PRODUCT PROPOSAL PACK

Long Income Plan: August 2018

This document is intended solely for FCA authorised persons, including financial advisory firms and wealth managers ('Professional Advisers'). It is not suitable for, and should not be distributed to, clients or potential clients.

All information is believed to be correct as of 18 Jun 2018.

Introduction

We make our product proposal packs (PPPs) available to Professional Advisers in order to provide transparency with regard to our internal processes behind our products – and to support Professional Advisers in their product research and due diligence.

Throughout the following pages, numbers in "[]" (e.g. [3.2.1 (1)]) are references to the FCA's Product Governance Sourcebook (PROD) which may help explain the context of why we consider certain elements in our product approval process.

Contents

Tempo Structured Products is a trading name of ARC SP LLP, registered in England (No. OC400846), with its registered offices at 338 Euston Road, London NW1 3BG. Tempo Structured Products is an appointed representative of TIME Investments, which is a trading name of Alpha Real Property Investment Advisers LLP. TIME Investments is authorised and regulated by the Financial Conduct Authority (FCA No. 534723). Tempo Structured Products and TIME Investments are subsidiaries of Alpha Real Capital LLP, which is authorised and regulated by the Financial Conduct Authority (FCA No. 436048).

SECTION 1: PRODUCT INTRODUCTION AND OVERVIEW

1. Product name	Long Income Plan: August 2018
2. New / Re-issue	Re-issue.
3. Product type	CaR structured product plan investing in underlying securities.
4. Product sub-type	Defensive conditional income, with early maturity feature.
5. Target market: end clients	Retail. Educated / Informed (UKSPA) and Informed (MiFID).
6. Distribution channel	FCA authorised and regulated investment firms, providing the services of portfolio management and investment advice.
7. Issuing entity / Counterparty Bank	The securities for the product are issued by Morgan Stanley B.V. and guaranteed by Morgan Stanley. Morgan Stanley are the Counterparty Bank for the product.
8. Additional Counterparty Banks: via credit link	N/A.
9. Market / underlying	UK stock market / FTSE 100 (the 'index').
10. Term	10 years (maximum); an early maturity feature provides the potential for automatic early maturity at each annual income date from the end of the 5th year.
11. Risk type	Capital-at-risk product.
12. Barrier	60% end of term ('European').
13. Plan applications	ISA / ISA transfers; direct investments; pensions (SIPP, SSAS, etc.); corporate, charity, trusts.
14. Maximum plan investment	£1,000,000 (sums above this level may be pre-agreed by us with the Professional Adviser).
15. Minimum plan investment	£5,000 (sums below this level may be pre-agreed by us with the Professional Adviser).
16. Product description	A product that is part of our 'Deliberately Defensive' core product range. A maximum 10-year investment plan linked to the UK stock market, offering conditional income each year, with an early maturity feature. The plan offers the potential for income of 5.25% each year, which is payable on each annual income date at which the FTSE 100 is at or above 60% of its start level. This plan includes an early maturity feature. If the FTSE 100 has risen by 25% and is at or above 125% of the start level on any annual income date from the end of the 5th year the plan will mature early automatically. The final income payment will be made, and the money invested repaid. Protection from a fall in the index, to a defined level of 40%, is also provided, on the end date, if the product does not kick-out and mature during the investment term.
17. Potential income: - annual - maximum	The potential annual income of the plan is 5.25%. The maximum potential return of the product is 52.5% over its full investment term.
18. Requirements for income payments to be generated	The product will generate income payments of 5.25% per year, payable at each annual income date, conditional on the FTSE 100 being at or above 60% of the start level on the annual income date. If the FTSE 100 closes below 60% of the start level on an annual income date, income will not be generated for that year. If the FTSE 100 closes below 60% of the start level on each annual income date the plan will not generate any income payments. If the FTSE 100 has risen by 25% or more and is at or above 125% of the start level on any annual income date from the end of the 5th year the plan will mature early automatically. The final income payment will be paid, together with the money invested.
19. Potential for capital loss: Issuer / Counterparty Bank risk	The securities for the product are issued by Morgan Stanley B.V., part of Morgan Stanley (and are guaranteed by Morgan Stanley). The product therefore depends upon the financial stability of Morgan Stanley.
20. Potential for capital loss: Market risk	The product is designed with a 60% end of term ('European') barrier. If the index is below 125% of the start level at each annual income date from the end of the 5th year the product will not mature early during the investment term. If the final level of the index closes at or above 60% of the start level, on the end date, at year 10, money invested will be repaid in full (less any agreed adviser fees or withdrawals). If the final index level closes below 60% of the start level money invested will be reduced on a 1%-for-1% basis in line with the total fall in the index from the start level to the end level.

21. Potential for capital loss: Operational risk - Plan Manager - Plan Administration	We, Tempo Structured Products, are the Plan Manager. If we fail this is unlikely to result in a financial loss for investors. We do not hold the plan securities or operate the client money account. We have arranged for James Brearley & Sons (JBS) to provide Plan Administration and custody services. If JBS fails this is unlikely to result in a financial loss to investors unless JBS also fail to safekeep the plan securities or lose client money. If there is a financial loss then investors may be able to claim compensation from the FSCS, up to a maximum limit of £50,000 per person, subject to limits and eligibility set out by the FSCS.
22. FSCS eligibility	As a structured product (as opposed to a structured deposit), it is not usually possible for investors to claim FSCS protection / compensation for losses arising due to the Counterparty Bank failing to meet their obligations or if the UK stock market falls, for these reasons alone. FSCS eligibility may apply in certain instances (such as misselling or losses caused by the failure of the Plan Administrator / custodian).

