

## Broker Disclosure Statement

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The important disclosures in this document are made to ensure that you have sufficient information to make an informed decision about whether to use the broking services of FNZC.

**Name and Registration Number:** First NZ Capital Securities Limited, FSP3202 (FNZC)  
**Address:** Level 14, 171 Featherston Street, Wellington 6140  
**Telephone Number:** 04-474-4400  
**This disclosure statement was prepared on:** 19 June 2017

### No Criminal Convictions, Disciplinary Proceedings, Adverse Findings, Bankruptcy or Insolvency

FNZC, its directors and any other principal officers have not been convicted of any criminal offence or of a crime involving dishonesty, nor been a director or principal officer of a body corporate at the time the body corporate committed any such crime or offence, nor been adjudged bankrupt or insolvent, nor prohibited by law or a Court from taking part in the management of a company or business, nor been the subject of an adverse finding by a Court or disciplinary body in any proceeding or actions taken against them in their professional capacities.

### What should you do if something goes wrong?

If you have a problem, concern or complaint about any part of our service, you should make a complaint, preferably in writing, to the Compliance Officer at the street address above or by email to [complaints@fnzc.co.nz](mailto:complaints@fnzc.co.nz), so that we can try to fix the problem. We will let you know when we have received your complaint and will generally respond to it within 20 Business Days.

If we cannot agree on how to fix the issue or if you decide, you can contact our external dispute resolution scheme, Financial Services Complaints Limited (FSCL). This service will cost you nothing and will help us resolve any disagreements. You can contact FSCL at:

**Address:** PO Box 5967, 4th Floor  
Lambton Quay 101 Lambton Quay  
Wellington 6145 Wellington 6145

**Telephone number:** (freephone) 0800 347257 or (Wellington) (04) 472FSCL (472 3725)

**Email address:** [info@fscl.org.nz](mailto:info@fscl.org.nz)

If you have not already given FNZC the opportunity to resolve the complaint, FSCL will forward your complaint to us.

You can also complain directly to the Financial Markets Authority (FMA) at: [www.fma.govt.nz](http://www.fma.govt.nz)  
Level 2, Grey Street, Wellington 6140 **Telephone:** (04) 472 9830

## Professional Indemnity Insurance

FNZC maintains professional indemnity insurance cover at a level that it considers appropriate for the nature and risks of its business. The interest insured is Professional Indemnity insurance, provided by leading international insurers and is renewed annually. The cover extends to all business activities.

As with all insurance, these covers have limitations and are subject to certain exclusions.

## Procedures for Dealing with Investment Money or Investment Property

### Custody Service

Where you do not wish to hold securities in your own name and have elected to receive the Safe Custody and Nominee Service (see clause 9 (Safe Custody and Nominee Service (and Appendix I thereto)) of the FNZC client agreement), FNZC will register and hold securities on your behalf in the name of First NZ Capital Custodians Limited as bare trustee (Custodian) and/or any appointed sub-custodians. Currently, all securities in custody are held by sub-custodians: in New Zealand FNZ Custodians Limited, and the rest of the world Citibank N.A. This service is available whether or not we have provided you with a financial adviser service in relation to the particular securities. Written terms and conditions in the FNZC client agreement apply to this service.

Investment money received from you or on your behalf will be held by FNZC in a Client Funds Account on trust on your behalf, unless and until it is disbursed to settle transactions on your behalf or otherwise distributed in accordance with your instructions.

FNZC administers assets belonging to clients in a fiduciary capacity. This is a key area of regulation under the Financial Advisers Act 2008 (the "Act") and the NZX Limited ("NZX") Participant Rules (the "Rules"). The main purpose of broker conduct obligations under the Act and the Rules is to ensure that FNZC accounts for, and safeguards, client assets at all times. The Act and the Rules dictate a high standard of custodianship and associated record keeping.

FNZC will not use money, securities or other property held on your behalf for the benefit of itself or any other person. Therefore, in the unlikely event of FNZC's default or insolvency, client assets will be protected from the claims of general creditors and, in the case of client money, from any right of set-off by the bank providing the Client Funds Account in which the money is held. The internal controls that govern the receipt, holding and disbursement of client assets are subject to audit by external auditors and internal compliance checks.

