Morgan Stanley International Limited Group

Pillar 3 Quarterly Disclosure Report

As at 31 March 2019

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1. Overview and Key Metrics

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 and financial institutions. There have not been any significant changes in the MSI Group's principal activities during the first quarter of 2019.

As at 31 March 2019, 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")

The following entities within the MSI Group form the MSIM sub-consolidated group ("MSIM Group") and were authorised and regulated by the FCA:

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

For further information on the MSIM Group, please refer to the annual MSI Group disclosure which is located at https://www.morganstanley.com/about-us-ir/pillar-uk.html

Key Metrics

Table 1: Key metrics [1]
$MM

MSI Group	**Q1'19**	**Q4'18**
Common Equity Tier 1 Capital [2]	18,898	18,667
Additional Tier 1 Capital	3,500	3,500
Tier 1 Capital	**22,398**	**22,167**
Tier 2 Capital	**5,376**	**5,370**
Total Own Funds	**27,774**	**27,537**
Risk Weighted Assets	130,495	130,963
Common Equity Tier 1 Ratio	14.5%	14.3%
Tier 1 Capital Ratio	17.2%	16.9%
Total Capital Ratio	21.3%	21.0%
Leverage Exposure	440,401	421,386
Leverage Ratio [4]	5.1%	5.3%
Liquidity Coverage Ratio	227%	223%

MSIP		
Common Equity Tier 1 Capital [3]	15,112	15,648
Additional Tier 1 Capital	3,500	3,500
Tier 1 Capital	**18,612**	**19,148**
Tier 2 Capital	**5,000**	**5,000**
Total Own Funds	**23,612**	**24,148**
Risk Weighted Assets	120,789	124,950
Common Equity Tier 1 Ratio	12.5%	12.5%
Tier 1 Capital Ratio	15.4%	15.3%
Total Capital Ratio	19.5%	19.3%
Leverage Exposure	428,313	417,315
Leverage Ratio [4]	4.3%	4.6%

1. The MSI Group and MSIP are required to maintain a minimum ratio of Own Funds to Risk Weighted Assets ("RWAs"). As at 31 March 2019, the MSI Group and MSIP are in compliance with the PRA capital requirements.
2. MSI Groups adjustments to Common Equity Tier 1 ("CET1") Capital due to prudential filters as at 31 March 2019 are $1,593MM, as at 31 December 2018 were $1,654MM.
3. MSIP's adjustments to CET1 due to prudential filters as at 31 March 2019 are $1,541MM, as at 31 December 2018 were $1,616MM.
4. Leverage is disclosed on a fully phased-in basis and made in accordance with the European Union ("EU") Delegated Act.

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.

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 sub-group 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 Liquidity Coverage Ratio ("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 United States ("US") Securities and Exchange Commission, to file public disclosures, including Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. These can be accessed 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 include 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 31 March 2019 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 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 CRD IV.

The PRA reviews the MSI Group ICAAP through its Supervisory Review and Evaluation Process ("SREP") and sets a Total Capital Requirement ("TCR"), comprising Pillar 1 and Pillar 2A, which establishes the minimum level of regulatory capital for the MSI Group and MSIP. Certain elements of the Pillar 2A requirement are a fixed quantum whilst others are a proportion of RWAs and are based on a point in time assessment. As of 31 March 2019 the MSI Group TCR was 11.4%. 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. As of 31 March 2019, the CCyB for the MSI Group stood at 0.3%.

The Capital Conservation Buffer ("CCB") of 2.5% requires banks to build up a capital buffer that can be utilised to absorb losses during periods of stress, whilst remaining compliant with minimum requirements and must be met with CET1 capital.

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 by the MSI Board 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 United Kingdom ("UK") regulated subsidiaries.

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 and ensure that leverage exposure remains within the MSI Board's risk appetite. MSI Group and MSIP's leverage exposures are calculated monthly and weekly, respectively, and reported to 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 first quarter, the leverage ratio for both MSI Group and MSIP decreased due to an increase 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 ("CCR") 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") and Listed 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 refer to 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.

