bank; does that mean all my accounts are not covered?

A: Not necessarily. Accounts with different classifications of ownership can be insured separately. You should review your accounts and determine what your coverage is. The FDIC website has a calculator to help you determine your coverage. (<http://www.fdic.gov/deposit/index.html>)

Q: I have money at other banks. Does that mean I am only insured for \$250,000 once?

A: No. If those banks are FDIC insured, you are covered up to \$250,000 per depositor per bank. You should contact those banks and review your accounts, how they are set up and determine your FDIC coverage.

Q: How do I get more information about FDIC Insurance?

A: The FDIC has several resources available to provide you with more information. Visit their Web site, <http://www.fdic.gov/deposit/index.html>, for additional information including an insurance calculator or call them at 1-877-ASK-FDIC.

Morgan Keegan

Morgan Keegan & Company, Inc. | Member FINRA, SIPC

Not FDIC Insured | May Lose Value | No Bank Guarantee | Not a Deposit | Not Insured by Any Government Agency

updated 11.2011