



## Conflicts of Interest Disclosure

Morgan Stanley Wealth Management Canada Inc. ("MSWC" or the "Firm") has introduced this Conflict of Interest Disclosure ("Conflicts Disclosure") describing existing and reasonably foreseeable material conflicts of interest that may affect you as a client. This Conflict Disclosure is applicable to clients of our Morgan Stanley Virtual Advisor ("MSVA") team and clients that are serviced by a dedicated Financial Advisor ("FA") of MSWC. Clients of Morgan Stanley Access Direct ("MSAD"), the self-directed division of MSWC, will receive a conflict of interest disclosure document specific to the MSAD division.

This document does not create or modify any agreement, relationship, or obligations between you and MSWC. Should any additional material conflicts of interest be identified after delivery of the Conflicts Disclosure, we will inform you in a timely manner. Please review the Conflicts Disclosure and if you have any questions or would like more information, please contact us at: +1 (833) 352-0107.

### 1. *Conflict of Interest Defined*

A conflict of interest is any circumstance in which the interests of different parties, such as the interests of a client and those of MSWC, are inconsistent or divergent. While providing our clients with the best possible service to achieve their financial goals, there may be times when a conflict emerges between our clients' interests and our own. It is important our clients understand these conflicts and how MSWC will oversee them. This Conflicts of Interest Disclosure outlines key conflicts we have identified.

We have a regulatory obligation to identify all such conflicts, and to manage them accordingly. We will manage these conflicts through:

- **Avoidance:** Conflicts prohibited by law or are otherwise unmanageable must be avoided.
- **Control:** Certain conflicts must be controlled; for example, the physical separation of business units and/or departments to restrict the flow of highly sensitive information.
- **Disclosure:** Most conflicts can be managed by way of full disclosure to clients thereby enabling them to independently assess their significance when evaluating, for example, investment recommendations made by their financial advisor.

### 2. *MSWC Responsibility to Identify Conflicts of Interest*

MSWC shall take reasonable steps to identify existing and potential material conflicts of interests between the interests of MSWC and the interests of the client. Where an MSWC employee becomes aware of an existing or potential material conflict of interest, the existing or potential conflict shall be reported immediately to the Firm.

### 3. *MSWC Responsibility to Address Conflicts of Interest*

MSWC must consider the implications of any existing or potential material conflicts of interest between the Firm and the client. The Firm must address the existing or potential material conflict of interest in a fair, equitable and transparent manner, and considering the best interests of the client or clients.

Any existing or potential conflict of interest between the Firm and the client that cannot be addressed in a fair, equitable and transparent manner, and considering the best interests of the client or clients, must be avoided.

MSWC must adequately supervise how existing or potential material conflicts of interest between the Firm and the client are addressed.

### 4. *Responsibility to Disclose Conflicts of Interest*

Unless avoided, an existing conflict of interest must be disclosed to the client in all cases where a reasonable client would expect to be informed:

- For new clients, prior to opening an account for the client
- For existing clients, either as the conflict of interest occurs or, in the case of a transaction related conflict of interest, prior to entering the transaction with the client.

Generally, a conflict of interest is material if the conflict may be reasonably expected to influence either your decisions as a client in the circumstances or MSWC or its representatives' decisions in the circumstances.

MSWC identifies and addresses material conflicts of interest through policies and procedures, including the Morgan Stanley Code of Conduct that clearly outlines that employees are to avoid any situation in which their personal interests conflict or appear to conflict with their responsibilities as a MSWC employee.

MSWC's Compliance Manual includes a chapter on "Conflicts of Interests and Business Practices" that includes a defined escalation procedure for conflicts of interest and the role of MSWC employees and the MSWC Chief Compliance Officer.

### 5. *Information About How We Manage Material Conflicts of Interest*

#### 5.1 *Outside Business Activities*

We may permit certain individuals who are employed with us to be employed by, participate in, or accept compensation outside the scope of his/her relationship with us. In addition, individuals may serve on a board of directors or take on other activities that could take time or attention away from their duties with MSWC. MSWC manages this conflict by:

- Adopting internal policies and procedures that involve review and approval of all Outside Business Activities to ensure they are not in conflict with their MSWC obligations.
- Securities legislation prohibits an individual from serving as a director of another registered firm that is not an affiliate of our firm.
- When an individual sits on a board of directors (i.e., a charity or condominium board) or undertakes other community activities in any substantive way, they are subject to both internal policies and regulatory guidance on the disclosure and approval of the Outside Business Activities.

