

# Morgan Stanley

## **MiFID II Information for GCM and IBD Clients**

This memorandum contains certain information in relation to the implementation by Morgan Stanley & Co. International plc ("**Morgan Stanley**") of the Markets in Financial Instruments Directive (2004/39 EC) ("**MiFID II**") as it relates to clients of each of the Global Capital Markets ("**GCM**") and Investment Banking Division ("**IBD**") businesses of Morgan Stanley, as well as certain other disclosures that may be relevant to GCM and IBD clients. You are encouraged to read this in your capacity as an existing, new or potential GCM and/or IBD client of Morgan Stanley. Some of these disclosures may not be immediately relevant to you and their applicability will depend on the nature of Morgan Stanley's engagement. Please contact your usual Morgan Stanley contact if you have any questions on the contents of this memorandum.

### **1. Morgan Stanley Summary of Marketing and Allocation Policies in connection with securities offerings**

A summary of Morgan Stanley's EMEA Marketing and Allocation Policies in connection with securities offerings can be found on our website at the following address:

<http://www.morganstanley.com/disclosures>

This summary is also contained in full in Appendix I to this memorandum.

### **2. Potential Conflicts of Interest Considerations**

#### **a. Stabilisation and Hedging Strategies**

Following pricing of a securities offering, banks may carry out stabilisation in order to support the price of the new issue in the aftermarket for a limited period. All stabilisation activity conducted by Morgan Stanley is carried out in accordance with relevant European and local law and regulation and with the aim of imparting minimal impact to the market and the issuer client's interest.

If acting as stabilisation manager, Morgan Stanley will not execute stabilisation trades at a price above the offering price. During the stabilisation period, the stabilisation trader may make stabilisation purchases at any price at or below the offering price.

In certain circumstances, Morgan Stanley may potentially use hedging strategies in order to manage any long position it holds following conclusion of the securities offering. Derivatives such as forwards, futures, options, swaps or hybrids of these may be utilized on both a single stock or index basis in order to hedge this exposure.

In addition, during the offer period for a rights issue in which it is acting as underwriter, Morgan Stanley may carry out index hedging in order to manage its exposure.

#### **b. Article 38(1) of MiFID disclosure – advising on corporate finance strategy**

Where Morgan Stanley is advising on corporate finance strategy and providing the service of underwriting and placing, before accepting the financing mandate Morgan Stanley will make certain disclosures to the issuer client regarding the financing alternatives offered by Morgan Stanley, the level of transaction fees associated with each, and the pricing and offering process. (see Appendix II to this memorandum)

#### **c. Identifying and Addressing Conflicts of Interest**

Morgan Stanley has policies and procedures to assist in the identification, prevention and management of conflicts of interest between Morgan Stanley and you, or between you and another Morgan Stanley client, that may arise in the course of your interactions with us. Notwithstanding these conflict management policies and procedures, we may in certain circumstances disclose to

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you specific information regarding the source and nature of a particular conflict as well as the steps taken by us to mitigate such conflict.

### **3. Legal Entity Identifier (LEI)**

Morgan Stanley policy requires that all issuer and seller entities must have an LEI in order for Morgan Stanley to be able to execute a trade on behalf of the issuer or seller.

An LEI can be purchased from any LEI issuing organisation; these can be found on the Global Legal Entity Identifier Foundations (GLEIF) website ([gleif.org](http://gleif.org))

### **4. Complaints Policy**

We have a complaints management policy and procedures for handling complaints that we receive, details of which can be provided on request by emailing [complaintsms@morganstanley.com](mailto:complaintsms@morganstanley.com). If you have a complaint about us you should raise it in the first instance with our employee acting for you. If you are not satisfied with the response of our employee (or if you prefer not to raise the matter with our employee) you may request that the matter is escalated to our Compliance Department.

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## Appendix I

### **Morgan Stanley Summary of EMEA Marketing and Allocation Policies in connection with securities offerings**

This document is a summary of certain of the policies that Morgan Stanley & Co. International plc would expect to apply to the process of marketing and allocating securities offerings by our issuer/seller clients to investors.

