

# Form ADV Firm Brochure

## Morgan Stanley Smith Barney LLC

Global Turnkey Asset Management Program (“gTAMP”)

**July 6, 2018**

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**This Brochure provides information about the qualifications and business practices of Morgan Stanley Smith Barney LLC (“MSWM”). If you have any questions about the contents of this Brochure, please contact us at (914) 225-1000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about MSWM also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC does not imply a certain level of skill or training.**

## Item 2: Material Changes

This section identifies and discusses material changes to the ADV Brochure since the version of this Brochure dated March 29, 2018. A material change relating to MSSB's disciplinary information has also been added, as discussed below. For more details on any particular matter, please see the item in this ADV Brochure referred to in the summary below.

- On June 29, 2018, the SEC entered into a settlement with MSWM regarding an administrative action. In this matter, MSWM, without admitting or denying the findings, consented to the entry of the order that finds that MSWM willfully violated certain sections of the Investment Advisers Act of 1940, specifically Section 206(4) and Rule 206(4)-7 thereunder, as well as Section 203(e)(6). (Item 9)

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## Item 4: Advisory Business

### A. Description of Morgan Stanley, Principal Owners

Morgan Stanley Smith Barney LLC (“Morgan Stanley Wealth Management”, “MSWM”, “we”, “us”, or “our”) is a registered investment adviser and a registered broker-dealer. It is an indirect wholly owned subsidiary of Morgan Stanley, the parent company (“Morgan Stanley Parent”), which is one of the largest financial services firms in the U.S. with branch offices in all 50 states and the District of Columbia.

MSWM offers clients (“client,” “you” and “your”) many different advisory programs. Many of our advisory services are provided by the Consulting Group (“CG”) business unit. You may obtain ADV Brochures for other MSWM investment advisory programs at [www.morganstanley.com/adv](http://www.morganstanley.com/adv).

For additional information about MSWM, a copy of our Form ADV Part I is available upon request. Form ADV Part I is also publicly available at the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### B. Description of Advisory Services

In the Global Turnkey Asset Management (“gTAMP”) Program, MSWM provides assistance to financial institutions (“Financial Institutions”, “FIs” or “you”) in creating and operating a unified managed account (“UMA”) program that the FI may choose to offer to its clients (“FI Clients”).

As part of the gTAMP Program, MSWM will provide you with the following services:

1. Asset Allocation Models. MSWM will recommend various global asset allocation models (“Model Portfolios”). Based upon MSWM’s capital market assumptions, our Global Investment Committee (“GIC”) defines the assets allocations that are used as the basis for the Model Portfolios and adjusts the asset allocation from time to time as it deems appropriate. The Model Portfolios recommended by us will include one or more of the following investment products, which may or may not be affiliated with MSWM (the “Investment Products”): mutual funds, exchange traded funds (“ETFs”), and model portfolios provided by one or more affiliated or unaffiliated investment managers (“Sub-Managers”). A Model Portfolio may include a single strategy, such as a model from a Sub-Manager or a multi-style strategy that includes a combination of mutual funds, ETFs and/or Sub-Manager models. Each of the available Model Portfolios will represent a different asset allocation appropriate for a different investment objective/risk tolerance. A MSWM investment team selects the specific Investment Products that populate the Model Portfolios. Upon request, MSWM may also assist the FI in creating custom Model portfolios. The Models will be made available to the FI and it will be solely the FI’s decision as to whether and how to employ such Models with respect to the FI Clients. MSWM is not responsible for determining whether the UMA program offered by the FI or any Model is suitable for an FI Client.

MSWM will not recommend any Investment Products to any FI Client.

2. Due Diligence on Investment Products. MSWM shall provide you with the results of due diligence that its Global Investment Management Analytics Group (“GIMA”) performs on the Investment Products to be included in a Model Portfolio. However, due diligence will not be performed on any Investment products that are managed or sub-managed by an affiliate of MSWM, including Morgan Stanley Investment Management Inc. (“MSIM”) The manner in which this information is utilized is solely the responsibility of the FI.