SECTION 2: TARGET MARKET

1. **General investment thinking** [3.2.1 (1); 3.2.10 (2)]	Our current investment / markets thinking is that we may be in an 'everything lower and slower, for longer' environment, meaning that investment returns in the foreseeable years ahead could be more difficult to achieve than in recent years, which benefitted from exceptional global government and central bank stimulus (including ultra-low interest rates and quantitative easing), following the global financial crisis. In the current economic and investment environment, our investment thinking includes consideration of the following factors: - interest rates could stay low and rise more slowly than is currently anticipated - potentially for an extended period of time; - bonds may have morphed from an asset class known for low risk and solid returns to something approaching the opposite, i.e. low returns with clear risks to capital; and - we note that many commentators perceive equity markets to be fairly / fully valued, at current levels, with risks at various levels, including geo-political. Within this environment, and with this outlook in mind, we think that investors require viable investment options and solutions, that can increase the likelihood of positive returns being generated and decrease the likelihood of losses being experienced, as part of diversified and balanced portfolios.
2. **Market background** [3.2.1 (1); 3.2.10 (2)]	While kick-out products have been popular with Professional Advisers and investors for many years now, there is demand for viable income products, albeit that these are challenging to manufacture currently. Some providers offer fixed and non-conditional income products. Other providers offer conditional income products, with an early maturity feature. The condition for the income payments of such products is sometimes quite shallow (e.g. the index must remain above 80% of start level), i.e. not very defensive – and in a volatile market environment could quite easily be at risk. In addition, early maturity triggers are also quite shallow (e.g. the index may only need to rise by 5 – 10%), i.e. potentially easily triggered, meaning that income payments would then cease. Based upon relationships with and contact / research amongst Professional Advisers, and through industry knowledge and industry data, we know that there continues to be interest and demand for income products, including defensive products, with early maturity features. On a similar basis, we also know there is interest (and opportunity / need) for products based on a longer maximum investment term, with the potential to continue paying income, depending on the market environment, with a decreased likelihood of loss of capital, and that Professional Advisers are prepared to recommend such products, with a potentially longer investment term, to their clients. The proposed product therefore uses this simple, but important, feature of a longer maximum investment term, of 10 years, instead of the more usual 5 or 6 years – with a feature that provides opportunities for automatic early maturity at each annual income date from the end of the 5th year. For Professional Advisers / investors who believe that stock markets can be expected to rise over time (which is the fundamental reason to invest in markets), this simple extension of the maximum investment term provides the opportunity for continuing income payments, which are conditional on a low / deeply defensive stock market level, or early maturity, if the stock market has risen by 25% or more after 5 years - while also decreasing the likelihood of loss of capital, through the end-of-term barrier being observed after the extended term (if early maturity has not occurred during the term).
3. **Target market research** [3.2.1 (1)]	The latest UKSPA research, available to us as UKSPA members, conducted by Harris Interactive in April 2017, driven by a survey of 5,055 UK investors, who were identified to include a broad spectrum of background knowledge and experience regarding their investment interests and needs (36% 'mass retail'; 45% 'educated / informed'; 19% 'sophisticated'), showed: - 64% have a need for income (either income alone, or income and growth) - 79% looking for growth or a combination of growth / income; - 66% interested in kick-out features; - 75% interested in defensive product features; - 86% willing to put some of their capital at risk; - 69% willing to put all of their capital at risk.
4. **End client type** [3.2.1 (1); 3.2.4 (1); 3.2.8 (1)]	Retail (professionally advised), Professional & Eligible Counterparties

5. **End client knowledge & experience** [3.2.1 (1); 3.2.4 (1); 3.2.8 (1)]	End clients are expected to have:
	- experience with investments and holding a portfolio of investment products and / or an understanding that any investment should be part of a diversified and balanced portfolio
	- some knowledge of the stock market
	- an understanding of the product features as explained in the brochure, including:
	  - how movements in the index may impact the product;
	  - the main investment thinking and rationale behind the product, including how the product can be expected to perform in different scenarios, explained in the brochure;
	  - the risk / reward profile of the product compared to alternative investments, such as term deposits and investment funds;
	  - the issuer, counterparty and market risks, explained in the brochure.
	End clients are likely to be experienced in taking stock market and counterparty risk, as part of a diversified and balanced portfolio, but be interested in some protection, to a defined level, if the stock market falls.
	A lack of knowledge and experience may be mitigated by a suitability assessment, performed by an authorised and regulated investment firm.

