Morgan Stanley International Limited Group

Pillar 3 Quarterly Disclosure Report as at 30 September 2018

Table of Contents

Tables

1. Morgan Stanley International Limited Group

The principal activity of Morgan Stanley International Limited ("MSI") together with its subsidiaries (the "MSI Group") is the provision of financial services to corporations, governments, financial institutions and individuals. There have not been any significant changes in the MSI Group's principal activities during the third quarter of 2018.

As at 30 September 2018, the following entities within the MSI Group were authorised by the Prudential Regulation Authority ("PRA") and regulated by the PRA and Financial Conduct Authority ("FCA"):

- Morgan Stanley & Co. International plc ("MSIP")
- Morgan Stanley Bank International Limited ("MSBIL")

As at 30 September 2018, the following entities within the MSI Group were authorised and regulated by the FCA:

- Morgan Stanley Investment Management Limited ("MSIM")
- Morgan Stanley Investment Management (ACD) Limited ("MSIM ACD")

Together these two entities form the MSIM sub-consolidated group ("MSIM Group"). For further information on the MSIM Group, please refer to the annual MSI Group disclosure which is located at http://www.morganstanley.com/about-us-ir/pillar-uk.

Basis of Consolidation

The MSI Group completes its prudential consolidation in compliance with Capital Requirements Regulation ("CRR") Part One, Title II Chapter 2, with all entities fully consolidated. The basis of consolidation for prudential purposes is the same as consolidation for accounting purposes. This disclosure is prepared for the MSI Group, rather than on an individual basis for each regulated entity, as permissible by CRD IV. The most significant subsidiary of the MSI Group is MSIP, the results of which are material to the MSI Group. The risk profile of MSIP is materially the same as the MSI Group and risk management policies and procedures are applied consistently. This disclosure comprehensively conveys the risk profile of the MSI Group and MSIP.

Table 1: MSI Group Key Metrics[1]

	Q3'18 $MM	Q2'18 $MM
Common Equity Tier 1 Capital ("CET1")[2]	19,039	18,355
Additional Tier 1 Capital ("AT1")	3,500	1,300
Tier 1 Capital	22,539	19,655
Tier 2 Capital	5,377	5,381
Total Own Funds	27,916	25,036
Risk Weighted Assets ("RWAs")	137,095	140,101
CET1 Ratio	13.9%	13.1%
Tier 1 Capital Ratio	16.4%	14.0%
Total Capital Ratio	20.4%	17.9%
Leverage Exposure	444,669	458,368
Leverage Ratio[3]	5.1%	4.3%
Liquidity Coverage Ratio ("LCR")	222%	208%

1. The MSI Group is required to maintain a minimum ratio of Own Funds to RWAs. As at 30 September 2018, the MSI Group is in compliance with the PRA capital requirements.
2. Adjustments to CET1 due to prudential filters as at 30 September 2018 are $1,167MM, as at 30 June 2018 are $1,188MM.
3. Leverage is disclosed on a fully phased-in basis and made in accordance with the EU Delegated Act.

Table 2: MSIP Key Metrics[1]

	Q3'18 $MM	Q2'18 $MM
Common Equity Tier 1 Capital ("CET1")[2]	16,417	15,809
Additional Tier 1 Capital ("AT1")	3,500	1,300
Tier 1 Capital	19,917	17,109
Tier 2 Capital	5,000	5,000
Total Own Funds	24,917	22,109
Risk Weighted Assets ("RWAs")	132,144	137,062
CET1 Ratio	12.4%	11.5%
Tier 1 Capital Ratio	15.1%	12.5%
Total Capital Ratio	18.9%	16.1%
Leverage Exposure	441,233	454,783
Leverage Ratio[3]	4.5%	3.8%

1. MSIP is required to maintain a minimum ratio of Own Funds to RWAs. As at 30 September 2018, MSIP is in compliance with the PRA capital requirements.
2. Adjustments to CET1 due to prudential filters as at 30 September 2018 $1,134MM, as at 30 June $1,154MM.
3. Leverage is disclosed on a fully phased-in basis and made in accordance with the EU Delegated Act.

