

Morgan Stanley

Client Disclosure Letter

UST Close Execution



Client Disclosure Letter: US Clients

A MESSAGE FROM MORGAN STANLEY & CO. LLC (“MSCO”) TO CLIENTS REGARDING CLOSING PRICE TRANSACTIONS IN U.S. TREASURY SECURITIES

DEAR SIR/MADAM:

WE ARE PROVIDING YOU WITH THIS NOTICE REGARDING CLOSING PRICE TRANSACTIONS IN U.S. TREASURY SECURITIES (“CLOSING PRICE TRANSACTIONS”). IN THE CASE OF THESE CLOSING PRICE TRANSACTIONS AND UNLESS OTHERWISE REQUESTED BY YOU AND AGREED BY US, THE EXECUTION PRICE WILL BE DETERMINED USING EITHER THE 3:00 P.M. NEW YORK TIME PRICE OR THE PRICE SET ON AN EARLY CLOSING DAY, AS PUBLISHED BY TRADEWEB FOR THE APPLICABLE U.S. TREASURY CUSIP (THE “CLOSING PRICE”). IF YOU HAVE REQUESTED, AND WE HAVE AGREED, TO REFERENCE AN ALTERNATIVE CLOSING PRICE (AS DEFINED BELOW) IN LIEU OF THE 3:00 P.M. NEW YORK TIME TRADEWEB PRICE FOR THE RELEVANT U.S. TREASURY SECURITY, WE WILL USE SUCH ALTERNATIVE CLOSING PRICE FOR PURPOSES OF EXECUTING THE RELEVANT CLOSING PRICE TRANSACTION WITH YOU. AS USED HEREIN, “ALTERNATIVE CLOSING PRICE” MEANS EITHER THE 4:00 P.M. NEW YORK TIME PRICE PUBLISHED BY TRADEWEB, OR THE 3:00 P.M. OR 4:00 P.M., NEW YORK TIME, PUBLISHED BY TRADEWEB FTSE RUSSELL OR THE 3:00 P.M. OR 4:00 P.M. NEW YORK TIME PRICE PUBLISHED BY BLOOMBERG VALUATION SERVICE (“BVAL”).

THE CLOSING PRICE TRANSACTIONS WILL BE PRINCIPAL TO PRINCIPAL TRADES BETWEEN YOU AND MSCO AND WILL NOT CONSTITUTE CLIENT ORDERS. IF YOU ARE INTERESTED IN A POTENTIAL CLOSING PRICE TRANSACTION (A “CLOSING PRICE IOI”), WE WILL TAKE YOUR INDICATION OF INTEREST PRIOR TO 2:30 P.M. NEW YORK TIME (OR, IN THE CASE OF THE 4:00 P.M. NEW YORK TIME TRADEWEB PRICE OR THE TRADEWEB FTSE RUSSELL OR BVAL PRICE, PRIOR TO 3:30 P.M. NEW YORK TIME), OR THIRTY MINUTES PRIOR TO CLOSING ON A TRADEWEB OR BVAL EARLY CLOSE DAY, ON ANY BUSINESS DAY THAT U.S. BOND MARKETS AND TRADEWEB (OR, IF APPLICABLE, BVAL) ARE OPEN, AND CONFIRM YOUR INTEREST IN EXECUTING SUCH TRANSACTION ONCE WE KNOW THE CLOSING PRICE. MSCO MAKES NO REPRESENTATIONS, WARRANTIES OR COVENANTS REGARDING PRICES PUBLISHED BY TRADEWEB OR BVAL.

