

MORGAN STANLEY ASIA ORDER EXECUTION POLICY

In accordance with applicable legal and regulatory requirements, this document sets out the order execution policy (“the Policy”) in respect of Morgan Stanley’s institutional securities business conducted by the Institutional Equity Division in Asia. A copy of this document is also available at <https://www.morganstanley.com/disclosures>.

General

Morgan Stanley will, as it always has done, endeavour to provide clients with a competitive global and multi-asset class execution capability of the highest quality, designed to deliver efficient execution services in a cost-effective manner. Our primary objective in handling client orders is to deliver the highest quality executions reasonably available under the circumstances and within the context of applicable markets, seeking to balance often conflicting considerations with a view to providing clients with the best possible result on a consistent basis.

Morgan Stanley has established a governance framework with applicable policies, including an order execution policy, which are intended to obtain the best possible results for client orders on a consistent basis, subject to and taking into account any specific instructions, the nature of clients’ orders and the nature of the markets and products concerned. While Morgan Stanley will take all sufficient steps based on resources available to us to satisfy ourselves that we have processes in place that can reasonably be expected to lead to the delivery of the best possible result for our clients, we cannot guarantee that we will always be able to provide best execution on every order executed on behalf of clients. If you give us a specific instruction, we will follow that instruction, but this may not result in the same quality of execution as where we retain discretion in relation to the exercise of your order.

Our commitment to provide clients with “best execution” does not mean we owe clients any fiduciary responsibilities over and above the specific regulatory obligations placed upon us or as may be otherwise contracted between us and a client.

Scope

This document applies where clients legitimately rely on Morgan Stanley staff in Asia to protect their interests in order execution.

For the purposes of this Policy, “Morgan Stanley” and “we” refers to Morgan Stanley Asia Limited (“MSAL”), Morgan Stanley Australia Securities Limited (“MSASL”)¹, Morgan Stanley MUFG Securities Co., Ltd (“MSMS”)², Morgan Stanley Asia (Singapore) Securities Pte Ltd (“MSASS”)³, Morgan Stanley Asia (Singapore) Pte. (“MSAS”)³, Morgan Stanley India Company Private Limited (“MSICPL”)⁴, Morgan Stanley & Co. International Plc, Seoul Branch (“MSK”)⁴, and Morgan Stanley Taiwan Limited (“MSTL”)⁴.

¹ For MSASL’s clients, please refer to Terms of Business entered between you and MSASL. For activity conducted with MSASL, the Policy only applies to cash equities. In the event of any inconsistency between the content of the Policy and the Terms of Business, the Terms of Business prevails.

² Please refer to [MSMS’ best execution policy](#) for trading Japan listed products. For activity conducted with MSMS, the Policy applies to cash equities. In the event of any inconsistency between the content of this Policy and MSMS’ best execution policy, the MSMS’ best execution policy prevails.

³ Please refer [MSASS’ and MSAS’ best execution policy](#). For activity conducted with MSASS and MSAS, the Policy applies to all capital markets products. In the event of any inconsistency between the content of the Policy and MSASS’ and MSAS’ best execution policy, the MSASS’ and MSAS’ best execution policy prevails.

⁴ For activity conducted with MSICPL, MSK and MSTL, the Policy applies to exchange listed products only.

This Policy does apply to transactions which are only booked to Morgan Stanley, but where the client facing activities (such as agreeing the terms of the transactions) are carried on exclusively by employees of Morgan Stanley companies or branches other than MSAL, MSASL, MSMS, MSASS, MSAS, MSICPL, MSK, and MSTL.

Overview

What is Best Execution?

Where we owe clients the duty of best execution we are required to take all sufficient steps to obtain the best possible result for our clients taking into account the following factors (together *best execution factors*):

- price;
- speed and likelihood of execution;
- costs;
- speed and likelihood of settlement;
- order size;
- nature of the order; and
- any other consideration relevant to the efficient execution of the client's order such as the nature of the relevant market, prevailing market conditions and attempting to minimise market impact.

Ranking of execution factors

We are required to determine the relative importance of each of the best execution factors set out above and may take into account the following general criteria:

- your characteristics;
- the characteristics and nature of your order, including any specific instructions received;
- the characteristics of the financial instruments that are the subject of your order; and
- the characteristics of the execution venues to which your order can be directed.

However, we may from time to time agree with you that a different ranking for the execution factors will apply. In certain circumstances, for some client orders, financial instruments or markets, we, in our discretion, may determine that other factors may be more important in seeking to achieve the best possible execution result in accordance with our order execution policy.