Where securities are registered and held on your behalf in the custody service, FNZ Custodians Limited, as a sub-custodian and administration agent for the Custodian, will carry out the following functions on behalf of FNZC:

- Administering and accounting for the securities;
- Claiming dividends and interest payments;
- Upon instruction by you to your FNZC adviser, exercising conversion and subscription rights;
- Upon instruction by you to your FNZC adviser, dealing with takeovers and other offers or capital re-organisations;
- Producing a statement of holdings for you at least every three months;
- Producing an annual tax statement for you.

*Note: dividend advice notes, other income distribution advices, corporate action advice notes, custody holding statements and annual tax statements will be produced by FNZ Custodians Limited on behalf of FNZC and sent to you by FNZC.*

## General

By instructing your FNZC adviser, at any stage, to acquire securities, you agree that where you fail to pay the amount necessary to settle that transaction, FNZC and/or the Custodian may:

- Charge interest on the amount owing; and/or
- Set off the amount owing (with any interest charged) against a credit balance in your account, offset any payment against a credit balance held on your behalf in a cash management account or term deposit; and/or
- Sell securities (including any securities held on your behalf in the safe custody service) and set off the amount owing (plus any interest charged) against the sale proceeds.

## Client Money - Use of Cash Management Facility and Term Deposits

### Cash Management Facility

On request, FNZC will administer funds held on your behalf in a pooled client funds trust cash management account with, subject to compliance with the Act, ANZ Bank New Zealand Limited (or any successor or other registered bank in New Zealand or elsewhere).

Establishment or account fees are not charged to clients for the (multi-currency) cash management facility. Instead, the interest paid to you on money held on your behalf in the cash management account(s) reflects a margin deducted and retained by FNZC by way of mark-down from the rate of interest that is paid to us by the bank as the holder of the cash management account(s) on behalf of clients. The margin taken is the difference between the rate of interest we pay to you and the rate of interest we receive from time to time. The rate of interest we pay to you will depend in part on the amount you hold on deposit and the rate of interest that applies to that tier amount. Generally, the smaller the amount deposited, the lower the rate of interest that is paid. For example, the lowest rate paid to clients might be 1.25% pa gross, and the highest might be 3% pa gross, on the amount deposited. Accordingly, the margin earned by FNZC will typically be greater on smaller sized deposits and smaller on deposits of a larger size, however that may vary from time to time.

The cash management facility includes provision of a monthly transaction statement, an annual tax statement (for use with your tax return) and, subject to standard settlement instructions, the automatic settlement of transactions in securities on your account (by payment from the facility for purchases and deposit to the facility of sale proceeds) and the inclusion of the money balance(s) in portfolio reports. Account fees are not charged for these items.

Further details about this service are in section 7 of the FNZC client agreement (which includes informed consent by the client to deduct the margin described above).

### Term Deposits

In regard to term deposits, on request FNZC will administer funds held on your behalf on term deposit in trust with, subject to compliance with the Act, a registered bank in New Zealand or elsewhere. Break fees (typically at the minimum amount stipulated by the bank deposit taker and at least \$100 in amount) may be charged by us to clients who request to withdraw funds on term deposit before the maturity date. The interest paid to you on money so held or arranged on your behalf on term deposit reflects a margin deducted and retained by FNZC as a mark-down from the rate of interest that is paid to FNZC by the bank as the holder of the term deposit on behalf of the client. The margin taken by FNZC will be a minimum of \$40 and may be applied as either a basis points charge or as a set flat fee. For example, the charge on a \$25,000 deposit might be a minimum of \$50. The deposit details including the gross interest rate paid to the depositor, deposit face value and date, maturity date and any brokerage and break fees will be shown on the term deposit confirmation note.

