



NYLIFE  
SECURITIES

## **NYLIFE Securities LLC Customer Relationship Guide** **Effective June 30, 2020**

### **Welcome to NYLIFE Securities**

Thank you for considering NYLIFE Securities LLC to help you meet your investment goals. We are pleased to offer you a wide variety of investment and insurance solutions that can help meet your individual needs and are aligned with your best interest.

NYLIFE Securities LLC (“NYLIFE Securities” or the “Company”) is a licensed insurance agency, registered broker-dealer, member of the Financial Industry Regulatory Authority (“FINRA”), and a wholly-owned indirect subsidiary of New York Life Insurance Company (“New York Life”).

We encourage you to use this guide as a helpful resource. Some of the important information in this guide includes descriptions of the following:

- Services and investment solutions we provide
- Scope and terms of our relationship with you
- Fees and charges associated with our services
- Compensation paid to your financial professional
- Conflicts of interest related to recommendations by financial professionals
- Policies and practices for supervising and training financial professionals

If you have questions about the information in this guide, please contact your financial professional. You can also find our Customer Relationship Summary also known as Form CRS, see [newyorklife.com/nylife-crs](http://newyorklife.com/nylife-crs).<sup>1</sup>

### **The Value of Working with a NYLIFE Securities Financial Professional**

Serving communities across all 50 states and the District of Columbia, our financial professionals are knowledgeable about the various investment and insurance solutions offered by NYLIFE Securities including variable life insurance, variable annuities, mutual funds and 529 Plans.

Our financial professionals are there to share your life experiences: to listen to you; to learn about your concerns, your dreams, and your goals; and to provide guidance to help you make financial decisions that are in the best interest of you and your family. While you are the ultimate decision-maker, our financial professionals offer significant value by taking the time to help you understand the choices you can make and the options you have to achieve your goals.

---

<sup>1</sup> Any document that is linked to this disclosure can be made available in paper-format, upon request.

As part of our commitment to giving you the information and guidance you need to make informed decisions, our financial professionals will provide you with a “Charting the Course to Your Future” brochure that summarizes the advantages and disadvantages of the various insurance and investment solutions we offer. While this brochure is intended to make our offered solutions easier to understand, these decisions can be complex and involve many considerations. Please take the time to carefully read this important brochure and review your options. Write down your questions and share them with your financial professional. You can be confident that together with your financial professional, we are committed to helping you determine the right solutions to help you meet your goals. Make sure to ask your financial professional for a copy of the brochure.

Before recommending any securities transaction or investment solution, our financial professionals will discuss and take into account your individual investment profile, including your age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance and other factors relating to your specific situation.

Our financial professionals have the knowledge and training to explain the features of various life insurance, annuity, and investment products, including the appropriateness of different products for customers and the features of life and annuity products with insurance guarantees.

Financial professionals can provide these services, in part, because they have the compliance and operational support of a major financial institution behind them. Neither NYLIFE Securities nor its financial professionals provide tax, accounting, or legal advice, and customers should seek independent tax, accounting, and/or legal advice as needed.

### **Introduction and Overview of NYLIFE Securities**

New York Life, founded in 1845, is the nation’s largest mutual life insurance company.<sup>2</sup> As a mutual company, New York Life has no stockholders and instead is managed for the benefit of its participating policyholders. New York Life and its subsidiaries provide life insurance, annuity and investment products to millions of individuals and families.

All financial professionals associated with NYLIFE Securities are also agents of New York Life and its affiliated insurance companies. As such, they can offer long term care insurance, fixed and variable life insurance and annuity products issued by New York Life Insurance and Annuity Corporation (“NYLIAC” – a wholly-owned subsidiary of New York Life), as well as certain mutual funds and Section 529 education savings plans made available by NYLIFE Securities.

NYLIFE Securities’ two principal insurance company affiliates, New York Life and NYLIAC, have the highest financial strength ratings currently awarded to any U.S. life

---

<sup>2</sup> Based on revenue as reported by “*Fortune* 500 ranked within Industries, Insurance: Life, Health (Mutual),” *Fortune* magazine, 6/1/19. For methodology, see <http://fortune.com/fortune500/>

insurer from all four of the major credit rating agencies.<sup>3</sup> The goal of these insurers is to help customers protect loved ones and enjoy a comfortable and financially secure retirement, knowing that the insurance guarantees contained in the life and annuity products purchased from them are backed by their financial strength and more than 175 years of meeting promises.

Another New York Life subsidiary and NYLIFE Securities affiliate, Eagle Strategies LLC (“Eagle”), is registered with the Securities and Exchange Commission as an investment adviser. Eagle’s primary investment advisory business is to provide financial planning and investment management services to retail customers through its investment adviser representatives, who are also registered representatives of NYLIFE Securities and agents of New York Life and its affiliated insurance companies.

As an introducing broker-dealer and licensed insurance agency, NYLIFE Securities and its financial professionals provide securities brokerage and insurance services to clients. NYLIFE Securities has engaged National Financial Services LLC (“NFS”), a clearing broker-dealer, to provide custody, clearing and administrative services for brokerage accounts. NYLIFE Securities, operating through its financial professionals, also provides investment advice limited to recommendations in the course of its primary business as a broker-dealer, for which no special compensation is received.

Any recommendations made by our financial professionals are made in their capacity as broker-dealer representatives unless expressly stated otherwise at the time of the recommendation. Any such statement will be made orally. Not all NYLIFE Securities financial professionals are eligible to recommend all of the products, account types, and services offered by NYLIFE Securities and Eagle. Financial professionals will disclose, where appropriate, any limitation to what they can recommend and may provide a referral to another New York Life-affiliated financial professional who is appropriately trained and licensed to offer additional products, account types, and services.