In creating and operating a UMA program, the FI will undertake the following responsibilities:

1. Implementation and Trade Execution. While MSWM will provide certain proposed allocation instructions, all trade execution and clearance shall be to sole responsibility of the FI and trading will not be done through MSWM or its affiliates. Likewise, we shall not advise the FI on issues with respect to trade execution for any FI Client accounts or provide any custody services to the FI or FI Clients.
2. Access to Investment Products. The FI is solely responsible for ensuring that it and any FI Client has access to the mutual funds and ETFs recommended in the Model Portfolios, including the ability and authority to execute any related securities transaction. Likewise, it is the sole responsibility of the FI to enter into any agreements or arrangements with any of the Investment Products’ distributors, which may be necessary in order to access such Investment Product.

### C. Customized Advisory Services and Client Restrictions

#### Customized Advisory Services

MSWM will enter into an individualized agreement with each FI that will take into account any special requirements for its business that the FI shall communicate to us.

#### Client Imposed Restrictions

FIs will be able to impose reasonable restrictions with respect to the Investment Products to be included in the Model portfolios.

### D. Portfolio Management Services to Wrap Fee Programs

MSWM does not offer any portfolio management services through the gTAMP Program on any third party wrap fee platforms.

### E. Assets Under Management (“AUM”)

MSWM managed client assets of \$1,044,788,973,159 as of December 31, 2017. Of this amount, MSWM managed \$468,768,889,113 on a discretionary basis and

\$576,020,084,046 on a non-discretionary basis. These amounts represent the client assets in all of our investment advisory programs. We calculated them using a different methodology than the “regulatory assets under management” we report in our ADV Part 1 filed with the SEC.

## **Item 5: Fees and Compensation**

### **A. Compensation for Advisory Services**

The fee for the advisory services provided by MSWM to an FI under the gTAMP Program described in this Brochure are based upon the aggregate assets managed by an FI in the FI Client accounts (“Fee”). The fees to any Sub-Manager you select to provide Model Portfolios is not included in, and is in addition to, the Fee. A portion of the Fee payable to us will also be allocated on an ongoing basis to your Financial Advisor. The amount allocated to your Financial Advisor in connection with the provision of the investment advisory services described in this Brochure may be more than if you participated in other MSWM programs or services. Your Financial Advisor may therefore have a financial incentive to recommend the program described in this Brochure instead of other MSWM programs or services.

The Fee rate is negotiable and may differ among clients based on a number of factors, including the type of advisory services to be provided, the aggregate assets managed by an FI in FI Client accounts, and the Investment Products available in the Models. The annual Fee may be up to 0.40%.

The Fee rate may be expressed as a fixed rate applying to all assets managed by an FI in FI Client accounts, or as a schedule of rates applied to different asset levels, or “breakpoints” in each FI Client account.

If you invest in the gTAMP Program, your Financial Advisor may agree to charge a fee less than the maximum fee stated above. The amount of the fee you pay is a factor we use in calculating the compensation we pay your Financial Advisor. Therefore, Financial Advisors have a financial incentive not to reduce fees.

The Fee *does not cover*:

- Execution costs, brokerage commissions or other charges resulting from transactions effected through third party executing brokers and fees charged by custodians related to the custody of FI Client assets. The FI must contract for execution, clearing and custody services, as applicable, separately with third parties that are not affiliated with MSWM. Fees for those services shall be agreed upon between the FI and such third parties.
- Certain other costs or charges that may be imposed by third parties that the FI may retain in connection with its business (including, among other things, odd-lot differentials, transfer taxes, foreign custody fees, exchange fees, supplemental transaction fees, regulatory fees and other fees or taxes that may be imposed pursuant to law).

For all investments in ETFs or mutual funds (each a “Fund”), FI Clients will also incur fees and other expenses that are paid by the Fund but borne by all fund shareholders owning the same class of shares (e.g. management fees, custody, administrative services and transfer agency fees, redemption fees, portfolio transaction execution costs and other fees and expenses, including distribution fees and shareholder servicing fees). Information about such fees and expenses is set forth in each fund’s prospectus. These fees and expenses are in addition to and not included in the Fee paid to MSWM.

