

MiFID

# Morgan Stanley Commercial Policy

## 1. Introduction

Morgan Stanley & Co. International Plc (“**MSIP**”) and Morgan Stanley Europe SE (“**MSESE**”) (together, “**Morgan Stanley**”) have opted in to be systematic internalisers (“**SIs**”) for all:

- Equity, Equity-like (Shares, ETFs and Depository Receipts); and
- Non-Equity (Bonds, Structured Finance Products, Emissions Allowances and Derivatives e.g. swaps),

instruments admitted to trading on a UK trading venue in respect of MSIP and an EU trading venue in respect of MSESE.

Morgan Stanley’s SIs are subject to Article 17 (*Access to quotes*) of UK MiFIR or EU MiFIR which prescribes how SIs may:

- (i) decide which clients they give access to quotes; and
- (ii) limit the number the number of transactions from the same client which they undertake to enter at the published conditions.

This policy provides clients with appropriate information on access to quotes published by Morgan Stanley when acting as an SI. This information differs depending on asset class as described in Sections 3 and 4 below.

From 29 April 2024, MSIP will cease opting in to be a SI in Non-Equity instruments admitted to trading on a UK trading venue.

## 2. Market Segment Identifier (MSSI & MESI)

MSIP’s SI has the Market Segment Identifier ‘MSSI’, which is an ISO registered segment MIC under the ‘MSIP’ operating MIC.

MSESE’s SI has the Market Segment Identifier ‘MESI’ under the ‘MSEU’ operating MIC.

## 3. Equity and Equity-like Instruments

### 3.1 SI Quoting

#### *Liquid Instruments*

Where Morgan Stanley is an SI in instruments deemed liquid by the FCA in respect of the UK or ESMA in respect of the EU, Morgan Stanley will publish a continuous firm two-way quote at 10% Standard Market Size (“**SMS**”). Quotes from MSIP or MSESE will be based on the UK or European Best Bid and Offer as relevant to their respective regions and regulatory requirements, to ensure it reflects prevailing market conditions. Such quotes will be available to all subscribers to the Cboe market data feed.

### ***Illiquid Instruments***

For instruments deemed illiquid by the FCA in respect of the UK or ESMA in respect of the EU, Morgan Stanley will provide quotes directly to individual clients (“**Private Quotes**”) in response to client requests. Private Quotes will be firm two-way quotes of at least 10% SMS.

### ***Exceptional Market Conditions***

Morgan Stanley may not quote during exceptional market conditions.

## **3.2 Access to SI Quotes**

Clients are not tiered in terms of access to SI quotes.

### ***Continuous SI Quotes on Cboe***

Clients who wish to directly access continuous quotes made available via Cboe may do so via a Morgan Stanley high-touch representative. For such orders/requests that are:

- **up to 10% SMS**, Morgan Stanley commits to fill a single order per client at the quoted price or better;
- **greater than 10% SMS but less than SMS**, Morgan Stanley’s commits to fill a single order/request per client but only up to 10% SMS (again, at the quoted price or better); or
- **above SMS**, Morgan Stanley has discretion whether to provide a quote which may be at a different price to the continuously quoted price.

### ***SI Quotes for Illiquid Instruments***

Morgan Stanley will fill orders received in response to Private Quotes as defined above.

## **3.3 Price Qualifiers**

In justified cases, Morgan Stanley may execute orders below Standard Market Size at prices better than our publicly quoted price. Where price improvement occurs, executions will be identified as “RPRI” for post trade reporting by populating the FIX tag 8014 with a value of “14”. Executions not subject to current market price will be identified for post trade reporting as “TNCP” by populating the FIX tag 8014 with a value of “16”. It should be noted that TNCP has not been in use in the EU since January 2024 and the RPRI qualifier for post trade improvements will no longer persist in the UK post April 29<sup>th</sup> 2024.

## **3.4 SI Hours and Modes of Operation**

The Morgan Stanley SI will provide continuous quoting as outlined in the SI Quoting section between 07:00 GMT and 16:40 GMT, in line with the continuous trading hours of the primary markets of issuance for each instrument. During this time, quotes for individual instruments will be available via Cboe market data feed, except during periods of exceptional market conditions or periods where the primary market is not in continuous trading, including auctions. Depending on the mode of access, clients may be able to execute trades with the Morgan Stanley SI outside of continuous quoting hours. For the purposes of EU RTS 27 (to the extent applicable and in force), the Morgan Stanley SI will operate as a “main session” trading platform and will not conduct Auctions.

