

FIIG Securities Limited

Changes to Financial Services Guide

FIIG Securities Limited's (**FIIG**) Financial Services Guide (**FSG**) has been amended and updated since the FSG dated 8 December 2014. This document is intended to provide clients with a summary of the key changes contained in the FSG dated 1 July 2015 as detailed below. You should obtain and read a copy of the FSG, available at www.fiig.com.au/fsg.

1 Before you use our services

1.1 Services offered by FIIG

The revised FSG highlights that FIIG does not provide personal financial advice to clients. This can be found under the headings "Important Information" on page 2, "Before you use our services" on page 3 and in the "Terms and Conditions of dealing with FIIG Securities Limited" on page 7 of the FSG.

We have included in the FSG a new service, Managed Income Portfolio Service (**MIPS**) that became available on 1 May 2015. FIIG offers MIPS only to wholesale clients. Information in relation to MIPS can be found under this heading, and under "How FIIG operates", "How is FIIG paid" and "Terms and Conditions of dealing with FIIG Securities Limited". More information in relation to MIPS can be found in the MIPS Information Memorandum. Please contact FIIG if you would like a copy of the MIPS Information Memorandum.

We have removed Review and Assessment Services as FIIG no longer provides such services in relation to existing fixed income portfolios of wholesale clients.

1.2 How FIIG operates

We have included in the FSG that clients can provide instructions online.

The updated FSG sets out how the MIPS product operates.

1.3 The basis upon which FIIG will deal with you

For term deposit investments, FIIG no longer arranges for clients investments to be rolled over upon maturity if clients fail to provide FIIG with instructions for an existing term deposit investment. Rather, FIIG will arrange for clients investments to be repaid in such circumstance.

1.4 US Foreign Account Tax Compliance Act (FATCA)

The FSG has been updated to provide information to clients about FIIG's obligations as a reporting Australian financial institution in relation to FATCA. FIIG now conducts due diligence on clients to ensure compliance with its obligations by requiring clients to provide certain FATCA related information. FIIG may also be required to report information on certain clients to the ATO.

Given the above changes, FIIG recommends clients consult with their tax adviser on how FIIG's due diligence obligations may affect them.

1.5 How is FIIG paid

Under this heading, FIIG has updated the key changes to the fees charged by FIIG as summarised below:

1. Acting as principal: We have clarified here that where clients instruct FIIG to sell or buy a financial product, FIIG makes a margin from the difference between the purchase price and sale price (e.g. by FIIG purchasing the financial product at a price and then selling it to clients at a higher price or vice versa).
2. Acting as a broker for deposit products and cash management accounts: FIIG now offers clients the option to nominate a cash management account as a client's nominated bank account for payments to or from FIIG's client trust account or ADI deposits. There has been a slight adjustment to accurately reflect the margin amount the bank or financial institution providing the deposit facility pays FIIG, which is likely to be 0.25% or less of the yield received on the deposit. Macquarie Bank Limited are one ADI which FIIG have entered into such an arrangement.
3. Acting as distributor of new issues of financial products to clients: in addition to receiving a commission by the issuer or third party, FIIG may also receive an ongoing management fee. We clarify here that the amount paid by FIIG to its employees in respect of their services is not affected by the fee received by FIIG from third parties. FIIG employees are paid a salary plus a periodic bonus based in part upon the revenue generated by that person relating to the provision of services. The bonus will be paid from the margins or fee paid to FIIG.
4. Custodial Services: FIIG may charge fees in connection with custodial services. This includes a custody service fee, an in-specie transfer fee and dishonour fee. The FSG discloses the amount of these fees or the method of calculation. The FSG also discloses FIIG's custodial service provider - JP Morgan Chase. As part of FIIG's custodial services, FIIG may provide or facilitate reporting services on clients holdings, valuations, coupon payments and corporate actions.
5. MIPS: For this service offered to wholesale clients, FIIG will charge a management fee and custody and administration fee on the value of the investments in the client's Managed Portfolio Account. FIIG will also charge a transaction fee per purchase or sale of an investment in a client's Managed Portfolio Account.