### **B. Payment of Fees**

The Fee and, if applicable, any Sub-Manager fees (together, the “Total Fee”) are charged quarterly, in advance. The initial Total Fee shall be due in full on the date the Agreement is executed (the “Inception Date”) and shall be based on the market value of FI Clients’ account assets on or about that date. The initial Total Fee payment will generally cover the period from the Inception Date through the last business day of the next full billing quarter and shall be prorated accordingly. Thereafter, the Total Fee shall be paid quarterly in advance based on the market value of the FI Clients’ account assets on the last business day of the previous billing quarter. MSWM shall invoice the FI and the Total Fee shall become due within thirty (30) business days thereafter.

If the Agreement is terminated, the FI will be entitled to a pro rata refund of any prepaid Total Fees based on the number of days remaining in the billing quarter after the date upon which notice of termination is received by MSWM or is provided by MSWM to the FI.

### **C. Compensation for the Sale of Securities or Other Investment Products**

MSWM will not include in its Model portfolios any share class of a mutual fund that charges a sales charge.

Transactions in FI Client accounts will not be executed through MSWM or any of its affiliates. As a result, we will not receive any direct compensation from the sale of securities or other Investment Products included in the Models.

## **Item 6: Performance-Based Fees and Side by Side Management**

MSWM does not accept any performance-based fees in connection with the services provided under the Program described in this Brochure.

## **Item 7: Types of Clients**

Clients may include investment advisers, broker dealers, trust companies, banking or thrift institutions, and other financial institutions.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

### **A. Method of Analysis and Investment Strategies**

MSWM assists FIs in developing investment advisory programs for FI Clients by providing various tools and information that the FI may consider for use as described in Item 4 above.

The Model Portfolios that we recommend to FIs are derived from the five model asset allocation portfolios defined by the GIC. Each Model Portfolio is generally constructed of mutual funds and ETFs, and includes model portfolios created by Sub-Managed.

GIMA evaluates every Investment Product available to be included in the Program. GIMA may delegate some or all of its functions to an affiliate or third party.

GIMA will conduct a qualitative and quantitative review of each Investment Product, which will include a review of a Fund's or investment adviser's complete Request for Information (RFI) proposal, sample portfolios, asset allocation histories, Form ADV (the form that investment managers use to register with the SEC), past performance information and marketing literature. GIMA will also consider additional factors such as personnel depth, turnover and experience, investment process, business and organization characteristics, and investment performance. GIMA personnel may also interview the Fund's or investment adviser's key personnel, and examine its operations. GIMA may also use a proprietary algorithm – a rules-based scoring mechanism – that reviews various factors and ranks each Fund on that basis.

Thereafter GIMA periodically evaluates the Investment Products on an ongoing basis to determine whether they continue to meet the criteria required to be included in the Program.

### **Material, Significant, or Unusual Risks Relating to Investment Strategies**

The implementation by the FI of any Models, tools or other content supplied by MSWM to the FI does not assure that the FI will be able to generate profit or protect against loss with respect to its clients in declining financial markets. Certain assumptions may be made in analyses that are used to make asset allocation decisions. Any change in these assumptions may have a material impact on the advice that we provide to the FI. The projections and information generated by an asset allocation tool regarding the likelihood of various investment outcomes is hypothetical in nature, does not reflect actual investment results, and is not a not guarantee of future results. While MSWM provides due diligence information to assist the FI in its selection of Sub-Managers and Investment Products, the decision of which manager or product to select resides solely with the FI. Investing in an Investment Product may involve a high degree of risk, including risk of

significant investment losses or loss of your entire investment. In addition, there is no guarantee that any investment product or manager will have positive performance or achieve any investment, tax or accounting objectives or track or outperform any designated benchmark.

### **B. Risks Associated with Particular Types of Securities**

As noted herein, the FI will be solely responsible for the choice of Sub-Manager or Investment Product. As such, the FI should review the Form ADV Brochure, prospectus or other applicable disclosure document for each such Investment Product carefully.

The following is a general discussion of investment risks typically associated with various types of investments.

#### **Risk Relating to Investments in Emerging Countries**

Investing in the equity markets of emerging countries entails certain risks and special considerations not associated with investing in the U.S. and more established markets. Some emerging countries have laws and regulations that currently preclude direct foreign investment in the securities of their companies. However, indirect foreign investment in the securities of companies listed and traded on the stock exchanges in these countries is permitted through investment funds, which have been specifically authorized. In order to gain exposure to such markets, MSWM may include these investment funds in the Model Portfolios.