Sections 3.16 – 3.20 (Payment by You), 3.22 – 3.23 (Delivery of Securities by You), 7 (Cash Management Facility), 7A (Depository Accounts), and 9 (Safe Custody and Nominee Service (and Appendix I thereto)) of the FNZC client agreement set out the full terms that apply to the receipt, handling and holding of client money and client property on behalf of clients.

## Record Keeping

We keep a full set of accounting records showing the receipt and disbursement of all money and the movement of all securities and any other property held on your behalf. You may request details of your own transactions at any time. Depending on the services selected by you, you may be granted online access to view your account transactions. We hold account records for at least seven years. A fee may be charged for historical information requests.

## Auditing

FNZC is audited by external qualified auditors.

## Fees, charges, remuneration and other matters

This section describes the fees and charges that may apply in relation to the broker service provided, as well as other interests, relationships and associations that may be relevant. We also note that all fees described below are exclusive of GST, if any.

### What fees will you be charged by FNZC for the broker services provided to you?

Depending on the nature of the services required by you, FNZC will charge fees for the administration of portfolios and the safekeeping of assets held in custody for you.

#### Custody Service Fees

If you have elected to receive our Safe Custody and Nominee Service, custody service fees are applied in accordance with the terms and conditions of your client agreement with FNZC. The custody fee is based on a percentage of the value of assets under administration (excluding cash and money market assets with a maturity of less than 100 days), accrued daily and is charged on a six monthly basis in arrears to your account. The custody fee is currently subject to a minimum charge of \$250 per annum. The percentage charge will vary depending on the value of the assets being administered. For guidance, custody fees will typically be up to 0.75% per annum. For example, a custody fee 0.50% on assets of \$1,000,000 will be \$5,000 per annum. Subject to the minimum level of charge, the actual fee will be agreed with you before provision of the service.

#### Portfolio Reporting/Monitoring Fees

Where portfolio reporting and/or monitoring is also required as a service, additional fees will be based on a percentage of the value of assets under administration (which may or may not include cash and short term money market deposits). These fees will be accrued daily and charged every quarter in arrears. Again, the percentage charge will vary depending on the value of the assets being administered. For guidance, portfolio reporting and/or monitoring fees will typically be up to 1% per annum. For example, portfolio reporting and/or monitoring fees of 1% charged on assets of \$1,000,000 (including cash) will be \$10,000 per annum. Fees charged will be agreed with you before you require a service and will be applied in accordance with the terms of your FNZC client agreement. Any changes to fees will be notified to you.

#### Margin on Cash Management Facility and Term Deposits

As described above, the interest paid to you on money held on your behalf in the cash management account(s) or on term deposit reflects a margin deducted and retained by FNZC from the rate of interest that is paid to

FNZC by the bank as the holder of the cash management account on behalf of clients. A flat fee may however be charged on term deposits in place of a margin being deducted from the deposit rate.

### **Margin on FX transactions**

Where we arrange foreign exchange transactions for you we may take a margin on the exchange rate by deduction of basis points. The margin will be the difference between the exchange rate at which we undertake the exchange transaction as advised to you, and the exchange rate charged to us or which we apply to a transaction. The exchange rate for a particular transaction will reflect the margin applied at the time and date of the transaction concerned. The exchange rate applied to your foreign exchange transaction will be marked-up or marked-down, as the case may be, from the rate at which we conduct the transaction. As a guide, a minimum of 25 basis points may be applied as a margin although the amount may be higher (for example, 45 basis points) depending on the currency and amount involved. Further, different margins will apply to different currency pairs, for example, for the Australian dollar – New Zealand dollar pair, the margin will typically be 25 to 50 basis points depending on amount.

### **What other fees might you be charged by FNZC?**

FNZC will also charge you brokerage or commission (and, where applicable, pass on agency, settlement and other applicable fees) on secondary market transactions that we arrange on your behalf. For guidance, brokerage on secondary market transactions will typically be up to a maximum of 1.5% of the transaction value and will be detailed on each contract note sent to you. Minimum brokerage fees, being typically “50” as an amount in the relevant trading exchange currency (for example, NZD50, AUD50, GBP50, USD50) will also apply and the minimum for one-off sales may be higher. Brokerage fees will be charged to you at the rate agreed with you before the transaction is initiated, and paid at the time of settlement of the transaction.