MORGAN STANLEY, INCLUDING MSCO AND ITS AFFILIATES, IS A GLOBAL FINANCIAL SERVICES FIRM AND ITS FIXED INCOME DIVISION IS ENGAGED IN A BROAD SPECTRUM OF ACTIVITIES, INCLUDING TRANSACTIONS IN FIXED INCOME (INCLUDING U.S. TREASURY) SECURITIES. MORGAN STANLEY REGULARLY TRADES AS PRINCIPAL IN THE U.S. TREASURY SECURITIES MARKET (INCLUDING WITH RESPECT TO CLOSING PRICE IOIS) IN CONNECTION WITH OUR DEALING AND MARKET MAKING ACTIVITIES FOR YOU AND OTHER CLIENTS, AND TO HEDGE OUR RISK WITH RESPECT TO SUCH ACTIVITIES. IN THIS CONTEXT, MORGAN STANLEY MAY TRADE AHEAD OF, ALONGSIDE OR FOLLOWING YOUR CLOSING PRICE IOIS, TO EXECUTE OTHER CLIENT TRANSACTIONS (INCLUDING WHERE SUCH TRADING IS ON A SYSTEMATIC, AUTOMATED BASIS THROUGH THE USE OF ALGORITHMS OR OTHER EXECUTION METHODOLOGIES); TO HEDGE OUR RISK, INCLUDING RISK THAT MAY RESULT IN A CLOSING PRICE TRANSACTION OR CLOSING PRICE TRANSACTIONS OF OUR OTHER CLIENTS; TO SOURCE LIQUIDITY FOR MARKET MAKING PURPOSES (EITHER FOR YOUR TRANSACTION OR IN CONNECTION WITH OTHER CLIENT ACTIVITY); TO LIQUIDATE RISK RESULTING FROM OUR CLIENT FACILITATION BUSINESS; AS PART OF A PREVIOUSLY COMMENCED STRATEGY; OR TO FACILITATE THE PURCHASE AND/OR SETTLEMENT OF SECURITIES ISSUED IN DEBT OFFERINGS (INCLUDING WHERE WE ACT AS BILLING AND DELIVERY AGENT). WE MAY ALSO ADJUST OR UNWIND ANY HEDGE AT ANY TIME, WHICH MAY INVOLVE US TRADING IN THE RELEVANT OR RELATED INSTRUMENTS BEFORE (INCLUDING IN CLOSE PROXIMITY TO) THE REFERENCE TIME THAT THE PRICE IS DETERMINED AND AFTER SUCH REFERENCE TIME. THESE ACTIVITIES AND UNRELATED MORGAN STANLEY ACTIVITY ON A PRINCIPAL BASIS IN THE SAME OR RELATED PRODUCTS MAY IMPACT THE MARKET PRICE (INCLUDING THE TRADEWEB REFERENCE PRICE OR, IF APPLICABLE, ANOTHER REFERENCE PRICE THAT WE BOTH AGREE TO UTILIZE FOR THESE TRADES) OF THE RELEVANT OR RELATED INSTRUMENTS AND THEREFORE OF YOUR CLOSING PRICE TRANSACTIONS. WE EMPLOY REASONABLY DESIGNED MEANS TO MINIMIZE MARKET IMPACT AND STAND READY TO DISCUSS MARKET PRICING AND EXECUTION LEVELS WITH YOU AT ANY TIME.

FOR FURTHER INFORMATION ON MORGAN STANLEY’S FIXED INCOME TRADING PRACTICES, PLEASE SEE MORGAN STANLEY’S FIXED INCOME TRADING PRACTICES AND INFORMATION LETTER AT: [HTTP://WWW.MORGANSTANLEY.COM/CONTENT/DAM/MSDOTCOM/EN/ASSETS/PDFS/SALES_AND_TRADING_DISCLOSURES/FID_DISCLOSURE_LETTER.PDF](http://www.morganstanley.com/content/dam/msdotcom/en/assets/pdfs/sales_and_trading_disclosures/fid_disclosure_letter.pdf)

- **PLEASE CONTACT YOUR SALES COVERAGE CONTACT IF YOU REQUIRE MORE INFORMATION ON HOW YOUR CLOSING PRICE TRANSACTIONS ARE HANDLED.**