#### **Risk Relating to ETFs**

There may be a lack of liquidity in certain ETFs which can lead to a large difference between the bid-ask prices (increasing the cost to you when you buy or sell the ETF). A lack of liquidity also may cause an ETF to trade at a large premium or discount to its net asset value. Additionally, an ETF may suspend issuing new shares and this may result in an adverse difference between the ETF's publicly available share price and the actual value of its underlying investment holdings. At times when underlying holdings are traded less frequently, or not at all, an ETF's returns also may diverge from the benchmark it is designed to track.

Most ETFs, like all mutual funds, are registered investment companies under the Investment Company Act of 1940. However, ETFs that invest exclusively in physical assets, such as gold, and are not registered investment companies. These ETFs will not have the protections associated with ownership of shares in a registered investment company. For example, these ETFs are not subject to the prohibition on registered investment companies dealing with affiliates, do not have an independent board of trustees, and are not subject to requirements with respect to, among other things, diversification and the prohibition on the suspension of redemptions.

## Tax and Legal Considerations

Changing Investment Products may result in sales of securities and subject an FI Client to additional tax obligations. The FI should urge its FI Clients should consult their independent tax or legal advisor with respect to the services described in this Brochure, as MSWM and its affiliates do not provide tax or legal advice.

## Item 9: Disciplinary Information

This section contains information on certain legal and disciplinary events.

In this section, "MSDW" means Morgan Stanley DW Inc., a predecessor broker-dealer of Morgan Stanley & Co. LLC ("MS&Co.") and registered investment adviser that was merged into MS&Co. in April 2007. MS&Co. and Smith Barney and/or Citigroup Global Markets Inc. ("CGM") are predecessor broker-dealer firms of MSWM.

- On August 13, 2008, MS&Co. agreed on the general terms of a settlement with the NYAG and the Office of the Illinois Secretary of State, Securities Department ("Illinois") (on behalf of a task force of the North American Securities Administrators Association ("NASAA")) with respect to the sale of auction rate securities ("ARS"). MS&Co. agreed, among other things, to repurchase at par approximately \$4.5 billion of illiquid ARS held by certain clients of MS&Co. which were purchased prior to February 13, 2008. Additionally, MS&Co. agreed to pay a total fine of \$35 million. Final agreements were entered into with the NYAG on June 2, 2009 and with Illinois on September 17, 2009. The Illinois agreement serves as the template for agreements with other NASAA jurisdictions.
- On March 25, 2009, MS&Co. entered into a LAWC with FINRA. FINRA found that, from 1998 through 2003, MSDW failed to reasonably supervise the activities of two Financial Advisors in one of its branches. FINRA found that these Financial Advisors solicited brokerage and investment advisory business from retirees and potential retirees of certain large companies by promoting unrealistic investment returns and failing to disclose material information. FINRA also held that MS&Co. failed to ensure that the securities and accounts recommended for the retirees were properly reviewed for appropriate risk disclosure, suitability and other concerns. MS&Co. consented, without admitting or denying the findings, to a censure, a fine of \$3 million, and restitution of approximately \$2.4 million plus interest to 90 former clients of the Financial Advisors.
- On June 8, 2016, the SEC entered into a settlement order with MSWM ("June 2016 Order") settling an administrative action. In this matter, the SEC found that MSWM willfully violated Rule 30(a) of Regulation S-P (17 C. F. R. § 248.30(a)) (the "Safeguards Rule"). In particular, the SEC found that, prior to December 2014, although MSWM had adopted written policies and procedures relating to the protection of customer records and information, those policies and procedures were not reasonably designed to safeguard its customers' personally

identifiable information as required by the Safeguards Rule and therefore failed to prevent a MSWM employee, who was subsequently terminated, from misappropriating customer account information. In determining to accept the offer resulting in the June 2016 Order, the SEC considered the remedial efforts promptly undertaken by MSWM and MSWM's cooperation afforded to the SEC Staff. MSWM consented, without admitting or denying the findings, to a censure, to cease and desist from committing or causing future violations, and to pay a civil penalty of \$1,000,000.