6. **End client financial situation and ability to bear losses** [3.2.1 (1); 3.2.4 (1); 3.2.8 (1)]	End clients are expected to have the ability to tie money up for up to 10 years and to be able to bear 100% capital losses as part of a diversified and balanced portfolio.
7. **End client risk tolerance** [3.2.1 (1); 3.2.4 (1); 3.2.8 (1)]	End clients are expected to have the financial ability and willingness to put capital invested at risk, as part of a diversified and balanced portfolio.
8. **End client objectives and needs** [3.2.1 (1); 3.2.4 (1); 3.2.8 (1)]	End clients are expected to be looking for income potential, and be prepared to take issuer / counterparty, market and operational risk, as part of a diversified and balanced portfolio, in return for: - the potential for a higher level of income than might be achieved from bank or building society savings accounts; - an increased likelihood of receiving the conditional income, based on a low / deeply defensive stock market condition; and - a decreased likelihood of capital loss compared to investing in the stock market directly.
9. **Prospective end clients who should not invest** [3.2.1 (1); 3.2.4 (1); 3.2.8 (2)]	Prospective end clients who should not invest include those who: - expect the market to fall significantly over the next 10 years; or - want to invest for growth; or - do not want the income potential to be conditional; or - may need to access their money within 10 years; or - are unwilling / unable to tolerate the products' risks; or - can't bear a 100% capital loss; or - do not understand the product: or - are not investing as part of a diversified and balanced portfolio; or - do not take advice from an authorised and regulated investment firm.
10. **Distribution channel** [3.2.1 (2)]	Our distribution channel is FCA authorised and regulated investment firms, who provide portfolio management and investment advisory services.
11. **UKSPA customer segments**	The Product is targeted at end clients who are "Educated / Informed" or "Sophisticated". It may also be suitable for ''Mass Retail'' end clients who take professional advice and have had a suitability assessment.
12. **MiFID customer segments**	The Product is targeted at end clients who are "Informed" or "Advanced". It may also be suitable for "Basic" end clients who take professional advice and have had a suitability assessment.

13. Expected Experian Financial Strategy Segments (FSS)	Experian's Financial Strategy Segments (FSS) helps identify and detail the profile of consumers. It uses 2,500 data variables, and classifies over 50 million UK consumers into 15 segments (and beneath this 55 'types' and 135 distinct 'person-level' types, that differentiate the characteristics and behaviours of individuals within a household. From the 15 segments, which are detailed below, we have identified 5 (which are highlighted) as suitable target segments for the product - and 10 segments (which are not highlighted) as unsuitable: - Group A: Bright futures - Group B: Single Endeavours - Group C: Young Essentials - **Group D: Growing Rewards*** - Group E: Family Interest - **Group F: Accumulated Wealth*** - **Group G: Consolidating Assets*** - Group H: Balancing Budgets - Group I: Stretched Finances - **Group J: Established Reserves*** - Group K: Seasoned Economy - **Group L: Platinum Pensions*** - Group M: Sunset Security - Group N: Traditional Thrift
14. Expected (mean) Experian Financial Sophistication Index (FSI):	Experian's Financial Sophistication Index (FSI) covers 49 million consumers in the UK, and is underpinned by Experian's Financial Strategy Segments. A high score indicates a good level of commercial acumen and financial understanding, with greater need / demand for sophisticated financial solutions. We will target FSI scores of 75+.

SECTION 3: STRESS TESTING AND VALUE-FOR-MONEY ASSESSMENTS

1. Stress testing:
- back-testing
- forward modelling

We have conducted stress testing on the product, in line with regulatory requirements and following best practice guidelines established by UKSPA.

We conduct our stress testing with the assistance of an independent, specialist research provider, Future Value Consultants. We make their research report available on our website.

The tests were run on 14 Jun 2018 and both Tempo and UK SPA Tests were passed.

Type	Scenario	Return >	Minimum	Result
Backtest	Since Inception	Capital	75%	PASS
Backtest	15 Year (Mkt risk only)	UKSPA Benchmark	50%	PASS
FWD Model	Positive	Capital	75%	PASS
FWD Model	Positive (Mkt risk only)	UKSPA Benchmark	50%	PASS
FWD Model	Neutral	Issuer Deposit	50%	PASS
FWD Model	Neutral	Risk Free Rate	50%	PASS

POTENTIAL FOR POOR INVESTOR OUTCOMES

1. Risk of loss of capital [3.2.12 (1) (2); 3.2.13 (1) (2); 3.2.14 (2)]

The most impactful poor investor outcome would be one in which the product causes investors any loss (in part or full) of capital.

The two most direct factors that can lead to a loss of capital are:

- Issuer / Counterparty Bank failure
- Market barrier breach

The details of these risks and how they are mitigated are detailed in the 'product risks' section of this product proposal pack.

Our stress testing (back-testing and forward modelling) results show that the probability of these risks causing poor investor outcomes can be assessed to be acceptable, from a risk / return profile perspective, across neutral and positive market scenarios, and based upon the characteristics of the identified target market.

2. Risk of no income being generated [3.2.12 (1) (2); 3.2.13 (1); 3.2.14 (2)]

The more likely but less impactful poor investor outcome would be one in which the product fails to generate income for investors.

The level of the stock market index on the annual income dates will determine whether the product will generate income payments.

The details of this risk and how it is mitigated are in the 'product risks' section of this product proposal pack.

