

# BANKOH INVESTMENT SERVICES, INC. BROKERAGE SERVICES DISCLOSURE SUMMARY

## JUNE 2020

<https://www.boh.com/personal/investments>

This disclosure provides information about the business practices, compensation, and conflicts of interest related to the brokerage business of Bankoh Investment Services, Inc. (referred to as “we,” “us,” or “BISI”). Our goal is to provide you with the information you need to make informed investment decisions. We encourage you to review this information carefully, along with any applicable account agreement(s), disclosure documentation, or other materials you receive from us. We reference various other documents throughout this disclosure, which have either been or will be provided to you as applicable, based on you establishing a brokerage account, or engaging in certain brokerage investment activities with us. If you would like a copy of any of these documents, please ask us. You should contact us promptly either in writing or by phone if you do not fully understand this or any other disclosure we provide you, including any questions you have concerning the essential facts of your brokerage relationship with us, or our conflicts of interest. Additional information about BISI and its financial professionals is available on FINRA’s website at <http://brokercheck.finra.org>.

### TABLE OF CONTENTS

ITEM 1 INTRODUCTION.....	1
ITEM 2 BROKERAGE ACCOUNT SERVICES AND ACCOUNT TYPES.....	1
ITEM 3 COMMISSIONS, FEES AND OTHER TYPES OF SALES COMPENSATION.....	3
ITEM 4 THIRD PARTY COMPENSATION.....	4
ITEM 5 PRODUCT COSTS AND RELATED CONFLICTS.....	5
ITEM 6 CUSTOMER REFERRALS, OTHER COMPENSATION AND OTHER CONFLICTS.....	6
ITEM 7 FINANCIAL PROFESSIONAL COMPENSATION, FEES AND RELATED CONFLICTS.....	7
ITEM 8 ADDITIONAL RESOURCES.....	7

### ITEM 1 INTRODUCTION

BISI is a broker-dealer registered with the Securities and Exchange Commission (SEC) and member of the Financial Industry Regulatory Authority (FINRA). BISI is also registered as an investment adviser with the SEC. In addition, BISI is qualified to sell insurance products in the State of Hawaii and territory of Guam. As a broker-dealer, BISI transacts business in various types of securities, including mutual funds, exchange-traded funds (ETFs), stocks, bonds, commodities, options, variable annuities, and other investment products.

BISI maintains a network of individuals, referred to as “financial professionals”, who offer brokerage services, investment advisory services, or both, depending on their licenses. Some of BISI’s financial professionals are investment adviser representatives (IARs) of BISI. BISI sometimes refers to these specific financial professionals as “financial advisors” or “advisors.” BISI is a non-bank subsidiary of Bank of Hawaii and BISI’s services are primarily offered at Bank of Hawaii locations. We are not a bank or thrift and are a separate and distinct corporate entity from our affiliated bank.

Although most financial professionals offer both brokerage and investment advisory services, some professionals may only offer brokerage services. **When you are discussing services with a financial professional, you should ask 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 BISI’s broker-dealer. For more information about BISI and the services financial professionals provide when they act as IARs, please see BISI’s Form ADV disclosure brochures available on <https://www.boh.com/personal/investments/FormADV>. For additional information on which type of investment account is right for you, please see BISI’s Form CRS (Customer Relationship Summary) available on <https://www.boh.com/personal/investments/Form-CRS>.

Like all financial services providers, BISI and its financial professionals have conflicts of interest. BISI and its financial professionals are compensated directly by customers and indirectly from the investments made by customers. When customers pay us, we typically get paid an upfront commission or sales load at the time of the transaction and in some cases a deferred sales charge. If we are paid an upfront commission, it means that we are paid more the more transactions a customer makes. When we are paid indirectly from the investments made by customers, we receive ongoing compensation, typically called a “trail” payment, for as long as a customer holds an investment. 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 we receive on an investment, before subtraction of our expenses. 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 BROKERAGE SERVICES INTRODUCTION AND ACCOUNT TYPES

When you establish a brokerage account with us, you have the ability to buy, sell and hold investments in your account. The

# **BANKOH INVESTMENT SERVICES, INC. BROKERAGE SERVICES DISCLOSURE SUMMARY**

## **JUNE 2020**

primary service we provide is our transaction execution capability. We also provide other incidental services such as custody of your assets, research reports, and recommendations to buy, sell, or hold assets. We execute purchases and sales on your behalf, as directed by you.

