

Brokers

Cash Sweep Data Scraper: LPLA, HOOD, Vanguard and Fidelity raise rates

Industry Overview

BofA's Proprietary Broker Cash Sweep Data Scraper

We designed a data scraper that automatically pulls the cash sweep rates from the websites of retail brokers daily. This helps us track changes in cash sweep rates across our coverage real time. The effective Fed funds rate now sits at 533bps (525-550bps target range) following the +25bps hike that occurred on July 27th.

- LPLA raised its cash sweep rate between +5-20bps on upper tiers (\$750K through \$10M+) while maintaining 0.35% rate on balances <\$150K
- HOOD raised its Gold sweep rate to 4.83% (previously 4.58%) while non-Gold rate remains at 1.50%
- Vanguard's rate increased to 3.70% (previously 3.50%)
- Fidelity raised its rate to 2.72% (previously 2.60%)

Deposit levels are already hitting historical floors

Across our coverage, brokers are seeing deposit balances as a % AuC near and some surpass historical ('19) floors as interest rates remain elevated at levels not seen since the early 2000s. We are continuing to monitor client cash sorting behavior at elevated levels, although at a decelerated pace from the 1Q23 peak. We forecast that deposits will continue declining at a decelerated pace while we also expect new floor records to be reached as highlighted in more detail in our [Broker Client Cash Sorting Note](#).

- As of quarter end, SCHW's core deposit ratio sits at 5.6% (previous floor of 5.3%). We monitored July Net MMF flows to be +\$9.6B. While this is below 1Q23 averages (+\$25B) it is important to keep in mind that MMF flows act as a proxy and don't fully account for all flow activity (CDs, fixed income ETFs, reallocation into equities) while its liquidity generation is in the +\$20B range (BofA estimate).
- LPLA's ratio is at 4.0% (previous floor 4.1%) while on the earnings call mgmt. gave commentary that they were seeing cash balances dip below 4% as clients relocate into equities (strong net buying) and month 1 fees reduce cash.
- AMP's deposit ratio excl. certificates reached 3.6% (previous floor 3.9%) while it saw clients continue reallocating into higher yielding certificates (certificate balances % total cash reached cycle highs). AMP has launched a series of new cash management solutions (savings account) with more expected (internal brokered CD, preferred savings) which should help keep cash on the platform at the expense of higher interest expense.
- IBKR and HOOD continue to see stable/rising cash balances as their clients' sort cash into the brokers thanks to their highly competitive rate offerings

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Glossary:

MMF = money market funds

AuC = assets under custody

Mgmt. = management

R/JF = Raymond James Financial

CD = certificate of deposit

ETF = exchange traded funds

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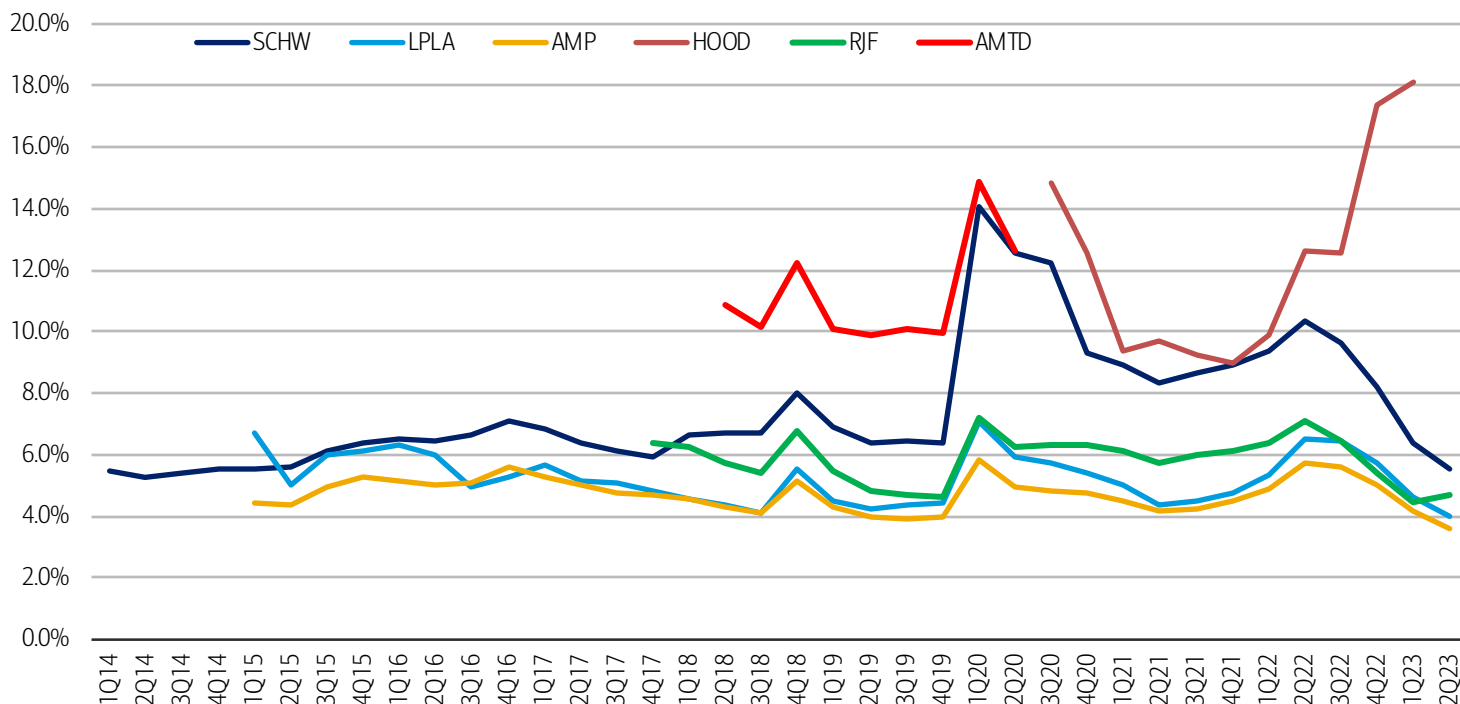
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Additional Graphics