Morgan Stanley Group

The MSI Group's ultimate parent undertaking and controlling entity is Morgan Stanley, a Delaware corporation which, together with its consolidated subsidiaries, form the Morgan Stanley Group. Morgan Stanley is a "Financial Holding Company" as defined by the Bank Holding Company Act of 1956, as amended, and is subject to regulation and oversight of the Board of Governors of the Federal Reserve System.

The MSI Group is a wholly owned subgroup of the Morgan Stanley Group. Whilst the MSI Group is a material sub-group, the information disclosed in this document is not necessarily indicative of the Morgan Stanley Group as a whole, nor is it comprehensively representative of the Morgan Stanley Group's activity in any particular region. Investors, stakeholders, creditors or other users seeking information on capital adequacy, liquidity, risk exposure and risk management policies should consult the public disclosures of Morgan Stanley Group.

Details of the latest Morgan Stanley Group Pillar 3 disclosure can be accessed at http://www.morganstanley.com/about-us-ir/pillar-us. Details of the latest Morgan Stanley Group LCR disclosure can be accessed at https://www.morganstanley.com/about-us-ir/lcr-disclosures-us.

Morgan Stanley is listed on the New York Stock Exchange and is required, by the US Securities and Exchange Commission, to file public disclosures, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. These disclosures can be found at http://www.morganstanley.com/pub/content/msdotcom/en/about-us-ir/sec-filings.

2. Regulatory Frameworks

The Basel Capital Accord provides a global regulatory framework for capital and liquidity. This was revised in 2010 following the financial crisis, through a number of reforms collectively known as Basel III.

The revised Basel Capital Accord has been implemented in the European Union ("EU") via the Capital Requirements Directive ("CRD") and the CRR (collectively known as "CRD IV"). These new requirements took effect from 1 January 2014.

The framework consists of three "Pillars":

- Pillar 1 – Minimum capital requirements: defines rules for the calculation of credit, market, operational and liquidity risk;
- Pillar 2 – Supervisory review process: including a requirement for firms to undertake an Internal Capital Adequacy Assessment ("ICAAP") and Internal Liquidity Adequacy Assessment ("ILAAP");
- Pillar 3 – Market discipline: requires expanded disclosures to allow investors and other market participants to understand capital and liquidity adequacy, particular risk exposures and risk management processes of individual firms.

Pillar 3 Disclosure

MSI Group Pillar 3 disclosures are prepared in accordance with the requirements of Part Eight of the CRR. For certain disclosures, these requirements are further detailed through the European Banking Authority ("EBA") Regulatory Technical Standards ("RTS") and Implementing Technical Standards ("ITS") which included the introduction of a number of common templates. Where applicable, these templates are used within this disclosure.

The MSI Group has policies and procedures in place to assess the appropriateness of its Pillar 3 disclosure. One or more members of the management body are required to confirm that the disclosure has been prepared in accordance with internal control processes agreed upon at the management body level. The MSI Group's Pillar 3 disclosure is not required to be, and has not been, audited by the MSI Group's auditor. The MSI Group's Pillar 3 disclosure as at 30 September 2018 is based on its current understanding of CRD IV and related legislation, which may be subject to change as the MSI Group receives additional clarification and implementation guidance from regulators relating to CRD IV and as the interpretation of the final rules evolves over time.

3. Capital Management

The MSI Group views capital as an important source of financial strength. It actively manages and monitors its capital in line with established policies and procedures and in compliance with local regulatory requirements.

