

SCHWAB CHARLES CORP
Form 424B5
July 27, 2015
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-200939

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 27, 2015

PROSPECTUS SUPPLEMENT
(To Prospectus dated December 15, 2014)

The Charles Schwab Corporation

Depository Shares, Each Representing a 1/40th Interest in a

Share of % Non-Cumulative Perpetual Preferred Stock, Series C

We are offering _____ depository shares, each representing a 1/40th ownership interest in a share of % Non-Cumulative Perpetual Preferred Stock, Series C, \$0.01 par value, with a liquidation preference of \$1,000 per share (equivalent to \$25 per depository share)(the Series C Preferred Stock). The depository shares are represented by depository receipts. As a holder of depository shares, you will be entitled to all proportional rights and preferences of the Series C Preferred Stock (including dividend, voting, redemption and liquidation rights). You must exercise such rights through the depository.

We will pay dividends on the Series C Preferred Stock, when, as, and if declared by our board of directors or a duly authorized committee of our board of directors. Dividends will accrue on a non-cumulative basis and be payable from the date of initial issuance, at a rate of _____ per annum, payable quarterly, in arrears, on March 1, June 1, September 1 and December 1 of each year, beginning on December 1, 2015.

Dividends on the Series C Preferred Stock will not be cumulative. If our board of directors or a duly authorized committee of our board of directors does not declare a dividend on the Series C Preferred Stock in respect of a dividend period, then no dividend shall be deemed to have accrued for such dividend period, be payable on the applicable dividend payment date, or be cumulative, and we will have no obligation to pay any dividend for that dividend period to the holder of Series C Preferred Stock, including the depository, and no related distribution will be made on the depository shares, whether or not our board of directors or a duly authorized committee of our board of directors declares a dividend on the Series C Preferred Stock for any future dividend period.

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We may redeem the Series C Preferred Stock at our option:

in whole or in part, from time to time, on any dividend payment date on or after _____, 2020 at a redemption price equal to \$1,000 per share (equivalent to \$25 per depositary share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends; or

in whole but not in part, at any time within 90 days following a regulatory capital treatment event (as defined herein), at a redemption price equal to \$1,000 per share (equivalent to \$25 per depositary share), plus any declared and unpaid dividends, without accumulation of any undeclared dividends.

The Series C Preferred Stock will not have any voting rights, except as set forth under [Description of Series C Preferred Stock](#) [Voting Rights](#) on page S-20.

The depositary shares will not be insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality. The depositary shares will not be savings accounts, deposits or other obligations of any bank.

The depositary shares are a new issue of securities with no established trading market. We intend to apply to list the depositary shares on the New York Stock Exchange (NYSE) under the symbol SCHW PrC . If the application is approved, we expect trading of the depositary shares on the NYSE to begin within the 30-day period after the initial delivery of the depositary shares.

Investing in the depositary shares involves risks. See [Risk Factors](#) beginning on page S-13.

Neither the Securities and Exchange Commission (SEC) nor any state securities commission has approved or disapproved of the depositary shares or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Depositary Share	Total
Public offering price ⁽¹⁾	\$	\$
Underwriting discounts and commissions ⁽²⁾	\$	\$
Proceeds, before expenses ⁽³⁾	\$	\$

⁽¹⁾ The public offering price does not include dividends, if any, that may be declared. Dividends, if declared, will accrue from the date of initial issuance, which is expected to be _____, 2015.

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⁽²⁾ Reflects depositary shares sold to institutional investors, for which the underwriters received an underwriting discount of \$ per share, and depositary shares sold to retail investors, for which the underwriters received an underwriting discount of \$ per share.

⁽³⁾ Assumes no exercise of the underwriters over-allotment option described below.

We have granted the underwriters the right to purchase up to an additional depositary shares at the public offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus supplement to cover over-allotments, if any.

The underwriters expect to deliver the depositary shares to purchasers in book-entry form through the facilities of The Depository Trust Company (DTC) and its direct participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System (Euroclear) and Clearstream Banking, a *société anonyme* (Clearstream) on or about , 2015.

Joint Book-Running Managers

BofA Merrill Lynch

Morgan Stanley

**UBS Investment Bank
, 2015**

Wells Fargo Securities

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We have not authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you.