Applicability

This document contains a detailed breakdown of the application of the obligation of best execution in respect of each business unit and product traded with you by Morgan Stanley's institutional securities businesses (see below).

When does Best Execution Apply?

Executing an order on behalf of a client – We owe best execution when executing orders on your behalf. We will also owe best execution when we are transmitting orders on your behalf to a third-party broker for execution. Generally, we will be in receipt of an order and acting on your behalf where an execution instruction is received from you that gives rise to contractual or agency obligations owed by us to you. Such contractual or agency obligations will arise where we are required to exercise discretion in relation to the execution of your instruction and you are legitimately relying on us in relation to the exercise of that discretion.

When Does Best Execution NOT Apply?

Request for quote (“RFQ”) – Circumstances in which we consider that you will not generally be legitimately relying on us in relation to the execution of your orders include where we are approached by you for a RFQ – i.e., when you ask us to provide you with a quote in a particular financial instrument. If we receive an order from you and a portion of it relates to RFQ, we consider that you will not generally be legitimately relying on us in respect of the RFQ portion, but we may continue to owe an obligation of best execution in respect of the elements of the order that are not subject to RFQ.

Facilitation and Guaranteed trades – Best execution will not apply to facilitation and other guaranteed trades, such as guaranteed benchmark and blind risk portfolio trades, where a client requests us, acting as principal, to commit capital and provide an agreed price or to guarantee an agreed benchmark. These prices will be our own risk price and will not be subject to the best execution requirements.

It is however, important to note that although in the above situation (or other situations as described in this document, for instance, risk price exotic derivative and/or structured product transactions where) we will typically not owe best execution from a regulatory perspective, although we will strive to provide you with fair price reasonably available under the circumstances, we will still be required to treat you fairly and also to manage any conflicts of interest that may arise.

Impact of a specific instruction – If we receive an order from you that includes a specific instruction, or instruction(s) in relation to the handling and execution of the entire order or a particular aspect or aspects of the order (including selecting a particular execution venue, executing at a particular price or time or through the use of a particular strategy) then, subject to our legal and regulatory obligations, we will execute your order in accordance with your specific instruction.

This may prevent us from taking steps designed and implemented to obtain the best possible result for the execution of those orders. It also means that to the extent of the specific instruction or instructions, our obligation to deliver best execution will be satisfied by executing the order in accordance with your specific instruction. Where your specific instruction covers only a portion of an order (for example, as to the choice of venue), and we have discretion over the execution of other elements of the order, then we will continue to owe an obligation of best execution in respect of the elements of the order that are not covered by the specific instruction.

In the absence of express instructions, Morgan Stanley will exercise its own discretion, having regard for the terms of the order in determining the factors that it needs to take into account for the purpose of providing the client with Best Execution.

Execution Venue

For the execution of client orders, Morgan Stanley may use one or more of the following venue types:

- exchanges, regulated markets;
- alternative liquidity venues;
- Morgan Stanley and its affiliates where we internalise relevant orders; and
- Market makers or other liquidity providers.

Execution Venues can include venues of which we are a direct member or participant and venues that we access through third party brokers or dealers.

Use of Third-party brokers & Morgan Stanley affiliates

We will typically execute through our affiliates wherever possible unless you specify otherwise. Where we use a third-party broker (including an affiliate) to execute transactions, we retain an overarching best execution obligation, subject to the facts and circumstances surrounding the relevant market and the terms and instructions provided by you. We satisfy this obligation by undertaking due diligence to validate the adequacy of the third-party broker's execution performance and connectivity and to ensure that there are satisfactory arrangements to ensure the confidentiality of our order flow and execution instructions.

Governance / review process

The Morgan Stanley's Best Execution Governance Framework monitors the effectiveness of the execution arrangements (including this Policy and the scope of the best execution obligation) and will assess, from time to time whether any modification is required to this Policy and/or the best execution arrangements.

Application – by business and product

A. Equities

Execution Factors

Unless stated otherwise, across all equity products the ranking of the best execution factors is typically as follows:

1. Price
2. Likelihood of execution

The remaining execution factors – cost, speed, order size, nature of the order and any other consideration relevant to the efficient execution of the client’s order may also be taken into consideration.

This is subject to any agreement with you in relation to a particular trade or trades where the ranking of the execution factors may differ. Such agreement may be on an order-by-order basis, or may be agreed on a systematic basis, provided that any such agreement between us will be treated by us as an instruction from you that we have accepted in respect of the relevant transactions.