The MSI Group conducts an ICAAP at least annually in order to meet its obligations under CRDIV. The PRA reviews the MSI Group ICAAP through its Supervisory Review and Evaluation Process ("SREP") and sets a Total Capital Requirement ("TCR") which establishes the minimum level of regulatory capital for the MSI Group and MSIP. As of 30th September 2018 the MSI Group and MSIP TCR was set at 11.3%. In addition, the PRA sets a buffer if required in addition to the Basel combined buffers, which is available to support the MSI Group in a stressed market environment.

The Countercyclical Capital Buffer ("CCyB") was introduced to ensure that excess growth in specific countries is accounted for and increases the minimum capital ratios by between 0% and 2.5% and must be met with CET1 Capital. These are not currently material for the MSI Group or MSIP, with the buffer adding 0.15% to the minimum capital ratio for MSI Group. On 28 November 2017, the Bank of England Financial Policy Committee ("FPC") announced the CCyB rate for the UK to increase to 1%, with binding effect from 28 November 2018.

The Capital Conservation Buffer ("CCB") requires banks to build up a capital buffer that can be utilised to absorb losses during period of stress, whilst remaining compliant with minimum requirements and must be met with CET1 capital. The increase to supplement the minimum capital ratios was introduced from 1 January 2016 at 0.625% of RWAs. This is being phased in at 0.625% per year, until it reaches 2.5% of RWAs on 1 January 2019. As at 30 September 2018, the CCB is 1.875%.

MSI Group capital is managed to ensure risk and leverage based requirements assessed through the ICAAP and SREP are met. Internal capital ratio minima are set to ensure the MSI Group and its subsidiaries have sufficient capital to meet their regulatory requirements at all times.

There are no current or foreseen material, practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities among the MSI Group and its subsidiary undertakings.

4. Leverage

The Basel III framework introduced a simple, transparent, non-risk based leverage ratio to act as a supplementary measure to the risk-based capital requirements. The Basel Committee is of the view that a simple leverage ratio framework is critical and complementary to the risk-based capital framework and that a credible leverage ratio ensures broad and adequate capture of both the on and off-balance sheet sources of banks' leverage.

Although there is no current binding leverage requirement under CRD IV, the MSI Group manages its risk of excessive leverage through the application of Business Unit leverage exposure limits and leverage ratio early warning trigger levels. Limits are calibrated in line with legal entity capacity to ensure that leverage exposure is in excess of the expected regulatory minimum and remains within the MSI Board's risk appetite. MSI Group and MSIP's leverage exposures are calculated monthly and weekly, respectively, and reported to the EMEA Asset and Liability Committee ("EMEA ALCO") who monitor this, as well as maturity mismatches and Asset Encumbrance metrics, to ensure that any excessive risk is highlighted, assessed and mitigated appropriately.

Over the third quarter the leverage ratio for both MSI Group and MSIP increased due to an increase in Tier 1 Capital and a decrease in leverage exposure.

5. Capital Requirements and RWAs

RWAs reflect both on- and off-balance sheet risk, as well as capital charges attributable to the risk of loss arising from the following.

Credit and Counterparty Credit Risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations. Credit and Counterparty Credit capital requirements are derived from RWAs, determined using approved internal modelling approaches – the Foundation Internal Ratings Based approach ("IRB") for credit risk and the Internal Models Method ("IMM") for counterparty risk – as well as the Standardised Approach ("SA") and Mark to Market Method ("MTMM") for exposures not covered by internal models.

Credit Valuation Adjustment ("CVA") is the capital requirement that covers the risk of mark-to-market losses on the counterparty risk of Over-the-Counter ("OTC") derivatives. It is calculated using a combination of advanced internal modelling and standardised approaches.

Securitisations exposures are a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranched, having the following characteristics. Payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures. Also, the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.

Market Risk refers to the risk that a change in the level of one or more market prices, rates, indices, implied volatilities (the price volatility of the underlying instrument imputed from option prices), correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio. The Market Risk capital requirements comprise of capital associated with the Internal Modelling Approaches ("IMA") approved by the PRA and those associated with the Standardised Approach.