### **Cash and Margin Accounts**

We provide brokerage services through either a cash brokerage account or margin brokerage account, based on your eligibility and selection. In a cash brokerage account, you must pay for your purchases in full at the time of purchase. In a margin brokerage account, you must eventually pay for your purchases in full, but we can lend you funds at the time of purchase to cover all or a part of your transaction. This is generally referred to as a “margin loan.” The portion of the purchase price we loan you is secured by securities in your account, also referred to as “collateral.” You will incur interest costs as a result of your margin activity. While many securities are eligible to be used as collateral for a margin loan, some assets are not available for margin collateral purposes. Your margin brokerage account can also be used to borrow against eligible securities. Given that a margin brokerage account has specific eligibility requirements, unique costs, and governing regulatory requirements, you must execute a separate margin agreement with us before engaging in margin brokerage activity. Included with your margin agreement is a copy of the Bankoh Investment Services Margin Disclosure Statement. This statement contains important information you should understand and consider before establishing a margin brokerage relationship with us

### **Other Brokerage Account Types**

We offer many different brokerage account types including individual and joint accounts, custodial accounts, estate and trust accounts, partnership accounts, 529 Plan accounts, Coverdell Education Saving Accounts (ESAs), individual retirement accounts (“IRAs”), and other types of retirement accounts.

### **Fund Direct Accounts**

Please consider that certain types of investments and accounts, (which are not limited to but may include certain existing 529 Plan accounts, 403(b) accounts and SIMPLE IRAs) are in some cases not held with us. These accounts are generally described as “Fund Direct Accounts” and are typically held instead at (i) the firm that manages the 529 Plan, or (ii) the mutual fund company or mutual fund company transfer agent that offers the fund or retirement plan account. Funds given to us for investment in 529 Plans not maintained on our brokerage platform (i.e., Fund Direct Accounts) must be made payable to the provider. We cannot accept any funds made payable to us in relation to such accounts. Any such funds we receive will be returned to you at your current address of record. You will be responsible for all costs and losses, if any, resulting from such actions including lost interest and costs of disbursement, which may include, without limit, reasonable attorneys' fees. No account statements, participant recordkeeping, accounting services, discrimination testing, tax reporting, or plan document amendment services will be provided to you by us for these accounts. Further, we may assist you with the initial selection of a Fund Direct Account and any initial investment selections that you make, and we may assist you with subsequent investment decisions. You will receive additional information about our obligations concerning Fund Direct Account in your account agreement(s) and related disclosure documents when you establish a brokerage account.

### **Brokerage Account Monitoring and Investment Monitoring**

It is your responsibility to monitor the investments in your brokerage account, and we encourage you to do so regularly. We will not monitor your brokerage account nor monitor investments within your brokerage account. While we can choose to provide you with periodic reports that help you evaluate your current asset allocation as it relates to your investment goals and objectives, these reports do not monitor specific investment holdings and should not be construed as a recommendation to buy, sell, or hold any particular securities in your account. When we offer these services and information, we do so as a courtesy to you. Upon request, we will review such reports with you and can provide you with specific investment recommendations, but we are not under a particular obligation to do so. If you prefer on-going monitoring of your investments, you should speak with a financial advisor about whether an advisory relationship with us is appropriate for you.

### **Understanding Risk**

While we will take reasonable care in developing and making recommendations to you, investing in securities involves risk, and you may lose money, including your entire investment capital. Further, there is no guarantee that you will meet your investment goals, or that our recommended investment strategy will perform as anticipated. Please consult any available offering documents for any security we recommend for a discussion of risks associated with the product. We can provide those documents to you, or help you to find them. Further, for certain products we recommend, you will receive additional product disclosure documents (or Product Disclosure Statements) that contain additional risk and related disclosure details. You should also consider that some investments involve more risk than other investments. Higher-Risk investments have the potential for higher returns but also for significant losses. The lower your “risk tolerance,” meaning the amount of risk or loss you are willing and able to accept in order to achieve your investment goals, the more we encourage you to avoid higher-risk investments, as these investments pose the potential for significant losses. To help address these risks, we align investor risk tolerances with investment needs to offer you multiple investment objectives from which to choose. You should select the investment objective and risk tolerance best aligned with your brokerage account goals and needs. Investment goals typically have different time horizons and different income and