While we take reasonable care in developing and making recommendations to our customers, securities investments involve risk, and customers may lose money when they invest. There is no guarantee that any customer will meet his or her investment goals, or that any product or recommended investment strategy will perform as anticipated. Customers are encouraged to review carefully the prospectus or other offering documents for any security we recommend. The prospectus or other offering documents will include a detailed discussion of the risks and expenses associated with the product.

---

<sup>3</sup> A.M. Best (A++), Fitch (AAA), Moody’s Investors Service (Aaa), Standard & Poor’s & (AA+). Source: Individual independent rating agency commentary as of September 12, 2019. The financial strength and ratings do not apply to assets in the investment products which are subject to market risks and will fluctuate in value.

## Services Provided

### **Recommended Product Offerings:**

NYLIFE Securities firmly believes in the value of its affiliates' insurance and annuity products, particularly given that New York Life and NYLIAC's financial strength stands behind the insurance guarantees contained in these products.<sup>4</sup>

### **Variable Life:**

The only variable life insurance products offered by our financial professionals are variable universal life ("VUL") products issued by NYLIAC. VUL products are more complex than traditional life insurance products such as whole life insurance or term life insurance, and significant training, evaluation and assessment is needed to ensure a thorough understanding of these products, how they fit into customers' overall financial situations and whether they are in a particular customer's best interest. Furthermore, other product issuers offer many different compensation options for these products, which may make it difficult for a broker-dealer and/or financial professional to ensure their interests are not put ahead of those of customers. Finally, our view is that important aspects of variable life products are the death benefit and insurance guarantees they offer, which make NYLIAC's top rating one of the most important factors when determining whether a given product could be in the retail customers' best interests.

### **Variable Annuities:**

When recommending variable annuity products, our financial professionals can recommend only variable annuity products issued by NYLIAC. We believe this aligns with our commitment to act in customers' best interest and is designed to ensure that NYLIFE Securities financial professionals have a developed understanding and ability to explain the variable annuity products we offer and the financial strength of the guarantees that NYLIAC offers in connection with such products.

Variable annuities can be complex products, and it often takes significant time and attention to ensure that they are thoroughly understood and that are in a particular customer's best interest. Furthermore, other annuity product issuers offer many different compensation options, which can make it difficult for a firm and its financial professionals to ensure that recommendations are not conflicted based on compensation differentials. New York Life mitigates this issue by paying NYLIFE Securities financial professionals the same commission and allowances regardless of which NYLIAC variable annuity product is recommended.

Our view is that an important aspect of variable annuities is the insurance guarantees they offer and that an issuer's credit rating is an important factor to consider when

---

<sup>4</sup> A.M. Best (A++), Fitch (AAA), Moody's Investors Service (Aaa), Standard & Poor's & (AA+). Source: Individual independent rating agency commentary as of September 12, 2019. The financial strength and ratings do not apply to assets in the investment products which are subject to market risks and will fluctuate in value.

determining that a given product is in a particular retail customer's best interest. Prior to recommending a variable annuity to a retail customer, our financial professionals must first develop a reasonable basis to believe that the retail customer will benefit from certain features of deferred variable annuities, such as tax-deferred growth, annuitization, or a living benefit or death benefit.

### **Mutual Funds:**

Our financial professionals may recommend MainStay mutual funds which are managed by our affiliate, New York Life Investment Management LLC ("NYLIM"), as well as non-proprietary mutual funds. Our financial professionals will typically have greater familiarity with the MainStay Funds because MainStay sponsors educational meetings for our financial professionals.

Financial professionals can recommend investing in mutual fund A and R share classes. Class A shares are available to retail customers and Class R shares to retirement plans. Class A share mutual funds charge an upfront load. A customer pays a percentage of the purchase amount every time they buy shares. There are also ongoing annual shareholder servicing fees that are typically lower than those of mutual fund class B and C shares. Class R share mutual funds are considered a retirement share class. The R share class mutual funds are generally available through an employer-sponsored retirement plans (such as 401(k) plans) and in certain cases for simplified employee pension individual retirement accounts. R share mutual funds do not have a load, but they do have 12b-1 fees.

Financial professionals may not recommend the purchase of Class C shares. Only existing Class C shareholders can add to their accounts and owners of 529 plans meeting certain conditions can buy Class C shares. This share class is not otherwise available to customers. This class of funds charges no upfront fee, but typically assesses a back-end charge if the shares are sold within a specified period (e.g., 12 to 18 months) after purchase. Class C shares also assess an ongoing shareholder servicing fee, usually 1.00%, as long as a customer holds the fund. The higher ongoing expenses associated with class C reduce the fund returns relative to lower expense share classes such as Class A shares.

Other than in retirement plans, MainStay Fund Investor Class shares are available only to existing shareholders of Investor Class shares, in accounts with identical registrations. Like Class A shares, Investor Class shares assess an upfront sales charge in the form of a percentage deduction from each purchase amount. Investor Class shares generally have higher ongoing expenses than Class A shares and will convert to Class A shares once the fund balance within an account reaches \$15,000 as of date that MainStay assesses all fund conversions. Once converted from Investor Class shares, Class A shares will not convert back to Investor Class shares regardless of the fund account balance.

Please refer to the mutual fund prospectus for more details on fees for a specific fund.

