

Morgan Stanley International Limited Group

Pillar 3 Regulatory Disclosures Report

As at 31 March 2022

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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 2022 and no significant change is expected.

As at 31 March 2022, Morgan Stanley & Co. International plc (“MSIP”) and Morgan Stanley Europe Holding SE Group (“MSEHSE Group”) are reported as large subsidiaries within the MSI Group. MSIP is authorised by the Prudential Regulation Authority (“PRA”) and regulated by the PRA and Financial Conduct Authority (“FCA”). MSEHSE Group at a consolidated group level is under the direct supervision of the European Central Bank (“ECB”) under the Single Supervisory Mechanism.

The Pillar 3 disclosures as at 31 March 2022 are prepared on the basis of the consolidated situation of the MSI Group. In addition, certain disclosures are provided for MSIP and MSEHSE Group. While MSEHSE Group is only required to report annually as a large non-listed subsidiary of MSI Group, with Key Metrics (EU KM1) applicable semi-annually, current quarter EU KM1 is included for comparative purposes.

Directors Responsibility Statement

I confirm that I have taken all reasonable measures to ensure that the information included in this disclosure complies to the best of my knowledge with section 4 of the PRA rulebook on Disclosure (CRR) and has been prepared in accordance with the internal control procedures agreed upon at the management body level.

Anthony Mullineaux

CFO Morgan Stanley International Limited

Key Metrics

Table 1a: Key Metrics (UK KM1) – MSI Group and MSIP

\$MM					
MSI Group^{1 2 3}	Q1'22	Q4'21	Q3'21	Q2'21	Q1'21
Available own funds					
Common Equity Tier 1 Capital ("CET1")	21,614	22,238	22,544	21,657	20,885
Tier 1 Capital ("T1")	25,114	25,738	26,044	25,157	24,385
Total Capital	31,226	32,124	32,700	29,992	29,488
Risk-weighted exposure amounts					
Total risk-weighted exposure amount	177,213	164,374	170,087	168,003	181,191
Capital Ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio	12.20%	13.50%	13.30%	12.90%	11.50%
Tier 1 Ratio	14.17%	15.70%	15.30%	15.00%	13.50%
Total Capital Ratio	17.62%	19.50%	19.20%	17.90%	16.30%
Additional own funds requirements based on Supervisory Review and Evaluation Process ("SREP") (as a percentage of risk-weighted exposure amount)					
Additional CET1 SREP requirements (%)	1.43%				
Additional AT1 SREP requirements (%)	0.48%				
Additional Tier 2 ("T2") SREP requirements (%)	0.63%				
Total SREP own funds requirements (%)	10.54%				
Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.50%				
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-				
Institution specific countercyclical capital buffer (%)	0.04%				
Systemic risk buffer (%)	-				
Global Systemically Important Institution buffer (%)	-				
Other Systemically Important Institution buffer	-				
Combined buffer requirement (%)	2.54%				
Overall capital requirements (%)	13.08%				
CET1 available after meeting the total SREP own funds requirements (%)	6.27%				
Leverage ratio					
Total exposure measure excluding claims on central banks	501,433	534,827	547,423	535,605	537,184
Leverage ratio excluding claims on central banks (%)	5.01%	4.81%	4.76%	4.70%	4.54%
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA) (Weighted value -average)	49,196	50,367	49,416	48,780	47,018
Cash outflows - Total weighted value	86,160	86,013	82,999	79,676	74,544
Cash inflows - Total weighted value	61,375	60,328	57,283	53,660	50,171
Total net cash outflows (adjusted value)	24,785	25,686	25,717	26,017	24,373
Liquidity coverage ratio (%)	198%	196%	192%	187%	192%

1. The MSI Group is required to maintain a minimum ratio of Own Funds to Risk Weighted Assets ("RWAs"). As at 31 March 2022, the MSI Group is in compliance with the PRA capital requirements.

2. Based on the guidance provided by the PRA under PS21/21, the MSI Group, a Leverage Ratio Requirements ("LREQ") entity, shall be subject to additional leverage ratio disclosure requirements beginning 1 January 2023.

3. Based on the guidance provided by the PRA under PS17/21, the MSI Group, shall be subject to Net Stable Funding Ratio ("NSFR") disclosure requirements beginning 1 January 2023.

