



## Account Safety Features

### *Securities Safe-Keeping and Custody Practices*

**It's important that you know that Hilliard Lyons does not physically hold client securities. All US issued client securities are held at Depository Trust Company (DTC), which is a federally-regulated depository, or through the Federal Reserve Bank System.**

In addition, Non-US issued securities are held at major foreign securities depositories or local foreign financial institutions through Hilliard Lyons' foreign custody agreement with Merrill Lynch. All foreign depositories and local institutions have been approved as custodians by the US Securities and Exchange Commission (SEC). All client securities are the legal property of our clients and not Hilliard Lyons, and thus we are required to maintain client securities in segregated accounts at all depositories and financial institutions as part of the SEC's Customer Protection Rule to ensure that client fully-paid-for and excess margin securities are not used by Hilliard Lyons in any way. The use of segregated accounts ensures that client securities are not included on Hilliard Lyons' balance sheet and are not exposed to claims by our creditors in any way.

Hilliard Lyons, through its information systems, maintains comprehensive and accurate records in order to comply with SEC record keeping rules associated with maintaining client securities. We perform daily reconciliation procedures between our internal systems and the various outside custodians to ensure our internal systems are accurate and in balance. The SEC also requires that we have an annual report prepared by an independent third party which reviews our internal controls around the custody of client securities and tests the operating effectiveness of these controls. This report is required to be filed with the SEC annually and is available to our clients upon request.

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**Contact your  
Financial  
Consultant for  
more details.**

# Account Safety Features



**At Hilliard Lyons we understand that you are concerned about the safety of your money. After all, in most cases, your funds held with us represent your life's savings and we do not take the trust you hold in us to protect your savings lightly.**

## Net Capital Rule

The SEC's net capital rule is designed to ensure that Hilliard Lyons keeps on hand sufficient cash and other readily marketable assets to meet all of its financial obligations to clients. Hilliard Lyons has always maintained significant amounts of excess capital in addition to the strict regulatory capital requirement of the SEC's net capital rule. Financial information is published twice each year (March 31st and September 30th) and can be found on Hilliard Lyons' website ([www.hilliard.com](http://www.hilliard.com)) or can be made available upon request.

## Regulatory Oversight and Compliance

Hilliard Lyons is subject to continuing oversight and examination by the Financial Industry Regulatory Authority (FINRA), the firm's primary examining authority, and the SEC. FINRA conducts annual examinations of Hilliard Lyons as part of its member examination program. SEC rules also require that our financial statements and operational systems and procedures undergo an annual audit by our independent accounting firm, Crowe Horwath. Crowe Horwath, who also prepares the annual client security custody report noted above, is subject to oversight by the Public Company Accounting Oversight Board, which oversees the audits of public companies and broker-dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection.

In addition, Hilliard Lyons also maintains internal audit, compliance, market and credit risk functions that continually monitor regulatory compliance and assists the firm in ensuring that it meets SEC and other regulatory requirements.

## Securities Investor Protection Corporation

Hilliard Lyons is a member of the Securities Investor Protection Corporation (SIPC). Client accounts are protected by SIPC in the event that Hilliard Lyons fails financially and there is a shortfall in client assets that Hilliard Lyons was required to maintain as part of the SEC securities safekeeping and custody requirements. Please note that the only time SIPC funds become available is if Hilliard Lyons has ceased operations and there is a discrepancy between our internal record keeping systems and the independent outside custodians regarding client assets. In addition to normal SIPC client coverage (up to a maximum of \$500 thousand per client for securities and cash, inclusive of up to \$250 thousand per client for cash only), Hilliard Lyons has obtained private insurance coverage from Lloyd's of London to provide additional protection for large client accounts. For client accounts that have received the full SIPC restitution limits, further protection is provided by the third party policy (up to a maximum of \$25 million per client for securities and cash, inclusive of up to \$900 thousand per client for cash only), subject to an aggregate limit of \$100 million for all customer claims.

## FDIC Protection for Bank Deposits

Hilliard Lyons Insured Deposit Program provides for deposits with various banks that are insured by the Federal Deposit Insurance Corporation (FDIC), an independent agency established by Congress in 1933 to help provide stability to our nation's financial system. In the event of a bank's insolvency, interest and principal are fully covered by FDIC insurance

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subject to limits per customer, per ownership category, at each institution. FDIC insurance currently protects depositors from any losses up to \$250 thousand per person, per bank and account type however the Hilliard Lyons Insured Deposit Program currently offers each depositor up to \$2 million of FDIC insurance by working through our intermediary bank to route customer deposits to multiple banks who participate in the program.

## **Additional Client Security Features**

Hilliard Lyons considers the security and protection of client personal and financial information to be a critical priority. We have implemented numerous controls to protect client information and prevent unauthorized or fraudulent account activity and are committed to maintaining strong security standards. As part of our internal review and control system all client transactions are subject to several levels of review to ensure that transactions are properly authorized and approved. Client activity is also reviewed for suspicious and potential fraudulent activity. All employees are subject to detailed background checks before they are hired and are covered by fidelity bond insurance once they are hired

## **Online Security**

Hilliard Lyons uses sophisticated systems that constantly monitor the network to prevent unauthorized individuals and programs from entering our network and computer systems and thus, your personal information. These systems include Intrusion Detection/Prevention Systems and programs that look for viruses and malware. These systems and programs are constantly updated to identify new threats that have been introduced throughout the world. We also monitor our file servers and workstations to protect against new threats. Again, these programs are constantly updated to identify new threats. All this provides for a highly secure, uncompromised environment.

By combining leading edge technologies and commonsense approaches to security, the online information of Hilliard Lyons' clients is well protected.

At Hilliard Lyons, we take the security of your assets very seriously. If you have any further questions concerning the safety of your funds with Hilliard Lyons please do not hesitate to ask your Financial Consultant.

Securities offered through J.J.B. Hilliard, W.L. Lyons, LLC | Member NYSE, FINRA & SIPC.

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