# BANKOH INVESTMENT SERVICES, INC. BROKERAGE SERVICES DISCLOSURE SUMMARY

## JUNE 2020

growth objectives. Generally, investment goals are on a spectrum. Risk tolerance also varies and we measure it on a continuum that increases from “Conservative” to “Moderate” and finally “Aggressive.” You should consider these differences before selecting the investment objective and risk tolerance associated with your brokerage account(s). For more information concerning our available investment objective options, contact a financial advisor.

### **Basis for Brokerage Recommendations**

When making a brokerage recommendation, we begin by gaining an understanding of your financial situation, investment objectives and goals, and tolerance for investment risk. This is commonly known as your investment profile and includes information that you disclose to us such as your income, age, number of dependents, net worth, liquid net worth, investment experience, investment preference, and time horizon. Your investor profile information provides us with a framework for evaluating which of the investment strategies and individual securities to recommend to you based on the risks, rewards and costs of the investment security or strategy, and in light on your investor profile. You should understand that, while we consider reasonably available alternatives with similar investment objectives where appropriate in making a recommendation to you, there is no single “best” investment for any particular situation. We do not evaluate every possible alternative available at our firm or in the marketplace in making a recommendation. You make the ultimate decision whether to follow our recommendations to buy, sell, or hold securities in your account, and it is your responsibility to notify us of any changes to your investor profile.

### **ITEM 3 COMMISSIONS, FEES AND OTHER TYPES OF SALES COMPENSATION**

#### **Commissions and Sales Charges**

BISI 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 or sales charge, 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. BISI receives the sales charge or commission and shares it with your financial professional. 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. These fees are set at least annually and are detailed in the BISI Pricing Schedule available on <https://www.boh.com/personal/investments/fees>.

Additionally, these fees are communicated to you through information included in your account opening documents and other notifications. Some fees do not apply to all account types and can be waived or discounted. Please consider that we permit financial advisors to discount certain account and service fees and charges at their discretion. Financial advisors are not obligated to discount account or service fees. You should speak with a financial advisor and consult your account opening document(s) for details. 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 maximum commission charged by BISI in an agency capacity on an exchange-traded security transaction, such as an equity, Exchange Traded Fund (ETF), exchange traded note (ETN) or closed-end fund (CEF), is \$50.00 plus up to 1.5% of the transaction amount. The commission amount decreases as the size of the transaction amount increases according to a schedule. In addition, the financial professional can decide to discount the commission amount to a minimum of \$29.95 per transaction.

**Mutual Funds and 529 Plans.** The maximum commission or sales charge permitted under applicable rules is 8.5%, although the maximum is typically 5.75%. The maximum charge for no-load funds is \$75.00. Additionally, some mutual funds have a Contingent Deferred Sales Charge (CDSC) or back-end load. This charge typically ranges from 0.25% to 2.00% for class A and C shares, and can range up to two years.

**Annuities.** The maximum upfront commission paid for new sales of annuities is typically 5.5%, but varies depending on the length of the contract, and type of annuity, such as immediate, fixed, fixed index, traditional and investment-only variable annuities.

**Fixed Income.** The maximum commission charged by BISI in an agency or riskless principal capacity on a fixed-income transaction, such as a corporate bond, municipal bond, U.S. Treasury Bill, Government Agency Security, or Mortgage-Backed Security is 3% of the transaction amount with a minimum charge of \$60. The commission amount decreases as the size of the transaction amount increases according to a schedule. In many cases, the actual markup/markdown percentage is lower based on factors such as quantity, price, type of security, rating, maturity, etc. In addition, the financial professional can decide to discount the commission amount to a minimum of \$29.95 per transaction.

#### **Direct Fees and Charges**

If you hold an account at BISI, BISI charges miscellaneous fees directly to your account such as fees for transaction processing, account transfers, and retirement account maintenance. For direct fees that apply per transaction, BISI receives more fees the more transactions that result from a financial professional's recommendation. These direct fees and charges are set out in the Pricing Schedule and are not shared with financial professionals, and are not charged by BISI if you hold an account directly with a product sponsor rather than with BISI.