Our stress testing (back-testing and forward modelling) results show that the probability of this risk causing poor investor outcomes can be assessed to be acceptable, from a risk / return profile perspective, across neutral and positive market scenarios, and based upon the characteristics of the identified target market.

3. Risk of income being below the level of returns available through other savings or investment options [3.2.12 (1) (2); 3.2.13 (1); 3.2.14 (2)]

A poor investor outcome may also be a scenario in which the product generates income but at a level below the returns that could have been achieved through alternative investment options.

The level of available (now and / or in the future) savings rates and the level of the stock market over the investment term will determine whether a higher return could have been generated through alternative savings or stock market linked investment options than the level of income generated by the product.

The details of this risk and how it is mitigated is detailed in the 'Stress testing' section of this product proposal pack.

Our stress testing (back-testing and forward modelling) results show that the probability of this risk causing poor investor outcomes can be assessed to be acceptable, from a risk / return profile perspective, across neutral and positive market scenarios, and based upon the characteristics of the identified target market.

4. Closing Early [3.2.13 (3)]

If the offer is over-subscribed and it is not possible or commercially viable to arrange further underlying securities, the offer period may be closed early. Subsequent monies received by the Plan Administrator will be returned to investors in full, but it may not be possible for investors to invest in equivalent alternative products.

5. Failure to launch: the impact on investors if sales volume means that the product is not commercially viable to launch or if it fails to launch for any reason [3.2.13 (3)]

If sales volume during the offer period means that launching the product is not viable (for example, if the level of sales is below the level that the Issuer requires in order able to issue the securities for the product) or if the product cannot be launched for any reason, investor monies received by the Plan Administrator will be returned to investors.

If the Plan Administrator has deducted and paid adviser fees, in line with instructions on the application form, the net investment amount will be returned and investors would need to discuss the refund of the adviser fee with their Professional Adviser / investment firm.

SECTION 4: PRODUCT RISKS: IMORA > ISSUER | MARKET | OPERATIONAL RISK ANALYSIS

ISSUER / COUNTERPARTY BANKS RISK

1.	Issuer / Counterparty Bank risk affects both the potential return and the repayment of any money invested in the product	The product is backed by securities issued by Morgan Stanley B.V., part of American bank Morgan Stanley. The securities are guaranteed by Morgan Stanley, who are the Counterparty Bank for the product. Morgan Stanley are ultimately responsible for, and if necessary will meet, the payment obligations (including paying the potential returns of the plan and repaying the money invested) of Morgan Stanley B.V.
2.	The Issuer / Counterparty Bank risk	The Issuer / Counterparty Bank risk to be aware of and understand is the risk of Morgan Stanley failing, for example through insolvency or similar. The product depends upon the financial stability of Morgan Stanley.
3.	Additional Counterparty Banks risk: via credit link	N/A.
4.	How the Issuer / Counterparty banks risk is assessed / mitigated	Our approach as an independent Plan Manager, able to select and deal with issuers / counterparties without bias, is that we seek to identify and deal with strong issuers / counterparties. The FT Banker Database identifies approximately 3,400 banks globally. As a first step, we deal predominantly with banking groups that are regulatorily categorised as 'Global Systemically Important Banks' (G-SIBs) and / or, as a minimum, 'Domestic Systemically Important Banks' (D-SIBs): - as the name details, G-SIBs / are fundamentally the more important (and usually the bigger, deeper and stronger) banking groups, globally, regionally - as a result, they are subject to higher supervisory expectations, including for risk management, risk governance and internal controls; and capital adequacy requirements, including higher Tier 1 capital ratios and further incoming rules regarding Total Loss Absorbency Capacity (TLAC) As a second step, we have developed a suite of proprietary Scorecards ('TICS') that help us analyse, assess and compare prospective issuer / counterparties based upon multiple factors, with a system that provokes and supports detailed and more objective analysis, assessment, comparison, consideration and understanding ('AACCU') of financial strength / credit risk. Based on the criteria that we assess, the banks that we monitor are (with one or two exceptions) in the top percentile of the global banking universe. A TICS Report has been produced to support our selection of Morgan Stanley as the Counterparty Bank for this product. The Scorecards highlight, as at 01 Jun 2018, that the Issuer / Counterparty Bank is a G-SIB, with factors in line with our expectations for similar G-SIBs / D-SIBs.

MARKET RISK

5.	Market risk affects both the potential income and the repayment of money invested in the product during the investment term and at the end date	Both the potential income and the repayment of money invested in the product are linked to and depend upon the level of the UK stock market, represented by the index. The primary market risks are: - capital loss, caused by the index breaching the protection barrier on the end date - return of capital only / zero income, caused by the index being below the level required to generate income on the annual income dates - the level of income being lower than the returns that might have been generated by the stock market / other investment or savings options The probabilities of these risks / outcomes are analysed in Section 3 (Stress testing).
6.	Market risk to the repayment of money invested in the product, at the end date	If the index closes below the level required on all of the annual income dates no income will be generated by the product and the product will not mature early during the investment term. The repayment of money invested at maturity on the end date will then depend upon the level of the index at the end date. The product is designed with a 60% end of term ('European') Barrier. This type of barrier is only observed at the end date of the product - and cannot, therefore, be breached during the investment term. If the index closes at or above 60% of the start level on the end date, any money invested will be repaid in full. However, if the index closes below 60% of the start level on the end date, the repayment of money invested will be reduced by the amount that the index has fallen. For example, if the index has fallen by 45%, the repayment of money invested will be reduced by 45% (meaning that investors will get 55% of their investment back).

