

February 2, 2017

The Honorable Elizabeth Warren
United States Senate
317 Hart Senate Office Building
Washington, D.C. 20510



Senator Warren:

Thank you for your recent letter regarding the Department of Labor (DOL) conflict of interest rule. Helping people invest for their retirement is critically important to us and we appreciate the opportunity to share our perspective.

The Charles Schwab Corporation prides itself on seeing the world through its clients' eyes. That is why from the outset of the DOL rule process, our public position on this topic has been consistent. We support the intent of the rule, which is to protect the interests of investors by holding the industry to a high standard: acting in a client's best interest when giving investment advice, and managing and disclosing any conflicts of interest. That said, we believe there are elements of the rule that could be improved and simplified to ensure it is applied in a way that matches its intent and preserves investors' choices.

We have spent several months and invested considerable financial resources preparing to implement the new DOL rule. As of today, we are confident we would be ready to comply with the rule by the April 2017 deadline. With a delay in the rule, however, interested parties would have additional time to ensure investors' needs are best served: policymakers can review and strengthen certain elements; investment firms can ensure they are fully prepared for the transition and adherence with any rule implemented; and investors can learn more about these higher standards and how they may affect decisions they make for their future.

We recognize there is some uncertainty today regarding the final shape of a rule and the timing of implementation. We will continue, however, to operate our business in ways that reflect our clients' interests and remain confident we will be prepared to implement a final rule in whatever form it takes.

Like all regulation, we approach this rule as an advocate for our clients – individual investors and those who serve them. We believe it is their interests we serve and it is to them we ultimately answer. In that spirit, we believe any regulation regarding investment advice should seek to deliver on these three key pro-investor elements:

- Best Interest Standard - We believe that a "best interest" standard would be valuable for all investors, not just retirement investors. Congress is in a position to provide the greatest certainty of higher standards being applied for all investors by adopting a consistent "best interest" standard across retirement and non-retirement account types.
- Transparency and Simplicity – If investors have the right information, they can make better decisions. This includes transparency about fees and any conflicts of interest a firm might have when giving investment advice. But transparency must be accompanied by understanding, so we believe it should be as simple and easy as possible for investors to receive information from a financial partner. For the sake of investors, any regulation should seek to avoid making the investing process

unnecessarily difficult or adding overly complex disclosures that investors struggle to understand.

- Investor Choice – In our industry, one size does not fit all. An investor making only a few transactions a year or who does not need or cannot afford to pay an ongoing fee for an advisory service may be better served paying as they go. Investors who rely on ongoing advice may benefit more from a fee-based arrangement. For this reason, we believe it is critical to preserve a client's ability to choose. Whether or not a DOL rule is implemented, we plan to maintain the same breadth of choice in our product and service offerings that we have today, with confidence we will continue to act in our clients' best interests.

Since Chuck Schwab founded our firm, we have been focused on serving and protecting the interests of our clients. Schwab has taken steps over the years to deliver greater value and better experiences for investors. This is our heritage: democratizing investing for all people. This week we announced a series of additional steps to deliver more value to investors of all sizes:

- Effective February 3, the company reduced its standard online equity and exchange-traded fund (ETF) trade commissions from \$8.95 to \$6.95.
- Effective February 3, the company initiated a satisfaction guarantee for clients. Simply, if a Schwab client is not satisfied for any reason, Schwab will refund commissions, transaction fees or advisory program fees paid to the firm.
- Effective March 1, Schwab will lower expenses on its market cap-weighted index mutual funds, already among the lowest in the industry. Importantly, all investment minimums are being eliminated and there will be a single share class, which ensures that the smallest investor can invest at pricing historically available only to large institutions.

We did not make these changes to satisfy a regulation. Instead, we made them to satisfy our clients' rising expectations. Today's consumers expect great value, a great experience, and a refund if they aren't satisfied. We believe a modern investing experience should deliver on these expectations and that those expectations should extend to the relationship people have with their financial partner. It should be no surprise that, in many cases, those expectations are being met today. For example, for many years, the fastest growing segment of the financial services industry has been independent registered investment advisors, who embody these customer-friendly trends. We are proud to say that over 7,000 of them and their clients entrust their assets with Schwab.

Regulation is only one component of maintaining the investing public's trust in financial institutions. The core responsibility for maintaining trust in our industry lies with its member firms. We must work to build trust everyday through our actions – our transparency, our client-friendly service, and the value we deliver for our clients' dollars. In turn, we should expect our clients to hold us accountable for our actions with their choices – rewarding us for delivering on their expectations and moving away from us when we don't. In the end, the most effective and lasting way to build trust is to earn it in a competitive marketplace.

We appreciate your interest in this topic, and look forward to continuing to do our part to ensure the American investor is well served and well protected.

Sincerely,

A handwritten signature in black ink, appearing to read 'Walt Bettinger', with a long horizontal stroke extending to the right.

Walt Bettinger

President and Chief Executive Officer

The Charles Schwab Corporation