Large Exposures is the capital requirement that covers the risk due to concentrated exposures to a single counterparty or group of connected counterparties.

Operational risk refers to the risk of loss, or of damage to reputation, resulting from inadequate or failed processes, people and systems or from external events (e.g. fraud, theft, legal and compliance risks, cyber-attacks or damage to physical assets). Capital requirements for operational risk are currently calculated under the Basic Indicator Approach ("BIA").

Amounts below the thresholds for deduction correspond to items not deducted from Own Funds, as they are below the applicable thresholds for deduction, in accordance with the CRR.

Table 3 summarises RWAs and minimum capital requirements ("MCR") by risk type for MSI Group and MSIP.

Table 3: Overview of RWAs (EU OV1-A)

MSI Group	RWAs Q3'18 $MM	RWAs Q2'18 $MM	MCR[1] Q3'18 $MM
Credit risk (excluding Counterparty Credit Risk) ("CCR")	**10,150**	**10,795**	**812**
Of which standardised approach	3,438	4,052	275
Of which foundation IRB (FIRB) approach	4,468	4,359	357
Of which advanced IRB (AIRB) approach	-	-	-
Of which equity IRB under the simple risk-weighted approach or the IMA	2,244	2,384	180
CCR	**49,541**	**50,880**	**3,963**
Of which mark to market	11,376	10,994	910
Of which original exposure	-	-	-
Of which standardised approach	523	1,473	42
Of which internal model method ("IMM")	17,488	17,782	1,399
Of which Financial collateral comprehensive method (for SFTs[2])	8,560	9,962	685
Of which risk exposure amount for contributions to the default fund of a CCP	713	588	57
Of which CVA	10,881	10,081	870
Settlement risk	**40**	**42**	**3**
Securitisation exposures in banking book (after cap)	**198**	**236**	**17**
Of which IRB	130	156	11
Of which IRB supervisory formula approach (SFA)	-	-	-
Of which internal assessment approach (IAA)	-	-	-
Of which standardised approach	68	80	6
Market risk	**59,186**	**59,357**	**4,735**
Of which standardised approach	15,063	14,560	1,205
Of which IMA	44,123	44,797	3,530
Large exposures	**7,467**	**8,346**	**597**
Operational risk	**10,010**	**10,010**	**801**
Of which basic indicator approach	10,010	10,010	801
Of which standardised approach	-	-	-
Of which advanced measurement approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	**503**	**435**	**40**
Floor adjustment	-	-	-
Total	**137,095**	**140,101**	**10,968**

MSIP	RWAs Q3'18 $MM	RWAs Q2'18 $MM	MCR[1] Q3'18 $MM
Credit risk (excluding CCR)	**8,741**	**9,097**	**699**
Of which standardised approach	2,640	3,173	211
Of which foundation IRB (FIRB) approach	3,664	3,432	293
Of which advanced IRB (AIRB) approach	-	-	-
Of which equity IRB under the simple risk-weighted approach or the IMA	2,437	2,492	195
CCR	**48,484**	**50,014**	**3,879**
Of which mark to market	10,792	10,547	863
Of which original exposure	-	-	-
Of which standardised approach	501	1,473	40
Of which internal model method (IMM)	17,120	17,455	1,370
Of which Financial collateral comprehensive method (for SFTs[2])	8,859	10,189	709
Of which risk exposure amount for contributions to the default fund of a CCP	706	580	57
Of which CVA	10,506	9,770	840
Settlement risk	**40**	**42**	**3**
Securitisation exposures in banking book (after cap)	**198**	**236**	**17**
Of which IRB	130	156	11
Of which IRB supervisory formula approach (SFA)	-	-	-
Of which internal assessment approach (IAA)	-	-	-
Of which standardised approach	68	80	6
Market risk	**55,783**	**55,913**	**4,463**
Of which standardised approach	11,660	11,116	933
Of which IMA	44,123	44,797	3,530
Large exposures	**9,256**	**12,690**	**740**
Operational risk	**7,702**	**7,702**	**616**
Of which basic indicator approach	7,702	7,702	616
Of which standardised approach	-	-	-
Of which advanced measurement approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	**1,940**	**1,368**	**155**
Floor adjustment	-	-	-
Total	**132,144**	**137,062**	**10,572**