7. Market risk to the potential income payments of the product

The potential income payments of the product depend on the level of the index on the annual income dates.

The index must close at or above 60% of the start level on the annual income dates in order for the product to generate income for each year for investors.

If the index closes below the level required on all of the annual income dates no income will be generated by the product.

8. The potential income payments of the product are fixed

The potential income payments of the product are fixed. It is therefore possible that the index will increase in value by more than the level of the fixed income offered by the product.

9. Market risk to withdrawals from or cashing in an investment in the product, during the investment term

Partial withdrawals or cashing in an investment in the product is possible during the investment term.

However, if investors want to make a partial withdrawal or cash in their investment before the end date, they may get back less than they invested, as the repayment of money invested, as described in the plan brochure, only applies at the annual income dates from year 5 and the end date.

The value of the product / investments backing it during the investment term depend on a number of factors, including the level of the index and interest rates.

10. The underlying index is a 'price return' index, that does not account for dividends

While dividends that companies may pay are not guaranteed they can be an important part of the total return that investors in the stock market or mutual funds investing in these companies may benefit from.

Dividends may increase stock market returns in a rising market and provide an element of return in a falling market, which can offset some capital losses.

11. How the Market risk of the product is mitigated

The market risk of the product has been mitigated by using a 60% end of term (European) barrier, which is not observed and cannot be breached during the investment term, with a longer maximum investment term of 10 years instead of the more usual 5-6 year term.

Product features are designed to reduce the market risk of the product:

- firstly, by using a low / deeply defensive condition for income payments to be generated; and
- secondly, by decreasing the likelihood of a barrier breach, for investors who expect markets to rise over time.

OPERATIONAL RISK (PLAN MANAGER / PLAN ADMINISTRATION)

12. Plan Manager risk

We, Tempo Structured Products, are the Plan Manager.

We are responsible for designing and arranging the product, working with the Issuer / Counterparty that is responsible for issuing the investments that the product is based upon, selecting the Plan Administrator, and promoting to and supporting the Professional Advisers who wish to use the product with their clients.

If we fail this is unlikely to result in a financial loss for investors. We do not hold the plan securities or operate the client money account.

13. Alpha Real Capital operational strength

As a wholly owned subsidiary of Alpha Real Capital, we benefit from the operational strength of the group, which supports us in our role as Plan Manager.

To assist Professional Advisers in their due diligence we pro-actively provide details of our group, including full financial reports and accounts:

- Group AUM / capital commitments: £2.2 billion (31 Dec 17)
- TIME Investments AUM: £800 million+
- Alternative Real Capital AUM / capital commitments: £1 billion+
- Alpha Real Capital has a strong balance sheet, with no debt
- Group net asset value: £55.5 million (31 Mar 17)
- 2017 group revenue / operating profit: £26.4m / £15.2m (31 Mar 17)

14. Alpha Real Capital Financials / accounts

	To 31 Mar 2015	To 31 Mar 2016	To 31 Mar 2017
Revenue	£16.7m	£17.3m	£26.4m
Operating profit	£7.1m	£7.1m	£15.2m

15. Plan Administrator risk

We have arranged for James Brearley & Sons Ltd (JBS) to provide Plan Administrator and custody services.

JBS are responsible for providing administration and custodian services for the product, with further administrative support and service provided by the client service team of TIME Investments, to ensure high quality and flexible administration service for professional advisers and their clients.

Investors in the product become a client of JBS.

JBS have a number of responsibilities, including processing applications during the offer period, acting as the agent of investors in purchasing the securities from the issuing bank on the start date, processing any payments due during the investment term and at maturity, safekeeping the investments and any cash held within the plan, communicating with investors during the term (for example, providing statements and valuations) and providing general administration support to investors and professional advisers throughout the life of the plan.

If JBS fails this is unlikely to result in a financial loss to investors unless JBS also fail to safekeep the plan securities or lose client money. If there is a financial loss then investors may be able to claim compensation from the FSCS, up to a maximum limit of £50,000 per person, subject to limits and eligibility set out by the FSCS.

