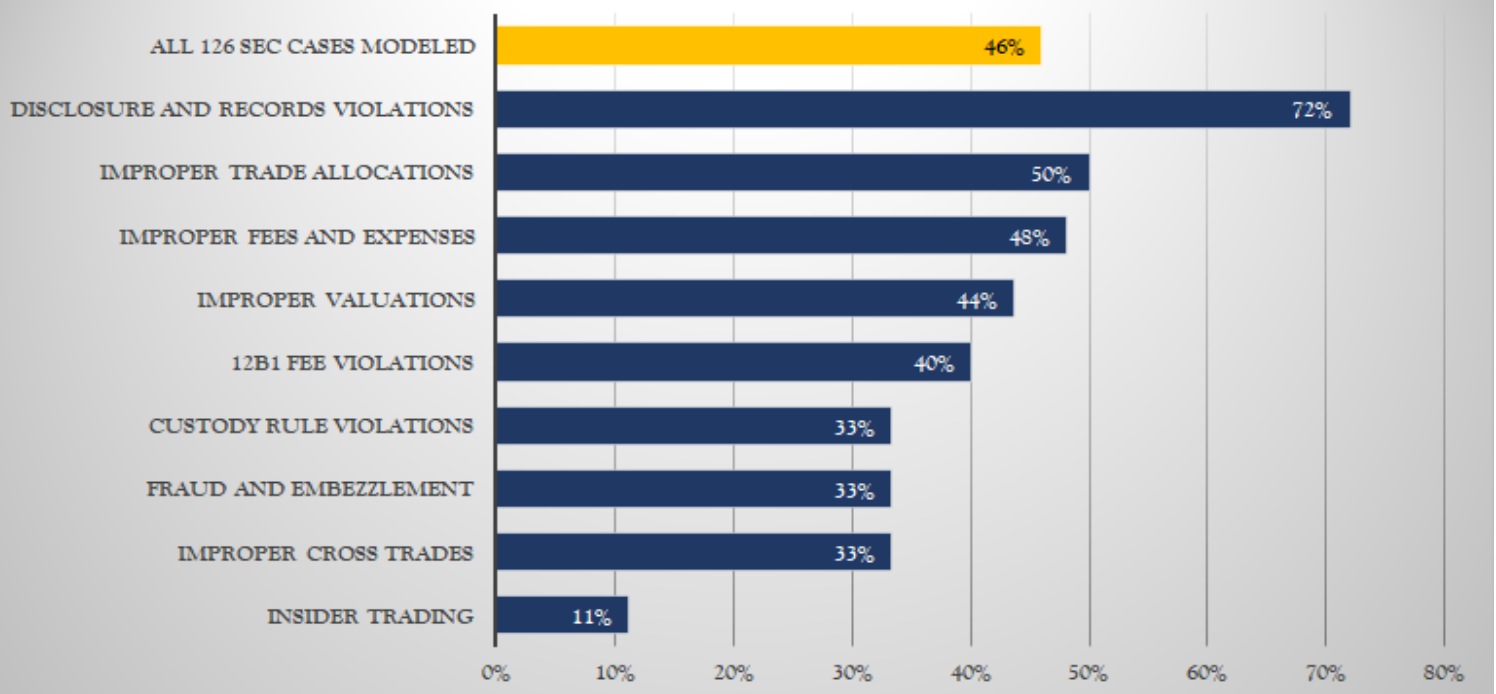


### Number of Financial Industry Affiliates

- Convergence's Number of Financial Industry Affiliates is a compliance risk factor that is considered high-risk when the Delegate does business with 10 or more financial industry affiliates. Affiliates require compliance and operational work to support their activities and this additional complexity requires the Delegate to incur greater levels of compliance and operational work to oversee the activities and potential conflicts they may create.
- The graph below highlights the percentage of sampled SEC cases taken against registered investment advisers in the United States for various infractions where the Advisory Services factor was rated high-risk. The way to read the graph is, "In 46% of 126 SEC cases modeled by Convergence the Adviser had a high-risk Financial Affiliates factor in their business and the same high-risk condition existed in 72% of disclosure/record keeping cases and in 50% of improper trade allocation cases." This correlation makes perfect sense. Affiliates require greater compliance oversight which stresses other aspects of their job which include ensuring disclosures and record keeping is in order and trades are properly allocated!
- Designated persons should ask Delegates with a high-risk Advisory Service condition to disclose the Advisory services they provide, the conflicts between them and the controls in place to manage them.



The Convergence Database includes 4,000 data points on each Adviser/Manager updated daily, including:

- 38,000+ SEC and State Advisers
- 183,000+ private-public funds
- 6,000+ Service Providers
- 100,000+ C-Suite Executives
- 30+ Investment Strategies

For more information on the topic of "identifying and dealing with non-investment risk conditions" in your Delegates, please contact George Gainer at Convergence at [ggainer@convergenceinc.com](mailto:ggainer@convergenceinc.com)