These policies are designed to ensure that:

- The marketing and allocation process is conducted in a transparent manner and in accordance with proper standards of market conduct;
- Our issuer/seller clients and investors are treated fairly;
- Any conflicts of interest are appropriately managed; and
- An orderly market is maintained.

### **Marketing Process**

Before the launch of any securities offering and subsequent bookbuilding and allocation, it is customary for issuers/sellers and banks to carry out market soundings and for issuers and banks to conduct roadshows in order to introduce the issuer to potential investors and to gauge investor interest in potential transactions.

When considering which investors are chosen to participate in market soundings and issuer roadshows, Morgan Stanley would normally expect to take into consideration some or all of the following factors:

- The behaviour of the investor in, and following, similar processes;
- The investor's interest in the issuer/company or in the issuer's/company's sector;
- The level of engagement by the investor in the issuer/company, or in the issuer's/company's sector, or in past offerings by the issuer/involving the company;
- The need to comply with applicable selling restrictions or other relevant legal or regulatory restrictions in each jurisdiction where potential investors are located; and
- The views of the issuer/seller.

This decision is a matter of judgment based on our extensive experience in marketing potential offerings of securities. Normally, no one factor would be determinative in the marketing process and the particular facts and circumstances of the issuer and the investor will ultimately determine the basis of the selection of the investors for each marketing process.

### **Allocations Process**

As is customary in offerings, the price and allocations will be determined by means of bookbuilding. The bookbuilding process enables us to build a picture of investor interest and demand for the offering and assists in pricing.

We will work with the client to develop strategies for targeting specific types or groups of potential investors depending on the issuer's requirements and to agree their objectives. Subject to the parameters agreed with the issuer, when allocating securities, we would normally expect to take into consideration some or all of the following factors:

1. Client preference for specific investors
2. Valuation/price – to be considered in conjunction with item 3 below and pricing sensitivities of investors
3. Extent to which client is focused on the aftermarket
4. Concentration (i.e. preferences as to size and number of large holdings, medium and/or smaller ones)
5. Any minimum or maximum allocation amounts
6. Desired investor types (indication of any preference as to approximate balance between identified investor "types" – e.g. long-only and hedge funds, "long-only-like" hedge funds, hedge funds that are like long-only funds, hedge funds that will trade in the stock over the long term, providers of

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liquidity, geography etc. and categories – e.g. retail fund/tracker fund/pension fund etc.) – in each case to the extent known, reasonably assumed or deduced in hindsight from the book of demand.

7. Any “free float” or similar requirements of the relevant listing, trading or indexation regime.
8. Desired geographical locations of investors (including consideration of applicable selling restrictions)
9. Level and timing of engagement in transaction process (pilot fishing/ market sounding (on wall-crossed basis or otherwise) / PDIE / roadshow meetings / other (such as reverse enquiry); one-on-one / Group
10. Timing of the request for allocation, relative to final management meeting for that investor (where applicable) and the request for allocation
11. Existing / prior holdings / size of assets under management / interest in issuer / comparable companies or offerings or within the relevant sector (to the extent known or reasonably assumed)
12. Participant in associated Liability Management exercise
13. Other considerations as appropriate

The allocation decision is a matter of judgment based on our extensive experience in distributing offerings of securities. Normally, no one factor would be determinative in the allocation process and the particular facts and circumstances will ultimately determine the basis of allocation.

The relevant Syndicate Desk within our Global Capital Markets Division is responsible for the pricing and allocation process. During the bookbuilding process we would provide the issuer with the opportunity to review and discuss the book of demand, which may include regular updates as to the progress of the bookbuilding process, including specific institutional investors’ indications of interest. Issuers should let us know if they have specific requirements as to the regularity or content of these updates. The final allocations will be sent to the issuer and agreed as appropriate.

