

1. Who should read this document and why?

This document is for prospective OTC clearing clients interested in obtaining OTC clearing services from Morgan Stanley.

The purpose of this document is to provide prospective OTC clearing clients information which they may find useful before they make an enquiry to become an OTC clearing client of Morgan Stanley.

2. What is FRANDT?

FRANDT (Fair, Reasonable, Non-Discriminatory and Transparent) is part of the European market infrastructure regulation (EMIR) and is aimed at ensuring OTC clearing brokers treat their clients and prospective clients in a fair, reasonable, non-discriminatory and transparent manner. For more information on FRANDT please refer to the ESMA website.

3. Onboarding Steps & Estimated Timelines

The below provides an overview of the main steps involved in the onboarding and integration process. Note these are indicative timelines based on information being provided by the client when requested. Onboarding timelines will vary on a case-by-case basis, depending on client complexity and requirements.

Credit Due Diligence – 1 week

Risk Due Diligence – 1 week

Commercial Due Diligence – 1 week

Internal Committee Review – 1 week

KYC and Legal Documentation Review (if minimal legal negotiation required) – 4 weeks

Operational Consulting and Integration – 4 weeks

Total – 12 weeks

4. Key Documentation

Below is a list of constitutional documents prospective clients are required to provide at inception of an onboard. Note additional documents may be required at discretion of the Morgan Stanley.

Constitutional Documents for Capacity & Authority Review

- Prospectus
- Certificate of Incorporation
- Memorandum and Articles of Association
- Charter/By-laws
- Board resolution authorizing prospective client can trade derivatives and authorizing who can sign the agreement
- Investment Management Agreement
- Extract of commercial registry
- Specimen signatures of authorized signatories

Credit Documentation

Hedge Funds

- A Prospectus
- Due Diligence Questionnaire
- Three years audited Financial Statements
- Monthly Net Asset Value and Performance for at least 12 months

Non-Levered Funds

- Prospectus / Investment Guidelines
- NAV

Pension Funds

- Annual Report
- IMA including investment guidelines and mandate size

Banks and Other Prospective Clients Types

- Three years audited financial statements

Operational and Regulatory Requirements:

- Account Opening Questionnaire
- Tax adherence certificates (e.g. CRS, W8, W9)
- US QFC adherence
- EMIR Classification
- EMIR Article 39 Written Offer
- MIFID II Clearing Due Diligence

Please note clients may be required to provide additional regulatory related documentation depending on which Morgan Stanley entity they documented with.

5. Request for Proposal (RFP) Form

Should you wish to find a sample OTC Clearing RFP template, which can be used to enquire about the OTC clearing services this can be found on <https://www.morganstanley.com/institutional-sales/derivatives-clearing-disclosures>

For further information on the points outlined in this document, please contact the Morgan Stanley Client Clearing sales team via the following email address:
ldsaleslon@morganstanley.com