NYLIFE Securities screens the fund families that we make available on our platform. Screening helps to ensure that NYLIFE Securities offers products managed by established, high-quality investment managers that have provided consistency through market cycles and have breadth and depth in their investment lineup to address a range of customer needs and investment objectives over time. We believe it is important for customers to achieve breakpoint discounts where applicable, either on individual sales or through rights of accumulation or letters of intent that can help customers achieve their financial goals with lower front-end costs.

In selecting the approved list of mutual funds, we evaluate the universe of mutual fund families and screen them based on the following criteria:

- Established fund families: Fund families must have assets under management (“AUM”) above \$10 billion.
- Long track records: We review the average of the inception dates for the different funds within a fund family and seek to offer fund families with an average of 10 years of history among the funds they offer.
- Long manager tenure at firm: We review the average manager tenure and seek to offer fund families with an average manager tenure of 3 years.
- Diversification of offerings at firm: We seek to offer fund families that offer funds in at least 20 distinct Morningstar categories.
- Morningstar Star Rating: We seek to offer fund families with 40% of their funds with a Star Rating of 3 or better.
- For passively managed Index funds, we provide the following additional screens: First, the fund will be included in the peer group for the common index tracked. Second, the fund’s front-end load and total fund expenses will be evaluated to ensure that they are in line with its respective peer group.

NYLIFE Securities offers two pathways for customers to purchase mutual funds:

1. Direct platform -- customers purchase mutual funds that are held directly with the fund companies. Financial professionals provide advice and guidance on funds within the fund family that we make available through our screen list.
2. NYLIFE Securities InvestorOne brokerage platform -- customers purchase from among our screened list of mutual funds in a brokerage account. Financial professionals provide advice and guidance on funds that we make available through our screen list.

	<b>Brokerage Account</b>	<b>Direct Mutual Funds</b>
<b>Investment Strategy and Advice</b>	<ul style="list-style-type: none"> <li>Occasional point-in-time recommendations regarding mutual fund investments</li> <li>Ideal for holding particular investment products long-term</li> <li>Investors also have the opportunity to decide for themselves, and without our recommendation, which stocks, bonds, exchange-traded funds and other securities to buy, sell or hold</li> </ul>	<ul style="list-style-type: none"> <li>Occasional point-in-time recommendations regarding mutual fund investments</li> <li>Ideal for long-term mutual fund investors</li> <li>Ideal if investing in one or perhaps two available fund families</li> </ul>
<b>Fees</b>	<ul style="list-style-type: none"> <li>Fees are transaction-based, including sales charges and trading commissions</li> <li>You will pay additional fund expenses (e.g., management fees and shareholder servicing fees) and miscellaneous fees (e.g., wire transfers, service fees)</li> </ul>	<ul style="list-style-type: none"> <li>Fees are transaction-based, including sales charges in mutual funds</li> <li>You will pay additional fund expenses (e.g., management fees and shareholder servicing fees) and miscellaneous fees (e.g., wire transfers, service fees)</li> </ul>
<b>Additional Services and Features</b>	<ul style="list-style-type: none"> <li>Mobile check deposit, check writing privileges, debit card, margin trading, and additional services</li> </ul>	<ul style="list-style-type: none"> <li>Vary by mutual fund company, but typically include enhanced performance reporting and services</li> <li>Additional flexibility and control over holdings with a specific mutual fund company, such as reinvestment options and default instructions</li> </ul>
<b>Account Minimums</b>	<ul style="list-style-type: none"> <li>Varies by mutual funds selected</li> </ul>	<ul style="list-style-type: none"> <li>Varies by mutual funds selected</li> </ul>
<b>Account Registration Types</b>	Certain account types such as Section 529 Plans and Individual 403(b) Plans are only available via direct accounts with the product issuer	

Currently throughout the securities industry, broker-dealers involved in selling mutual funds, including NYLIFE Securities, generally receive higher compensation on the sale of equity-based funds than fixed income funds, and any such differential is passed through to financial professionals. NYLIFE Securities maintains robust sales practice standards designed to ensure that customers' recommended allocation to funds classified as high

risk and exposure to investment volatility are consistent with the upward limit of their stated risk tolerance and investment objective.

To the extent investment holdings change significantly from the allocation thresholds appropriate to a customer's indicated investment objective to more aggressive positions, NYLIFE Securities may notify the customer. At which point, the customer will have the opportunity to make an informed decision by consulting with a financial professional and reallocating investments, and/or updating their investment profile details as appropriate. NYLIFE Securities performs account reviews voluntarily and does not do so pursuant to a specific customer request to provide account monitoring services. Customers do not incur additional costs specific to this voluntary review, and NYLIFE Securities makes no agreement to provide continuous account monitoring. NYLIFE Securities has no obligation to monitor accounts, and the voluntary reviews described above do not constitute its assuming a duty to perform them.

### **Unsolicited Securities Transactions**

Financial professionals may not offer or recommend the purchase, sale, or hold of general securities products such as stocks, bonds, exchange-traded funds, unit investment trusts, options and other general securities products made available through NFS. Customers have the ability to trade these products on their own initiative, without our recommendation. Neither NYLIFE Securities nor its financial professionals will provide any type of advice on any of the securities listed above. For additional information regarding the scope and terms of trading these securities through NFS, including receiving trade confirmations, trading on margin, check writing and debit cards, see <https://www.newyorklife.com/assets/docs/pdfs/nyl-internet/file-types/guide-to-your-brokerage-account.pdf>. NYLIFE Securities does not offer other financial products such as commodities and futures, and outside positions in these products cannot be transferred into a NYLIFE Securities account.

With the exceptions of New York Life employee accounts, conversions from an Eagle account upon the termination of an advisory agreement, and beneficiary distribution accounts, NYLIFE Securities does not typically allow brokerage securities accounts to be opened without the assistance of our financial professionals.