We would like to draw attention to the following specific points relating to allocation:

- For compliance reasons, including “know-your-customer” requirements, our general practice is to only allocate securities to Morgan Stanley’s existing investor base. We make considerable efforts to manage effectively and appropriately the conflicts of interest that might arise as a result. Issuers should be aware that investors may make a profit from the resale of the securities and may also provide future revenue to Morgan Stanley.
- In this process we are required to treat our Private Wealth Management division, which deals with our high net worth individual and small corporate and institutional clients, as one investor for the purposes of allocations within the bookbuilding process. That division then allocates securities to its clients without involvement from the relevant Syndicate desk.
- Where permissible, our own trading desks and Morgan Stanley Investment Management may indicate interest in participating as investors in the offering. In order to minimize any perception of conflict of interest, our internal policies provide, among other things, that they may be treated no more favourably than other investors with similar characteristics.
- While we endeavour to agree allocation criteria and the application of these criteria with our joint bookrunner(s), there may be occasions upon which we disagree as to the suitability of a particular investor and allocations represent a compromise between us. This might arise, for example, where we are not familiar with a particular investor proposed by a joint bookrunner or where we disagree with the joint bookrunner as to the appropriate size of allocation to an investor. Similarly, when we allocate to any co-managers we do not have visibility as to onward allocations to the co-managers’ investor base.
- If the issuer wishes to include a Friends and Family tranche in the offering, they should let us know as soon as possible. We will rely on the issuer to identify potential participants in this tranche; we will not seek to include our existing investor base though the issuer may of course do so. Since participants will generally not need to be part of our existing investor base, we may need to enlist the issuer’s assistance in satisfying ourselves regarding anti-money laundering and know-your-customer requirements for these individuals.

We hope that this overview has been informative regarding the bookbuilding, allocation and marketing process. Please do not hesitate to contact your Morgan Stanley coverage team at any time with any questions on this document.

## Appendix II

*In connection with Morgan Stanley's potential provision of corporate finance strategy advice as well as underwriting and placing financing services, please note the following:*

- **Financing Alternatives Offered by Morgan Stanley** – Morgan Stanley can provide clients with various financing alternatives, including but not limited to: loan facilities and placement/underwriting of bonds and other fixed income securities, equity securities, equity-linked securities, hybrid and other securities.
- **Financing Transaction Fees** – Fee levels for such financing transactions may vary significantly based on various factors, including but not limited to: financing product type; current capital market and broader macroeconomic conditions; industry sector of the borrower/issuer; borrower/issuer credit rating and other financial details; and the extent to which the Firm is providing underwriting or other balance sheet risk. Morgan Stanley would be happy to provide you with further details of fees for any such financing transactions upon request.
- **Timing and Process for the Marketing, Pricing and Allocation of a Placement/Underwriting** - Please visit Morgan Stanley's website (click [here](http://www.morganstanley.com/disclosures) or go to <http://www.morganstanley.com/disclosures>) for an explanation of the Morgan Stanley EMEA Marketing and Allocation Policies for Offerings of Newly Issued Securities. Morgan Stanley would expect to apply these Policies to: the timing and process of pricing and placing an offering; the targeting of investors for purposes of placing an offering of securities; job titles and departments of the relevant individuals involved in the pricing and allotment process; and how Morgan Stanley intends to manage potential conflicts of interest involving placements with investment clients of Morgan Stanley and/or any placements to Morgan Stanley on a principal basis. If you have any questions about Morgan Stanley's policies or procedures and/or the timing of a potential transaction that you have not yet addressed with your deal team, please raise them to your deal team.

**Transaction Team Members** – If you have any questions regarding the job titles and departments of the relevant individuals in the execution of a placement/underwriting transaction that you have not yet addressed with your deal team, please raise them to your deal team.

**Disclaimer** - This disclosure is not intended to constitute a binding agreement to provide you with any financing alternatives or to enter into definitive documentation with respect to any such financing alternatives. Such a commitment will exist only if and when we enter into definitive documentation with respect to a financing transaction. In addition, in accordance with customary practices, Morgan Stanley will require formal approval by the relevant internal Morgan Stanley committees prior to entering into such definitive documentation.