



FORM 14 BROKER-DEALER FIDELITY BOND HIGHLIGHTS

AMBA is the Industry Leader offering the most comprehensive Fidelity Bond coverage available in the marketplace.

Most broker-dealer firms rely on our Fidelity Bond Program to protect their assets.

Here's why:

- › Our Fidelity Bond Program is designed specifically for broker-dealer firms.
- › Coverage is included for Registered Representatives.
- › ERISA coverage is included up to Fidelity Bond limits and also available upon request for specified in-house pension and profit-sharing plans above Fidelity Bond limits.
- › Coverage is included for fraudulent transfer instructions via telephone and email.
- › Impersonation Fraud (a.k.a. social engineering) is included.
- › Computer Crime rider is available, for an additional cost, which includes 6 separate coverages.
- › Financial Services Industry Experts: Our underwriting team has extensive experience in administering insurance products for broker-dealers, and we understand the unique nature of the Securities Industry.

FINRA® is a registered trademark of Financial Industry Regulatory Authority, Inc. AMBA, a third-party provider of insurance products, is the Program Administrator. FINRA does not endorse these products and firms are not obligated to use them. Their use does not ensure compliance with FINRA rules or other regulations or laws.

Frequently asked Form 14 Fidelity Bond questions

Q. What is a Fidelity Bond, and why does my firm need one?

A. A Fidelity Bond insures your firm against intentional fraudulent and dishonest acts committed by your employees and registered representatives under certain specified circumstances. Besides being a FINRA requirement, having a Fidelity Bond just makes good business sense.

Q. How do I determine what minimum limit of liability I need to carry?

A. According to Rule 4360 of the FINRA Manual, if your required net capital under SEC Rule 15c3-1 is less than \$250,000, then you are required to carry a Fidelity Bond in the amount of 120 percent of your required net capital or \$100,000, whichever is greater. If your required net capital is \$250,000 or greater, please refer to FINRA Rule 4360 to determine your minimum required bond limit.

Q. Does this policy satisfy the ERISA Fidelity Bond Requirements for my in-house pension and profit-sharing plans?

A. Our Fidelity Bond allows you to add these plans at no additional cost, subject to the limit of your firm's Fidelity Bond. If your firm's limit falls short in satisfying your ERISA requirements, you will still need to carry a separate ERISA Bond for those plans unless you choose to increase your firm's Fidelity Bond to the limit of your ERISA requirement. If you require a separate ERISA Bond, AMBA also offers this product.

Q. What other products are available to broker-dealer firms?

A. AMBA offers a variety of insurance products including Cyber Privacy Liability, Errors and Omissions Liability, Directors and Officers Liability, Employment Practices Liability, Signature Guarantee Medallion Bonds, ERISA Bonds and many more.

Q. Does the Form 14 Fidelity Bond offer an aggregated limit?

A. Yes, the standard Form 14 Fidelity bond has an aggregated limit. If you require a policy with unaggregated limits, please apply with our Broker- Dealer Guard (BDG) application, provided your broker-dealer is domiciled in the United States and has had no losses in the past 3 years.

For more information on these or other products, please contact us at 1-800-978-6273, plsdsteam.service@getamba.com or visit our website at www.brokerdealercoverage.com.

**Additional conditions of coverage apply according to policy terms which supersede any summarized descriptions. All claims are subject to the full terms and conditions of the policy.*

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Features of the Form 14 Broker-Dealer Fidelity Bond

Protection for your firm against intentional and dishonest acts committed by your employees and registered representatives, including coverage for: (A) Fidelity, (B) On Premises, (C) In Transit, (D) Forgery and Alteration, (E) Securities, (F) Counterfeit Currency. **Limits available from \$100,000 to \$25 million.**

Standard Coverages Available:*

Fraudulent Transfer Instructions via Telephone & Email

(additional cost applies): Covers loss resulting directly from the insured having in good faith, transferred funds from a customer's account, or a customer's certificated securities, in reliance upon a fraudulent instruction transmitted to the insured via telephone or electronic email.

Computer Crime Coverage Rider (additional cost applies): Six separate coverages included; some are defined below.

- **Computer Systems Fraud:** Covers loss from a fraudulent entry, or change of electronic data or computer program. Applicable to any computer system operated by the insured.
- **Telefacsimile Transfer Fraud:** Covers loss resulting directly from the insured having in good faith, transferred funds, certificated securities or uncertificated securities through a computer system due to their reliance on a fraudulent instruction received through a "Telefacsimile Device."
- **Data Processing Service Operations:** Loss sustained by a Client of the Insured resulting directly from fraudulent entry or change of a covered Computer System or Electronic Data during transmission from the Insured to the Client.
- **Destruction of Data by Hacker:** Loss resulting from the malicious destruction of, or damage to, Electronic Data or Computer Programs owned by the Insured for which the Insured is legally liable.
- **Destruction of Data or Program by Virus:** Covers loss due to a computer virus that causes the insured to transfer, pay or deliver funds or property, establish credit or give any value as the direct result of malicious damage or destruction to the insured's computer system.
- **Voice Computer Systems Fraud:** Loss resulting from charges for voice telephone long-distance toll calls which were incurred due to the fraudulent use or manipulation of an Account Code or System Password required for access to the system owned or leased by the Insured.

