



# Alpaca

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650-489-2017

## **2022 ANNUAL NOTICE TO CLIENTS**

### **1. Availability of Statement of Financial Conditions, New Capital and Financial Information**

Alpaca Securities LLC is subject to the Uniform Net Capital Rule (15c3-1) of the Securities and Exchange Commission and is required to maintain a minimum amount of net capital. We compute our net capital under the alternate method, as defined in the Rule. As of January 31, 2022, Alpaca Securities LLC had net capital available and a net capital requirement of \$12,572,285 and \$265,917, respectively.

The Statement of Financial Condition filed pursuant to Rule 17a-5(d) under the Securities and Exchange Act of 1934 is available for inspection at the Company's main office located at 3 East Third Avenue, San Mateo, CA 94401 and at the San Francisco Regional Office of the Securities and Exchange Commission.

A copy may also be obtained electronically **here** or by visiting **<https://alpaca.markets/disclosures>** or by calling +1 (650) 489-2017.

### **2. Privacy Notice**

Alpaca Securities LLC understands that your privacy is important and we are committed to respecting your privacy and protecting your personal data, which is any information that is capable of identifying you as an individual person. Our Privacy Policy describes how we handle and protect your personal data in connection with Alpaca Securities' business activities, like user accounts, brokerage accounts, digital asset accounts, and client services. Please see our Privacy Policy, Terms and Conditions and Website Disclosure or by visiting **<https://alpaca.markets/disclosures>** for more information about our online terms and policies.

### **3. Your California Privacy Rights**

Alpaca Securities LLC ("Alpaca Securities") highest priority is maintaining the privacy and security of your personal information. In doing so, we want to provide transparency regarding how and why your data is collected, how it is used, and with whom it may be shared. Alpaca Securities' Privacy Policy, Terms and Conditions and Website

Disclosure, set forth how we use your personal information and how you may exercise your California legal privacy rights.

For more information on Alpaca Securities' Privacy Policy or to obtain an electronic copy please click [\*\*here\*\*](#) or visit [\*\*https://alpaca.markets/disclosures\*\*](https://alpaca.markets/disclosures)

#### **4. Relationship with third parties**

Alpaca may also collect personal data about you from third parties, such as data brokers or aggregators, in the course of its business activities including in connection with some client services. This includes demographic, professional, and other information that is publicly available online, including information you choose to make public through social media platforms and other public online forums. We may combine this data with existing information we have about you or use it independently, for our benchmarking and market data analytics activities (e.g., analysis of recruiting practices across an industry, detecting fraud patterns in connection with financial transactions, or otherwise). We will always seek to confirm that the third party has provided transparent information about its use of this data, including its disclosure to third parties like Alpaca, in compliance with applicable law.

#### **5. Important Information Needed to Open a New Account**

To help the government better detect the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. Therefore, when you open an account, you will be asked for your name, address, date of birth and other identifying information, and as applicable, the name, address, date of birth and other identifying information relating to the minor the benefit of which this account is being established for. Alpaca may also ask for copies of your driver's license, passport or other identifying documents. Alpaca may take steps to verify the accuracy of the information that has been provided in your account application or otherwise, Alpaca may restrict access to your account pending such verification. You will provide prompt notification to Alpaca of any changes in the information, including, but not limited to, name, address, email address and telephone number.

#### **6. What is a trusted contact?**

A trusted contact is someone (family member, attorney, accountant or a third-party) that you authorize your financial firm to contact in limited circumstances, in case they are unable to get in touch with you. Having a trusted contact can be beneficial for anyone who has an investment account as it can provide an extra layer of safety for your account and can help Alpaca Securities LLC keep your account safe.

For more information on how a trusted contact can help please click [\*\*here\*\*](#) or visit [\*\*https://www.finra.org/investors/learn-to-invest/brokerage-accounts/establish-trusted-contact\*\*](https://www.finra.org/investors/learn-to-invest/brokerage-accounts/establish-trusted-contact)

#### **8. Alpaca Securities Business Continuity Plan Summary**

Alpaca Securities LLC ("Alpaca Securities"), a wholly-owned subsidiary of AlpacaDB, Inc. (collectively "Alpaca" or "the Firm") has created and implemented a Business Continuity Plan ("BCP") in an effort to mitigate the effects related to unforeseen business interruptions. The BCP is designed to enable the Firm to continue or resume trading operations as soon as possible in the event of an emergency or significant business disruption ("SBD").

Alpaca is currently able to communicate with its customers using telephone, email, and US Mail. In the event of an SBD, Alpaca will assess which means of communication are still available and use the means closest in speed to the means used in the past. Additionally, if all traditional means of communication are not available, Alpaca will post emergency contact information and instructions on an alternative website, such as that of its parent's social media site(s) (e.g. via Twitter: @AlpacaHQ) regarding access to Alpaca. Please refer to the Alpaca Status page for real-time updates on system performance and status. Additional support resources are also available on the main Alpaca Support page.

To view or obtain an electronic copy of Alpaca Securities' Business Continuity Plan please click [here](#) or visit <https://alpaca.markets/disclosures>

In the event that material changes are made to this BCP, Alpaca will make an updated copy available to all clients.