### 3.5 SI Venue FIX Messaging

Where fills are provided from Morgan Stanley's SI, the execution platform is designed to send back the last market of "MSSI" or "MESI" in FIX tag 30 to clients trading over FIX. In addition to providing the specific venue of execution in tag 30, Morgan Stanley's FIX interface is designed to populate the order attribute tag 574 as "9" to fills coming from Morgan Stanley's SI and use tag 20073 to specify whether a fill is indicative or actual. Where trading via Morgan Stanley's electronic platform (either direct MSET client trading or client orders traded manually by Morgan Stanley's high-touch trader), we will make available tag 2405 to indicate the category of liquidity that clients have interacted with.

There may be scenarios where Morgan Stanley executes trades under an exemption to the UK or EU Share Trading Obligation and is therefore permitted to trade outside a UK or EU Regulated Market, MTF or Systematic Internaliser. In these situations, Morgan Stanley may provide OTC fills with a last market indicator of "MSIP" or "MSEU". In such circumstances, if Morgan Stanley is an SI in the instrument, the trade reporting obligations remain unchanged (i.e., as if the execution had occurred within the Morgan Stanley SI).

Morgan Stanley will use FIX tags 8013, 8014 and 855 to provide clients with relevant trade qualifiers such as whether the execution price was subject to specific conditions or price improvement relative to our public quote. For further information on MiFID II-related FIX tag changes, clients should contact their usual Morgan Stanley representative.

## 4. Non-equity Instruments

Where Morgan Stanley is a SI in a Non-Equity Instrument that is deemed liquid by the FCA in respect of the UK that is considered to be traded on a trading venue and agrees to provide a firm quote which is under the Size Specific to the Instrument ("SSTI") for that Non-Equity Instrument, Morgan Stanley will publish its quote via an Approved Publication Agreement ("APA"). Morgan Stanley has appointed Tradeweb as its APA in the UK and Morgan Stanley quotes are visible at their website: <https://www.apapremium.tradeweb.com>. Clients that wish to execute against a published quote should contact their usual Morgan Stanley representative.

### 4.1 Access to SI Quotes

Morgan Stanley is allowed to limit access to published firm quotes on an objective, non-discriminatory basis.

For non-equity instruments, objective, non-discriminatory differentiation may be applied based on factors such as:

- counterparty risk (including, but not limited to, the terms of a client's credit support annex);
- credit quality;
- counterparty or trading type (including, but not limited to, counterparties that are trading via algorithms, acting as intermediaries/inter-dealer broker or liquidity providers in the instrument being quoted).

### 4.2 Limits on executions

Morgan Stanley is allowed to establish transparent limits on the number of executions it permits against a published quote. For Non-equity Instruments, Morgan Stanley will execute against a published quote with any client that has access to the quote. If the client who executes on the published quote is not the client who requested the quote, then Morgan Stanley will make the quote available for execution by the client that requested the quote until the quote expires, unless the subsequent execution with the requesting client would result in Morgan Stanley moving from a long to a short position.

Morgan Stanley may make some firm quotes only executable by the requesting client/entity (e.g., unwinds, novations, buy-backs). In these situations, Morgan Stanley will publish these quotes in a form determined by the APA that indicates they are non-executable.

Firm quotes will be published and executable for a period of time appropriate to the relevant instrument. Morgan Stanley may update a published firm quote at any time. Morgan Stanley may withdraw a published firm quote during exceptional market conditions.

### **4.3 Designated Reporter Regime (DRR)**

MSIP and Morgan Stanley Bank International Limited (MSBIL) have registered with the FCA as a Designated Reporter (DR). The DR status will apply to all of MSIP and MSBIL's reportable activity across all financial instruments. From 29 April 2024, MSIP/MSBIL will be responsible for reporting all trades executed with counterparties not already registered as a DR. Where the MSIP/MSBIL trades with another DR from that date, the seller will assume reporting obligations.