1. MSI Group and MSIP calculate Pillar 1 MCR as 8% of RWAs in accordance with CRD IV.
2. Securities Financing Transactions ("SFTs")

Over the third quarter for MSI Group and MSIP the decrease in RWAs was primarily driven by a reduction in SFT exposures and Derivative exposures under the Standardised Approach, offset by an increase in CVA as a result of new regulation for CVA exemptions for Third Country counterparties. Additionally there was a decrease in large exposures following a capital infusion during the period.

RWA flow statements

Table 4 summarises the movements of RWAs and MCR for MSI Group and MSIP's credit risk exposures under the IRB approach.

Table 4: RWA Flow Statements of Credit Risk Exposures under the IRB Approach (EU CR8)

	MSI Group		MSIP	
	RWAs $MM	MCR $MM	RWAs $MM	MCR $MM
RWAs at the end of the previous reporting period[1]	**4,359**	**349**	**3,432**	**275**
Asset size	145	11	85	7
Asset quality	(36)	(3)	147	11
Model updates	-	-	-	-
Methodology and policy	-	-	-	-
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
Other	-	-	-	-
RWAs at the end of the reporting period	**4,468**	**357**	**3,664**	**293**

1. Previous reporting period was Q2'18.

Over the third quarter for MSI Group, an increase in asset size was primarily driven by changes in the loan portfolio, offset by an improvement to the credit quality of a borrower. Additionally, for MSIP RWAs increased due to a rating downgrade which eliminates at a consolidated group level.

Table 5 summarises the movements of RWAs and MCR for MSI Group and MSIP's counterparty credit risk exposures under the IMM Model.

Table 5: RWA Flow Statements of CCR Exposures under the IMM (EU CCR7)

	MSI Group		MSIP	
	RWAs $MM	MCR $MM	RWAs $MM	MCR $MM
RWAs at the end of the previous reporting period[1]	17,782	1,423	17,455	1,396
Asset size	(66)	(6)	(110)	(9)
Credit quality of counterparties	(336)	(27)	(333)	(26)
Model updates (IMM only)	108	9	108	9
Methodology and policy (IMM only)	-	-	-	-
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
Other	-	-	-	-
RWAs at the end of the reporting period	**17,488**	**1,399**	**17,120**	**1,370**

1. Previous reporting period was Q2'18.

Over the third quarter IMM RWA remained broadly stable. The decrease was mainly from market movements, portfolio movements and counterparties credit rating updates. The increase from model updates was due to an internal model enhancement.

Table 6 summarises the movements of RWAs and MCR for both MSI Group and MSIP's market risk exposures under IMA Model.

Table 6: RWA Flow Statements of Market Risk Exposures under the IMA (EU MR2-B)

	VAR	Stressed VAR	IRC	Comprehensive Risk Measure	Other[4]	RWAs	MCR
	$MM	$MM	$MM	$MM	$MM	$MM	$MM
RWAs at previous quarter end[1]	4,544	15,445	4,744	15	20,049	44,797	3,584
Regulatory adjustment[2]	(3,380)	(11,741)	(308)	(13)	-	(15,442)	(1,235)
RWAs at end of day previous quarter end[3]	1,164	3,704	4,436	2	20,049	29,355	2,349
Movement in risk levels	128	2,261	600	(2)	(805)	2,182	174
Model updates/changes	-	-	-	-	494	494	39
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other	3	(3)	(3)	-	-	(3)	-
RWAs at end of day current quarter end[3]	1,295	5,962	5,033	-	19,738	32,028	2,562
Regulatory adjustment[2]	3,417	8,678	-	-	-	12,095	968
RWAs at end of reporting period	4,712	14,640	5,033	-	19,738	44,123	3,530