The MSI Group enhances its risk management strategy and incorporates improvements in modelling techniques while maintaining compliance with the regulatory requirements.

Table 2 summarises RWAs and minimum capital requirements ("MCR") for MSI Group and MSIP by risk type. MSI Group and MSIP calculate Pillar 1 capital requirements as 8% of RWAs in accordance with CRD IV.

Table 2: Overview of RWAs (EU OV1)

$MM MSI Group	RWAs Q1'19	RWAs Q4'18	MCR Q1'19
Credit risk (excluding CCR)	**12,750**	**10,669**	**1,020**
Of which standardised approach	4,870	3,763	389
Of which foundation IRB (FIRB) approach	5,172	4,740	414
Of which advanced IRB (AIRB) approach	-	-	-
Of which equity IRB under the simple risk-weighted approach or the IMA	2,708	2,166	217
CCR	**49,677**	**49,514**	**3,974**
Of which mark-to-market	9,726	10,340	778
Of which original exposure	-	-	-
Of which standardised approach	528	650	43
Of which internal model method	19,051	17,587	1,524
Of which Financial collateral comprehensive method (for SFTs)	8,293	8,339	663
Of which risk exposure amount for contributions to the default fund of a CCP	881	803	70
Of which CVA	11,198	11,795	896
Settlement risk	**47**	**53**	**4**
Securitisation exposures in banking book (after cap)	**181**	**189**	**16**
Of which IRB	121	125	11
Of which IRB supervisory formula approach (SFA)	-	-	-
Of which internal assessment approach (IAA)	-	-	-
Of which standardised approach	60	64	5
Market risk	**49,881**	**53,002**	**3,991**
Of which standardised approach	12,814	12,048	1,026
Of which IMA	37,067	40,954	2,965
Large exposures	**6,673**	**6,311**	**534**
Operational risk	**11,037**	**11,037**	**883**
Of which basic indicator approach	11,037	11,037	883
Of which standardised approach	-	-	-
Of which advanced measurement approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	**249**	**188**	**18**
Floor adjustment	-	-	-
Total	**130,495**	**130,963**	**10,440**
MSIP			
Credit risk (excluding CCR)	**9,820**	**8,903**	**786**
Of which standardised approach	3,287	2,988	263
Of which foundation IRB (FIRB) approach	3,947	3,601	316
Of which advanced IRB (AIRB) approach	-	-	-
Of which equity IRB under the simple risk-weighted approach or the IMA	2,586	2,314	207
CCR	**49,033**	**48,551**	**3,923**
Of which mark-to-market	9,210	9,788	737
Of which original exposure	-	-	-
Of which standardised approach	528	650	42
Of which internal model method	18,724	17,256	1,498
Of which Financial collateral comprehensive method (for SFTs)	8,738	8,723	699
Of which risk exposure amount for contributions to the default fund of a CCP	563	795	45
Of which CVA	11,270	11,339	902
Settlement risk	**47**	**53**	**4**
Securitisation exposures in banking book (after cap)	**181**	**189**	**14**
Of which IRB	121	125	10
Of which IRB supervisory formula approach (SFA)	-	-	-
Of which internal assessment approach (IAA)	-	-	-
Of which standardised approach	60	64	4
Market risk	**44,349**	**49,392**	**3,548**
Of which standardised approach	7,300	8,438	584
Of which IMA	37,049	40,954	2,964
Large exposures	**8,701**	**8,038**	**696**
Operational risk	**8,361**	**8,361**	**669**
Of which basic indicator approach	8,361	8,361	669
Of which standardised approach	-	-	-
Of which advanced measurement approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	**297**	**1,463**	**23**
Floor adjustment	-	-	-
Total	**120,789**	**124,950**	**9,663**

Over the first quarter, MSI Group market risk decreased due to a reduction in Risks not in VaR ("RNiVs") and Stressed VaR ("SVaR"), whilst credit risk increased primarily due to a change in accounting under International Financial Reporting Standards ("IFRS") 16 under the standardised approach and counterparty credit risk increased due to movements in the IMM portfolio.