### **Customers' Pre-existing Mutual Funds and Variable Insurance Products**

Under certain circumstances, and subject to the Company's discretion, financial professionals may assist customers in transferring mutual fund positions or variable insurance policies not offered by nor sold through NYLIFE Securities. This may occur if a customer purchased the investment through another broker-dealer and wishes to transfer it to NYLIFE Securities. Customers that choose to have NYLIFE Securities as the broker-dealer of record on outside investment products, acknowledge that neither NYLIFE Securities nor its financial professionals have recommended the customer to buy or hold the investment product and that any review of the investment product by or for the customer is not a review of the substance, merits or suitability of the investment product. NYLIFE Securities considers any activities in these products, including additional



investments, to be on an unsolicited basis and self-directed by the customer. NYLIFE Securities and its financial professionals can assist clients with service-related issues and may receive ongoing compensation, including applicable trails and 12b-1 payments, in connection with the servicing of these products.

### **Eagle's Securities-Backed Line of Credit Program**

As an accommodation to customers, Eagle offers a Securities Backed Line of Credit Program through unaffiliated participating banks whereby customers may apply to a participating bank for a flexible line-of-credit (cash loan) secured by certain assets held in eligible Eagle and NYLIFE Securities accounts.

This accommodation is offered through Eagle and not NYLIFE Securities. Neither NYLIFE Securities, Eagle nor any of their financial professionals receive any compensation from the participating banks. The fees and interest charged by a participating bank or its affiliates are in addition to charges from Eagle or NYLIFE Securities. NYLIFE Securities, Eagle and their financial professionals do not give clients any advice on whether entering into a loan is in their best interest, nor recommend or provide advice on any specific bank or loan. Customers participating in the program are solely responsible for complying with the terms of the bank's loan agreement.

### **Account Fees, Charges, and Minimums**

#### **NYLIFE Securities Accounts and Affiliate Products:**

NYLIFE Securities does not impose account minimums or investment minimums on our brokerage account platform. Individual mutual funds will have investment minimums on the brokerage platform for both initial and additional investments set by the mutual fund family and not NYLIFE Securities. There are no minimums for cash sweeping to our money market funds. For stocks and exchange-traded funds, the required investment amounts must be equivalent to at least one share plus commission costs of the trades. For these accounts, there are minimum commission charges for trades for each transaction in securities such as stocks, bonds and options. Accounts below certain dollar value thresholds on the brokerage platform are subject to small account fees. Please refer to the NYLIFE Securities Fee Schedule for charges and waiver provisions here: <https://www.newyorklife.com/assets/docs/pdfs/nyl-internet/file-types/nylife-securities-fee-schedule.pdf>. The description of the types of fees and charges that can be assessed on a NYLIFE Securities brokerage account are below; the current fee amounts can be found on the fee schedule:

<b>Fee Type</b>	<b>Description</b>
Mailgram	Notification of a margin debit mail/email to client
Trade Extension	Notification of a margin debit mail/email to client
Legal Transfer of Stock	Removal or holding of restricted stock with legal legend
Stop Payment- Check writing	Assessed for each stop payment request made on checks written against money market balance.
Stop Payment - NFS/NYLIFE Check	Assessed for each stop payment request made on checks that NYLIFE Securities issued to client and/or on the client's behalf from client account.
Check copy	Assessed for each check copy request made on checks written against money market balance.
Annual Custody and Recordkeeping/Inactive Account Fee	This fee will be assessed each January to an account that contains cash and/or securities if it was inactive for the prior 12 months. Clients may avoid this fee by buying or selling an equity or mutual fund, making a mutual fund exchange, establishing a PIP or SWP, or accruing margin interest on their debit balance within that 12-month period.
Transfer of entire account to another broker-dealer	Assessed when all holdings in a retail account are transferred to another financial institution
Physical Reorganization	Charged when a stock certificate is deposited after the action date for a mandatory reorganization item involving the issuer
Legal Return Item	Charged when a stock certificate is returned to a client due to Not in Good Order status exceeding 45 days or at client's request
Outgoing wire charge	Fee for a wire out of funds
IRA Termination Fee	Close-out fee for IRA
Sell-Out Processing Fee	Assessed if NYLIFE Securities is required to sell securities due to margin calls or cash debits resulting from trade activity and/or the assessment of any account fees set forth on the Fee Schedule. Sell-out fees are assessed in addition to any applicable brokerage commissions and sales charges associated with related transactions.
Limited Partnerships and Alternative Investments (such as Private Placements and REITs)	Applicable to transfer interests in Alternative Investments out or re-register them with NFS as custodian
Annual IRA Custodial Fee	Annual Registered Alternative Investment Custody and Valuation Fee

A list of typical account fees and charges for Variable Annuities is attached. <https://www.newyorklife.com/assets/docs/pdfs/nyl-internet/file-types/reg-bi-va.pdf>.

A list of typical account fees and charges for Variable Universal Life policies is attached. <https://www.newyorklife.com/assets/docs/pdfs/nyl-internet/file-types/reg-bi-vul.pdf>.

## **Other Account Fees, Charges, and Minimums:**

For investments placed directly with mutual fund companies, the fund families, at their own discretion, set initial and subsequent investment minimums that are described in the applicable prospectus. Mutual fund companies will also set minimum funding or asset thresholds below which small account charges will apply. Please review the appropriate mutual fund prospectus for more details, including their account fees and charges. Fund prospectuses for MainStay Funds can be accessed at <https://www.nylinvestments.com/mainstay>. You can access the prospectuses of available funds within the approved fund families through the embedded website links here: <https://www.newyorklife.com/assets/docs/pdfs/nyl-internet/file-types/fund-family-links.pdf>

## **Compensation of Financial Professionals**

The brokerage model of compensation is a potentially cost-effective option for investors. Although it creates some inherent conflicts, this compensation model may be appropriate in light of the time and effort necessary to understand investments and the value financial professionals provide to our customers.