1. Previous reporting period was Q2'18
2. Regulatory adjustment accounts for the difference between the RWA calculated based on the end-of-day position, compared with the RWA calculated based on the 60-day average position in the case of VaR / Stressed VaR, and 12-week average position in the case of IRC.
3. Other (flow driver) represents low impact data and implementation changes including time series updates and periodic parameter updates to the respective models
4. Other (risk measure) represents Risks not in VaR

Over the third quarter, Market Risk RWAs under the IMA decreased, primarily due to a reduction in the 60-day average Stressed VaR ("SVaR") due to lower interest rates and credit risks, partially offset by higher equity risk. Comparing the end of day spot Market Risk RWA from quarter to quarter, the increase is mainly driven by increases in risk levels for SVaR, with higher equity risk in the equity derivatives and prime brokerage businesses.

6. Liquidity Coverage Ratio

The Liquidity Coverage Ratio ("LCR"), as per the Commission Delegated Regulation (EU) 2015/61, requires credit institutions to maintain an amount of unencumbered high quality liquid assets that is sufficient to meet their estimated total net cash outflows over a prospective 30 calendar-day period of significant stress. MSI Group is compliant with the minimum required LCR.

Table 7: Liquidity Coverage Ratio

	Q3'18	Q2'18
Number of data points used in the calculation of averages	12	12
	Total weighted adjusted value (12 month average)	
	$MM	$MM
Liquidity Buffer	42,254	40,717
Total net cash outflows	19,066	19,596
Liquidity Coverage Ratio	222%	208%

The weighted adjusted value of the liquidity buffer is the value of the total high quality liquid assets after the application of both haircuts and any applicable cap. The liquidity buffer disclosed covers both Pillar I and Pillar II liquidity risk. The weighted adjusted value of net cash outflows is calculated after the inflows and outflows rates are applied and after any applicable cap on inflows.

7. Regulatory Development

European Financial Regulation Reform

In November 2016, the European Commission published a comprehensive regulatory reform package which aims to continue the reforms that the EU implemented in the wake of the financial crisis. The proposals seek to amend the existing prudential regime (CRR and CRD IV), impacting the risk-based capital, liquidity, leverage and large exposures regimes (known as "CRD5" and "CRR2"), the Bank Recovery and Resolution Directive ("BRRD") and the Single Resolution Mechanism ("SRM"). They include amendments relating to revised standards that the Basel Committee had issued as part of its Basel III reform package prior to November 2016.

The key amendments to the CRR include a binding leverage ratio, new standards on the Total Loss-Absorbing Capacity ("TLAC"), also known as the Minimum Requirements for own funds and Eligible Liabilities ("MREL"), a binding net stable funding ratio ("NSFR"), a new standardised approach for the calculation of counterparty credit exposures for derivatives and new standardised and advanced calculation approaches for market risk requirements.

Progress has been made by European policy-makers during 2018. The final stage of the legislative process ("trilogue") has commenced and legislators are targeting completion by the end of 2018.

On 12 December 2017, the EU legislators adopted new legislation for securitisations. The framework for simple, transparent and standardised ("STS") regulation consolidates existing European legislation governing EU securitisations and introduces rules for issuing STS transactions. The regulation applies to all EU securitisations, regardless of who invests and whether the transaction is public or private. The Securitisation Prudential Regulation replaces the provisions of the CRR relating to the regulatory capital treatment of securitisation exposures held by EU credit institutions and investment firms. Both regulations will apply from 1 January 2019. Legacy securitisations outstanding on 1 January 2019 will be subject to existing CRR rules, for a transitional period of one year.

Finalising Basel III Reforms

On 7 December 2017, the Basel Committee released the final part of its Basel III reform package (sometimes referred to as "Basel IV"). The key amendments provide updates to the standardised measures for calculating capital requirements for credit risk, CVA and operational risk and include a RWA floor, calculated as 72.5% of total standardised RWAs. These proposals will need to be transposed into national/EU law, however the timing of this is still uncertain at this stage.