Clients may request particulars of FIIG's fees from FIIG before any financial services are provided.

1.6 Remuneration to FIIG's Representatives

We have created a separate heading for how FIIG remunerates its representatives. Remuneration is by a salary, plus a periodic bonus if certain key performance indicators are reached. The bonus to FIIG's representatives will be paid from the revenues earned by FIIG.

1.7 Asset Valuations / Reporting

The FSG provides information on how FIIG determines the valuation of clients' fixed income financial products. This is relevant in relation to providing clients with reports showing the value of their holdings. In determining the value of client assets, FIIG may use any independent pricing provider (**Supplier**) to provide fixed income pricing data and valuations.

Clients are required to give certain acknowledgements and undertakings regarding the use of valuation data provided to FIIG and indemnify FIIG for certain claims or losses suffered in respect of the use of any services or information the client has received in its dealings with FIIG.

1.8 FIIG client trust account

The FSG clarifies that it operates Client Trust Accounts for money received from you for the payment and acquisition of financial products and the receipt of coupons and maturities from financial product issuers. FIIG receives the interest on money deposited in FIIG's Client Trust Account, unless agreed otherwise by the client and FIIG.

1.9 FIIG custodial services

The FSG discloses that fees are now payable for custodial services pursuant to the Client Custody Agreement.

1.10 Interests, associations or relationships that could influence FIIG

The new arrangement between FIIG and Macquarie Bank Limited is set out in the FSG and the Opening a FIIG Client Account Application Form. FIIG will make a margin on the interest rate offered on funding accounts issued by Macquarie Bank Limited to the client in connection with custodial services.

1.11 Dispute resolution

The FSG clarifies the right to complain to the Financial Ombudsman Service is limited to retail clients only.

1.12 Professional indemnity insurance

The FSG adds at the end of this paragraph that the professional indemnity insurance held by FIIG which covers civil liability resulting from third party claims concerning the services provided by FIIG and its employees and representatives, includes former employees and representatives during the time that they were employed or engaged by FIIG.

2 Terms and conditions of dealing with FIIG

2.1 Scope

The FSG contains updated terms and conditions applicable to FIIG's clients along with the terms and conditions of, as applicable, the following documents:

- (a) the Opening a FIIG Client Account Application Form;
- (b) the Client Custody Agreement Terms and Conditions;
- (c) the MIPS Information Memorandum; and

(d) Opening a Managed Portfolio Account with FIIG.

Key changes to the terms and conditions are summarised below.

The revised terms and conditions state that client instructions can now also be received via electronic communications.

2.2 New clauses 10-16 of the FSG

(a) Supplier

There are additional terms and conditions in the FSG in relation to FIIG using a Supplier to provide asset valuations to clients, specifically clauses 10-16. The client agrees to release the Supplier from any liability in relation to the services it provides to FIIG or from any claims against a client by a third party. Furthermore, the client agrees that it understands the services provided by the Supplier are intended for sophisticated investors and the client accepts responsibility for exercising independent judgment in selecting the relevant services offered.

(b) Client undertakings

The updated terms and conditions prohibit a client from using the valuation information for any other purpose or disseminate it to third parties. The client indemnifies FIIG for any demand made against a Supplier by a third party relating to the accuracy or completeness of any services, valuation information or documents received by the client deriving from valuation information.

(c) Valuation information

The terms and conditions account for instances where evaluations (rather than market quotations) are provided in the valuation information. In particular, it is made clear that:

- (i) no evaluation method consistently generates approximations that correspond to actual traded prices of the instruments;
- (ii) evaluations may be inaccurate due to error in the methodology or software used; and
- (iii) it is the client's responsibility to consider the appropriateness of using evaluations and edit check verification of evaluations.

The revised FSG requires clients to indemnify FIIG from any loss arising out of any claims against a Supplier by a third party due to errors, defects, or inappropriate evaluations.

2.3 Privacy Policy and Collection Statement

We have amended the contact details.

Conclusion

If you have any queries or require any further information in relation to the FSG, please refer to the FSG itself at www.fiig.com.au/fsg or contact your FIIG representative.

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