#### 5.2 *Gifts and Entertainment*

Employees of MSWC may be offered or receive a gift or entertainment which could compromise or give the impression of compromising their independence. For example, an MSWC employee may potentially offer and/or receive gifts from clients which may influence the services that representatives provide.

MSWC manages this conflict of interest by:

- Adopting internal policies and procedures that supplement regulatory requirements, including policies regarding gifts and entertainment; and

- Prohibiting individuals registered with MSWC from accepting certain compensation from any other person, outside the scope of their relationship with MSWC, unless they obtain prior approval from MSWC.

### 5.3 *Personal Trading*

Employees of MSWC may have access to confidential information including the trading activities of any client which they could use for their own personal trading purposes, with a potential negative outcome to a client such as through placing trades ahead of client trades (i.e., front-running).

MSWC manages this conflict of interest by:

- Complying with legal and regulatory requirements imposing restrictions on personal trading.
- Adopting internal policies and/or procedures that supplement regulatory requirements to address personal trading, including,
  - At the time of hiring and on an annual basis, MSWC obtains a disclosure of trading accounts from applicable MSWC representatives (i.e., employee accounts); and
  - Monitoring and reviewing transactions in employee accounts on a regular basis.

### 5.4 *Conflicts Related to Referral Arrangements*

We, or our affiliates, may contact you about products and services offered by MSWC or other divisions of MSWC. The purpose of these internal referrals is to better align your financial goals with the Morgan Stanley division that is best placed to provide the specific services or products that may benefit you. All registerable activities will be provided by the employee receiving the referral.

MSWC and Morgan Stanley Smith Barney LLC ("MSSB"), a registered broker-dealer and investment adviser with the U.S. Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"), have entered into a referral arrangement in which MSSB (or an FA of MSSB) may refer clients to MSWC (or an FA of MSWC) for the provision of certain investment advisory, investment management and/or securities dealing services, or vice versa. If you were referred to MSWC (or an FA of MSWC) by MSSB (or an FA of MSSB), or vice versa, for the provision of certain services, MSWC may compensate MSSB, or MSSB may compensate MSWC, as applicable, for the referral, and the referring FA may in turn be compensated. MSSB relies upon registration exemptions for international advisers and dealers in Canada and is not registered under Canadian securities laws. Any service that requires registration under Canadian securities laws will be provided by MSWC, a registered investment dealer and member of the Canadian Investment Regulatory Organization ("CIRO"), and not MSSB. If you were referred to MSWC (or an FA of MSWC) by MSSB (or an FA of MSSB), or vice versa, MSWC will pay MSSB, or vice versa, a percentage of the transaction-based compensation or investment advisory or management fees you pay to us or a fixed one-time fee, as MSWC and MSSB may agree, and the referring FA may in turn share in this compensation. The decision as to whether or not you wish to be referred to MSWC or MSSB or to another FA of MSWC or MSSB and become a client of MSWC or MSSB or another FA and remain a client is solely yours.

You will not pay us any additional compensation as a result of the referral arrangement described above. There may be a potential conflict of interest as a result of the referral arrangement described above, as MSSB or MSWC and, if applicable, the referring FA, will benefit, financially or otherwise from having certain services provided by an affiliate. We will address this conflict by providing this disclosure to you and by otherwise acting in accordance with applicable laws.

### 5.5 *Third-party Compensation*

MSWC could receive compensation from third-party entities in connection with certain products available on its platform.

MSWC will operate both non-managed Fee-Based accounts and managed accounts (collectively, "Fee-Based Accounts"). MSWC will not collect third-party compensation in Fee-Based Accounts where you pay a recurring fee based on the assets held in the account. MSWC's goal is to prohibit the availability of any product in a Fee-Based Account that provides MSWC with third-party compensation such as trail-paying securities.

To manage this conflict, we apply a product review process when selecting products that verifies the inclusion of products on the MSWC product shelf that do not provide third-party compensation to MSWC. In addition, MSWC will review all products

transferred into MSWC Fee-Based Accounts to prevent products that pay third-party compensation from being received into a Fee-Based Account.

### 5.6 *Proprietary Products*

MSWC does not currently offer for sale any proprietary products manufactured by MSWC or its affiliates. Offering proprietary products is considered a material conflict of interest.

