



## Information Circular: STARS

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**To:** Head Traders, Technical Contacts, Compliance Officers, Head of ETF Trading, Structured Products Traders

**From:** William Slattery, Director, NASDAQ Listing Qualifications Department

**DATE:** February 28, 2007 (**Updated March 29, 2007**)

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The NASDAQ Stock Market LLC (“NASDAQ”) began operating as a national securities exchange for trading non-NASDAQ listed securities on February 12, 2007. As a result, Morgan Stanley Strategic Total Return Securities (“STARS”) Exchangeable for a Cash Amount Based on the CBOE S&P 500 BUYWRITE INDEX that have previously traded through our systems on an over-the-counter basis are being traded by NASDAQ as an exchange on an unlisted trading privileges (UTP) basis for the first time. See Appendix A for a listing of select STARS that commenced trading on NASDAQ on a UTP basis on February 12, 2007.

Appendix A contains links to information circulars regarding the STARS prepared by their listing market, The American Stock Exchange. NASDAQ members should consult these information circulars, which contain important information about the characteristics of the STARS and the principal risks of an investment in the STARS.

Trading in the STARS on NASDAQ is subject to [NASDAQ equity trading rules](#). The STARS will trade from 7:00 a.m. until 8:00 p.m. SEC Rule 10a-1 (the SEC short sale rule) applies to trading in the STARS.

Trading of STARS on NASDAQ is subject to the provisions of [NASDAQ Rule 2310](#). Members recommending transactions in STARS to customers should make a determination that the recommendation is suitable for the customer. In addition, members must possess sufficient information to satisfy the “know your customer” obligation that is embedded in the NASDAQ Conduct Rules.

Members also should review [NASD Notice to Members 03-71](#) for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

**This Information Circular is not a statutory prospectus. NASDAQ members should consult the registration statement or prospectus for the STARS for additional information.**

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Inquiries regarding this Information Circular should be directed to:

- Will Slattery, Director, NASDAQ Listing Qualifications, at 301.978.8088
- NASDAQ Office of General Counsel at 301.978.8400
- NASDAQ Market Sales at 800.846.0477

## Appendix A – STARS

### Index-Linked Notes    Symbol    CUSIP Number

STARS based on                    MBS    61746S398  
<http://www.amex.com/amextrader/dailylist/data/relFiles/MBS.pdf>  
the CBOE  
S&P 500 BUYWRITE INDEX,  
due December 17, 2009

STARS based on                    MBJ    61746Y734  
[http://www.amex.com/amextrader/dailylist/data/relFiles/MBJic\\_032405.pdf](http://www.amex.com/amextrader/dailylist/data/relFiles/MBJic_032405.pdf)  
the CBOE  
S&P 500 BuyWrite Index,  
due March 30, 2010

STARS based on the                DBZ    61748A676  
[http://www.amex.com/amextrader/dailylist/data/relFiles/icDBZ\\_072505.pdf](http://www.amex.com/amextrader/dailylist/data/relFiles/icDBZ_072505.pdf)  
CBOE Dow Jones  
Industrial Average  
BuyWrite Index, due  
July 30, 2011