\$MM					
MSIP¹²³	Q1'22	Q4'21	Q3'21	Q2'21	Q1'21
Available own funds					
Common Equity Tier 1 Capital	16,836	17,022	17,195	16,419	15,796
Tier 1 Capital	20,336	20,522	20,695	19,919	19,296
Total Capital	25,465	25,898	26,323	24,399	24,025
Risk-weighted exposure amounts					
Total risk-weighted exposure amount	151,654	136,748	142,027	145,033	161,379
Capital Ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 ratio	11.10%	12.40%	12.10%	11.30%	9.80%
Tier 1 Ratio	13.41%	15.00%	14.60%	13.70%	12.00%
Total Capital Ratio	16.79%	18.90%	18.50%	16.80%	14.90%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)					
Additional CET1 SREP requirements (%)	1.51%				
Additional AT1 SREP requirements (%)	0.50%				
Additional T2 SREP requirements (%)	0.68%				
Total SREP own funds requirements (%)	10.69%				
Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.50%				
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-				
Institution specific countercyclical capital buffer (%)	0.05%				
Systemic risk buffer (%)	-				
Global Systemically Important Institution buffer (%)	-				
Other Systemically Important Institution buffer	-				
Combined buffer requirement (%)	2.55%				
Overall capital requirements (%)	13.24%				
CET1 available after meeting the total SREP own funds requirements (%)	5.09%				
Leverage ratio					
Total exposure measure excluding claims on central banks	461,429	496,231	509,199	502,756	500,490
Leverage ratio excluding claims on central banks (%)	4.41%	4.14%	4.06%	3.96%	3.86%
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA) (Weighted value -average)	41,519	40,982	40,017	39,286	
Cash outflows - Total weighted value	80,932	79,717	76,729	73,280	
Cash inflows - Total weighted value	59,933	59,248	56,638	53,153	
Total net cash outflows (adjusted value)	21,346	20,896	20,630	20,615	
Liquidity coverage ratio (%)	195%	196%	194%	191%	

1. MSIP is required to maintain a minimum ratio of Own Funds to Risk Weighted Assets ("RWAs"). As at 31 March 2022, MSIP is in compliance with the PRA capital requirements.
2. Based on the guidance provided by the PRA under PS21/21, MSIP a LREQ entity, shall be subject to additional leverage ratio disclosure requirements beginning 1 January 2023.
3. Based on the guidance provided by the PRA under PS17/21, MSIP shall be subject to NSFR disclosure requirements beginning 1 January 2023.

Table 1b: Key metrics (EU KM1) – MSEHSE Group

\$MM¹					
MSEHSE Group^{2,3}	Q1'22	Q4'21	Q3'21	Q2'21	Q1'21
Available own funds (amounts)					
Common Equity Tier 1 (“CET1”) capital	4,020	3,885	3,715	3,826	3,329
Tier 1 capital	4,684	4,568	4,410	4,537	4,033
Total capital	5,791	5,707	5,569	5,722	5,205
Risk-weighted exposure amounts					
Total risk exposure amount	24,191	24,163	24,433	22,336	23,136
Capital ratios (as a percentage of risk-weighted exposure amount)					
Common Equity Tier 1 Ratio (%)	16.6%	16.1%	15.2%	17.1%	14.4%
Tier 1 Ratio (%)	19.4%	18.9%	18.0%	20.3%	17.4%
Total Capital Ratio (%)	23.9%	23.6%	22.8%	25.6%	22.5%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.75%	2.75%			
of which: to be made up of CET1 capital (percentage points)	1.55%	1.55%			
of which: to be made up of Tier 1 capital (percentage points)	2.06%	2.06%			
Total SREP own funds requirements (%)	10.75%	10.75%			
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
Capital conservation buffer (%)	2.50%	2.50%			
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-			
Institution specific countercyclical capital buffer (%)	0.05%	0.04%			
Systemic risk buffer (%)	-	-			
Global Systemically Important Institution buffer (%)	-	-			
Other Systemically Important Institution buffer (%)	-	-			
Combined buffer requirement (%)	2.55%	2.54%			
Overall capital requirements (%)	13.30%	13.29%			
CET1 available after meeting the total SREP own funds requirements (%)	10.57%	10.03%			
Leverage Ratio					
Total exposure measure	81,392	65,339	69,695	66,358	78,772
Leverage ratio (%)	5.8%	7.0%	6.3%	6.8%	5.1%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
Additional own funds requirements to address the risk of excessive leverage (%)	-	-			
of which: to be made up of CET1 capital (percentage points)	-	-			
Total SREP leverage ratio requirements (%)	3.00%	3.00%			
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
Leverage ratio buffer requirement (%)	-	-			
Overall leverage ratio requirement (%)	3.00%	3.00%			
Liquidity Coverage Ratio					
Total high-quality liquid assets (HQLA) (Weighted value - average)	8,958	9,522	9,522	9,056	7,771
Cash outflows - Total weighted value	14,822	12,696	9,812	7,863	6,174
Cash inflows - Total weighted value	10,056	6,574	3,688	1,932	1,338
Total net cash outflows (adjusted value)	5,295	6,475	6,237	5,931	4,836
Liquidity coverage ratio (%)	169%	147%	153%	153%	161%