### **What fees will you be charged by third parties?**

#### **Product fees**

Fees will vary by product providers and issuers of securities. Any fees payable by you to third party investment fund managers or product providers will be disclosed to you before you make an investment. This information will be provided in the offering document issued or provided by the relevant fund manager or product provider.

#### **Transaction fees**

Transaction fees vary depending on transaction size and the market on which the transaction is undertaken. Where additional charges, such as agency execution fees, settlement fees, exchange and clearing house fees, trade fees, foreign exchange and stamp duty charges apply to transactions, FNZC will recover those charges from you at the time of settlement of the transaction, including by way of deduction (by authorising FNZC to carry out the transaction you are authorising them to deduct such fees from your account). The charges will be set out on the relevant contract note.

### **Does FNZC receive any remuneration from third parties in relation to the services that are provided to you?**

In the course of transactions, FNZC may receive or earn:

- trading profit where it has acted as principal for its own account as the counterparty to the trade;
- fees and brokerage, including brokerage and trail commission from third parties;
- margin on cash management call account and/or term deposit balances (as described above);
- margin on exchange rates in respect of transactions involving foreign exchange (as described below); and

- in respect of new issues of securities, brokerage, placement and firm allocation fees from issuers of securities.

Fees, brokerage and trail commission paid to FNZC by third parties will vary by product provider and product type. The level and/or amount of such fees, brokerage and trail commissions will typically be set out in the product offer document.

### Foreign exchange

As set out in clause 8 (Foreign Exchange) of the FNZC client agreement, where foreign exchange transactions are arranged at your instruction (either on a stand-alone basis or in regard to the settlement of a transaction in securities in the base currency for that security) we may take a margin on the exchange rate. The exchange rate disclosed on the contract note will be marked-up or marked-down from the rate at which FNZC transacted. The rate applied to you will be competitive for reason that it is derived from a wholesale rate. Clause 8 includes informed consent by the client to deduct a margin.

### Role in issues of securities

In addition to the remuneration set out above, FNZC may receive organising broker fees, arranger and manager role fees, underwriting fees, and/or discretionary incentive/performance fees for its role in an issue of securities from the issuer.

## What other interests, relationships and associations should you know about?

### Transactions

First NZ Capital Securities Limited is a trading participant on NZX markets and a clearing and depository participant of the New Zealand clearing house and depository. New Zealand market transactions that your adviser may provide advice to you on are handled through this infrastructure. Overseas market transactions are undertaken by execution, settlement and custody agents appointed by FNZC.

### Financial interests

FNZC, its employees and associated persons of FNZC may have:

- a financial interest as a shareholder of FNZC;
- an investment or a direct pecuniary or other interest in securities (or related securities) mentioned in research published by FNZC and other marketing material sent to investors or otherwise the subject of its investment advice;
- may have provided investment advice or other investment services in relation to such securities in recent times; and
- may have other financial interests in the matters mentioned in such research reports and marketing material or in securities on which advice is given.

Specific interests, such as the role of FNZC in acting for an issuer of securities and the payment of brokerage and/or firm allocation fees by the issuer, are disclosed as appropriate in marketing material.

### Investment banking business

FNZC, its related companies and affiliated persons and the Credit Suisse Group, do and seek to do investment banking business with companies whose securities FNZC gives investment advice on and in respect of which we undertake and/or arrange transactions on behalf of investors, and which are covered in the research reports and marketing material produced by FNZC. Specific interests, such as for example the role of FNZC in acting for an issuer of securities and the payment of brokerage and/or firm allocation fees by the issuer, are disclosed as appropriate in marketing material. In addition, it is possible that you will wish to subscribe for or buy or sell securities which FNZC has an investment banking role in relation to.

## If you need to know more, where can you get more information?

If you have a question about anything in this disclosure document or you would like to know anything more about FNZC, please ask your adviser or our Compliance Officer.

If you have a question about financial advisers generally, you can contact FMA.