NYLIFE Securities financial professionals do not receive a salary from us. They earn a living by selling you investments after taking the time to help you understand the choices you need to make and the options you have to achieve your goals.

As such, financial professionals' compensation depends in part on commissions and certain incentives based on the products you purchase. Financial professionals must meet production standards to remain eligible to offer certain products and programs and to qualify for certain benefits. Based on the fact that compensation differs by product and program, financial professionals have an incentive, and thus, a conflict of interest, to recommend one product over another. Further, your financial professional has a financial incentive to encourage you to purchase multiple products.

While we recognize and disclose certain potential conflicts of interest that may exist, we also take a number of steps to make sure that we and our financial professionals place our customer's interest ahead of ours. As part of our efforts to reduce the potential effect such conflicts may have on a recommendation given to a customer, we provide a robust and extensive training program for our financial professionals. In addition to training, NYLIFE Securities mitigates conflicts by equalizing or capping compensation paid to our financial professionals within product categories. For example, a financial professional receives the same first year compensation regardless of which of the available variable annuity products he or she recommends. We also mitigate conflicts by using monitoring and trade surveillance tools to help detect and prevent sales that are not in your best interest.

Sales of affiliate-issued or managed products, along with non-proprietary mutual funds, determine a financial professional's eligibility for retirement benefits, medical and life

insurance benefits, and to attend business meetings with educational, development and recognition components. Qualification to attend New York Life's sponsored educational, training, and development business meetings is based on NYLIFE Securities financial professionals' sales of investment products only to the extent that equivalent sales of our affiliates' life insurance, long term care insurance, and annuities have been made. For additional information, please see the discussion of New York Life's Council Program below. Direct and indirect compensation paid by NYLIFE Securities and its affiliates to financial professionals may change over time due to business, legal or regulatory considerations.

### **Commissions and Payout Grid:**

When you buy mutual funds and 529 Plans, our financial professionals are primarily compensated by commissions based on a payout grid. Payouts range from 35%-93% of the amount we receive and is based on the financial professionals' overall sales production of insurance and investment products offered by us and our affiliates over a 12-month period typically running from July through June.

There are two production considerations used in determining an individual financial professional's payout rate. The first, is the total commission based on certain investment sales and trail commissions generated in the previous sales year. The second criteria is based on the overall mix of product sales to determine the second component or "council level" of our payout grid. Sales of mutual funds and 529 Plans are counted only to the extent that equivalent Core product sales, which include the sales of our affiliates' life insurance, annuities, and long-term care insurance have been made.

Financial professionals with 10 or more years of service with New York Life, based on their New York Life agent contract date, as of July 1, 2020, are eligible to receive a higher payout rate within the same range of 35%-93%.

NYLIFE Securities retains the difference between the amount we receive from the product provider and the amount paid out to the financial professional.

### **Compensation on Variable Life Products**

Our life insurance compensation practices are governed by New York Insurance Law. New York law limits agent cash and non-cash compensation on life insurance sales. It permits the payment of training allowances to new agents and expense allowance to more established agents that are based on a percentage of life insurance commissions.

NYLIFE Securities financial professionals receive different forms and amounts of compensation on sales of VUL policies depending on the New York Life agent contract that the financial professional signed. In general, the compensation includes a first-year commission, expense allowance or training allowance, renewal commissions, and other forms of compensation to reward agents for servicing the policies and ensuring that the policies remain in force. This is consistent with customers' best interest, because one should only purchase a VUL policy with the intent to keep it over the long term.

For more information about costs and compensation, you can access the prospectuses of available variable universal life insurance policies using the links below.

<http://www.nylfunds-accumulatorii.com/>;

<http://www.nylfunds-cevulplus.com/>

## **Compensation on Variable Annuity Products**

Our annuity compensation practices are governed by New York Insurance Law, which limits financial professional cash and non-cash sales compensation. New York Insurance Law allows the payment of training allowances to new agents and expense allowance to more established agents that are based on a percentage of annuity commissions.

Financial professionals generally earn more overall compensation for variable annuity sales than for mutual fund sales, including eligibility for training and/or expense allowances. This is because variable annuities are more complex products that require additional training to ensure they can be explained and serviced by our financial professionals. Variable annuities have a variety of features and benefits that must be thoroughly understood by each financial professional. Not only must financial professionals be familiar with the underlying investment sub-account options available within the annuities, but they must also understand the differences among the various products offered, the different riders and other benefits available with each product, and any associated fees or expenses. Explaining this information requires substantial financial professional effort and time during the sales process to ensure that customers fully understand the product features, costs and benefits prior to purchase. Variable annuities are also longer-term investments that require a greater time commitment by financial professionals to service them. Training allowances, payable to new agents, and expense allowances, generally payable to established agents, are paid on variable annuities and not mutual funds, based on a recognition of the additional time and effort required to educate both agents and customers on annuity features.

The amount and type of cash compensation payable to financial professionals on the sale of variable annuities is consistent<sup>5</sup> across all of our variable annuity offerings. Financial professionals earn the same commission and allowances regardless of which variable annuity product is purchased.

