

DATE: 1/24/2023

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## SUPPLEMENTAL DISCLOSURES AND CONFLICTS OF INTEREST

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This Supplemental Disclosure and Conflicts of Interest document provides material information about the business practices, compensation, and conflicts of interest related to Infinity Securities, Inc. (referred to as “IFS,” “we,” “us,” or “the Firm”). Additional information about IFS and our financial professionals is available on FINRA’s website at <http://brokercheck.finra.org>.

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## INTRODUCTION

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IFS is a broker-dealer registered with the Securities and Exchange Commission (SEC), member of the Financial Industry Regulatory Authority (FINRA), and a member of the Securities Investor Protection Corporation (SIPC). As part of our regulatory obligations, IFS is required to provide full and fair disclosure of material facts related to our conflicts of interest. We use a layered disclosure approach to disclose these conflicts in various documents, most of which are provided over the course of a client’s relationship with IFS and are also found at <https://www.infinitysecurities.com/key-forms-and-documents>. Disclosure is also accomplished via dialog between you, your financial professional, and the Firm. When working with your financial professional you should ask them questions, especially the questions in bold on the Customer Relationship Summary. Conflicts of interests may be addressed by disclosure, mitigation, or elimination. Conflict mitigation is largely accomplished by verbal disclosure, written disclosure, creation of policies and procedures, training, education, and adopting a culture of compliance from the top down. Furthermore, our financial professionals are trained to provide you with a full and fair disclosure of material facts.

There are, however, conflicts that we would like to describe in this Supplemental Conflicts Disclosure that may not be explicitly disclosed elsewhere. To mitigate potential conflicts of interest, IFS maintains policies and procedures to reasonably ensure all recommendations are made in the client’s best interest.

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## CONFLICTS OF INTEREST

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SEC Q and A (For full bulletin see <https://www.sec.gov/tm/iabd-staff-bulletin-conflicts-interest>)

### **1. Do all broker-dealers and investment advisers have conflicts of interest?**

Yes. All broker-dealers, investment advisers, and financial professionals have at least some conflicts of interest with their retail investors. Specifically, they have an economic incentive to recommend products, services, or account types that provide more revenue or other benefits for the firm or its financial professionals, even if such recommendations or advice are not in the best interest of the retail investor. [1] This can create substantial conflicts of interest for both firms and financial professionals.

The nature and extent of conflicts will depend on various factors, including a firm’s business model.

Consistent with their obligation to act in a retail investor's best interest, firms must address conflicts in a way that will prevent the firm or its financial professionals from providing recommendations or advice that places their interests ahead of the interests of the retail investor.

## **2. What are some examples of conflicts of interest for broker-dealers, investment advisers, or financial professionals?**

Under both standards, a conflict of interest is an interest that might incline a broker-dealer, investment adviser, or financial professional—consciously or unconsciously—to make a recommendation or render advice that is not disinterested. Examples of common sources of conflicts of interest can include, but are not limited to:

- compensation, revenue or other benefits (financial or otherwise) to the firm or its affiliates, including fees and other charges for the services provided to retail investors (for example, compensation based on assets gathered and/or products sold, including but not limited to receipt of assets under management ("AUM") or engagement fees, commissions, markups, payment for order flow, cash sweep programs, or other sales charges) or payments from third parties whether or not related to sales or distribution (for example, sub-accounting or administrative services fees paid by a fund or revenue sharing);
- compensation, revenue or other benefits (financial or otherwise) to financial professionals from their firm or its affiliates (for example, compensation or other rewards associated with quotas, bonuses, sales contests, special awards; differential or variable compensation based on the product sold, accounts recommended, AUM, or services provided; incentives tied to appraisals or performance reviews; forgivable loans based upon the achievement of specified performance goals related to asset accumulation, revenue benchmarks, client transfer, or client retention);
- compensation, revenue or other benefits (financial or otherwise) (including, but not limited to, gifts, entertainment, meals, travel, and related benefits, including in connection with the financial professional's attendance at third-party sponsored trainings and conferences) to the financial professionals resulting from other business or personal relationships the financial professional may have, relationships with third parties that may relate to the financial professional's association or affiliation with the firm or with another firm (whether affiliated or unaffiliated), or other relationships within the firm; and
- compensation, revenue, or other benefits (financial or otherwise) to the firm or its affiliates resulting from the firm's or its financial professionals' sales or offer of proprietary products or services, or products or services of affiliates.