# BANKOH INVESTMENT SERVICES, INC. BROKERAGE SERVICES DISCLOSURE SUMMARY

## JUNE 2020

### ITEM 4 THIRD PARTY COMPENSATION

BISI and financial professionals receive compensation from investment product sponsors and other third parties in connection with investments that BISI customers make in securities such as mutual funds and annuities. Some types of third party compensation are received by BISI and shared with financial professionals, and other types are retained only by BISI.

#### Third Party Compensation Shared by BISI and Financial Professionals

##### Trail Compensation and/or 12b-1 Fees

BISI and its financial professionals receive ongoing compensation from certain investment products such as mutual funds and annuities. 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 BISI customers. The more assets you invest in the product, the more we 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 trails (regardless of amount) rather than products that do not pay trails. For more information about trail compensation received with respect to a particular investment, please refer to the prospectus or offering document for the investment.

**Mutual Funds and 529 Plans.** The ongoing payment depends on the class of shares but is typically between 0.25% and 1% of assets annually.

**Annuities.** BISI may receive a trail payment from an annuity issuer for the ongoing servicing of a policy. The amount and timing of trail payments vary depending on the agreement between BISI and the issuer, and the type of policy purchased. The maximum trail payment for annuities is typically 1.5%, and varies depending on the type of annuity.

##### Concessions and Mutual Fund Finder's Fee

In certain cases, BISI and financial professionals receive compensation from a mutual fund sponsor in connection with transactions for which sales charges are waived or under other circumstances and as described in a fund's offering documents. This compensation is generally referred to as a finder's fee or concession and typically ranges between 0.25% and 1% of the transaction amount. BISI also receives concessions from investment sponsors for other types of investments. These concessions vary from product to product, and are generally shared between BISI and the financial professional. Concessions can be as high as 0.25% of the transaction amount for new issues of certificates of deposit, municipal bonds and other short-term dated bonds.

##### Life Insurance

BISI receives compensation from issuers of life insurance (universal, variable universal, whole life, and term) and other insurance contracts that are available to brokerage customers. The compensation includes upfront commissions and/or trails. BISI receives commissions in the range of 1% to 100% of first-year commissionable premiums. BISI may also receive a trail payment in the range of 1% to 100% of subsequent premiums, if any. The amount of commission varies depending on the issuer, coverage and the premium amount. Financial professionals receive a percentage of the commissions and trailing commissions the insurance company pays to BISI.

##### Non-Cash Compensation

BISI employees and financial professionals may 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 pay, or reimburse BISI and/or its financial professionals, for some of the costs associated with education or training events that may be attended by BISI employees and for BISI sponsored conferences and events.

#### Third Party Compensation Retained by BISI

##### Non-Sweep Money Market Mutual Funds Revenue

Customers are able to invest cash balances in a limited number of money market mutual funds as part of a sweep arrangement (Non-Sweep Money Market Funds). 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 BISI in connection with the transaction. 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

# BANKOH INVESTMENT SERVICES, INC. BROKERAGE SERVICES DISCLOSURE SUMMARY

## JUNE 2020

same Non-Sweep Money Market Fund but are not available on BISI's platform. BISI receives compensation for the BISI 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 BISI provides to the fund sponsors as described in this disclosure.

Unlike other types of mutual funds available on BISI's platform, BISI 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, BISI 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 BISI's brokerage platform are likely to have higher returns than the Non-Sweep Money Market Funds.

### ITEM 5 PRODUCT COSTS AND RELATED CONFLICTS

Financial professionals provide recommendations with respect to a broad range of investment products including mutual funds and 529 Plans. 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 BISI and financial professionals receive. Mutual Funds for example have internal expense ratios that can vary based on the type of mutual fund purchased. 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.

### Share Class and Fund Selection

BISI offers various share classes of mutual funds and 529 Plans. As an example, certain mutual fund share classes, often referred to as Class A shares, charge an upfront sales charge and an ongoing trail. For other mutual fund share classes, often titled Class C shares, there is no upfront sales 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 or 529, and other factors, one share class may be less expensive to the investor than another, and BISI and the financial professional may earn more or less in compensation for one share class than another. Because of their characteristics and sales load structure, mutual funds generally are longer-term investments. 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. BISI 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.