Exhibit 1: Core deposits as a % client AuC

RJF reported rising cash levels given inflows into their new Enhanced Savings Program at the expense of much higher deposit costs (+4.5%)



Source: BofA Global Research

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Exhibit 2: US Brokerage – Cash sweep rates

We expect deposit betas to remain almost zero for any remaining hikes

Date	2022-09-30	2022-12-31	2023-03-31	2023-06-30	2023-08-02
AMP \$0 - \$4,999	0.10%	0.25%	0.25%	0.30%	0.30%
AMP \$5,000 - \$24,999	0.10%	0.25%	0.25%	0.30%	0.30%
AMP \$25,000 - \$49,999	0.10%	0.25%	0.25%	0.30%	0.30%
AMP \$50,000 - \$99,999	0.10%	0.25%	0.25%	0.30%	0.30%
AMP \$100,000 - \$249,999	0.10%	0.40%	0.45%	0.50%	0.50%
AMP \$250,000 - \$499,999	0.20%	0.55%	0.60%	0.65%	0.65%
AMP \$500,000 - \$999,999	0.20%	0.70%	0.75%	0.85%	0.85%
AMP \$1,000,000 - \$4,999,999	0.35%	1.50%	1.75%	1.90%	1.90%
AMP \$5,000,000+	0.50%	1.75%	2.00%	2.20%	2.20%
E*TRADE \$0 - \$4,999	0.01%	0.01%	0.01%	0.01%	0.01%
E*TRADE \$5,000 - \$24,999	0.01%	0.01%	0.01%	0.01%	0.01%
E*TRADE \$25,000 - \$49,999	0.01%	0.01%	0.01%	0.01%	0.01%
E*TRADE \$50,000 - \$99,999	0.01%	0.01%	0.01%	0.01%	0.01%
E*TRADE \$100,000 - \$249,999	0.01%	0.01%	0.01%	0.01%	0.01%
E*TRADE \$250,000 - \$499,999	0.01%	0.01%	0.01%	0.01%	0.01%
E*TRADE \$500,000 - \$999,999	0.05%	0.05%	0.05%	0.05%	0.05%
E*TRADE \$1,000,000+	0.15%	0.15%	0.15%	0.15%	0.15%
Fidelity \$0 - \$99,999	1.58%	2.21%	2.47%	2.60%	2.72%
Fidelity \$100,000+	1.58%	2.21%	2.47%	2.60%	2.72%
HOOD	1.5%	1.5%	1.5%	1.5%	1.5%
HOOD Gold	3.00%	4%	4.4%	4.65%	4.9%
IBKR Pro \$10,000+	2.58%	3.83%	4.33%	4.570%	4.830%
IBKR Pro \$0 - \$10,000	0%	0%	0%	0%	0%