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## **IFS Specific Conflicts, defined and relevant to IFS business**

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The Firm and financial professionals may receive benefits such as gifts, entertainment, meals, travel, and related benefits in connection with the financial professional's attendance at third-party sponsored trainings and conferences. The training and conferences allow financial professionals to learn more about products and services which may be beneficial to you depending on your facts and circumstances.

Financial professionals are not obligated to sell any products or services relating to the third-party sponsored trainings and conferences. Furthermore, attendance to third-party sponsored trainings and conferences does not require sales quotas by the sponsors.

Certain products pay higher commissions for sales. These higher commissions would be paid by you and offer a conflict of interest where the Firm and representatives have an incentive to sell higher commission products. This risk is mitigated by the firm's policies and procedures and training that representatives must provide security recommendations in your best interest irrespective of commissions generated from one product to another.

You should ask your financial professional, **what is the commission charged for this particular security? What are the commission charges for reasonable alternative securities?**

Your financial professional may be dually registered. The Investment Advisory registration may be with an affiliate of the Firm, or with a Third-Party.

You should ask your financial professional, **are you dually registered to offer commissionable securities under the Broker Dealer and investment advice with another financial institution? If so, is the financial institution an affiliate of IFS or is it a third party to IFS?**

If your financial professional is not dually registered, they may offer a limited menu of services. Non-dually registered financial professionals have material limitations on account type recommendations they can offer you. Specifically, non-dually registered financial professionals will not be able to offer you investment advice for a fee. Consequently, compensation will come from selling of commissionable products. Furthermore, you will not receive ongoing monitoring of investments after a recommendation is made. As stated in the IFS form CRS, IFS does not offer ongoing monitoring after a recommendation has been made.

The Firm is structured as a Broker Dealer registered with the SEC and FINRA. The firm has an affiliated Registered Investment Advisor (RIA) called Infinity Financial Services Advisory (IFSA), which offers investment advice. This means it is possible that your financial professional may also be a dually registered representative with our affiliate.

You should ask your financial professional, **do you provide investment advice with the IFS affiliate Infinity Financial Services Advisory?**

If you receive investment advice from the IFS affiliate, Infinity Financial Services Advisory, your financial professional may receive variable compensation for commissions and advisory fees. If variable compensation between affiliates exists, there may be a higher compensation rate for commissionable products under IFS over investment advice under the affiliate Infinity Financial Services Advisory. Similarly, the opposite may be true, where your financial professional receives a higher compensation rate for advisory fees at the affiliate over commissions at IFS.

You should ask your financial professional, **do you have variable payout rates between commissionable Broker Dealer products and RIA investment advisory fees? If so, what do your payout rates look like?**

You can learn more about the affiliate and learn about how the services offered by IFS and its affiliate differ by visiting our website at <https://www.infinitysecurities.com/key-forms-and-documents> and viewing public disclosures at <https://adviserinfo.sec.gov/>

Your financial professional may receive variable payout rates based on the asset class sold to you. This presents a conflict of interest if applicable.

You should ask your financial professional, **do you have a variable payout rate by product or asset class? If so, what do your payout rates look like? What product or asset class are you recommending to me right now?**

Your financial professional may receive a forgivable loan to join the Firm or an affiliate. If applicable, the forgivable loan will present a conflict of interest as the representative receives a financial incentive of loan forgiveness to work with Infinity for a number of years. The terms of the loan may vary from representative to representative.

You should ask your financial professional, **do you have a forgivable loan with IFS or an affiliate? If so, how does that impact your recommendations of securities or accounts to me?**

Your financial professional may engage in an outside business activity. If applicable, this may present a conflict of interest. Conflicts may arise if the outside business activity is investment related as your financial professional may receive a higher compensation rate for selling investment related products to you. For example, your financial professional may offer traditional insurance products as an outside business activity.

You should ask your financial professional, **do you engage in outside business activities outside the normal scope of business with IFS or affiliates? If so, is your outside business activity investment related? If, the outside business activity is investment related how do you determine which services (IFS, affiliates of IFS, our investment related outside business activities) are best for me?**

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## References

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[1] The staff of the Division of Investment Management also has published FAQs relating to financial conflicts for investment advisers relating to compensation received in connection with investments they recommend. See Frequently Asked Questions Regarding Disclosure of Certain Financial Conflicts Related to Investment Adviser Compensation, *available at* <https://www.sec.gov/investment/faq-disclosure-conflicts-investment-adviser-compensation>; see also Reg BI Adopting Release, *supra* note 3, at 33319 n. 6 (noting that, like many principal-agent relationships, broker-dealers' and investment advisers' relationships with retail investors have inherent conflicts of interest).