Application of best execution duty

Cash Equities

“Working order” trades

We consider that best execution is owed in respect of “working order” trades. Where we accept an instruction to “work” an order, Morgan Stanley will generally be exercising discretion as to how to execute that order on your behalf. However, “working order” trades in relation to cash equities can involve highly prescriptive specific instructions from you as to how you require the trades to be executed, and this will limit our duty of best execution to only those matters which are not covered by specific instructions.

Give-up trades

We consider that best execution is owed to clients in respect of give-up trades where we are the executing broker. We will apply the same execution arrangements as if it is a “working order” trade.

Principal trades/Risk price transaction

Where we are acting as principal on a risk price transaction and assume risk in relation to the transaction we have entered into with you, we do not consider that we owe best execution where you initiate the trade, and the nature of the market is that you have the ability to, and will, ask for quotes from a number of dealers. In this case, we do not consider that you are relying on us in relation to the execution of the trade.

Exchange-Traded Derivatives

“Working order” trades

We consider that best execution is owed in respect of “working” an order on exchange-traded derivatives trades. However, “working order” trades in relation to exchange-traded derivatives can involve highly prescriptive specific instructions from you as to how you require the trades to be executed and this will limit our duty of best execution to only those matters which are not covered by specific instructions.

Principal trades/Risk price transaction

Where we are acting as principal on a risk price transaction and assume risk in relation to the transaction we have entered into with you, we do not consider that we owe best execution where you ask us to quote a price, for example block prices, and the nature of the market is that you have the ability to, and will, ask for quotes from a number of dealers. In this case, we do not consider that you are relying on us in relation to the execution of the trade.

OTC Equity Derivatives / OTC Structured Products

“Working order” trades

We consider that best execution is generally owed when working an order for hedging of equity derivatives (e.g. single stock swaps, equity index swaps, options) or structured products. These trades involve us exercising discretion in relation to the execution of the underlying hedge. Where we owe best execution, it applies to the execution by us of the equity derivatives or the structured products, but is measured and monitored by reference to the execution of the underlying hedge as the price component of the equity derivative or the structured product. Under the circumstances where these “working order” trades can involve highly prescriptive and specific instructions, this will limit the duty of best execution to only those matters which are not covered by specific instructions.

Convertible transactions

For convertible transactions, we consider that the duty of best execution is owed to you in respect of working orders where the price of the convertible bond is derived from the delta hedge. The duty of best execution will be measured and monitored by reference to the execution of the delta hedge. For convertible transactions whereby we will source liquidity from other clients and/or brokers i.e., principal back-to-back transactions, the obligations to deliver best execution remains with us as you are relying on us to protect your interests.

Principal trades/Risk price transaction

Where we are acting as principal on a risk price transaction and assume risk in relation to an equity derivative (including risk on the underlying hedge) or structured product trades we have entered into with you, we do not consider that we owe best execution under circumstances where: (i) you initiated the trade; (ii) the price is a result of negotiation and features of the equity derivatives/structured products; and (iii) the nature of the market is that you have the ability to, and will, ask for quotes from a number of dealers, and therefore leaving you to ultimately decide whether to transact with us. In this case, we do not consider that you are relying on us in relation to the execution of the trade.

Give-in trades

Where we owe best execution it applies to the execution of the swap by us, but will be measured and monitored by reference to the execution of the underlying hedge as the price of the swap reflects the price of the hedge. However, in the case of give-in trades you will provide us with a specific instruction as to which broker you require us to use for the purposes of entering into the underlying hedge and the price at which the underlying hedge will be executed. Therefore, the duty of best execution is very limited as long as the swap reflects the price of the underlying hedge as it will not apply to your choice of broker or the price of the trade.

Margin Loan

We consider that best execution does not apply to margin loan. This is because loan transactions have the following characteristics: (i) We are approached and requested by you to provide a pricing/rates for services; (ii) the nature of the market is such that you will generally have access to a number of different lenders/counterparties, to seek availability; and (iii) as a result of the nature of the transaction, you have the ability to access information through other lenders/counterparties/third-party data providers of the pricing/rates at which the loan can be effected. As a result, we do not owe best execution obligations to loan transaction.

B. Securities Financing Transactions

We consider that best execution does not generally apply to securities financing transactions (including, but not limited to, securities borrowing and lending, sales and repurchases, margin lending or other similar transactions). This is because the transactions have the following characteristics: (i) we are approached and requested by you to provide a pricing/rates for services such as lending services or enter into a sales and repurchase transaction; (ii) the nature of the market is such that you will generally have access to a number of different dealers/lenders/counterparties to seek availability and (iii) as a result of the nature of the transaction you have ability to access information through other dealers/lenders/counterparties/third party data providers of the pricing/rates which the transaction can be effected. As a result, you are not relying on us in relation to the execution of the transaction.