### **9. Margin Disclosure Statement**

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from your brokerage firm. If you choose to borrow funds from your firm, you will open a margin account with the firm. The securities purchased are the firm's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan, and as a result, the firm can take action, such as issue a margin call and/or sell securities in your account, in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

- You can lose more funds than you deposit in the margin account.
- The firm can force the sale of securities in your account.
- The firm can sell your securities without contacting you.
- You are not entitled to choose which security in your margin account is liquidated or sold to meet a margin call. Because the securities are collateral for the margin loan, the firm has the right to decide which security to sell in order to protect its interests.
- The firm can increase its house maintenance margin requirement at any time and is not required to provide you with advance written notice.
- You are not entitled to an extension of time on a margin call.

To view our full Margin Disclosure Statement please click [here](#) or visit <https://alpaca.markets/disclosures>

### **10. OTC Securities**

You understand that from time to time, and at Alpaca's sole discretion, Alpaca may allow the trading of certain OTC Securities. You understand that under certain circumstances, a listed stock may be delisted and become an OTC Security. If you hold securities in your account that become OTC Securities, you understand that Alpaca may, at its sole discretion, liquidate the OTC Securities and place the proceeds, if any, in your account without prior notification to you.

Securities that trade over-the-counter, including bulletin board, pink sheet, and other thinly-traded securities (each, an “OTC Security” and collectively “OTC Securities”) present particular trading risks, in part because they are relatively less liquid and more volatile than actively traded securities listed on a major exchange. You understand that OTC Securities may be subject to different trading rules and systems than other securities and that you may encounter significant delays in executions, reports of executions and updating of quotations in trading OTC Securities. Alpaca, in its sole discretion, may require limit orders on certain OTC Securities transactions.

## **11. Extended Hours Trading Risks**

There are certain risks associated with extended hours trading. You should consider the following points before engaging in extended hours trading.

Risk of Lower Liquidity. Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular trading hours. As a result, your order may only be partially executed, or not at all.

Risk of Higher Volatility. Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular trading hours. As a result, your order may only be partially executed, or not at all, or you may receive an inferior price when engaging in extended hours trading than you would during regular trading hours.

Risk of Changing Prices. The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular trading hours, or upon the opening the next morning. As a result, you may receive an inferior price when engaging in extended hours trading than you would during regular trading hours.

Risk of Unlinked Markets. Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours trading system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive an inferior price in one extended hours trading system than you would in another extended hours trading system.

Risk of News Announcements. Normally, issuers make news announcements that may affect the price of their securities after regular trading hours. Similarly, important financial information is frequently announced outside of regular trading hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

Risk of Wider Spreads. The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

Alpaca may route extended hours eligible orders as not held orders. A not held order is an order where you give discretion for your order to be worked on a not held basis. Our extended hours not held orders will be sent to the market with your instructions to buy or sell at your limit price or better. It is important to note that if we route your order as a not held order the order is not a "covered order" under Reg NMS and is not subject to limit order display or trade through protections as outlined in Reg NMS during the life of the order.

## **12. ACH Transfers**

You authorize Alpaca, at its discretion and without further prior notice, to utilize an electronic check process or Automated Clearing House ("ACH") facility to draft funds in the amount of any of Your checks payable to Alpaca, its agents or assigns. Money deposited via ACH is normally not available for withdrawal for 5 to 10 business days. Within 63 days of the date of Your ACH deposit, your funds may only be withdrawn to the bank account from which such funds were deposited. You understand that for the ACH transfers to be established, at least one common name must match exactly between Your Alpaca and bank accounts. To send and receive ACHs, Your bank must be a member of the ACH system. For ACH transactions, You hereby grant Alpaca Securities LLC ("Alpaca Securities") limited power of attorney for purposes of redeeming any shares in Your Account if the payment exceeds available free credits and direct Alpaca to accept any orders to make payments to an authorized bank account and to fulfill these orders through the redemption of shares in Your Account if the payment exceeds available free credits. In addition, if You or any joint account owner decides to rescind an ACH transfer, You hereby direct and grant Alpaca Securities power of attorney to redeem any shares necessary to fulfill and make such rescission regardless if I incur any loss.

## **13. Payment for Order Flow**

Alpaca Securities LLC ("Alpaca Securities") receives remuneration for directing orders in securities to particular market centers for execution. The customer understands that this remuneration, known as "payment for order flow," is considered compensation to Alpaca and the source and amount of any compensation received by Alpaca in connection with a particular transaction will be disclosed on the customer's written request.

## **14. Stop Orders**

Stop orders may reduce, but not eliminate, your trading risk. A stop market order is an order, placed with your broker, to buy or sell a particular stock at the market price if and when the price reaches a specified level. Stop orders are often used by traders in an effort to limit the amount they might lose. If and when the market reaches whatever price you specify, a stop order becomes an order to execute the desired trade at the best price immediately obtainable.

There can be no guarantee, however, that it will be possible under all market conditions to execute the order at the price specified. In an active, volatile market, the market price may be declining (or rising) so rapidly that there is no opportunity to liquidate your position at the stop price you have designated. Under these circumstances, the broker's only obligation is to execute your order at the best price that is available. Therefore, stop orders may reduce, but not eliminate, your trading risk.