Our variable annuities are long-term investments with expected holding periods of seven years or longer. Amortizing the total up-front commission and expense or training allowance received over the expected holding period results in annualized compensation under 1.00%.

---

<sup>5</sup> There are proprietary sub-accounts within our variable annuity contracts, and some sub-accounts provide revenue sharing payments to NYLIFE Securities. Financial professionals do not have an incentive to place customers' funds into these sub-accounts over others, as commissions do not vary. All sub-accounts are subject to a due diligence process to ensure that they are competitive and could be in retail clients' best interests.

For more information about costs and compensation, you can access the prospectuses of available variable annuities using the links below.

<https://www.newyorklife.com/products/annuities/variable-annuities/nyl-premier-va-ii-prospectus>;

<https://www.newyorklife.com/products/annuities/variable-annuities/nyl-premier-plus-va-ii-prospectus>;

<https://www.newyorklife.com/products/annuities/variable-annuities/nyl-flexible-premium-va-iii-prospectus>

## **Compensation on Mutual Fund Products**

For mutual funds, although the fund's prospectus determines the rate of the commission paid to NYLIFE Securities on the sale of a fund, NYLIFE Securities has capped commissions so that the maximum potential commission paid to our financial professionals is the same across all mutual fund families. NYLIFE Securities caps payment on equity, asset allocation and balanced funds at 4.75% and caps payment on fixed income funds at 4.00%. Financial professionals are not paid commissions on sales of mutual funds not offered on our platform, whether direct or through the brokerage account; however, financial professionals may receive trail payments based on these holdings.<sup>6</sup> Expense and training allowances are not paid on the sale of mutual funds.

For more information about costs and compensation, you can access the prospectuses of available funds within the approved fund families through the embedded website links here: <https://www.newyorklife.com/assets/docs/pdfs/nyl-internet/file-types/fund-family-links.pdf>. Choose the fund family link below and then search for the fund you wish to learn more about.

## **Council Level and Council Business Meetings:**

New York Life's Council Program recognizes financial professionals based on their overall level of production including the sale of life insurance, fixed annuities and securities products by inviting eligible financial professionals to attend business meetings with educational and recognition components. Chairman's Council is the highest recognition level, while Quality Council is the lowest recognition level.

New York Life's business meetings with educational and recognition components ensure that those of its financial professionals who are most active in the marketplace, typically in excess of 4,000 financial professionals each year, receive enhanced training about the features and benefits of our proprietary products. Additionally, New York Life's business meetings are a key forum for educating New York Life financial professionals about regulatory and compliance requirements. Financial professionals attend at least a half

---

<sup>6</sup> NYLIFE Securities does not retain amounts that it receives that are above the commission cap or that are for funds not on its platform; instead such amounts are donated to charities vetted by the New York Life Foundation.

day of training and business meetings each day. New York Life pays only airfare and expenses for its financial professionals – and not for family members or other guests. The business meetings, which are designed to comply with FINRA Rules and New York State Insurance Law, are designed to help train, develop and educate New York Life agents, as well as to motivate and reward them for meeting the holistic needs of their customers.

Eligibility for Council is based on First Year Commissions (“FYC”) on all eligible New York Life products, proprietary and non-proprietary mutual funds,<sup>7</sup> and other eligible product sales. For mutual funds, all proprietary and non-proprietary mutual funds receive equal credit for purposes of the Council Program.

The Council status of New York Life financial professionals affects both their compensation and their eligibility to business meetings with educational and recognition components. Each year, New York Life sets the Council Credits needed to achieve Chairman’s Council, President’s Council, Executive Council and Quality Council. Council credits are equalized among annuities, mutual funds, and asset under management programs offered by Eagle, with the financial professional receiving 32.5 council credits for every \$1,000 invested, regardless of what investment is selected. For Council credit purposes, New York Life groups its diverse set of product solutions into two categories – “core protection solutions” and “supplemental solutions” – as shown below. Supplemental solution Council credits will be counted up to the level of core protection Council credits that a financial professional earns.

Core protection solutions	Supplemental solutions
Life insurance	Eagle Retirement Plan Program
Guaranteed lifetime income	Financial planning (FP) fees
Investment annuities	Group annuities
Long-term care insurance	Group retirement plans (401k)
	Investment advisory accounts (AUM)
	Proprietary and non-proprietary mutual funds
	529 Plans

Financial professionals are also generally eligible for additional cash compensation, including a higher payout percentage for securities sales and a higher expense allowance by achieving Council Status. Generally, the higher Council level that a financial professional attains, the higher the payout percentage he or she will receive. The additional expense allowance ranges from 2% to 10% based on Council level.

**Health and Welfare Benefits:**

Both new and established financial professionals are eligible for health and welfare benefits, such as health insurance, group life, dental, and disability insurance, a 401(k) and other pension benefits. Sales of all mutual funds, all Eagle asset under management

---

<sup>7</sup> Where state securities law requires, sales of mutual funds are excluded from the Council program.

programs, all sales of long-term care insurance, and all affiliate-issued fixed and variable annuities count toward eligibility for these benefits.

### **Third Party Payments and Revenue Sharing**

In addition to the compensation received from mutual fund companies, as described above, NYLIFE Securities receives a fee, known as a 12b-1 fee for providing ongoing shareholder and distribution services. The 12b-1 fee is charged as a percentage of the fund's total assets attributable to a given share class, from 0 to 1.0% annually. NYLIFE Securities pays these amounts to financial professionals in the form of a trail commission that is based on the same payout grid as is applied to first-year commission. A list of fund families that our financial professionals may recommend and that pay 12b-1 fees to NYLIFE Securities is available here: <https://www.newyorklife.com/assets/docs/pdfs/nyl-internet/file-types/combo-a-and-r-share-lists.pdf>. In limited circumstances, customers are allowed to hold positions in fund families that pay 12b-1 fees but that are not recommended by our financial professionals. This may occur when NYLIFE Securities services these funds but does not recommend them such as when NYLIFE Securities allows existing shareholders to add to their positions within funds, agrees to a client-initiated request to change the broker-dealer of record to NYLIFE Securities, or accepts transfers of positions within existing mutual fund positions on the NFS platform.