We are not, and the underwriters are not, offering to sell the depositary shares, and are not seeking offers to buy the depositary shares, in any jurisdiction where offers and sales are not permitted. The distribution of this prospectus supplement and the accompanying prospectus and the

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offering of the depositary shares in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus must inform themselves about and observe any restrictions relating to the offering of the depositary shares and the distribution of this prospectus supplement and the accompanying prospectus outside the United States. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration process. In this prospectus supplement, we provide you with specific information about the depositary shares that we are selling in this offering, the Series C Preferred Stock represented by the depositary shares, and about the offering itself. Both this prospectus supplement and the accompanying prospectus include or incorporate by reference important information about us, our depositary shares, our Series C Preferred Stock and other information you should know before investing in our depositary shares. This prospectus supplement also adds, updates and changes information contained or incorporated by reference in the accompanying prospectus. To the extent that any statement that we make in this prospectus supplement is inconsistent with the statements made in the accompanying prospectus, the statements made in the accompanying prospectus are deemed modified or superseded by the statements made in this prospectus supplement. You should read both this prospectus supplement and the accompanying prospectus as well as additional information described in "Where you can find more information" before investing in our depositary shares.

References in this prospectus supplement to we, us, our and CSC mean The Charles Schwab Corporation. References in this prospectus supplement to the Company means CSC and its majority-owned subsidiaries.

Unless otherwise specifically indicated, all information in this prospectus supplement assumes the underwriters' option to purchase additional depositary shares is not exercised.

Currency amounts in this prospectus supplement and the accompanying prospectus are stated in U.S. dollars.

The representations, warranties and covenants made by CSC in any agreement that is filed as an exhibit to any document that is incorporated by reference in this prospectus supplement and the accompanying prospectus were made solely for the benefit of the parties to such agreement, including, in some cases, for the purpose of allocating risk among the parties to such agreements, and should not be deemed to be a representation, warranty or covenant to you. Moreover, such representations, warranties or covenants were accurate only as of the date when made. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of CSC's affairs. You should assume that the information contained or incorporated by reference in this prospectus supplement and any document incorporated by reference herein and in the accompanying prospectus is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

WHERE YOU CAN FIND MORE INFORMATION

CSC files annual, quarterly and current reports, proxy statements and other information with the SEC. CSC's SEC filings are available to the public over the Internet at the SEC's website at <http://www.sec.gov>. Copies of certain information filed by CSC with the SEC are also available on CSC's corporate website at <http://www.aboutschwab.com>. The website addresses of the SEC and CSC are included as inactive textual references only, and the information contained on those websites is not a part of this prospectus supplement or the accompanying prospectus. You may also read and copy any document that CSC files at the SEC's Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

The SEC allows CSC to incorporate by reference information CSC has filed with the SEC, which means that CSC can disclose important information to you by referring you to other documents. The information incorporated by reference is considered to be a part of this prospectus supplement.

This prospectus supplement incorporates by reference the documents listed below:

Annual Report on Form 10-K for the fiscal year ended December 31, 2014;

Quarterly Report on Form 10-Q for the quarter ended March 31, 2015; and

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Current Reports on Form 8-K filed on February 3, 2015, March 10, 2015 and May 19, 2015.

Any statement contained in a document incorporated by reference, or deemed to be incorporated by reference, in this prospectus supplement or the accompanying prospectus shall be deemed to be modified or superseded for purposes of this prospectus supplement or the accompanying prospectus to the extent that a statement contained in this prospectus supplement or the accompanying prospectus or in any other subsequently filed document which also is incorporated by reference in this prospectus supplement or the accompanying prospectus modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the accompanying prospectus.

Statements contained in this prospectus supplement or the accompanying prospectus as to the contents of any contract or other document referred to in this prospectus supplement or the accompanying prospectus do not purport to be complete, and where reference is made to the particular provisions of such contract or other document, such provisions are qualified in all respects by reference to all of the provisions of such contract or other document. In reviewing any agreements incorporated by reference, please remember they are included to provide you with information regarding the terms of such agreements and are not intended to provide any other factual or disclosure information about CSC. The agreements may contain representations and warranties by CSC or other parties, which should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate. The representations and warranties were made only as of the date of the relevant agreement or such other date or dates as may be specified in such agreement and are subject to more recent developments. Accordingly, these representations and warranties alone may not describe the actual state of affairs as of the date they were made or at any other time.

You may request a copy of these filings at no cost, by writing, telephoning or sending an email to the following address:

The Charles Schwab Corporation

211 Main Street

San Francisco, California 94105

Attention: Corporate Secretary

Telephone: (415) 667-1959

Email: investor.relations@schwab.com

FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, contain not only historical information but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements are identified by words such as believe, anticipate, expect, intend, plan, will, may, estimate, appear, aim, target, could and other similar statements, which may be expressed in a variety of ways, including the use of future or present tense language, refer to future events. In addition, any statements that refer to expectations, projections, or other characterizations of future events or circumstances are forward-looking statements.