If MSWC offers proprietary products of MSWC or an affiliate in the future, we will manage this conflict by:

- Obtaining client instructions for transactions on investments, including proprietary products of MSWC or affiliates.
- Disclosing to clients related and connected issuer relationships on trade confirmations.
- Vetting all new products through a product review process that considers various factors in assessing whether proprietary products should be included on the MSWC platform.
- Prohibit specific financial incentives to MSWC staff to sell proprietary products over non-proprietary products.

### 5.7 *Affiliated Products*

MSWC may offer products managed by affiliates of MSWC. By doing so, MSWC has a conflict of interest to include recommend such products to clients because MSWC may have a financial incentive to favor them.

MSWC believes that this conflict is addressed by the fact that neither the persons responsible for the initial and periodic review of these products, nor the Financial Advisors who identify the products to particular clients, receive any direct financial benefit (such as additional compensation) from the investment of assets in those products. Moreover, with respect to fee-based accounts, since because Financial Advisors are typically compensated through the receipt of the portion of the fee paid to MSWC, Financial Advisors to that extent are incentivized to identify products they believe will increase the value of the account, regardless of whether or not the products are managed by affiliates of MSWC. Further, all affiliated products will be subject to the same initial and periodic review as unaffiliated products.

### 5.8 *Compensation Related Conflicts*

We may provide compensation to our employees in the following ways:

- Base salary
- Bonus based on defined performance criteria
- Compensation based on the value of the assets held on your account
- Percentage of commissions, spreads, and trailer fees received by MSWC

For certain FAs, MSWC pays recruiting and retention compensation when they join MSWC and/or based on certain milestones, including milestones that relate to the FA's assets under management. This compensation structure increases the FA's financial interest in increasing the amount of client assets at MSWC.

For clients who have a dedicated FA, MSWC typically pays a portion of both commissions and fees to those FAs. The portion received by the FA is the same regardless of whether the client is invested in a commission or fee-based account. Certain fees may be negotiable based on a number of factors, including the size of the account, anticipated level of trading activity, services provided to the account, historical factors, and/or the scope of your relationship with your FA.

#### **a. Fee-Based Accounts**

If you invest in a Fee-Based Account, a portion of the fees payable to us in connection with the account is allocated on an ongoing basis to the FA. The amount allocated to the FA in connection with Fee-based accounts may be more than if paid separately for transactional investment advice.

The rate of compensation paid to FAs with respect to Fee-Based accounts may be higher than the rate we pay FAs with respect to Commission-Based accounts. In such case, the FA has a financial incentive to recommend a Fee-Based account instead of a Commission-Based account. Additionally, the amount of the fee is a factor we use in calculating the compensation paid to the FA. Therefore, FAs have a financial incentive not to reduce fees. MSWC and the FA may earn more compensation if clients invest in a Fee-Based account than if a client opened a Commission-Based account to buy individual securities (although, in a Commission-Based account, clients would not receive the benefits of a managed account). FAs and MSWC therefore have a financial incentive to recommend



managed and/or fee-based accounts. MSWC addresses this conflict of interest by disclosing it to clients and by requiring supervisors to review accounts at account opening to ensure that it is appropriate for clients in light of their investment objectives and financial circumstances, for example.

**b. Commission-Based Accounts**

In a Commission-Based account, an FA has an incentive to recommend more or higher cost transactions because they generate commissions. MSWC has specific controls in place to ensure that the account is appropriate for a client at time of account opening and on an ongoing basis, in addition to the transactions that take place in the account.

**c. Borrowing to Invest**

When MSWC provides a margin loan to invest in securities, FAs may earn revenue from the investment and/or the lending activity itself. A margin loan is a loan that is secured against your account. To address this conflict of interest, MSWC has policies and procedures in place to ensure that a heightened level of due diligence is conducted when a “borrowing to invest” strategy is recommended to clients, or an FA becomes aware of such strategy. Any margin lending is reviewed and monitored independently from FAs. Additionally, clients are provided with disclosure of the potential risk and costs associated with borrowing money to invest.

**5.9 Allocation of Investment Opportunities**

When allocating investment opportunities to clients, including new issues, clients may perceive that MSWC is favoring specific clients over another when allocating these opportunities, as in many cases they are limited.

We manage this conflict by:

- Following established policies and procedures that are designed to ensure the allocation of investment opportunities for clients is performed in accordance with applicable securities legislation.
- If our clients' expressions of interest can't be satisfied in full, we will distribute the new issue to clients using a formula that we have determined to be fair and reasonable.

**5.10 Different Advice**

MSWC 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 clients' accounts.