- On January 13, 2017, the SEC entered into a settlement order with MSWM ("January 2017 Order") settling an administrative action. The SEC found that from 2009 through 2015, MSWM inadvertently charged advisory fees in excess of what had been disclosed to, and agreed to by, its legacy CGM clients, and, from 2002 to 2009 and from 2009 to 2016, MS&Co. and MSWM, respectively, inadvertently charged fees in excess of what was disclosed to and agreed to by their clients. The SEC also found that MSWM failed to comply with requirements regarding annual surprise custody examinations for the years 2011 and 2012, did not maintain certain client contracts, and failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Investment Advisers Act of 1940 (the "Advisers Act"). The SEC found that, in relation to the foregoing, MSWM willfully violated certain sections of the Advisers Act. In determining to accept the offer resulting in the January 2017 Order, the SEC considered the remedial efforts promptly undertaken by MSWM. MSWM consented, without admitting or denying the findings, to a censure, to cease and desist from committing or causing future violations, to certain undertakings related to fee billing, books and records and client notices and to pay a civil penalty of \$13,000,000.
- On February 14, 2017, the SEC entered into a settlement order with MSWM settling an administrative action. The SEC found that from March 2010 through July 2015, MSWM solicited approximately 600 non-discretionary advisory accounts to purchase one or more of eight single inverse exchange trade funds ("SIETFs"), without fully complying with its internal written compliance policies and procedures related to these SIETFs, which among other things required that clients execute a disclosure notice, describing the SIETF's features and risks, prior to purchasing them, for MSWM to maintain the notice, and for subsequent related reviews to be performed. The SEC found that, despite being aware of deficiencies with its compliance and documentation of the policy requirements, MSWM did not conduct a comprehensive analysis to identify and correct past failures where the disclosure notices may not have been obtained and to prevent future violations from occurring. The SEC found that, in relation to the foregoing, MSWM willfully violated section 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-7 thereunder. MSWM admitted to certain facts and consented to a censure, to cease and desist from committing or causing future violations, and to pay a civil penalty of \$8,000,000.
- On June 29, 2018, the SEC entered into a settlement order with MSWM settling an administrative action which relates to misappropriation of client funds in four related

accounts by a single former MSWM financial advisor (“FA”). The SEC found that MSWM failed to adopt and implement policies and procedures or systems reasonably designed to prevent personnel from misappropriating assets in client accounts. The SEC specifically found that, over the course of eleven months, the FA initiated unauthorized transactions in the four related client accounts in order to misappropriate client funds. The SEC found that while MSWM policies provided for certain reviews prior to issuing disbursements, such reviews were not reasonably designed to prevent FAs from misappropriating client funds. Upon being informed of the issue by representatives of the FA’s affected clients, MSWM promptly conducted an internal investigation, terminated the FA, and reported the fraud to law enforcement agencies. MSWM also fully repaid the affected clients, made significant enhancements to its policies, procedures and systems (“Enhanced MSWM Policies”) and hired additional fraud operations personnel. The SEC found that MSWM willfully violated section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. The SEC also found that MSWM failed to supervise the FA pursuant to its obligations under Section 203(e)(6) of the Advisers Act. MSWM consented, without admitting or denying the findings, to a censure; to cease and desist from committing or causing future violations; to certain undertakings, including certifications related to the implementation and adequacy of the Enhanced MSWM Policies and to pay a civil penalty of \$3,600,000.

MSWM’s Form ADV Part 1 contains further information about its disciplinary history, and is available upon request.

## **Item 10: Other Financial Industry Activities and Affiliations**

Morgan Stanley Parent is a financial holding company under the Bank Holding Company Act of 1956. Morgan Stanley Parent is a corporation whose shares are publicly held and traded on the NYSE. Prior to June 28, 2013, MSWM was owned by a joint venture company which was indirectly owned 65% by Morgan Stanley Parent and 35% by Citi. On June 28, 2013, Morgan Stanley Parent purchased Citi’s 35% interest in MSWM. Accordingly, MSWM is now a wholly owned indirect subsidiary of Morgan Stanley Parent.