RWA flow statements

Table 3 summarises the movements of RWAs and MCR for MSI Group and MSIP's credit risk exposures under the IRB approach.

Table 3: RWA flow statements of credit risk exposures under the IRB approach (EU CR8)

$MM	MSI Group		MSIP	
	RWAs	MCR	RWAs	MCR
RWAs at the end of the previous reporting period[1]	**4,740**	**379**	**3,601**	**288**
Asset size	186	16	323	26
Asset quality	42	3	23	2
Model updates	-	-	-	-
Methodology and policy	-	-	-	-
Acquisitions and disposals	204	16	-	-
Foreign exchange movements	-	-	-	-
Other	-	-	-	-
RWAs at the end of the reporting period	**5,172**	**414**	**3,947**	**316**

1. Previous reporting period was Q4'18.

Over the first quarter, the MSI Group asset size changed due to increased cash exposures. MSI Group also acquired the German Bank ("MSBAG") during this period

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

Table 4: RWA flow statements of CCR exposures under the IMM (EU CCR7)

$MM	MSI Group		MSIP	
	RWAs	MCR	RWAs	MCR
RWAs at the end of the previous reporting period[1]	**17,587**	**1,407**	**17,256**	**1,380**
Asset size	3,085	247	3,015	242
Credit quality of counterparties	(357)	(29)	(347)	(28)
Model updates (IMM only)	-	-	-	-
Methodology and policy (IMM only)	(1,264)	(101)	(1,200)	(96)
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
Other	-	-	-	-
RWAs at the end of the reporting period	**19,051**	**1,524**	**18,724**	**1,498**

1. Previous reporting period was Q4'18.

Over the first quarter the increase IMM RWA was mainly driven by portfolio growth and market movements. It is partially offset by the decrease due to a change in the methodology calibration approved by the PRA.

Table 5 summarises the key drivers of RWAs and MCR for MSI Groups and MSIP's market risk exposures under the Internal IMA Model.

Table 5: RWA flow statements of market risk exposures under the IMA (EU MR2-B)

$MM MSI Group	VAR	Stressed VAR	IRC	Comprehensive risk measure	Other[4]	RWAs	MCR
RWAs at previous quarter end[1]	**4,517**	**11,057**	**4,561**	**1**	**20,818**	**40,954**	**3,276**
Regulatory adjustment[2]	(3,357)	(8,676)	(183)	-	(8,414)	(20,630)	(1,650)
RWAs at end of day previous quarter end	1,160	2,381	4,378	1	12,404	20,324	1,626
Movement in risk levels	9	605	804	6	(72)	1,352	108
Model updates/changes	-	-	597	-	(22)	575	46
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other[3]	38	(90)	(140)	-	-	(192)	(15)
RWAs at end of day current quarter end	1,207	2,896	5,639	7	12,310	22,059	1,765
Regulatory adjustment[2]	3,205	5,950	-	-	5,853	15,008	1,200
RWAs at end of reporting period	**4,412**	**8,846**	**5,639**	**7**	**18,163**	**37,067**	**2,965**

MSIP							
RWAs at previous quarter end[1]	**4,517**	**11,057**	**4,561**	**1**	**20,818**	**40,954**	**3,276**
Regulatory adjustment[2]	(3,357)	(8,676)	(183)	-	(8,414)	(20,630)	(1,650)
RWAs at end of day previous quarter end	1,160	2,381	4,378	1	12,404	20,324	1,626
Movement in risk levels	9	605	804	6	(74)	1,350	108
Model updates/changes	-	-	597	-	(22)	575	46
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other[3]	38	(90)	(140)	-	-	(192)	(15)
RWAs at end of day current quarter end	1,207	2,896	5,639	7	12,308	22,057	1,765
Regulatory adjustment[2]	3,202	5,943	-	-	5,847	14,992	1,199
RWAs at end of reporting period	**4,409**	**8,839**	**5,639**	**7**	**18,155**	**37,049**	**2,964**