Impersonation Fraud (a.k.a. social engineering; based upon policy limits, higher sublimits may be available for additional cost): Provides coverage from loss of insureds funds upon fraudulently induced instructions.

Unauthorized Signatures: (Aggregate Limit \$25,000; Subject to \$5,000 Deductible) Covers loss resulting from the insured having accepted, paid or cashed any check or withdrawal order made or drawn on a customer's account that bears the signature of one other person than the person whose name and signature is on file with the insured as a signatory on such account.

Uncollectible Items of Deposit: (\$25,000 Aggregate; \$5,000 Deductible) Losses resulting from payments of dividends or funds shares, or withdrawals from a customer's account as a direct result of items of deposit that are not paid for any reason.



How to Submit Your Application and Pay

- 1) Mail the completed, signed application and check to the Program Administrator:

AMBA
P.O. Box 850293
Minneapolis, MN 55485-0293

- 2) Email the completed, signed application to the Program Administrator:

plsdsteam.service@getamba.com

- 3) Visit www.ambasecureservice.com/386 to enter your credit card information (AMEX, MasterCard, or Visa) and upload this completed, signed application.*

**Submission of your credit card information to AMBA does not constitute receipt of payment or approval or binding of coverage by the Insurer. Any coverage is subject to the terms and conditions of the insurance policy issued by the Insurer. Payment will be processed upon review and acceptance of your submission.*

1-800-978-6273

www.brokerdealercoverage.com

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FORM 14 FIDELITY BOND APPLICATION

Application is hereby made by _____

(List all Insureds, including Employee Benefit Plans.)

Principal Address _____ (herein called Insured)
(No.) (Street) (City) (State) (ZIP)

for a _____ **Financial Institution Bond, Standard Form No. 14**, to become effective as of
12:01 a.m. on _____ to 12:01 a.m. on _____ in the Aggregate Limit of Liability of \$ _____

Date Insured was established _____ Name of prior carrier _____

1. Insured is a (check the appropriate box):

- Stock Broker Investment Banker Dealer in Securities (not Dealer in Mortgages or Commercial Paper)
- Investment Trust (not Small Business Investment Co. or Real Estate Investment Trust) Mutual Fund
- Foundation Endorsement Fund Commodity Broker (if Stock Exchange Member)
- Other _____

2. Insured is a (check the appropriate box): Sole Proprietorship Partnership Corporation

3. List exchanges which you are a member of:

| Name | Name |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

4. Are you a member of the Financial Industry Regulatory Authority Yes No

5. For all Named Insureds, show the total number of: No. of

- a) Salaried officers and employees, retained attorneys and persons provided by employment contractors..... _____
- b) FINRA Registered Representatives (other than those counted in a) above _____
- c) Locations (other than the Home Office of the first Named Insured in the U.S., Canada, Puerto Rico and Virgin Islands)..... _____
- d) Locations outside of the U.S., Canada, Puerto Rico and Virgin Islands, list below:

| Location | Location |
|----------|----------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

6. Complete the following:

- a) As of latest Dec. 31 \$ _____ Total Assets
- b) As of latest June 30..... \$ _____

7. Complete the following for optional coverages desired:

Form of Coverage

Single Loss Limit

- a) Is Insuring Agreement D—Forgery or Alteration Coverage desired? Yes No \$ _____
- b) Is Insuring Agreement E—Securities Coverage desired?..... Yes No \$ _____
- c) Is Extortion—Threats to Persons Coverage desired? Yes No \$ _____

If “Yes,” list below locations to be excluded:

| Location | Location |
|----------|----------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

Single Loss Limit

- d) Is Extortion—Threats to Persons Coverage desired? Yes No \$ _____

If “Yes,” list below locations to be excluded:

| Location | Location |
|----------|----------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

Single Loss Limit

- e) Is Computer Systems Fraud Coverage desired? Yes No \$ _____

If “Yes,” complete the following:

(1) Insured’s Computer System(s)

For the Computer System(s) you operate, whether owned or leased, complete the following:

a. Number of independent software contractors authorized to design, implement or service programs for your System(s) _____

b. Is access to your System(s) by customers or other outside parties permitted?..... Yes No

(2) Other Computer System(s)

List below other Computer System(s) for which coverage is desired:

Computer System(s)

- f) Is coverage desired on businesses engaged in the data processing of your checks or other accounting records? Yes No

If “Yes,” list below the name and location of each data processor:

| Name & Location | Name & Location |
|-----------------|-----------------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