1. MSEHSE Group quantitative data for 31 March 2022 has been converted from EUR to USD at a rate of 1.10695. The quarterly Liquidity Coverage Ratio (“LCR”) balances reflects the average of the last 12-month period, which have been converted from EUR to USD at respective month-end FX rate.

2. MSEHSE Group is required to maintain a minimum ratio of Own Funds to Risk Weighted Assets (“RWAs”). As at 31 March 2022, MSEHSE Group is in compliance with the regulatory capital requirements.

3. MSEHSE Group NSFR shall be disclosed semi-annually.

Basis of Consolidation

The MSI Group completes its prudential consolidation in compliance with Capital Requirements Regulation (“CRR”) Part One, Title II Chapter 2 as amended, PRA Rulebook on Groups and the PRA’s Supervisory Statement on Groups (SS15/13), with all entities fully consolidated. The basis of consolidation for prudential purposes is materially 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 the CRR. The most significant subsidiaries of the MSI Group are MSIP and MSEHSE Group, the results of which are material to the MSI Group. This disclosure comprehensively conveys the risk profile of the MSI Group.

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 disclosure can be accessed at <https://www.morganstanley.com/about-us-ir/lcr-disclosures-us>. For further information on the MSI Group, please refer to the annual disclosure at [Pillar 3 Disclosures - UK - Investor Relations | Morgan Stanley](#).

Morgan Stanley is listed on the New York Stock Exchange and is required, by the US Securities and Exchange Commission (“SEC”), to file public disclosures, including Annual 10-K Report and Quarterly 10-Q Report. These can be accessed at <https://www.morganstanley.com/pub/content/msdotcom/en/about-us-ir/sec-filings>.

Additional Regulatory Supervision

MSIP, a London-based broker-dealer subsidiary is also conditionally registered with the SEC as a security-based swap dealer and provisionally registered with the Commodity Future Trading Commission (“CFTC”) as a swap dealer. Currently MSIP is complying with home country capital requirements in lieu of SEC and CFTC capital requirements pursuant to applicable substituted compliance rules and interim no-action relief.

Within the MSEHSE Group, Morgan Stanley Europe SE (“MSESE”) as a Germany-based broker dealer is also conditionally registered with the SEC as a security-based swap dealer and provisionally registered with the CFTC as a swap dealer. Currently MSESE is complying with home-country capital requirements in lieu of SEC and CFTC capital requirements pursuant to interim no-action relief.

2. Regulatory Frameworks

Basel Committee on Banking Supervision (“BCBS”) sets the standard for international banking prudential regulation in a series of accords (“Basel Accords”). It is a forum for regular cooperation on the supervision of the banking system and is made up of national banks and supervisory authorities from 28 countries. The Basel Accords are not directly applicable legislation, and they apply only to internationally active banks. The Basel Accords have been updated a number of times, most recently through a series of reforms known collectively as Basel III. The Basel Accords are implemented in the United Kingdom (“UK”) via the Capital Requirements Directive (“CRD”) and the CRR, both as amended.

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 the Disclosure (CRR) section of the PRA Rulebook applicable to CRR Firms. For certain disclosures, requirements are onshored by PRA specific policy statements and guidelines and few disclosure 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.

Both MSIP and MSEHSE Group are considered large subsidiaries of the MSI Group for Pillar 3 disclosures.