## **15. Fractional Shares**

Alpaca allows for the purchase of fractional shares. You acknowledge and understand that Alpaca rounds all holdings of fractional shares to the ninth decimal place, the value of fractional shares to the nearest cent, and any dividends paid on fractional shares to the lower cent. You understand that you may receive dividends in an amount less than your pro rata ownership would otherwise entitle you to receive, and in certain instances no dividend at all, subject to Alpaca's rounding methodology. You further understand that Alpaca may not accept dollar-based purchases or sales of less than \$1.00 and that You will receive proceeds from the sale of any whole or fractional shares rounded to the nearest cent.

You understand that if You enter repeated fractional orders with individual notional values of less than \$0.01, your account may be restricted.

To the extent that Alpaca must purchase or sell shares in the market to fulfill any part of your fractional order, the fractional component of that order will be fulfilled at the execution price received for the corresponding whole shares. You understand that Alpaca fulfill your fractional order for national exchange-listed securities ("NMS Securities") entirely out of Alpaca's inventory and without purchasing or selling shares in the market ("Inventory Fulfillment"); you will endeavor to price such shares or fractional shares at a price between the National Best Bid and Offer ("NBBO") at the time of the order for orders made during market hours. Alpaca will endeavor to price such orders between the best bid and offer at the time of the order.

You understand that fractional shares within Your Account (i) are unrecognized, unmarketable, and illiquid outside the Alpaca platform, (ii) are not transferable in-kind, and (iii) may only be liquidated and the proceeds transferred out via a wire transfer. You acknowledge that, subject to applicable requirements, Alpaca may report holdings and transactions in Your Account in terms of either U.S. Dollars, shares, or both.

You agree that your fractional shareholdings shall be treated as a "financial asset" under Article 8 of the Uniform Commercial Code.

## 16. Alpaca Securities LLC Brokerage Fee Schedule



# Alpaca Securities Brokerage Fee Schedule

At Alpaca Securities LLC, our mission is to provide general brokerage services for free. However, there are some services used by our customers that cannot be provided for free because there is a direct cost associated with those services, that is, the service is not shared among all of our clients. Even in those instances, Alpaca will strive to provide the service at the lowest possible price to ensure that our clients benefit from low costs and we can continue to offer those services.

### TRADING/TRANSFERS

**Margin Lending Interest Rate** 3.75%\*

*\* Charged on the daily balance at an annualized prevailing interest rate, which may change from time to time.*

**Incoming/Outgoing ACH** \$0/Per Transaction

**ACH Return Fee** (Rejected ACH transfers) \$25/Per Transaction

**Wire Transfer** (Domestic) \$25/Per Transaction

**Wire Transfer** (International) \$50/Per Transaction

**American Depositary Receipts (ADRs)** (Pass-through fees) \$0.01 to \$0.03/Per Share

**ACAT Out Transfer** \$50/Per Full or Partial  
*(Only US listed equities and cash transfers are supported.)*

### TRANSACTION FEES

*Alpaca Securities LLC charges you a transaction fee on certain securities transactions which are subject to fees assessed by self-regulatory organizations, securities exchanges, and or government agencies. The fee is based on the value of covered securities transactions. To determine the exact amount of this fee with respect to any transaction, please contact [support@alpaca.markets](mailto:support@alpaca.markets).*

**Transaction Fees** \$5.10/Per \$1Million\*

**Financial Industry Regulatory Authority (FINRA)** \$.000119/Per Share\*  
*\* The transaction fees are rounded up to the nearest penny. Max of \$5.95*

### MISCELLANEOUS

**Easy to Borrow Securities**  
*(Pass through cost assessed by the lender. We do not currently add a markup but reserve the right to do so in the future.)*

**Hard to Borrow Securities**  
*(Not currently available.)*

Revised 11/5/2021

### **17. Form CRS**

The Form CRS for Alpaca Securities LLC can be found **here** or by visiting **<https://alpaca.markets>**.

### **18. Customer Inquiries**

For inquiries or concerns please contact us at **[support@alpaca.markets](mailto:support@alpaca.markets)** or visit us at **<https://alpaca.markets/support/>**

### **19. Broker Check**

Alpaca Securities LLC is a member of Financial Industry Regulatory Authority, Inc. (FINRA). You can check the background of Alpaca Securities on **[FINRA's BrokerCheck](#)**.

### **20. Securities Investor Protection Corporation (SIPC)**

Alpaca Securities LLC is a member of SIPC, which provides protection for accounts up to \$500,000 (including \$250,000 for claims of cash) per client as defined by SIPC rules. An explanatory brochure is available upon request via telephone at (202) 371-8300 or at **[www.sipc.org](http://www.sipc.org)**

The information contained in this disclosure document is provided by Alpaca Securities LLC for general information purposes only, and is believed to be accurate as of March 31, 2022 but may be subject to change. Nothing contained herein shall be construed to amend, supplement or otherwise modify any of the terms and conditions set forth in any customer agreement between you and Alpaca.