

## **Morgan Stanley Wealth Management Canada Inc.**

### **Conflicts of Interest Disclosure Document**

Morgan Stanley Wealth Management Canada Inc. (“MSWC”) has introduced this Conflict of Interest Disclosure document describing existing and reasonably foreseeable material conflicts of interest that may affect you as a client. This document is applicable to clients of our Morgan Stanley Virtual Advisor (“MSVA”) team and clients that are serviced by a dedicated Financial Advisor of MSWC. Clients of Morgan Stanley Access Direct, 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 +1 (833) 352-0107.

#### ***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 the 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 Interests Disclosure document 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 investment advisor.

#### ***MSWC Responsibility to Identify Conflict 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 a 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.

### ***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.

### ***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.

### ***Information about how we manage material conflicts of interest***

#### **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. charity or condo 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.

## **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.

## **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 obtaining from applicable MSWC representative disclosure of trading accounts (i.e. employee accounts); and
  - Monitoring and reviewing transactions in employee accounts on a regular basis.

#### **4. Conflicts Related to Referral Arrangements**

We may contact you about products and services offered by other divisions of MSWC. The purpose of these internal MSWC referrals is to better align your financial goals with the MSWC 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.

We are not paying or receiving any referral fees to/from another MSWC division or to an employee of an MSWC division. You do not pay any additional charges and fees in connection with these internal MSWC referrals and are not obligated to purchase any product or service in connection with a referral.

#### **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-part compensation in accounts that are Fee-based 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 MSWC account.

#### **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.

## **7. 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

Our compensation structure does not incentivize our employees to recommend specific products or account types. Products and Accounts may provide our employees varying levels of compensation. For example, because MSWC offers both transactional and fee-based accounts in our full service dedicated FA channel we have specific controls in place to ensure that an account is appropriate for a client at time of account opening and on an ongoing basis.

## **8. 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.