NYLIFE Securities' has a revenue sharing agreement with its clearing firm, NFS. For certain No Transaction Fee mutual funds and Fidelity Money Market Sweep funds, NFS will pay a fee to NYLIFE Securities. Revenue sharing payments are based on payments that NFS receives from some fund companies. NYLIFE Securities receives 0.31% of the value of customer assets invested in these funds in all NYLIFE Securities InvestorOne brokerage accounts and Eagle accounts. No such payments are made for fund families without such arrangements with NFS. When a fund pays NFS for a fund share class to be placed on NFS' platform, the internal expenses (subject to any expense cap) of that fund share class are typically higher than those of mutual funds that do not make such payments. Higher fees negatively impact customers' investment returns. Mutual fund companies may offer other share classes on other platforms that have lower expense ratios. See each mutual fund's prospectus for details of share classes available and their expense ratios. If NFS does not receive a payment from a fund company, NFS will not pay a fee to NYLIFE Securities.

Class A shares carry a sales charge and are, therefore, excluded from revenue sharing between NFS and NYLIFE Securities. Class R Shares as well as the No Transaction Fee fund share classes made available to Eagle accounts can generate revenue share payments from NFS to NYLIFE Securities. Fund companies' revenue sharing arrangements with NFS creates a conflict of interest because it gives NYLIFE Securities a financial incentive to recommend mutual funds, (including particular share classes), that pay additional revenue. Financial professionals do not have an incentive to recommend products on the basis of this revenue sharing agreement as their commission remains the same. NYLIFE Securities does not disclose to its financial professionals which funds make payments to NFS that then in turn are paid to NYLIFE Securities through the revenue sharing agreement.



The clearing agreement between NYLIFE Securities and NFS entitles NYLIFE Securities to receive annual cash payments over a five-year period (beginning in 2017/2018 through 2022/2023) for business development, provided NYLIFE Securities maintains and fulfills its obligations under the clearing agreement. NYLIFE Securities does not share this compensation with its financial professionals.

NYLIFE Securities retains fees received under the revenue sharing arrangement and agreement. These payments create a conflict because they give NYLIFE Securities an incentive to continue to retain NFS as the provider of custody, clearing and administrative services.

### **Supervision and Monitoring of Financial Professionals**

Financial professionals receive extensive training, support and supervision from NYLIFE Securities. The Company expects and trains its financial professionals to adhere to a professional standard of care in making investment recommendations that are in a customer's best interest. Financial professionals are trained not to place their interests ahead of their customers when making product recommendations.

NYLIFE Securities has developed a comprehensive internal system ("SmartMatch") to monitor and supervise financial professionals' recommendations and evaluate the potential benefits of the proposed transaction. Particular attention is given to recommendations associated with higher compensation and recommendations at key customer liquidity events. Our SmartMatch process applies specific criteria for investment recommendations that are based on customer types that would reasonably be expected to benefit from a proposed investment strategy. SmartMatch seeks to identify imprudent recommendations and focuses on how much money a prudent investor would invest in particular classes of products or products with certain features. Back-end monitoring seeks to identify behavioral red flags and mitigate conflicts arising from the payment of transaction-based fees.

The SmartMatch system is a rules-based, semi-automated system designed to ensure that recommended transactions meet corporate standards and regulatory requirements. SmartMatch applies a series of product and transaction-specific tests, based on a customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance and other customer-specific information provided by the customer in the relevant product application and investor profile. As part of the SmartMatch process, a financial professional also needs to affirm why a product sale is in a customer's best interest based on the customer's individual investment profile and stated investment goals. If the information provided by the customer falls within the Company's established guidelines, the application passes the SmartMatch process and is approved by a NYLIFE Securities registered principal. However, if the information is inconsistent with these guidelines, the suitability of the transaction must be further reviewed before a final determination is made by a registered principal as to whether to accept or decline it.

All SmartMatch reviewers and registered principals are part of a dedicated and centralized staff with expertise in applying those standards. NYLIFE Securities believes there is significant value in establishing uniform rules that are applied by an automated system and reviewed and approved by a team whose members are outside of the sales chain of command and solely devoted to best interest review.

NYLIFE Securities also performs periodic account reviews and back-end monitoring in an effort to determine, among other things, that a client's investment allocation is consistent with the investment profile information on file and is reasonably diversified to mitigate potential overconcentration of assets. NYLIFE Securities may choose to voluntarily notify clients in certain instances where: (1) their investment allocation represents a potential overconcentration in a single mutual fund position or variable product investment division; (2) their current investment holdings exceed a certain percentage of their liquid net worth; (3) their current holdings do not appear to be consistent with their stated investment objective – such as an aggressive allocation held in a conservative account. NYLIFE Securities and its financial professionals provide the above reviews voluntarily and without compensation; we will not monitor customer accounts on an ongoing basis. These voluntary account reviews should not be construed as an agreement to provide account monitoring in the future or the assumption of a continuing obligation to do so.

Following new account openings, NYLIFE Securities reviews subsequent transactions meeting specific criteria including but not limited to transaction amounts and allocations relative to the customer's current risk tolerance and investment objective.