1. Previous reporting period was Q4'18
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 Incremental Risk Charge ("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 first quarter, reported Market Risk RWAs reduced to $37.1Bn, primarily from reductions in RNIVs driven by lower exposures to existing RNIVs for the equities business, and in SVaR due to 60-day average interest rates and equity risk trending lower. Comparing the end of day Market Risk RWA movements, increase in risk levels for SVaR was driven by higher exposures in the key sensitivities across the asset classes and business divisions. This was also the driver for the changes in risk levels associated with IRC, as a result of increase in credit risk-sensitive positions. The movements due to model updates/changes in IRC related to the implementation of Probability of Default ("PD") flooring requirement.

6. Liquidity Coverage Ratio

The 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 Consolidated is compliant with the minimum required LCR.

Table 6: Liquidity Coverage Ratio

	Q1'19	Q4'18
Number of data points used in the calculation of averages	12	12
	Total weighted adjusted value (12 month average)	
	$MM	$MM
Liquidity Buffer	45,280	44,034
Total net cash outflows	19,949	19,723
Liquidity Coverage Ratio	227%	223%

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 weighted adjusted value of net cash outflows is calculated after the inflows and outflows rates are applied and after any applicable cap on inflows.

The liquidity buffer disclosed covers both Pillar I and Pillar II liquidity risk.

7. Regulatory Development

UK Referendum

On 23 June 2016, the United Kingdom (the "UK") electorate voted to leave the European Union (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 negotiated a form of withdrawal agreement with the EU.

On 11 April 2019, the UK and the other EU Member States agreed to a further extension to 31 October 2019 (or, if the withdrawal agreement is ratified by both parties before this date, until the first day of the following month). Absent any further changes to this time schedule, the UK is expected to leave the EU by 31 October 2019 at the latest.

The proposed withdrawal agreement includes a transition period until December 2020 and provides that the UK will leave the EU single market and will seek a phased period of implementation for a new UK-EU relationship that may include the legal and regulatory framework applicable to financial institutions with significant operations in Europe, such as Morgan Stanley.

For further details on the potential impact of the UK's proposed withdrawal agreement, please refer to the 2018 annual Pillar 3 disclosures that can be found at https://www.morganstanley.com/about-us-ir/pillar-uk.html.

Brexit Planning

The MSI Group is continuing to prepare its European operations to be able to do business with its clients in the EU regardless of whether or not a withdrawal or transition agreement is reached. Changes have been made to European operations in an effort to ensure that the MSI Group can continue to provide cross-border banking and investment and other services in EU member states. In the event that UK licenced entities are unable to rely on EU passporting rights to provide services, the MSI Group will adjust operations in Europe to be able to carry out activities from within the EU.

These changes include use of a new licenced investment firm, Morgan Stanley Europe S.E ("MSESE"), based in Germany, which will passport throughout the EU and serve EU-based clients where required; and the existing EU German licensed bank Morgan Stanley Bank AG ("MSBAG"), which will provide licensable banking activities where required. In addition, a new holding company for this structure has been incorporated, Morgan Stanley Europe Holding SE ("MSEHSE"). The MSI Group will also serve EU clients out of branches of these entities in the EU and existing regulated entities in France and Spain as necessary.

In addition, to provide continuity in our investment management business, we have established a new management company in Ireland, MSIM Fund Management (Ireland) Limited ("MSIM FM"), authorised under both the Undertakings for Collective Investment in Transferable Securities Directive and the Alternative Investment Fund Managers Directive. Since 1 January 2019 this entity has acted as management company to the majority of our European domiciled funds. We have also established an Irish domiciled investment firm, Morgan Stanley Investment Management (Ireland) Limited ("MSIM Ireland") to provide distribution and separately managed account services to clients where required. Both entities will operate a network of European branches to facilitate provision of services as necessary. MSIM FM established a branch in Luxembourg on 1 January 2019.