16. Operational strength of Plan Administrator	JBS is an investment manager and stockbroking firm, which is authorised and regulated by the Financial Conduct Authority (FCA). It is an HM Revenue and Customs authorised ISA Manager and a member of both the London Stock Exchange (LSE) and the Personal Investment Management & Financial Advice Association (PIMFA). Founded in 1919, James Brearley has been providing share dealing and investment management services to both private and intermediary clients for almost100 years. The company has been a custodian of investor assets since 1986, when Personal Equity Plans (PEPs) were introduced, with its services now including Individual Savings Accounts (ISAs), general investment accounts, pension vehicles (SIPP & SSAS), trust arrangements and offshore insurance bonds. In 2000, it became one of the first UK stockbroking companies to provide investors with an online valuation service, including, amongst other things, a cash statement and transaction history. The company now provides a range of services to financial services / wealth management / asset management businesses. Total assets under management, advice and / or administration exceed £1.8 billion (as at 31 Dec 2017). We performed due diligence upon JBS and work very closely with them, as our appointed Plan Administrator and custodian.
17. How the Operational risk of the product is mitigated	The 'Alpha way' is to seek to add value in the areas in which it operates, with a focus upon lower risk / return profile investment propositions. We have focused intensely on how to reduce the risks of structured products, including carefully considering: - Issuer / Counterparty Bank risk: we seek to work with strong banks, that are categorised as Global Systemically Important Banks (G-SIBs) or, as a minimum, Domestic Systemically Important banks (D-SIBs), and we apply further robust and objective due diligence screening; - Market risk: all of our core products are 'Deliberately Defensive', meaning that they are designed so that they can generate some or all of their returns without requiring the stock market to rise, while including protection on the downside, to a defined level, should the stock market fall; - Operational risk (Plan Manager / Plan Administration): As a wholly owned subsidiary of Alpha Real Capital we benefit from the operational strength of the group, which supports us in our role as Plan Manager - and we have also taken steps to address and mitigate the Plan Administration / custody arrangement risks, over the full investment term of each product. Importantly, we think Professional Advisers should be more carefully considering the operational risks of structured products, in terms of identifying and assessing the operational strength of the Plan Manager and their administration and custody arrangements. Regulations (PROD Sourcebook) state that distributors should consider the impact that the selection of a manufacturer could have on clients, in terms of various factors, including the financial strength of the manufacturer.
OTHER RISKS	
18. Cancellation risk	If an investor decides to cancel an application and their cancellation notice is received after the start sate, they will receive the market value of the product on the date the Plan Administrator completes the cancellation instruction, which may be less than the amount invested, if the value of the product has fallen. If an investor decides to cancel an application and their cancellation notice is received before the start date but after the end of their cancellation period, this will be treated as an instruction to cash in their plan.
19. Liquidity risk	The Issuer / Counterparty Bank, Morgan Stanley, intend to make a market to offer daily pricing for redemptions (including partial withdrawals or cashing in an investment in the product). Partial withdrawals or complete cashing in of the product are possible during the investment term. However, the repayment of money invested, as described in the product brochure, only applies on the end date, at year 10, or on each annual income dates from the end of the 5th year. The value during the investment term depends on various factors, including the level of the index and interest rates. While withdrawals from or cashing in of the product may be possible during the investment term, this is not guaranteed. Exceptional circumstances may prevent it being possible. These circumstances include, but are not limited to, significant stock market related events, or if the Plan Administrator cannot arrange the withdrawal or cashing in with the Counterparty Bank. For these reasons, while access to money invested in the product is expected to be possible during the investment term and may not necessarily result in a loss, the product is targeted only at investors prepared and able to stay invested in the product until the end date.
20. Tax risk	The potential returns of the product are expected to be classed as income and therefore be subject to income tax. The product is also deemed eligible for ISA purposes. Tax legislation could change during the investment term of the product - the tax treatment of an investment in the product could therefore also change at any time.
21. Reinvestment risk	Following a maturity of the product at the end of the investment term, or at one of the annual income dates from the end of the 5th year, if early maturity occurs, investors may not be able to invest in similar products with similar returns.
22. Inflation	Inflation may reduce the real value of any money invested in the product and any returns to investors in the future.
24. Summary Risk Indicator (SRI)	4: calculated by the Issuer.

SECTION 5: RISK / REWARD PROFILE VS TARGET MARKET CHARACTERISTICS

1. **Is the risk / reward profile of the product consistent with the characteristics of the identified target market? [3.2.10 (1)]**	Risks - Capital loss arising from Issuer / Counterparty Bank, Market, or Operational failure / performance - No income is generated or fixed level of return underperforms the market Rewards - Fixed income potential is conditional on a low / deeply defensive stock market level, with protection of money invested from falls in the market, to a defined level	Target Market - Professionally advised investors, who are clients of authorised and regulated investment firms - Experience of stock market and counterparty risk - Understanding of importance of portfolio diversification and balance - Understanding of risks involved and willingness to place capital at risk - Ability to withstand loss of capital - Looking for income potential - Ability to tie money up for 10 years - Reasonable expectation of a neutral or bullish (or moderately negative, at worst) stock market over 10 years - Interest in an increased likelihood of achieving a viable level of fixed income from a low / deeply defensive stock market level, combined with a defined level of protection should the market fall
2. **What crucial Events may affect the risk / reward profile? [3.2.23]**	- Increasing likelihood of default by the Counterparty Bank, increasing the probability of capital loss - Increasing likelihood of a barrier breach at maturity, increasing the possibility of capital loss being experienced - Decreasing likelihood of income being generated - Increasing operational risk, through decreasing financial stability or other factors (such as regulatory) affecting the Plan Manager or Plan Administrator - Decrease in / or no liquidity offered by the Counterparty Bank - Changes in the economic, interest rate, inflation environment - Changes to tax treatment or regulation (including any product intervention rules)	

