

November 2018

**MORGAN STANLEY & CO. INTERNATIONAL PLC / MORGAN STANLEY BANK
INTERNATIONAL LIMITED/MORGAN STANLEY EUROPE SE**

**Equity and Fixed Income Division Trading Practices and Information
– MIFID II Cost & Charges**

This disclosure is part of our ongoing effort to provide transparency to our clients on our business practices. In accordance with applicable legal and regulatory requirements, Morgan Stanley & Co. International Plc, Morgan Stanley Europe SE and Morgan Stanley Bank International Limited (together “we”, “us” or “Morgan Stanley”)¹ have prepared this disclosure document to provide clients with appropriate information on our costs and charges when we provide Investment Services and Activities or Ancillary Services as defined in the revised Markets in Financial Instruments Directive.

Overview

This document relates to Morgan Stanley’s institutional securities business, including the Institutional Equity, Fixed Income and Commodities Divisions, through which Morgan Stanley may act in different capacities and trade in a variety of markets and transactional scenarios (e.g. executing of orders on behalf of clients, systematic internaliser, market maker, liquidity provider, or primary issuer). As such, you may be charged in different ways for different products or services you receive from us. This document provides a summary of those arrangements. More detailed information may be available in fee schedules or product documentation we have provided to you or made available, including where relevant key information documents (“KIDs”) in relation to packaged retail products we manufacture (“PRIIPs”). Please note that not all of the services and transactions referenced here may be available from each Morgan Stanley entity. Should you require additional information in relation to a particular transaction or service, please contact your Morgan Stanley representative.

1. Costs related to transactions

This section provides information on costs and charges in relation to transactions you may execute with or through Morgan Stanley and the principles that will generally guide the price of acquiring

¹ This document extends to any relevant branch of Morgan Stanley & Co. International Plc, Morgan Stanley SE and Morgan Stanley Bank International Limited and any associated Morgan Stanley firms regulated within the European Economic Area. This document does not apply to transactions which are only booked to Morgan Stanley companies in the European Economic Area and the United Kingdom but the client-facing activities (such as agreeing the terms of the transaction and responsibility for execution) are carried on exclusively by employees of Morgan Stanley companies or branches established outside the European Economic Area and the United Kingdom.

or divesting of financial instruments with us. The actual price or costs that you are charged may vary depending on other factors that are relevant to the circumstances of the transaction.

a) Commissions and fees

Where we act with discretion in executing orders on your behalf, or providing access to a particular source of liquidity, we may charge you a pre-agreed commission or fee on the trade.

Commissions or fees at which Morgan Stanley generally expects to trade with you are agreed with you at the initiation of our relationship and set out in our fee schedule. These commissions or fees may be amended periodically and you will be notified of any changes.

b) Securities lending repo and financing fees

For securities lending transactions, where you are the borrower, you will be charged a lending fee. For repo transactions, a pricing rate will be payable. For equity swaps you will be charged a financing rate.

The rates and the basis on which Morgan Stanley generally expects to trade with you may be agreed with you at the initiation of our relationship and set out in our fee schedule. In all other cases, they will be agreed on a trade-by-trade basis, prior to trading, and will be based on some or all of the following factors; the type of product and underlying security, type and size of the transaction, market conditions, market transparency, availability of liquidity providers and other considerations that are in existence at the time of the transaction and the type of and the amount of collateral provided.

c) Product or transaction specific fees

Additional product specific fees may be agreed with you for certain products or transactions (e.g. management fees paid to the manager of an ETF). Information on such fees will be provided in product specific documentation such as term sheets.

d) Taxes

Taxes may also be payable in accordance with the rates set by the relevant tax authorities at the time of the transaction. Such rates are publicly available, may be affected by factors such as the type of security, type or value of the transaction and/or your tax status and may change at any time.

e) Currency conversions

If your transaction involves a currency conversion (e.g. if the security being purchased is denominated in a different currency), currency exchange costs may also apply, which will be determined by reference to a number of factors, including exchange rates applicable at the time of your transaction.

f) Risk price

When you ask us to provide you with a quote in a particular Financial Instrument ² or where we will be trading with you in as principal “on risk” (i.e. as a systematic internaliser, market maker or

² As defined in the revised Markets and Financial Instruments Directive

liquidity provider), unless we agree otherwise, the price of any transaction we execute with you may include what we believe to be a reasonable spread. This spread is not an explicit transaction charge; rather the price reflects the risk price at which Morgan Stanley is willing to trade that instrument with you.

The risk price at which you trade with Morgan Stanley will depend on a number of factors which reflect the level of risk Morgan Stanley expects to incur when transacting with you, which may include those set out below. This list is not exhaustive and Morgan Stanley may take into account other factors that it considers appropriate in determining that price.

The relevant impact or importance of each factor on the price you receive will differ based on the specific circumstances of the transaction and additional factors may also be relevant.

- The type of product, transaction and market in which the product would be traded, such as:
 - i. the trading venue;
 - ii. the type of instruction or order and the degree of risk we take in meeting it;
 - iii. the size, type and direction of the transaction;
 - iv. the liquidity of the instrument;
 - v. market conditions, including market events, volatility and time of execution;
 - vi. transparency of the market, including visible liquidity, trading volume and available external venues or platforms; and
 - vii. the accessibility of third party quotations and other pricing information
- Internal costs to Morgan Stanley, such as counterparty credit risk, hedging, structuring and market risk, funding, and capital;
- Client-specific factors, such as credit quality and our collateral terms with you; and
- Applicable regulatory requirements.

2. Costs related to Ancillary or other services

Morgan Stanley may charge you for ancillary or other services we provide you, such as research services, prime brokerage, clearing, custody and settlement. Any such fees are agreed with you either at the initiation of our relationship or prior to provision of the relevant service and will be set out in our fee or pricing schedule. These fees may be amended periodically and you will be notified of any changes.

Morgan Stanley's pricing structure for the provision of clearing services for OTC and exchange-traded derivatives can be found <https://www.morganstanley.com/disclosures>.

3. Third-party payments

From time to time, we may receive remuneration from third parties (including our affiliates) in respect of transactions we carry out with or for you, or we may provide or receive non-monetary benefits in connection with the provision of services to you, provided that the payment or benefit:

- (i) is designed to enhance the quality of the services that we provide to you; and
- (ii) does not impair compliance with our duty to act honestly, fairly and professionally in accordance with your best interests.

Where we pay or receive such amounts or benefits, we will disclose the existence, nature and amount of the payment or benefit separately to you (which may be via a client platform or portal). Minor non-monetary benefits may be described in a generic way.