These forward-looking statements, which reflect management's beliefs, objectives, and expectations as of the date hereof, or in the case of any documents incorporated by reference, as of the date of those documents, are necessarily estimates based on the best judgment of CSC's senior management. These statements relate to, among other things:

the use of proceeds from this offering;

the ratings for the depositary shares;

a trading market for the depositary shares;

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the Company's ability to pursue its business strategy and maintain its market leadership position;

the expected impact of the new regulatory capital and liquidity coverage ratio (LCR) rules;

the impact of legal proceedings and regulatory matters;

the impact of current market conditions on the Company's results of operations;

sources of liquidity, capital, and level of dividends;

target capital and debt ratios;

capital expenditures;

the impact of changes in management's estimates on the Company's results of operations;

the impact of changes in the likelihood of indemnification and guarantee payment obligations on the Company's results of operations;

the impact on the Company's results of operations of recording stock option expense;

the impact of the revised underwriting criteria on the credit quality of the Company's mortgage portfolio; and

the other risks and uncertainties described in this prospectus supplement, including the documents incorporated by reference herein. Achievement of the expressed beliefs, objectives and expectations described in these statements is subject to certain risks and uncertainties that could cause actual results to differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus supplement or, in the case of documents incorporated by reference, as of the date of those documents.

Important factors that may cause actual results to differ include, but are not limited to:

changes in general economic and financial market conditions;

changes in revenues and profit margin due to changes in interest rates;

adverse developments in litigation or regulatory matters;

the extent of any charges associated with litigation and regulatory matters;

amounts recovered on insurance policies;

the Company's ability to attract and retain clients and grow client assets and relationships;

the Company's ability to develop and launch new products, services and capabilities in a timely and successful manner, including Intelligent Portfolios ;

fluctuations in client asset values due to changes in equity valuations;

the Company's ability to monetize client assets;

the performance or valuation of securities available for sale and securities held to maturity;

trading activity;

the level of interest rates, including yields available on money market mutual fund eligible instruments;

the adverse impact of financial reform legislation and related regulations;

investment, structural and capital adjustments made by the Company in connection with the new LCR rule;

the amount of loans to the Company's brokerage and banking clients;

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the extent to which past performance of the Company's mortgage portfolio is indicative of future performance;

the level of the Company's stock repurchase activity;

the level of brokerage client cash balances and deposits from banking clients;

the availability and terms of external financing;

capital needs and management;

timing and amount of severance and other costs related to reducing the Company's San Francisco footprint;

the Company's ability to manage expense;

regulatory guidance;

the level of client assets, including cash balance;

competitive pressure on rates and fees;

acquisition integration costs;

the timing and impact of changes in the Company's level of investments in buildings, land, leasehold improvements and software and equipment relating to its information technology systems;

potential breaches of contractual terms for which the Company has indemnification and guarantee obligations;

client use of the Company's investment advisory services and other products and services; and

CSC's ability to maintain favorable ratings from rating agencies.

You should refer to the "Risk Factors" section of this prospectus supplement and to CSC's periodic and current reports filed with the SEC for specific risks which could cause actual results to be significantly different from those expressed or implied by these forward-looking statements. In particular, certain of these factors, as well as general risk factors affecting CSC and its subsidiaries, are discussed in greater detail in "Item 1A. Risk Factors" in CSC's Annual Report on Form 10-K for the year ended December 31, 2014, as such discussion may be amended or updated in other reports filed by us with the SEC, which reports are incorporated by reference into this prospectus supplement and accompanying prospectus.

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SUMMARY

This summary highlights selected information contained elsewhere, or incorporated by reference, in this prospectus supplement. As a result, it does not contain all of the information that may be important to you or that you should consider before investing in the depositary shares. You should read this entire prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, especially the risks relevant to investing in the depositary shares discussed under Risk factors contained herein and under Item 1A. Risk Factors beginning on page 7 of CSC's Annual Report on Form 10-K for the year ended December 31, 2014, as such discussion may be amended or updated in other reports filed by us with the SEC, as well as the consolidated financial statements and notes to those consolidated financial statements incorporated by reference herein. In addition, certain statements include forward-looking information that involves risks and uncertainties. See Forward-looking statements.

The Charles Schwab Corporation

The Charles Schwab Corporation, headquartered in San Francisco, California, was incorporated in 1986 and engages, through its subsidiaries (together referred to as the Company, and located in San Francisco except as indicated), in wealth management, securities brokerage, banking, money management, and financial advisory services. At March 31, 2015, the Company had \$2.52 trillion in client assets, 9.5 million active brokerage accounts^(a), 1.5 million corporate retirement plan participants, and 986,000 banking accounts. CSC is a savings and loan holding company.

Significant business subsidiaries of CSC include:

Charles Schwab & Co., Inc. (Schwab), which was incorporated in 1971, is a securities broker-dealer with over 325 domestic branch offices in 45 states, as well as a branch in each of the Commonwealth of Puerto Rico and London, England, and serves clients in Hong Kong through one of CSC's subsidiaries;

Charles Schwab Bank (Schwab Bank), which commenced operations in 2003, is a federal savings bank located in Reno, Nevada; and

Charles Schwab Investment Management, Inc. is the investment advisor for Schwab's proprietary mutual funds, referred to as the Schwab Funds[®], and Schwab's exchange-traded funds, referred to as the Schwab ETFs .