SECTION 6: DISTRIBUTION

1.	What is the distribution channel for the product	The product will be distributed via FCA authorised and regulated investment firms. - applications will be accepted from investors taking advice from a Professional Adviser, who has assessed suitability. - we will not accept applications from non-advised, self-directed, investors, even if investing through a regulated and authorised investment firm, who would assess appropriateness. - we will not accept applications directly from retail investors.
2.	Are there any conditions / restrictions regarding distribution of the product? [3.2.2 (3)]	Yes. Applications will only be accepted if all of the following conditions are met: - a Distributor meeting our minimum regulatory requirements has performed a suitability assessment on the investor (by providing the services of portfolio management or investment advice) - the Distributor has confirmed acceptance of our Distributor Terms of Business, including the obligation to complete our Distributor Due Diligence and to understand the target market that we identify for our products and their responsibility to ensure investors are within our target market and to report instances to us where this is not the case.
3.	Consistency of distribution strategy with target market [3.2.1 (2); 3.2.2; 3.2.4 (3)]	Insisting on all applications being submitted through FCA authorised and regulated investment firms, who have accepted our Terms of Business and understand the requirement to complete our Distributor Due Diligence, who are provided with full product details, including details of the identified target markets (and investors who are not part of the target market) and our stress testing and value-for-money assessments, and who must perform a suitability assessment, mitigates the possibility of investors being outside the target market and any lack of knowledge or experience of the end client.
4.	What education and training is provided to Professional Advisers who can distribute the product [3.2.1 (3); 3.2.2]	Our Academy provides accredited educational resources for Professional Advisers to check, validate and / or advance their understanding and working knowledge of structured products. Product specific information, that is aligned with our educational resources, is also proactively provided to Professional Advisers, including professional adviser information packs and detailed Issuer / counterparty bank financial strength / credit risk overviews (which are supported by TICS). Industry and product specific training has also been provided to internal staff / colleagues, including the business development and client services teams. Materials to support training have been made available to the Plan Administrator.
5.	What information is provided to investors [3.2.2]	Professional Advisers will be provided with plan documents (retail financial promotion) for use with investors, comprising the plan brochure and plan application pack / terms and conditions. The plan documents have been carefully designed, with the brochure receiving crystal mark accreditation from Plain English Campaign. As well as the plan brochure and plan application pack, other important documents are available to investors, that we recommend they consider with their professional adviser, to fully understand the terms and conditions of investing in the plan. The Issuer / Counterparty Bank produces three documents: Firstly, a 'Key Information Document' (KID), which is designed to help prospective investors compare the product to other investment products. Secondly, there is a document known as the 'prospectus'. The prospectus gives details of the securities and investments programme of the Issuer / Counterparty Bank, which the investments issued for the plan are part of. The prospectus includes the general terms and conditions and details of certain related risks for the programme. Thirdly, there is a document called the 'final terms', which gives details of the specific terms and certain related risks of the investments that are issued for the plan.
6.	What fees are paid to Professional Advisers	No commission or provider fees are paid to Professional Advisers. Our Plan Administrator can facilitate adviser fees on behalf of investors, if investors agree a fee with their adviser / investment firm and instruct the Plan Administrator to make the fee payment on their behalf.
7.	Any product features or reasons why additional monitoring may be required? [3.2.1 (3)]	We are not aware of any product features or reasons why additional distribution considerations or restrictions, pre-offer period, or post sale monitoring, may be required.
8.	Distributor firms / advisers that require additional monitoring [3.2.1 (3)]	We are not aware of any specific distributors that require additional pre or post sale monitoring.

SECTION 7: PRICING / MARGIN

1.	**Product price / gross margin** [3.2.14 (1) (3)]	The product is expected to be priced at 97.5%, with total gross margin of 2.5%. No additional charges apply during the investment term of the product. The margin reflects the costs of an operationally strong Plan Manager and Plan Administrator / custodian, meeting MiFID II regulatory requirements and guidance expectations, and providing support (that may encompass product specific and generic industry materials and resources, potentially including developing support for new product strategies and indices) and service to Professional Advisers and their clients. We disclose and explain the charges clearly in the product literature. The margin / charge is taken from the amount that investors invest, at the start date, but is already accounted for within the terms of the product. Our stress testing includes the effects of the charges / margin built into the product terms. We have removed charges that can often be found in similar types of structured products, such as any charges for partial withdrawals, transfers or encashment during the investment term. We monitor our margin through a detailed competitor analysis spread sheet, including details of all providers, all products, broken down by product type, product features, risks and value.