Exhibit 2: US Brokerage – Cash sweep rates

We expect deposit betas to remain almost zero for any remaining hikes

Date	2022-09-30	2022-12-31	2023-03-31	2023-06-30	2023-08-02
IBKR Lite \$10,000+	1.58%	2.83%	3.33%	3.570%	3.830%
IBKR Lite \$0 - \$10,000	0%	0%	0%	0%	0%
JPM	0.01%	0.01%	0.01%	0.01%	0.01%
LPLA DCA	0.20%	0.30%	0.30%	0.35%	0.35%
LPLA ICA \$0 - \$25,000	0.10%	0.35%	0.35%	0.35%	0.35%
LPLA ICA \$25,000 - \$50,000	0.10%	0.35%	0.35%	0.35%	0.35%
LPLA ICA \$50,000 - \$150,000	0.10%	0.35%	0.35%	0.35%	0.35%
LPLA ICA \$150,000 - \$300,000	0.12%	0.35%	0.35%	0.40%	0.40%
LPLA ICA \$300,000 - \$500,000	0.12%	0.40%	0.40%	0.45%	0.45%
LPLA ICA \$500,000 - \$750,000	0.12%	0.40%	0.45%	0.50%	0.50%
LPLA ICA \$750,000 - \$1,500,000	0.20%	0.50%	0.55%	0.60%	0.80%
LPLA ICA \$1,500,000 - \$5,000,000	0.20%	0.75%	0.85%	1.10%	1.15%
LPLA ICA \$5,000,000 - \$10,000,000	0.25%	0.90%	1.00%	1.20%	1.25%
LPLA ICA \$10,000,000+	0.30%	1.20%	1.30%	2.00%	2.20%
ML \$0 - \$250,000	0.01%	0.01%	0.01%	0.01%	0.01%
ML \$250,000 - \$1,000,000	0.01%	0.01%	0.01%	0.01%	0.01%
ML \$1,000,000 - \$10,000,000	0.05%	0.30%	0.30%	0.30%	0.30%
ML \$10,000,000+	0.15%	1.06%	1.06%	1.06%	1.06%
RJF \$0 - \$100,000	0.20%	0.25%	0.25%	0.25%	0.25%
RJF \$100,000 - \$249,999	0.40%	0.50%	0.50%	0.50%	0.50%
RJF \$250,000 - \$999,999	1.00%	1.00%	1.00%	1.00%	1.00%
RJF \$1,000,000 - \$9,999,999	2.25%	2.25%	2.25%	2.25%	2.25%
RJF \$10,000,000+	3.00%	3.00%	3.00%	3.00%	3.00%
SCHW	0.45%	0.45%	0.45%	0.45%	0.45%
UBS \$0 - \$250,000	0.05%	0.05%	0.05%	0.05%	0.05%
UBS \$250,000 - \$499,999	0.10%	0.10%	0.10%	0.10%	0.10%
UBS \$500,000 - \$999,999	0.10%	0.10%	0.10%	0.10%	0.10%
UBS \$1,000,000 - \$1,999,999	0.40%	0.40%	0.40%	0.40%	0.40%
UBS \$2,000,000 - \$4,999,999	0.50%	0.50%	0.50%	0.50%	0.50%
UBS \$5,000,000+	1.05%	1.05%	1.05%	1.05%	1.05%
Vanguard	3.00%	3.00%	3.25%	3.50%	3.7%
WFC \$0 - \$999,999	0.15%	0.15%	0.15%	0.15%	0.15%
WFC \$1,000,000 - \$1,999,999	0.50%	0.50%	0.50%	0.50%	0.50%
WFC \$2,000,000 - \$4,999,999	0.75%	0.75%	0.75%	0.75%	0.75%
WFC \$5,000,000 - \$9,999,999	0.85%	0.85%	0.85%	0.85%	0.85%
WFC \$10,000,000 - \$19,999,999	1.25%	1.25%	1.25%	1.25%	1.25%
WFC \$20,000,000+	1.30%	1.30%	1.30%	1.30%	1.30%
dailyRate	3.08%	4.33%	4.83%	5.08%	5.33%
targetRateFrom	3.00%	4.25%	4.75%	5.00%	5.25%
targetRateTo	3.25%	4.50%	5.00%	5.25%	5.50%

Source: BofA Global Research, company websites

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