

SCHWAB CHARLES CORP
Form 424B5
July 22, 2013
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The information in this preliminary prospectus supplement is not complete and may be changed. Neither this preliminary prospectus supplement nor the accompanying prospectus is an offer to sell nor is it an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**Filed Pursuant to Rule 424(b)(5)
Registration No. 333-178525**

Subject To Completion, Dated July 22, 2013.

PROSPECTUS SUPPLEMENT

(To Prospectus dated December 15, 2011)

\$

The Charles Schwab Corporation

% Senior Notes due 2018

The Charles Schwab Corporation (CSC) will offer \$ aggregate principal amount of % Senior Notes due 2018, which CSC refers to in this prospectus supplement as the notes.

The notes will mature on July , 2018. The notes will pay interest at % per annum. Interest on the notes will be paid each January and July , commencing on January , 2014. The notes will be senior unsecured obligations of CSC, ranking equally with all of CSC's other unsecured senior indebtedness. Prior to June , 2018 (30 days prior to the maturity date), CSC may redeem some or all of the notes at any time at the make-whole redemption price, as described under Description of the notes Optional redemption. On or after June , 2018 (30 days prior to the maturity date), CSC may redeem some or all of the notes at any time at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest to, but not including, the redemption date, as described under Description of the notes Optional redemption.

CSC does not intend to apply for listing of the notes on any securities exchange or for inclusion of the notes in any automated dealer quotation system. Currently, there is no public market for the notes.

Investing in the notes involves risk. See Risk factors beginning on page S-9.

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

These notes are not insured by the Federal Deposit Insurance Corporation or any other governmental agency. These notes are not savings accounts, deposits or other obligations of any bank.

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Per note	Price to Public (1)	Underwriting Discount or Commission	Proceeds to CSC
	%	%	%
Total	\$	\$	\$
(1) Plus accrued interest, if any, from July , 2013 if settlement occurs after that date.			

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Euroclear Bank, S.A./N.V. and Clearstream Banking, *société anonyme*, and its indirect participants, against payment in New York, New York on or about July , 2013.

Joint Book-Running Managers

Credit Suisse

July , 2013

J.P. Morgan

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About this prospectus supplement

This document consists of two parts. The first part is the prospectus supplement, which describes the price per note, interest rate, maturity date, aggregate principal amount and certain other terms of this offering. The second part is the prospectus, which describes more general information, some of which may not apply to this offering. You should read this prospectus supplement and the accompanying prospectus, together with additional information described under "Where you can find more information" in this prospectus supplement.

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

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus relating to the notes issued hereby prepared by or on behalf of CSC at the time of pricing. No one is authorized to give information other than that contained herein and therein. This prospectus supplement may be used only for the purpose for which it has been prepared. CSC has not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

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. CSC is not, and the underwriters are not, making an offer to sell these notes in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement and the accompanying prospectus or any document incorporated by reference is accurate as of any date other than the date of the applicable document. CSC's business, financial condition, results of operations and prospects may have changed since that date. Neither this prospectus supplement nor the accompanying prospectus constitutes an offer or solicitation on CSC's behalf or on behalf of the underwriters to subscribe for and purchase any of the notes, and may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

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Where you can find more information

CSC files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (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 and accompanying prospectus.

This prospectus supplement and accompanying prospectus incorporate by reference the documents listed below:

Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (including such information from the Proxy Statement filed March 29, 2013 that is incorporated by reference in Part III of such Annual Report), as updated by CSC's Current Report on Form 8-K filed on June 24, 2013 relating to the realignment of the Company's reportable segments;

Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013; and

Current Reports on Form 8-K filed on January 30, 2013, May 21, 2013 and June 24, 2013.

In addition, CSC also incorporates by reference additional documents that it files with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), between the date of this prospectus supplement and the date of the termination of this offering.