The MSI Group is continuing to build out the capabilities of these entities, including engagement with clients and local regulators. The MSI Group also expects to continue to add personnel to certain existing offices in the EU.

Certain activities currently transacted by the MSI Group, including cash and derivatives trading with these clients have moved, or may in future move, to these additional entities, including cash and derivative trading and capital markets activities moving from MSIP to MSESE; certain lending activities moving from MSBIL to MSBAG; and certain investment management activities (including provision of separately managed account services to EU domiciled clients) moving from Morgan Stanley Investment Management Limited to MSIM Ireland. The extent and timing of these moves will depend on client preferences and on licencing rules, which in turn will depend on the form of any withdrawal or transition agreement.

As part of Brexit planning to achieve the strategy mentioned above, the MSI Group has made certain entity structural changes. On 1 March 2019, MSI became the sole shareholder of MSBAG, thus adding MSBAG to the MSI Group. In addition, MSEHSE, MSESE, MS France Holdings I S.A.S and its subsidiaries ("MS France Group"), MSIM FM and MSIM Ireland continue to be subsidiaries of the MSI Group but were re-positioned within the MSI Group during the 2018 and through the first quarter of 2019. This included the positioning of MSBAG and MSESE as indirect and direct, respectively, subsidiaries of MSEHSE, thus creating a German Group ("MS Germany Group") within the MSI Group.

As a result of the political uncertainty described above, it is currently unclear what the final post-Brexit structure of European operations will be for the MSI Group overall. Given the potential negative disruption to regional and global financial markets, and depending on the extent to which Morgan Stanley may be required to make material changes to European operations beyond those currently planned or executed, results of Morgan Stanley's operations and business prospects could be negatively affected. However, following the reorganisations mentioned above, the MSI Group's principal activity and risks remain unchanged with substantially all of the current profitability and balance sheet expected to remain within the MSI Group.

8. Appendix I: Abbreviations

Term	Definition
BIA	Basic Indicator Approach
CCB	Capital Conservation Buffer
CCP	Central Counterparty
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	Europe, the Middle East and Africa
EMEA ALCO	EMEA Asset and Liability Committee
EU	European Union
FCA	Financial Conduct Authority
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IRB	Foundation Internal Ratings Based
IRC	Incremental Risk Charge
IMA	Internal Modelling Approach
IMM	Internal Models Method
ITS	Implementing Technical Standards
LCR	Liquidity Coverage Ratio
MCR	Minimum Capital Requirements
MM	Millions
MSBAG	Morgan Stanley Bank AG
MSBIL	Morgan Stanley Bank International Limited
MSEHSE	Morgan Stanley Europe Holding SE
MSESE	Morgan Stanley Europe S.E
MS France Group	Morgan Stanley France Holdings I S.A.S (and its subsidiaries)
MSI	Morgan Stanley International Limited
MSI Group	Morgan Stanley International Limited (and its subsidiaries)
MSIM	Morgan Stanley Investment Management Limited
MSIM ACD	Morgan Stanley Investment Management (ACD) Limited
MSIM FM	Morgan Stanley Fund Management (Ireland) Limited
MSIM Group	Morgan Stanley Investment Management Sub-Consolidated Group
MSIM Ireland	Morgan Stanley Investment Management (Ireland) Limited
MSIP	Morgan Stanley & Co. International plc
MSIP Group	Morgan Stanley & Co. International plc (and its subsidiaries)
MTMM	Mark-to-Market Method
OTC	Over-the-counter
PD	Probability of Default
PRA	Prudential Regulation Authority
RNiVs	Risk Not in VaR
RTS	Regulatory Technical Standards
RWAs	Risk Weighted Assets
SA	Standardised Approach
SFTs	Securities Financing Transactions
SREP	Supervisory Review and Evaluation Process
SVaR	Stressed Value at Risk
TCR	Total Capital Requirement
UK	United Kingdom
US	United States
VaR	Value at Risk