On a post-sale basis, the Company reviews and analyzes sales data to identify potential sales practice issues including potential conflicts of interest. The sales practice issues flagged for review include potentially inappropriate replacement, switching, or churning activity. Where appropriate, flagged exceptions are escalated, and if sales practice violations are identified, NYLIFE Securities may take disciplinary action against the financial professional who has breached its sales practice standards.

Additionally, as required by law, at least once every three years or within 30 days of a change to a retail customer's investor profile record, NYLIFE Securities furnishes investor profile information to each retail client and requests any necessary updates and/or corrections. NYLIFE Securities asks clients to review both general account information as well investment profile information. To ensure the accuracy of a retail client's personal and investment profile information and that the client's insurance and investment needs are being addressed, clients and financial professionals are encouraged to meet regularly to review the client's investment holdings, investment objectives, and any changes to the client's financial situation or needs. This voluntary review of accounts is not a service or an undertaking to provide account monitoring.

Every NYLIFE Securities financial professional is subject to an annual Supervisory Interview and Inspection, which is conducted on an unannounced basis. The review, among other things, requires the financial professional to certify as to his or her compliance with various rules. The individual performing the inspection also conducts a

file review to validate the accuracy of certain responses and to identify potential sales practice issues or other violations of Company rules.

NYLIFE Securities takes customer complaints seriously. Complaints may include valuable information about our products and services and provide opportunities to acknowledge and correct potential issues. NYLIFE Securities seeks to handle and resolve complaints in a fair and equitable manner. The Company also seeks to identify and resolve any general or systemic problems that could lead to other adverse customer experiences. Complaint reports based on statistical data and analysis are compiled periodically and provided to NYLIFE Securities' senior management team, including the Chief Executive Officer, Chief Compliance Officer, and Board of Managers.

NYLIFE Securities has adopted a disciplinary process to protect the Company, its customers, and its financial professionals by providing a foundation that supports ethical behavior. A strong disciplinary process reflects NYLIFE Securities' commitment to high standards of business conduct and is consistent with industry best practices and regulatory expectations. This process seeks to ensure that a financial professional is: (a) aware of the rule or procedure that his or her actions violated; (b) knowledgeable about the appropriate approach to similar circumstances in the future; and (c) less likely to repeat the behavior. Four levels of action are included in NYLIFE Securities' process ranging from lowest to highest: a Letter of Caution, Reprimand, Severe Reprimand, and Termination. These actions may also include various levels of sanctions, including but not limited to, loss of privileges, restitution and/or fines.

### **Overview of Addressing Conflicts of Interest**

NYLIFE Securities has adopted written policies and procedures designed to ensure that the Company and its financial professionals achieve compliance with regulatory standards. NYLIFE Securities has specifically identified and documented its conflicts of interest and has adopted measures designed to prevent these conflicts of interest from causing violations of securities regulations.

NYLIFE Securities' policies and procedures are designed to promote the best interest standard by ensuring that financial professionals' incentives are aligned with the interests of the customers they serve, and by ensuring appropriate monitoring and supervision of individual financial professionals' conduct. NYLIFE Securities will periodically review, and revise as necessary, its policies and procedures to ensure that it and its financial professionals are engaging in proper conduct.

Compensation across proprietary annuity products may differ to allow for higher compensation for more complex products on the basis that more time and effort are required for an agent to learn, understand and support a client purchasing the product. For mutual funds, NYLIFE Securities has capped commissions so that while commissions paid to financial professionals may vary based on the mutual fund family in which clients invest, the maximum potential commission is the same across all mutual fund families. Neither an expense nor training allowance is paid on the sale of mutual funds. While cash compensation is generally greater on the sale of a variable annuity than a mutual fund,

this is a function of neutral factors, including the time and effort needed to both train financial professionals and educate their clients on the features and benefits of an annuity product, and the increased time and effort needed to service these products. Similarly, NYLIFE Securities believes that securities transaction-based compensation can be more cost effective for clients who do not trade frequently and have purchased an investment product to address long-term needs.

NYLIAC receives compensation from the advisors/sponsors of certain variable annuity or variable universal life investment divisions for providing administrative services. This compensation creates a conflict of interest because NYLIAC has an incentive to select products that make such payments. However, this potential conflict of interest does not extend to NYLIFE Securities financial professionals because their compensation does not vary based on which investment division customers choose within their variable annuity or variable universal life policies, and financial professionals receive no part of any payment made to NYLIAC.

Additionally, NYLIM receives revenue when you invest in a mutual fund or an investment division that it manages (e.g., one of the MainStay Funds or MainStay VP funds) rather than in a non-proprietary offering. However, these potential conflicts of interest do not extend to NYLIFE Securities financial professionals because their compensation does not vary based on which mutual fund or investment division customers choose, and they receive no part of any management fees paid to NYLIM.

Neither NYLIFE Securities, Eagle, NYLIAC, nor any affiliate or related entity employ any sales contests, sales quotas, bonuses, and non-cash compensation that are based on the sale of specific securities or specific types of securities within a limited period of time. NYLIFE Securities has also established a supervisory structure reasonably and prudently designed to ensure the financial professionals will adhere to a best interest standard.

While NYLIFE Securities believes that we have eliminated or mitigated conflicts of interest, we recognize that certain conflicts of interest remain, and we have disclosed the material facts relating to those conflicts that are associated with recommendations.

Customers are encouraged to tell us about any issues or concerns they have and can contact us at 1-800-695-4785.

*24160 (06/20)*

*SMRU# and expiration date: 1855264 6/30/22*