



# MARKET-LINKED CD STATEMENT VALUES

**Understanding how Market-Linked CDs  
are valued on brokerage statements**



Statement pricing for Market-Linked CDs (MLCDs) differs from that of traditional investments and can sometimes be confusing to investors. It is important to have a clear understanding of how the value of a MLCD will appear on an investor's brokerage statement at various times during which they hold the investment. This document offers a general overview of how MLCDs are valued on brokerage statements.



## MARKET-LINKED CD OVERVIEW

Market-Linked CDs (MLCDs) are FDIC insured certificates of deposit (CDs), whose performance is linked to the return of an underlying asset or group of assets, which may include equities, commodities, currencies, or interest rates. They are designed to provide investors with the ability to participate in the performance of the underlying asset, generally providing 100% principal protection, if held to maturity and subject to the creditworthiness of the issuer and FDIC insurance limits.

Additional returns, if any, are generally tied to the performance, or some percentage of the performance, of the underlying asset and may be capped. When viewing MLCD pricing on a brokerage statement, it is important to consider:

- 1. MLCDs are intended be held to maturity.**
- 2. MLCDs provide 100% principal protection when held to maturity.**  
*(subject to the creditworthiness of the issuer and FDIC insurance limits)*



## HOW ARE MLCD VALUES REPORTED?

The value reported on a brokerage statement (commonly referred to as statement value) is an estimate of the current market value, or bid, an investor may receive if they sold the Market-Linked CD (MLCD) as of the statement valuation date.

**The value of a MLCD immediately after purchase will most likely be lower than the initial principal amount invested due to several factors, such as upfront fees and broker compensation.**

The statement value does not reflect what the investor will receive at maturity, which can include principal and amounts, if any, linked to the performance of the underlying asset, as outlined in the MLCD terms.



## FACTORS THAT IMPACT STATEMENT VALUES

The pricing reflected on a brokerage statement can be positively and/or negatively impacted by a variety of factors including, but not limited to:

- Performance of the underlying asset or group of assets
- Interest rate movements
- Market volatility
- Time to maturity
- Credit rating of the issuer
- Fees and other administrative costs

Generally, the closer to maturity a MLCD is, the more the underlying asset performance and amounts due at maturity will be reflected in the statement value. The more time left to maturity, the more sensitive statement values may be to market fluctuations and other factors.



## HYPOTHETICAL SCENARIO:

Let's suppose an investor purchases a 5-year Market-Linked CD (MLCD), designed to return par value at maturity along with any market-linked amount based on the performance of an underlying index.

Initial Principal Investment:	\$100,000
Initial Statement Value:	\$96,000

### *Why is the value of the CD less than what was initially deposited?*

As previously discussed, the value reported on the initial statement will most likely be lower than the initial principal amount. This can be attributed to varying factors, such as upfront fees or broker compensation, among other things.

### *How does the statement pricing impact the principal amount returned at maturity?*

It doesn't. Because the MLCD returns the initial principal amount to investors at maturity, the investor would receive \$100,000 regardless of the performance of the underlying asset, subject to the creditworthiness of the issuer and FDIC limits. Any additional return at maturity is contingent on the performance of the underlying asset, the terms of the MLCD, and the creditworthiness of the issuer, which is outlined in the offering document.

### *What happens if the statement value of my MLCD declines or increases?*

Initial Principal Investment:	\$100,000
Statement Value <u>Declines</u> in Year 2:	\$85,000

Regardless of the value reported on an investor's brokerage statement, the investor will receive the initial principal amount invested at maturity, subject to the creditworthiness of the issuer.

Initial Principal Investment:	\$100,000
Statement Value <u>Increases</u> in Year 4:	\$125,000

Even if the value of a MLCD is above the initial principal amount, the value reported can still fluctuate higher or lower prior to maturity. Investors should understand the terms of the individual MLCD and review the offering document for complete details.

*Hypothetical investor scenarios are for illustrative purposes only.*



## KEY TAKEAWAYS:

1. Statement values do not reflect principal or payments that will be made at maturity.
2. Statement values do not affect an investor's return at maturity and should not be considered an exact valuation.
3. At maturity, additional returns provided by a MLCD, if any, depend on the performance of the underlying asset and the specific terms associated with the offering.
4. Investors should refer to the offering document for complete details.

**Investors should consult their financial professional and review the MLCD offering documents carefully prior to investing.**

The information contained herein is not intended to be a complete description of the statement valuations, terms, risks, and benefits associated with any specific Market-Linked CD (MLCD) offering.

**Market-Linked CDs are made available through an offering document, or disclosure statement. These documents contain a detailed explanation of the risks, tax treatment, and other relevant information about the investment. Before investing, you should read the disclosure statement and other supporting documents carefully. Additionally, investors should consult their accounting, legal or tax professional before investing. Market-Linked CDs are sold through financial professionals.**

It is important to highlight that Market-Linked CDs only guarantee principal back at maturity and thus if an investor sells or redeems his/her investment prior to maturity, the investor may receive an amount less than his/her original investment. There may be substantial penalties for an early withdrawal. Typically, the issuer of the MLCD maintains a secondary market; however, they are not obligated to do so.

**FDIC Insurance:** A Market-Linked CD represents a bank deposit obligation and is FDIC insured together with all other deposits you may have with the issuing bank, up to \$250,000 per depositor. FDIC deposit insurance coverage limits refer to the total of all deposits that an account holder (or account holders) has at each FDIC-insured bank. Additional information is also on the FDIC public website at [www.fdic.gov](http://www.fdic.gov).

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