

Introduction

The Central Securities Depositories Regulation (**CSDR**) aims to improve securities settlement in the European Union and to harmonise the authorisation and supervision of the European CSDs.

In particular, Article 38(5) of CSDR requires that CSD participants disclose the prices and fees associated with the services they offer. This document provides guidance on the factors which affect fees and prices for the settlement and custody of cash securities through Morgan Stanley entities.

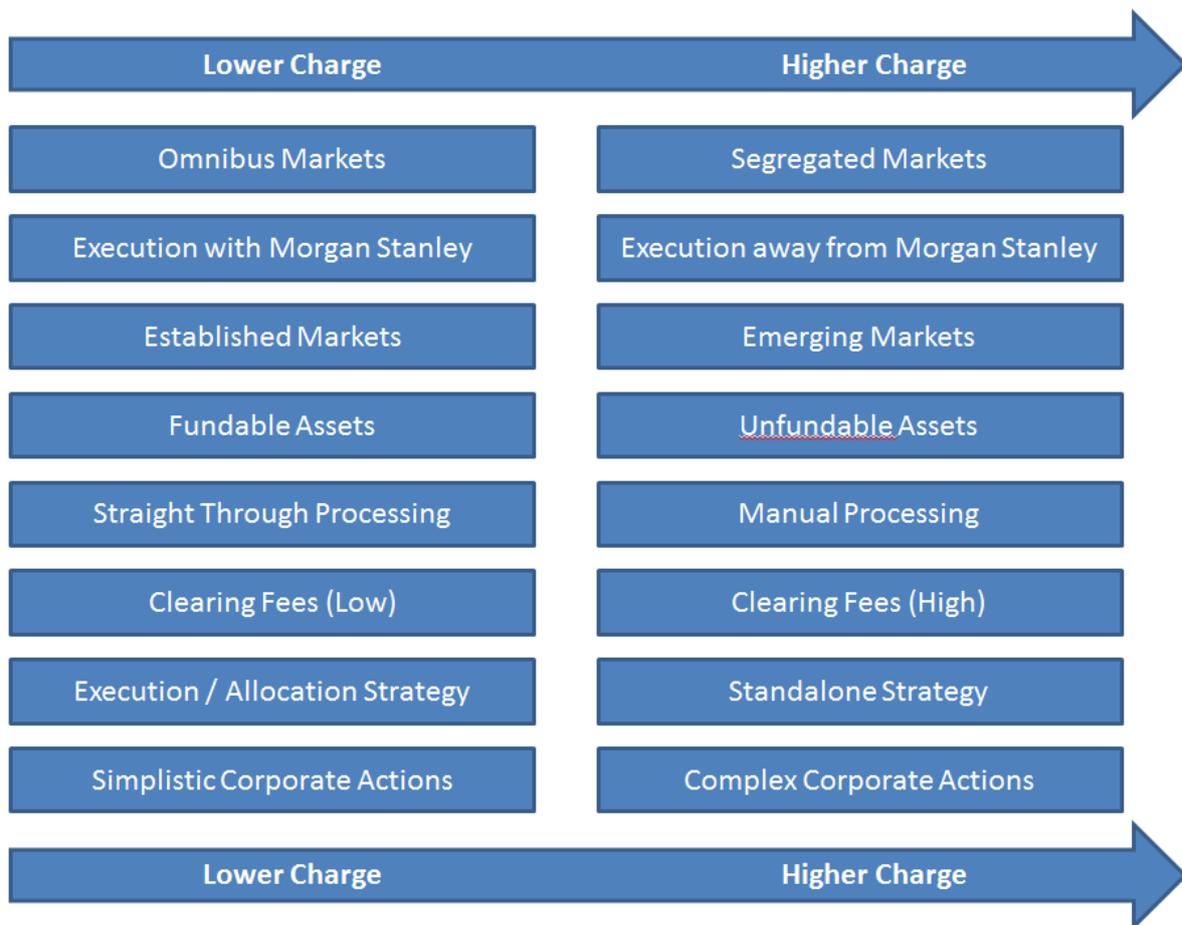
Article 38(6) of CSDR also requires that participants of the CSD disclose details of the available segregation models (i.e. omnibus client accounts or individually segregated client accounts) and the costs associated with each. The possible cost implications of different models are addressed in this document and information on other aspects is available in the *CSDR Risk Disclosure*.

Factors Affecting Fees and Pricing

Fees and prices for the settlement and custody of cash security positions provided to clients by Morgan Stanley may depend on a number of variables, including the following:

- Volume of trades
- Market Scope:
 - Brokerage / clearing fees incurred by Morgan Stanley
 - Complexity of clearing trades
 - Market custody structure (segregated vs omnibus)
- Percentage of execution done with Morgan Stanley
- Execution methodology (standalone trading vs execution / allocation structure)
- External funding costs (cost of intraday liquidity buffers)
- Trading cleanliness: The volume of trades that require manual attention vs those that do not require manual attention
- Fundability of assets under custody
- Requirement to reconcile positions on a daily basis
- Ongoing asset servicing requirements

The following diagram shows how some of the variables listed above would affect pricing:



Costs for Individual vs Omnibus Accounts

Article 38(5) of CSDR requires that a direct participant of an impacted CSD offer its client, at least, the choice between omnibus client segregation and individual client segregation and inform them of the costs and level of protection associated with each option.

Different CSD structures are likely to result in varying levels of costs and risk associated with the default of a market participant or another client. Please refer to the risk disclosure documentation accessible at the same location as this document that sets out a high-level overview of the different levels of protection associated with the various account models.

The specific costs of an individual or omnibus account for a particular client may depend on the number of accounts maintained for the relevant client, the type of securities provided custody in such accounts, the fundability of the securities and the ongoing operational costs associated with maintaining that account. We envisage the operational costs to be greater for individual accounts. Any client may at any time obtain the specific costs for such accounts by contacting their Morgan Stanley client representative.