Some share classes or funds we offer do not charge or pay to us an upfront sales charge, and pay us ongoing trails of 0.25% or less annually ("no-load funds"). We may be compensated in other ways by sponsors of no-load funds, such as through revenue sharing payments. Because of the limited compensation from no-load funds, we have an incentive to limit the availability of no-load funds we offer and to recommend you invest in funds that impose sales charges and trails.

**Class A Shares:** For class A share mutual funds, you typically pay a front-end sales charge, called a sales load, which is deducted from the initial investment. Mutual funds with front-end loads generally reduce the sales charge as the amount of your investment increases above certain levels, according to a breakpoint schedule. Sales charges for mutual funds investing predominantly in equities generally are higher than those of mutual funds investing primarily in bonds. Your front-end charges may be reduced or eliminated as the amount of your investment with the mutual fund company increases above certain levels. Such reduced charges are known as breakpoint discounts. At a certain level, typically \$1 million, the front-end sales charge may be waived. Annual operating expenses for class A shares are generally lower than for class C shares. Please refer to the prospectus for the specific sales charges and expenses.

**Class C Shares:** For class C share mutual funds, you are normally not charged a front-end sales charge or a contingent deferred sales charge (CDSC) unless you sell shares within a short period of time, usually one year. The operating expenses are usually higher than those of class A shares. Class C shares do not offer breakpoint discounts. Class C shares typically are more appropriate for investors with a shorter investment time-frame.

The mutual fund company pays BISI a commission at the time you make your investment with the amount varying depending on the share class purchased and any applicable breakpoint discounts. BISI pays a portion of this commission to your financial professional. The product sponsor also pays us an ongoing distribution and/or service fee (12b-1 fees) that are paid out of fund assets for as long as you own your shares and we are the broker of record. Your financial professional receives a portion of these trail payments. Please ask your financial professional how he or she is paid for mutual fund transactions.

**Money Market Mutual Funds:** A money market mutual fund contains short term debt and monetary investments and has an objective of maintaining a stable net asset value of \$1 per share. There are no sales charges when you buy a money market

# BANKOH INVESTMENT SERVICES, INC. BROKERAGE SERVICES DISCLOSURE SUMMARY

## JUNE 2020

fund. There typically is no fee to redeem money fund shares unless the fund's board has determined to impose liquidity fees in certain circumstances. The fund's prospectus contains information regarding the fund's objectives, risks, investments, fees and expenses. BISI does not charge commissions or fees for the purchase or liquidation of money market funds. We do receive 12b-1 fees for distribution services we provide and do not share these with your financial professional.

### ITEM 6 CUSTOMER REFERRALS, OTHER COMPENSATION AND OTHER CONFLICTS

#### Payment for Referrals

Our financial professionals offer brokerage and advisory services remotely or on the premises of Bank of Hawaii branch locations. In some of those cases, Bank of Hawaii may pay an employee (e.g., a teller) a "nominal" fee for referrals to a financial professional in accordance with applicable banking regulations.

#### Margin

BISI offers customers the ability to purchase securities on credit, also known as margin purchases. When a customer purchases securities on margin, BISI extends a line of credit to the customer and charges interest on the margin balance. BISI has a financial incentive to encourage margin borrowing because BISI 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 BISI and financial professionals benefit from your decision to borrow and incur the various fees and interest described above. If contemplating use of margin, please consult the BISI Margin Agreement and related disclosures for additional details.

#### Float

If a customer holds an account at BISI, BISI maintains the assets in a segregated account and receives compensation in the form of earnings on its investment of uninvested cash. These earnings are generally known as "float." Cash in the account would typically result from contributions to the account or sales of securities in the account before that cash is credited to a specific customer accounts. BISI also receives float on outstanding checks after they are issued by BISI to the customer and before they are presented for payment. BISI does not share this compensation with financial professionals.

#### Error Correction

If a customer holds an account at BISI and a trade error caused by BISI occurs in the account, BISI 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), BISI 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 will be retained by the customer.