### **Activities of Morgan Stanley Parent**

Morgan Stanley Parent is a global firm engaging, through its various subsidiaries, in a wide range of financial services including:

- securities underwriting, distribution, trading, merger, acquisition, restructuring, real estate, project finance and other corporate finance advisory activities
- merchant banking and other principal investment activities
- brokerage and research services
- asset management
- trading of foreign exchange, commodities and structured financial products and

- global custody, securities clearance services, and securities lending.

### **A. Broker-Dealer Registration Status**

As well as being a registered investment advisor, MSWM is registered as a broker-dealer.

### **B. Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser Registration Status**

As well as being a registered investment advisor, MSWM has related persons that are commodity pool operators (Ceres Managed Futures LLC, Morgan Stanley AIP GP LP, Morgan Stanley Investment Management Inc., Morgan Stanley Cayman Ltd., Morgan Stanley AIP Cayman GP Ltd., Morgan Stanley Alternative Investment Partners LP., Morgan Stanley Hedge Premier GP, and Morgan Stanley GWM Feeder Strategies LLC) and commodity trading advisers (Ceres Managed Futures LLC, Morgan Stanley AIP GP LP, Morgan Stanley Investment Management Inc.). For a full listing of affiliated investment advisers please see the ADV Part I.

### **C. Material Relationships or Arrangements with Industry Participants**

#### **Different Advice**

MSWM and its affiliates may give different advice, take different action, receive more or less compensation, or hold or deal in different securities for any other party, client or account (including their own accounts or those of their affiliates) from the advice given, actions taken, compensation received or securities held or dealt for your accounts.

#### **Trading or Issuing Securities in, or Linked to Securities in, Client Accounts**

MSWM and its affiliates may provide bids and offers, and may act as principal market maker, in respect of the same securities we recommend to be held in FI Client accounts. MSWM, the Sub-Managers, and their affiliates and employees may hold a position (long or short) in the same securities held in client accounts. MSWM, and/or its affiliates are regular issuers of traded financial instruments linked to securities that may be purchased in client accounts. From time to time, MSWM (or an affiliate’s) trading for its proprietary account may be detrimental to securities held by an FI Client and thus create a conflict of interest. We address this conflict by disclosing it to you.

#### **Services Provided to Other Clients**

MSWM, Sub-Managers, and their affiliates provide a variety of services (including research, brokerage, asset management, trading, lending and investment banking services) for each other and for various clients, including issuers of securities that MSWM may recommend for purchase or sale by clients or are otherwise held in client accounts, and investment



management firms in the programs described in this Brochure. MSWM, Sub-Managers, and their affiliates receive compensation and fees in connection with these services. MSWM believes that the nature and range of clients to which such services are rendered is such that it would be inadvisable to exclude categorically all of these companies from an account. Accordingly, it is likely that securities in an account will include some of the securities of companies for which MSWM, Sub-Managers, and their affiliates or an affiliate performs investment banking or other services.

### **Restrictions on Securities Transactions**

There may be periods during which MSWM or Sub-Managers are not permitted to recommend certain types of transactions in the securities of issuers for which MSWM, or one of its affiliates is performing broker-dealer or investment banking services or have confidential or material non-public information. Furthermore, in certain investment advisory programs, MSWM may be compelled to forgo trading in, or providing advice regarding, Morgan Stanley Parent securities, and in certain related securities. These restrictions may adversely impact the recommendations MSWM can provide and the FI Client's account performance.

MSWM, Sub-Managers, and its affiliates may also develop analyses and/or evaluations of securities recommended under this program as well as buy and sell interests in securities on behalf of its proprietary or client accounts. These analyses, evaluations and purchase and sale activities are proprietary and confidential, and MSWM will not disclose them to clients. We may not be able to act, in respect of clients' account, on any such information, analyses or evaluations.

MSWM, Sub-Managers, and their affiliates are not obligated to effect any transaction that MSWM or a manager or any of their affiliates believe would violate federal or state law, or the regulations of any regulatory or self-regulatory body.

### **Research Reports**

MS&Co. does business with companies covered by its research groups. Furthermore, MS&Co. and its affiliates may hold a trading position (long or short) in, and client accounts may hold, the securities of companies subject to such research. Therefore, MS&Co. has a conflict of interest that could affect the objectivity of its research reports.