Client Disclosure Letter: Non-US Clients

A MESSAGE TO CLIENTS REGARDING CLOSING EXECUTION TRANSACTIONS IN U.S. TREASURY SECURITIES

DEAR SIR/MADAM:

WE ARE PROVIDING YOU WITH THIS NOTICE REGARDING CLOSING EXECUTION TRANSACTIONS IN U.S. TREASURY SECURITIES (“CLOSING EXECUTION TRANSACTIONS”). THESE ARE TRANSACTIONS WHERE ALL TERMS (EXCEPT THE EXECUTION PRICE) ARE AGREED AT THE OUTSET OF THE TRANSACTION. A MECHANISM TO DETERMINE THE EXECUTION PRICE IS ALSO AGREED AT THIS TIME, WHICH IS THEN OBSERVED AT A SPECIFIED REFERENCE TIME. IN THE CASE OF THESE CLOSING EXECUTION TRANSACTIONS AND UNLESS OTHERWISE REQUESTED BY YOU AND AGREED BY US, THE EXECUTION PRICE WILL BE DETERMINED USING THE 3:00 P.M., NEW YORK TIME, PRICE PUBLISHED BY TRADEWEB FOR THE APPLICABLE U.S. TREASURY CUSIP. IF YOU HAVE REQUESTED, AND WE HAVE AGREED, TO REFERENCE AN ALTERNATIVE CLOSING PRICE (AS DEFINED BELOW) IN LIEU OF THE 3:00 P.M., NEW YORK TIME, TRADEWEB PRICE FOR THE RELEVANT U.S. TREASURY SECURITY, WE WILL USE SUCH ALTERNATIVE CLOSING PRICE FOR PURPOSES OF EXECUTING THE RELEVANT CLOSING EXECUTION TRANSACTION WITH YOU. AS USED HEREIN, “ALTERNATIVE CLOSING PRICE” MEANS EITHER THE 4:00 P.M., NEW YORK TIME, PRICE PUBLISHED BY TRADEWEB, OR THE 3:00 P.M. OR 4:00 P.M., NEW YORK TIME, PUBLISHED BY TRADEWEB FTSE RUSSELL OR THE 3:00 P.M. OR 4:00 P.M., NEW YORK TIME, PRICE PUBLISHED BY BLOOMBERG VALUATION SERVICE (“BVAL”).

MORGAN STANLEY & CO. INTERNATIONAL PLC (“MSIP”) VIEWS CLOSING EXECUTION TRANSACTIONS AS REFERENCE PRICE TRANSACTIONS, AS DEFINED BY THE FICC MARKET STANDARDS BOARD (“FMSB”). MSIP ADHERES TO THE CORE PRINCIPLES RELEVANT TO REFERENCE PRICE TRANSACTIONS, AS OUTLINED IN THE “REFERENCE PRICE TRANSACTIONS STANDARD FOR THE FIXED INCOME MARKETS” PUBLISHED BY THE FMSB IN NOVEMBER 2016. PLEASE SEE [HTTP://FMSB.COM/WP-CONTENT/UPLOADS/2016/11/2016-001-FMSB-STD_REFERENCEPRICETRANSACTIONS_FIMARKETS_FINAL.PDF](http://fmsb.com/wp-content/uploads/2016/11/2016-001-FMSB-STD_REFERENCEPRICETRANSACTIONS_FIMARKETS_FINAL.PDF) FOR MORE INFORMATION.

THE CLOSING EXECUTION TRANSACTIONS WILL BE PRINCIPAL TO PRINCIPAL TRADES AND WILL NOT CONSTITUTE CLIENT ORDERS UNDER THE MARKETS IN FINANCIAL INSTRUMENTS DIRECTIVE (“MIFID”), WHICH MEANS THAT WE WILL NOT OWE YOU A DUTY OF BEST EXECUTION IN CONNECTION WITH THEM. IN ADDITION, MSIP MAKES NO REPRESENTATIONS, WARRANTIES OR COVENANTS REGARDING PRICES PUBLISHED BY TRADEWEB OR BVAL.

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