#### Rollovers

If a customer decides to roll assets out of a retirement plan, such as a 401(k) plan, and into an individual retirement account (IRA), we have a financial incentive to recommend that a customer invests those assets with BISI, because we will be paid on those assets, for example, through commissions, fees and/or third party payments. A customer should be aware that such fees and commissions likely will be higher than those the customer pays through their existing 401k plan, and there can be custodial and other maintenance fees. As securities held in a retirement plan are generally not transferred to an IRA, commissions and sales charges may be charged when liquidating such securities prior to the transfer, in addition to commissions and sales charges previously paid on transactions in the plan. For more information about rollovers, please see our Retirement Plan Options Disclosure at <https://www.boh.com/personal/investments/retirement-disclosure>.

#### Limitations on Investment Recommendations

BISI and financial professionals offer and recommend investment products only from investment sponsors with which BISI has entered into selling and distribution agreements. Other firms may offer products and services not available through BISI, or the same or similar investment products and services at lower cost. In addition, BISI 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.

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 branch office policy restrictions. For example, a financial professional maintaining a Series 6, Series 63 and Life Insurance Agent license is limited to providing investment company securities, such as mutual fund. A financial professional maintaining a Series 7, Series 63 and Life Insurance Agent license is able to provide solutions including all securities available for sale by a Series 6 representative as well as individual stocks, bonds, and alternative investments, 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 be registered as an IAR with the state in which he/she has a place of business.

# BANKOH INVESTMENT SERVICES, INC. BROKERAGE SERVICES DISCLOSURE SUMMARY

## JUNE 2020

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 BISI from another firm. You should also review the licenses held by your financial professional by visiting the FINRA BrokerCheck system at <http://brokercheck.finra.org>.

### **Compensation of Certain BISI Employees**

Certain BISI employees provide sales support resources to financial professionals who offer various types of brokerage and advisory products, programs, platforms and services. The compensation that BISI pays to these employees varies based on a number of factors, including assets in the program and compensation earned by BISI from the sales of these products and services. These sales support employees have an incentive to promote certain BISI programs and platforms to financial professionals over others or those available through third parties.

### **ITEM 7 FINANCIAL PROFESSIONAL COMPENSATION, FEES AND RELATED CONFLICTS**

BISI financial professionals are employees of BISI. Described below are the compensation and other benefits that financial professionals receive from BISI.

#### **Cash Compensation**

BISI typically pays a financial professional a percentage of the revenue he/she generates from sales of products and services. The percentage received can vary (typically between 20% to 30%) depending on his or her agreements with BISI and can be more or less than what he/she would receive at another brokerage firm. When compensation is based on the level of production or assets, the financial professional has a financial incentive to meet those production or asset levels. The receipt of this compensation creates a conflict of interest in that the financial professional has a financial incentive to recommend that a customer open and maintain an account with BISI for advisory, brokerage and/or custody services, and to recommend switching investment products or services where a customer's current investment options are not available through BISI, in order to receive the this type of benefit or payment.

In addition, BISI pays compensation to some of BISI's managers based on the overall revenue of the division. There is a conflict of interest because the compensation affects the manager's ability to provide objective supervision of the financial professional. BISI managers have an obligation to supervise financial professionals and may decide to terminate a financial professional's association with BISI based on performance, a disciplinary event or other factors. The amount of revenue a financial professional generates creates a conflict of interest when considering whether to terminate a financial professional.

#### **Financial Professional's Outside Business Activities**

Financial professionals are permitted to engage in certain BISI-approved business activities other than the provision of brokerage and advisory services through BISI. Additional information about your financial professionals outside business activities is available on FINRA's website at <http://brokercheck.finra.org>.

#### **Compensation for Other Services**

BISI 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 BISI 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 your financial professional than an advisory account that generates compensation in the form of investment advisory fees.

### **ITEM 8 ADDITIONAL RESOURCES**

BISI posts changes to this and other disclosures on its website <https://www.boh.com/personal/investments> from time to time. BISI may not notify you when these changes are made, so you should consult the website to learn about any changes that have been published. If you are unable to access the website or require paper copies of any documents referenced here, please contact a financial professional or call our main office at 808-694-8500.