UK Referendum

On 23 June 2016, the United Kingdom ("UK") electorate voted to leave the EU. On 29 March 2017, the UK invoked Article 50 of the Lisbon Treaty, which triggered a two-year period, subject to extension (which would need the unanimous approval of the EU Member States), during which the UK government is expected to negotiate its withdrawal agreement with the EU. Absent any extension, the UK is expected to leave the EU in March 2019. The terms and conditions of the anticipated withdrawal from the EU, and which of the several alternative models of relationship that the UK might ultimately negotiate with the EU, remain uncertain. However, the UK government has stated that the UK will leave the EU single market and will seek a phased period of implementation for the new relationship that may cover the legal and regulatory framework applicable to financial institutions with significant operations in Europe, such as Morgan Stanley. Since any transition or implementation periods and the eventual successor arrangements require agreement of both the UK and the EU, there is a risk that these arrangements may not be agreed by March 2019.

It is difficult to predict the future of the UK's relationship with the EU, which uncertainty may increase the volatility in the global financial markets in the short- and medium-term. Potential effects of the UK exit from the EU and potential mitigation actions may vary considerably depending on the timing of withdrawal and the nature of any transition, implementation or successor arrangements. The MSI Group is taking steps to make changes to European operations in an effort to ensure that it can continue to provide cross-border banking and investment services in EU Member States without the need for separate regulatory authorisations in each member state. These changes must be approved by the relevant regulatory authorities and therefore it is currently unclear what the final post-Brexit structure of European operations will be. Depending on the extent to which the MSI Group may be required to make material changes to European operations beyond those currently planned, results of the MSI Group's operations and business prospects could be negatively affected.

8. Appendix I: Abbreviations

Term	Definition
AT1	Additional Tier 1 Capital
BIA	Basic Indicator Approach
BRRD	Bank Recovery and Resolution Directive
CCB	Capital Conservation Buffer
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CET1	Common Equity Tier 1 Capital
CRD	Capital Requirements Directive
CRD IV	Capital Requirements Directive — EU implementation of Basel III
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustment
EBA	European Banking Authority
EMEA ALCO	EMEA Asset and Liability Committee
EU	European Union
FCA	Financial Conduct Authority
FPC	Bank of England Financial Policy Committee
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IRB	Foundation Internal Ratings Based Approach
IRC	Incremental Risk Charge
IMA	Internal Modelling Approach
IMM	Internal Models Method
ITS	Implementing Technical Standards
LCR	Liquidity Coverage Ratio
MCR	Minimum Capital Requirements
MREL	Minimum Requirements for Own Funds and Eligible Liabilities
MSBIL	Morgan Stanley Bank International Limited
MSI	Morgan Stanley International Limited
MSI Group	Morgan Stanley International Limited (and its subsidiaries)
MSIHI	Morgan Stanley International Holdings Inc
MSIM	Morgan Stanley Investment Management Limited
MSIM ACD	Morgan Stanley Investment Management (ACD) Limited
MSIM Group	Morgan Stanley Investment Management Sub-Consolidation Group
MSIP	Morgan Stanley & Co. International plc
MTMM	Mark to Market Method
NSFR	Net Stable Funding Ratio
OTC	Over The Counter Derivatives
PRA	Prudential Regulation Authority
RTS	Regulatory Technical Standards
RWAs	Risk Weighted Assets
SA	Standardised Approach
SFT	Securities Financing Transactions
SRM	Single Resolution Mechanism
SREP	Supervisory Review Process
STS	Simple Transparent Standardised Regulation
SVaR	Stressed Value at Risk
TCR	Total Capital Requirement
TLAC	Total Loss Absorbing Capacity
UK	United Kingdom
VaR	Value at Risk