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

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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 Exchange Act. Forward-looking statements are identified by words such as believe, anticipate, expect, intend, will, may, estimate, appear, aim, target, could and other similar expressions. These statements, which may be expressed in a variety of 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 debt offering;

the ratings for the notes;

a trading market for the notes;

the Company's ability to pursue its business strategy;

the expected impact of the Board of Governors of the Federal Reserve System's notices of proposed rulemakings and the National Securities Clearing Corporation proposed rule change;

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 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;

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

the other risks and uncertainties described in this prospectus supplement.

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.

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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;

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;

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

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;

level of expenses;

competitive pressures on rates and fees;

acquisition integration costs;

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

potential breaches of contractual terms for which the Company has guarantee obligations; 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 would 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, 2012, as updated by CSC's Current Report on Form 8-K filed on June 24, 2013 relating to the realignment of the Company's reportable segments, which 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 notes. You should read this entire prospectus supplement and accompanying prospectus, including the documents incorporated by reference, especially the risks relevant to investing in the notes 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, 2012, as updated by CSC's Current Report on Form 8-K filed on June 24, 2013 relating to the realignment of the Company's reportable segments (incorporated by reference herein), 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 (primarily located in San Francisco except as indicated), in securities brokerage, banking, money management, and financial advisory services. At March 31, 2013, CSC had \$2.08 trillion in client assets, 8.9 million active brokerage accounts, 1.6 million corporate retirement plan participants, and 888,000 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 300 domestic branch offices in 45 states, as well as a branch in each of the Commonwealth of Puerto Rico and London, U.K., 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. (CSIM), which 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 brokerage accounts including some with check-writing features, debit card, and billpay; 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 , 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;

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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 lines of credit (HELOCs), personal loans collateralized by securities, and entity lending; 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, analytic 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 and Corporate Brokerage Services 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 Stock Plan Services, Compliance Solutions, and Corporate Brokerage Retirement Services businesses. 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. Corporate Brokerage Retirement Services serves independent recordkeepers seeking a custodian for retirement plan assets.

Advisor Services

Through the Advisor Services segment, the Company provides custodial, trading, technology, practice management, trust asset, and other support services to independent investment advisors.

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

CSC's common stock is listed and traded on The New York Stock Exchange under the symbol SCHW.

CSC's principal executive office is located at 211 Main Street, San Francisco, California 94105, and CSC's telephone number is (415) 667-7000. CSC's corporate Internet website is www.aboutschwab.com. CSC's website address is included as an inactive textual reference only, and the information contained on CSC's website is not incorporated by reference and does not form a part of this prospectus supplement or the accompanying prospectus.

Recent Developments

On June 7, 2013, CSC replaced its \$800 million committed, unsecured credit facility, which expired on that date. The new credit facility is for the same amount and contains substantially similar terms as the previous credit

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facility with customary covenant adjustments, including adjustments to reflect changes in CSC's stockholders' equity as of December 31, 2012. There were no funds drawn under this facility at June 30, 2013.

The following financial information for the three and six months ended June 30, 2013, is consistent with the information provided in the Company's press release dated July 16, 2013 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, 2013, if and to the extent such change is required under generally accepted accounting principles.

THE CHARLES SCHWAB CORPORATION

Consolidated Statements of Income

(In millions, except per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Net Revenues				
Asset management and administration fees	\$ 572	\$ 496	\$ 1,124	\$ 980
Interest revenue	499	497	996	969
Interest expense	(26)	(39)	(54)	(77)
Net interest revenue	473	458	942	892
Trading revenue	235	219	458	462
Other	59	121	115	167
Provision for loan losses	1	(4)	(5)	(4)
Net impairment losses on securities ⁽¹⁾	(3)	(7)	(7)	(25)
Total net revenues	1,337	1,283	2,627	2,472
Expenses Excluding Interest				
Compensation and benefits	494	446	1,030	911
Professional services	106	93	205	189
Occupancy and equipment	77	80	154	156
Advertising and market development	67	57	141	124
Communications	56	55	110	113
Depreciation and amortization	51	48	102	96
Other	74	72	142	138
Total expenses excluding interest	925	851	1,884	1,727
Income before taxes on income	412	432	743	745
Taxes on income	156	157	281	275
Net Income	256	275	462	470