The Company offers a broad range of products to address individuals' varying investment and financial needs. Examples of these product offerings include:

Brokerage – an array of full-feature brokerage accounts; individual retirement accounts; retirement plans for small to large businesses; 529 college savings accounts; designated brokerage accounts; equity incentive plan accounts; and margin loans, as well as access to fixed income securities, equity and debt offerings, options, and futures;

Mutual funds – third-party mutual funds through Mutual Fund Marketplace[®], including no-load mutual funds through the Mutual Fund OneSource[®] service, proprietary mutual funds from two fund families – Schwab Funds[®] and Laudus Funds[®], other third-party mutual funds, and mutual fund trading and clearing services to broker-dealers;

Exchange-traded funds (ETFs) – third-party and proprietary ETFs, including Schwab ETFs, Schwab ETF OneSource , and separately managed portfolios of ETFs;

Advice solutions – separately managed accounts, customized personal advice for tailored portfolios, and specialized planning and full-time portfolio management;

(a) Accounts with balances or activity within the preceding eight months.

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Banking checking accounts linked to brokerage accounts, savings accounts, certificates of deposit, demand deposit accounts, first lien residential real estate mortgage loans (First Mortgages), home equity loans and lines of credit (HELOCs), personal loans and entity lending collateralized by securities; and

Trust trust custody services, personal trust reporting services, and administrative trustee services.

These products, and the Company's full array of investing services, are made available through its two segments Investor Services and Advisor Services.

Investor Services

Through the Investor Services segment, the Company provides retail brokerage and banking services to individual investors. The Company offers research, analysis tools, performance reports, market analysis, and educational material to all clients. Clients looking for more guidance have access to online portfolio planning tools, professional advice from Schwab's portfolio consultants who can help develop an investment strategy and carry out investment and portfolio management decisions, as well as a range of fully delegated managed solutions that provide ongoing portfolio management.

The Investor Services segment also includes the Retirement Plan Services, Corporate Brokerage Services, Stock Plan Services, and Compliance Solutions business units. Retirement Plan Services offers a bundled 401(k) retirement plan product that provides plan sponsors a wide array of investment options, trustee or custodial services, and participant-level recordkeeping. Corporate Brokerage Services provides specialty brokerage-related services to corporate clients through its Corporate Brokerage Retirement Services business and mutual fund clearing services to banks, brokerage firms and trust companies, and also offers proprietary mutual funds, ETFs, collective trust funds, and investment management outside the Company to institutional channels. Stock Plan Services offers equity compensation plan sponsors full-service recordkeeping for stock plans: stock options, restricted stock, performance shares and stock appreciation rights. Compliance Solutions provides solutions for compliance departments of regulated companies and firms with special requirements to monitor employee personal trading, including trade surveillance technology.

Advisor Services

Through the Advisor Services segment, the Company provides custodial, trading, and support services to independent investment advisors.

The Advisor Services segment also includes the Retirement Business Services business unit. Retirement Business Services provides trust, custody, and retirement business services to independent retirement plan advisors and independent recordkeepers. Plan assets are held at the Business Trust division of Schwab Bank.

Recent Developments

On June 5, 2015, CSC replaced its \$800 million committed, unsecured credit facility, which expired on that date. The new credit facility is for \$750 million and contains substantially similar terms as the previous credit facility with customary covenant adjustments, including adjustments to reflect changes in CSC's stockholders' equity as of December 31, 2014. There were no funds drawn under this facility at June 30, 2015.

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The following financial information for the three and six months ended June 30, 2015 is consistent with the information provided in the Company's press release dated July 16, 2015 and furnished to the SEC on CSC's Current Report on Form 8-K. The information is subject to change for subsequent events occurring prior to the date of the filing of CSC's Quarterly Report on Form 10-Q for the quarter ended June 30, 2015, if and to the extent such change is required under generally accepted accounting principles.

Consolidated Statements of Income**(In millions, except per share amounts)****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Revenues				
Asset management and administration fees	\$ 670	\$ 632	\$ 1,314	\$ 1,243
Interest revenue	645	588	1,262	1,167
Interest expense	(33)	(26)	(62)	(52)
Net interest revenue	612	562	1,200	1,115
Trading revenue	203	212	430	459
Other	79	65	142	133
Provision for loan losses	2	7	6	6
Total net revenues	1,566	1,478	3,092	2,956
Expenses Excluding Interest				
Compensation and benefits	540	520	1,121	1,048
Professional services	112	112	226	218
Occupancy and equipment	85	80	168	160
Advertising and market development	62	65	131	128
Communications	59	57	117	113
Depreciation and amortization	55	48	109	