### **MSWM Affiliate in Underwriting Syndicate; Other Relationships with Security Issuers**

If an affiliate of MSWM is a member of the underwriting syndicate from which a security is purchased, we or our affiliates may directly or indirectly benefit from such purchase.

MSWM and/or its affiliates have a variety of relationships with, and provide a variety of services to, issuers of securities recommended for client accounts, including investment banking, corporate advisory, underwriting, consulting, and brokerage relationships. As a result of these relationships with an issuer, MSWM or its affiliates may directly or indirectly

benefit from a client's purchase or sale of a security of the issuer. For example, MSWM or its affiliates may provide hedging services for compensation to issuers of structured investments (such as structured notes) recommended for client accounts. In such a case, MSWM or its affiliates could benefit if a client account purchased such an instrument, or sold such an instrument to another purchaser in lieu of selling or redeeming the instrument back to the issuer, as such transactions could result in the issuer of the instrument continuing to pay MSWM or its affiliates fees or other compensation for the hedging services related to such instrument. Similarly, if the hedging service with respect to such an instrument is not profitable for MSWM or its affiliates, MSWM or its affiliates may benefit if MSWM's client accounts holding such instruments sold or redeemed them back to the issuer. We address these conflicts by disclosing them to you.

### **Other Investment Products Available**

Client understands that Sub-Managers may offer to the public other investment products such as mutual funds with similar investment styles and holdings as those Investment Products offered through the gTAMP Program. Such products may be offered at differing fees and charges that may be higher or lower than the fees imposed by MSWM under the gTAMP Program. Furthermore, Client understands that an Investment Product may utilize the same investment manager and investment strategy, but involve different minimum investment amounts and fees. Fees for a separate account Investment Product may be lower than for a similar mutual fund Investment Product.

### **Other Business with Certain Firms**

Certain investment management firms (which may include Sub-Managers, including Executing Sub-Managers, as well as the managers of Funds in the Select UMA program) do other business with MSWM or its affiliates.

## **D. Material Conflicts of Interest Relating to Other Investment Advisers**

MSWM and its affiliates provide investment advisory, prime brokerage, trading, execution and other services to each other, to managers, pooled investment vehicles, and other clients, and receive compensation for such services.

MSWM may choose to recommend Sub-Manager or Investment Products for which MSWM or one or more of its affiliates serve as broker, prime broker, counterparty, administrator or other service provider, including investment banking, placement agent or secured lender and with respect to which MSWM and/or its affiliates receives fees, interest and/or other compensation. MSWM, in the course of these activities, including its prime broker and secured or margin lending activities, may take actions that are adverse to the interest of its advisory client, such as foreclosing upon collateral comprised of assets of an investment product pledged with respect to a loan.

## **Affiliated Investment Products**

Certain of the Investment Products included the Model Portfolios in the gTAMP Program are affiliated with MSWM. You understand that MSWM and our affiliates will receive more aggregate compensation when you select an affiliated Investment Product instead of one that is not affiliated with MSWM. The selection of an affiliate of MSWM as a Sub-Manager or of an affiliated Fund may also be more costly to an FI Client than other options in the same asset class. In addition, some Investment Products that are affiliated with MSWM may charge higher fees than other affiliated Investment Products in the same asset Class or in other asset classes. Thus, MSWM has a conflict of interest when recommending Investment Products. Similarly, if a Sub-Manager or a Fund is not affiliated with us but we have an ownership share in the Sub-Manager or in the Fund's manager, we have a conflict of interest in identifying that Sub-Manager or Fund to the Client because, as an owner of the Sub-Manager or the Fund's manager, we benefit from its profits.

For more information, please refer to the document "Mutual Fund Share Classes and Compensation", at [http://www.morganstanley.com/assets/pdfs/wealth-management-disclosures/mf\\_share\\_classes.pdf](http://www.morganstanley.com/assets/pdfs/wealth-management-disclosures/mf_share_classes.pdf) and also available up on request.