SECTION 8: UNDERLYING SECURITY DETAILS

1. Underlying Security	Medium Term Note (MTN)
2. Issuing entity / vehicle	Issued by Morgan Stanley B.V., part of Morgan Stanley as part of their Regulation S Notes Programme, in accordance with the EU Prospectus Directive and listed on the Luxembourg Stock Exchange.
3. Prospectus	http://sp.morganstanley.com/UK/Home/documents (Base Prospectus Dated 21 October 2016).
4. Indicative Term Sheet	Available from www.tempo-sp.com
5. Maximum size of Note programme	USD 55,000,000,000 Outstanding.
6. Maximum MTN size	None.
7. Most likely Instruments used by the Issuer to hedge their position and obligation to deliver the terms of the product at maturity	International money markets, to synthesise a zero coupon bond, and over-the-counter (OTC) derivatives (such as call and put options).
8. Issuer confirmation of product specific and cross-business risk management [3.2.30]	Morgan Stanley operate both a global conflicts policy and EMEA MiFID specific policy, so at both a product specific and cross-business level they believe that they have appropriate risk management in place. The EMEA policy specifically references ensuring an "orderly market is maintained" in relation to securities issuance and the global policy specifically references managing potential conflicts between clients and Morgan Stanley.
9. Liquidity	The Issuer / Counterparty Bank has confirmed in the indicative Term Sheet that they intend to facilitate daily liquidity, by using reasonable efforts to quote bid and offer prices.
10. Expected Tax treatment	In line with similar MTNs (i.e. in the absence of specific arrangements for returns to be treated as capital gains), returns are expected to be subject to Income Tax.
11. Currency	GBP

SECTION 9: OPERATIONAL ISSUES / CONSIDERATIONS

1.	**Any operational issues (including any potentially problematic areas) that need to be considered including Plan Management, Plan Administration, etc.**	We are not aware of any specific operational, Plan Management, Plan Administration, custody, staff or other issues that need to be considered. Generally, as part of our early suites of products, management monitoring / oversight of all aspects of operations will be high, throughout the pre-launch, offer period and at and following the start date.

SECTION 10: SERVICE ISSUES / CONSIDERATIONS (ADVISER / INVESTOR)

1.	**Any service related issues (including any potentially problematic areas) that need to be considered, from a Professional Adviser and / or investor perspective?**	We are not aware of any specific service issues, from a Professional Adviser or investor perspective that need to be considered. Generally, as part of our early suites of products, management monitoring / oversight of all aspects of operations will be high, throughout the pre-launch, offer period and at and following the start date.

SECTION 11: REGULATORY / COMPLIANCE ISSUES / CONSIDERATIONS

1.	Has the product governance process been followed?	The product proposal pack, encompassing full details of target market, stress testing and distribution strategy and controls, was presented by the Product Strategy Group (PSG) to the Product Control Group (PCG), The proposal was endorsed for submission to the New Product Committee (NPC) as a minuted outcome of the PCG meeting of 14 Jun 2018.
2.	Who else is involved in the manufacture of the product?	The Issuer / Counterparty Bank is the manufacturer of the product (Tempo Structured Products considers itself a co-manufacturer)
3.	What agreement is in place with the Issuer / Counterparty Bank? [3.2.7]	A written agreement, dated 17 Apr 18 is in place with the Issuer / Counterparty Bank. This has been reviewed and signed by appropriate senior management and includes details of co-manufacturing responsibilities.
4.	What Issuer documentation has been reviewed?	The Prospectus for the Issuer / Counterparty Bank's global issuance programme has been reviewed. The Issuer / Counterparty Bank's indicative Term Sheet has been reviewed to confirm it will be issued under this Prospectus and that the plan brochure properly reflects the terms of the issued securities where appropriate.
5.	How can the product impact the stability of financial markets and market integrity? [3.2.13 (4); 3.2.15 (2); 3.2.28]	The underlying investments are part of a $155bn programme. The product issuance volume is expected to amount to less than 0.0001% of that programme. The underlying financial instruments that the Issuer / Counterparty Bank may choose to use to hedge its potential exposure are linked to the FTSE100 and are "the most commonly used instruments for banks, brokers, specialist traders and market makers to manage risk on the UK equity market" (London Stock exchange). The Issuer / Counterparty Bank has procedures in place, as stated in their public MiFID policy, to ensure that the product and / or any underlying hedging that they may choose to undertake cannot impact the orderly functioning of the market.
6.	How will crucial events be monitored?	The on-going product suite monitoring process will capture (and recommend actions to the PCG) all crucial events which may affect the potential risk reward profile of the product identified in section 6.
7.	When will the product be reviewed?	The product is of standard complexity and will be specifically reviewed 6 months after the start date, and incorporated in our annual product suite review.
8.	Identified conflicts of interest that may arise? [3.2.27; 3.2.29; 3.2.30]	Any conflicts will be identified and recorded in line with ARC / TIME conflicts policy and conflicts log.
9.	How will these be managed? [3.2.27]	Any conflicts will be managed in line with ARC / TIME conflicts policy. Neither Tempo nor any Group company will take exposures in relation to the product that would create a conflict of interests and risk of adverse effect on end clients.
10.	Has the impact of any product intervention rules from ESMA, the FCA or any other relevant regulator been considered?	Yes. We do not believe that any product intervention rules impact the product.
11.	Any other related issues (including any potentially problematic areas) that need to be considered?	We are not aware of any other specific regulatory / compliance issues that need to be considered. Generally, as part of our early suites of products, management monitoring / oversight of all aspects of operations will be high, throughout the pre-launch, offer period and at the start date.

SECTION 12: ANY OTHER ISSUES / CONSIDERATIONS

1. **Are there any other considerations that need to be taken into account (including any potentially problematic areas) prior to the launch of the product?**	There are no other issues that need to be considered, over and above all known / normal considerations. Generally, as part of our early suites of products, management monitoring / oversight of all aspects of operations will be high, throughout the pre-launch, offer period and at and following the start date.