Single Loss Limit

- g) If you are a partnership, is coverage desired on your partners?..... Yes No \$ _____

If “Yes,” list below the name of each partner:

| Name | Name |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

8. Are you a direct participant in a depository for the central handling of securities?..... Yes No
 If "Yes," list below the name and location of each depository:

| Name & Location | Name & Location |
|-----------------|-----------------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

9. For deductibles, complete the following: (NOTE: Deductibles on Insuring Agreement (D) and (E) must be at least equal to that carried on the Basic Bond Coverage. Deductibles on Extortion Coverage may be written in any amount.)

| Coverage | Single Loss Deductible |
|--|------------------------|
| a) All coverages except Insuring Agreement (D), (E) and Extortion..... | \$ _____ |
| b) Insuring Agreement (D)—Forgery or Alteration | \$ _____ |
| c) Insuring Agreement (E)—Securities | \$ _____ |
| d) Extortion—Threats to Persons | \$ _____ |
| e) Extortion—Threats to Property | \$ _____ |

10. If coverage is being written on an excess, concurrent or co-surety basis, show the names of the other carriers and bond limits. In the case of co-surety also show percentage participations: _____

11. If coverage is being written on a coinsurance basis, show your percentage participation _____%.
 (Note: Insured may assume a participation of between 5% and 25%.)

12. Are accounts insured by the Securities Investors Protection Corporation?..... Yes No

13. AUDIT PROCEDURES:

- a) Is there an annual, semiannual audit by an independent CPA?..... Yes No
- b) If "Yes," is it a complete audit made in accordance with the generally accepted auditing standards and so certified? Yes No
- c) If the answer to b) is "No," explain the scope of the CPA examination: _____
- d) Is the audit report rendered directly to all partners if a partnership or to the Board of Directors if a corporation?..... Yes No
- e) Name and location of CPA _____
- f) Date of completion of the last audit by CPA _____
- g) Is there a continuous internal audit by an Internal Audit Department? Yes No
- h) If "Yes," are monthly reports rendered directly to all partners if a partnership or to the Board of Directors if a corporation?..... Yes No
- i) Are money and securities actually counted and verified? Yes No
- j) Are the ledger balances to the credit of customers verified?..... Yes No

14. INTERNAL CONTROLS (OTHER THAN AUDIT PROCEDURES):

- a) Do you require annual vacations of at least two consecutive weeks for all personnel? Yes No
- If "No," explain: _____
- _____
- _____

- b) Are bank accounts reconciled by someone not authorized to deposit or withdraw? Yes No
 If "No," explain: _____

- c) Is countersignature of checks required? Yes No
 If "No," explain: _____

- d) Are monthly statements (whether or not there was activity in the account) mailed directly to all customers?..... Yes No
 If "No," explain: _____

15. Has there been any change in ownership or management within the past three years?..... Yes No
 If "Yes," explain: _____

16. List all losses sustained during the past three years, whether reimbursed or no, from _____ to _____.
(month, day, year) (month, day, year)

Check if none.

| Date of Loss | Type of Loss | Amount of Loss | Amount Recovered from Insurance | Amount Recovered from other than Insurance | Amount of Loss Pending | If Loss Occurred at other than Main Office state location |
|--------------|--------------|----------------|---------------------------------|--|------------------------|---|
| | | \$ | \$ | \$ | \$ | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |

FRAUD WARNINGS (Updated 11/11)

NOTICE TO APPLICANTS: ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION OR, CONCEALS, FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT ACT, WHICH IS A CRIME AND MAY SUBJECT SUCH PERSON TO CRIMINAL AND CIVIL PENALTIES.

Applicant Warranty

The undersigned is a duly authorized representative of the Applicant and he/she understands and acknowledges that Applicant satisfies the Eligibility Requirements as described on this application and represents that the information furnished in this application is complete, true and accurate. Any intentional misrepresentation, omission, concealment or incorrect statement of a material fact, on this application or otherwise, shall be grounds for rescission of any bond issued in reliance upon such information.

If CIP is being purchased, the undersigned hereby acknowledges that he/she is aware that the Limit of Liability contained in this bond shall be reduced, and may be completely exhausted, by the costs of legal defense and, in such event, the insurer shall not be liable for the costs of legal defense or for the amount of any judgment or settlement to the extent that such exceeds the Limit of Liability of this bond, and the undersigned further acknowledges that legal defense costs that are incurred shall be applied against the deductible amount.

All written statements and materials furnished to the underwriting insurance company by or on behalf of the Applicant in conjunction with this application are incorporated by reference into this application and made part of it.

The insurance for which you are applying is subject to approval by the underwriting insurance company. Receipt of a completed application and/or premium payment does not bind the insurance company to issue coverage to you.

Signature **X** _____
(Applicant)

Date **X** _____

Print Name **X** _____

Title **X** _____