## **Other Relationships with Sub-Managers and Funds**

Some Sub-Managers and Funds included in Model Portfolios may have business relationships with us or our affiliates. For example, a Sub-Manager or Fund may use MSWM & Co. LLC ("MS&Co.") or an affiliate as its broker or may be an investment banking client of MS&Co. or an affiliate. GIMA does not consider the existence nor lack of a business relationship in determining whether to include or maintain a Sub-Manager or Fund in a Model Portfolio.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

MSWM's Investment Adviser Code of Ethics ("Code") applies to its employees, supervisors, officers and directors engaged in offering or providing investment advisory products and/or services (collectively, the "Employees"). In essence, the Code prohibits Employees from engaging in securities transactions or activities that involve a material conflict of interest, possible diversion of a corporate opportunity, or the appearance of impropriety. Employees must always place the interests of MSWM's clients above their own and must never use knowledge of client transactions acquired in the course of their work to their own advantage. Supervisors are required to use reasonable supervision to detect and prevent any violations of the Code by the individuals, branches and departments that they supervise.

The Code generally operates to protect against conflicts of interest either by subjecting Employee activities to specified limitations (including pre-approval requirements) or by prohibiting certain activities. Key provisions of the Code include:

- The requirement for certain Employees, because of their potential access to non-public information, to obtain their supervisors' prior written approval or provide pre-trade notification before executing certain securities transactions for their personal securities accounts;
- Additional restrictions on personal securities transaction activities applicable to certain Employees (including Financial Advisors and other MSWM employees who act as portfolio managers in MSWM investment advisory programs);
- Requirements for certain Employees to provide initial and annual reports of holdings in their Employee securities accounts, along with quarterly transaction information in those accounts; and
- Additional requirements for pre-clearance of other activities including, but not limited to, Outside Business Activities, Gifts and Entertainment, and Marketing and Promotional Activities.

You may obtain a copy of the Code of Ethics from your Private Wealth Advisor.

### **B. Securities in Which You or a Related Person Has a Material Financial Interest**

MSWM is the regular investment banker for a number of major corporations and, from time to time, performs investment banking services for other companies as well. It is MSWM's belief that the nature and range of clients to which MSWM renders such investment banking services is such that it would be inadvisable to exclude categorically all of these companies from a client's account. Accordingly, it is likely that securities in an advisory account will include some of the securities of corporations for which MSWM performs investment banking services. Moreover, an account may include the securities of companies in which MSWM or affiliates makes a market or in which MSWM or affiliates, or the officers or employees of MSWM or affiliates, own securities.

In addition, MSWM may from time to time recommend to, purchase for, or sell to clients' securities or other investment products in which MSWM or its affiliates may have or may acquire an interest. Transactions in a specific security may not be accomplished for all client accounts at the same time or price.

### **C. Conflicts of Interest Created by Contemporaneous Trading**

Please refer to Section 11(A) above for information about contemporaneous trading.

## **Item 12: Brokerage Practices**

MSWM does not provide execution services with respect to the Program described in this brochure.

## **Item 13: Review of Accounts**

Not applicable to the Program described in this brochure.

## **Item 14: Client Referrals and Other Compensation**

MSWM or affiliates may enter into agreements with affiliates as well as third parties that solicit clients for the MSWM's advisory programs. Under such agreements, the affiliates and third parties may refer or solicit clients and receive compensation for such services. The compensation paid to any such third-party will typically consist of a cash payment stated as a percentage of MSWM's advisory fees, but may include cash payments determined in other ways. As a result of these arrangements, fees paid by MSWM's advisory clients may differ from those paid by other similarly situated clients.

## **Item 15: Custody**

MSWM does not provide custody services with respect to the program described in this Brochure.

## **Item 16: Investment Discretion**

MSWM does not exercise investment discretion with respect to the Program described in this Brochure.

## **Item 17: Voting Client Securities**

MSWM does not provide any services with respect to proxy voting with respect to the program described in this Brochure.

## **Item 18: Financial Information**

MSWM is not required to include a balance sheet in this Brochure because MSWM does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

MSWM does not have any financial conditions that are reasonably likely to impair its ability to meet its contractual commitments to clients.

MSWM and its predecessors have not been the subject of a bankruptcy petition during the past ten years.

## **Item 19: Requirements for State-Registered Adviser**

This item is not applicable to the Program described in this Brochure.