MSESE as a large subsidiary of the MSI Group is exempted from the application of Article 6(1) of the CRR, pursuant to Article 7 of the CRR and section 2a para. 2 of the German Banking Act (Kreditwesengesetz – KWG). As a result, for ‘large subsidiary’ disclosure purposes, the MSEHSE Group is disclosed instead.

3. Capital Management

The MSI Group manages capital in accordance with regulatory requirements and the results of its Internal Capital Adequacy Assessment Process. Further details on the MSI Group’s capital management can be found in the MSI Group and MSIP annual reports.

As at 31 March 2022, the MSI Group Total Capital Requirement (“TCR”) was \$18.7Bn, equivalent to 10.5% of RWAs. The Combined Buffer as of 31 March 2022 was 2.54%, comprising the Capital Conservation Buffer of 2.5% and a Countercyclical Capital Buffer of 0.04%.

Escalation of War in Ukraine

Following Russia’s invasion of Ukraine on 24 February 2022, the European and global financial markets have been and are expected to continue to be significantly impacted in 2022. However, the MSI Group has limited direct exposure to Russia and Ukraine. The MSI Group will continue to closely monitor events and their potential impact.

4. Total Loss-Absorbing Capacity

The MSI and MSEHSE Groups are subject to internal TLAC requirements under the CRR. These requirements are designed to enhance the resilience of the financial system by ensuring firms have sufficient capital and eligible liabilities to absorb losses and recapitalise in resolution. As at 31 March 2022, the minimum capacity requirements were set at 18% of RWAs and 6.75% of leverage exposure, scaled at 90% for both groups as material subsidiaries, on a consolidated basis, of a non-UK/non- European Union (“EU”) Global Systemically Important Institution (“G-SII”). The MSEHSE Group will be subject to an internal Minimum Required Eligible Liabilities (“MREL”) requirement from 1 January 2024.

Morgan Stanley’s preferred resolution strategy is a Single Point of Entry (“SPOE”) strategy. Further information on the resolution strategy can be found in Morgan Stanley Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q. The MSI Group and MSEHSE Group TLAC key metrics are provided in Table 2a and 2b, respectively.

Table 2a: TLAC Key Metrics – MSI Group

\$MM					
MSI Group¹	Q1'22	Q4'21	Q3'21	Q2'21	Q1'21
Total loss absorbing capacity (“TLAC”) available	41,193	40,127	40,432	39,553	38,780
Total RWAs at the level of the resolution group	177,213	164,374	170,087	168,003	181,191
TLAC as a percentage of RWA (row 1/row2) (%)	23.2%	24.4%	23.8%	23.5%	21.4%
Leverage ratio exposure measure at the level of the resolution group	501,433	534,827	547,423	535,605	537,184
TLAC at a percentage of leverage ratio exposures measure (row1/row4) (%)	8.2%	7.5%	7.4%	7.4%	7.2%

1. As at 31 March 2022, the MSI Group is in compliance with the TLAC requirements.

Table 2b: TLAC Key Metrics – MSEHSE Group

\$MM					
MSEHSE Group¹	Q1'22	Q4'21	Q3'21	Q2'21	Q1'21
Total loss absorbing capacity (“TLAC”) available	5,680	5,593			
Total RWAs at the level of the resolution group	24,191	24,163			
TLAC as a percentage of RWA (row 1/row2) (%)	23.5%	23.1%			
Leverage ratio exposure measure at the level of the resolution group	81,392	65,339			
TLAC at a percentage of leverage ratio exposures measure (row1/row4) (%)	7.0%	8.6%			

1. As at 31 March 2022, the MSEHSE Group is in compliance with the TLAC requirements.

5. 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.

The MSI Group and MSIP leverage ratios as at 31 March 2022 exceed the proposed minimum requirement of 3.25% that will apply once new legislation comes into effect from 1 January 2023. MSEHSE Group leverage ratio is also in excess of its 3% minimum requirement. 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. Leverage exposures for MSI Group as well as MSIP are regularly calculated and reported to 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.

The leverage ratios of MSI Group and MSIP have increased from 31 December 2021 to 31 March 2022 by 0.2% and 0.3% respectively due to a decrease in leverage exposure. Leverage ratio of MSEHSE Group has decreased by (1.2)% primarily due to an increase in leverage exposure.

6. 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 the approved internal modelling approach - the Internal Model Method (“IMM”) for CCR exposure. Standardised methods are applied for exposures not covered by internal models. Foundation Internal Ratings Based approach (“IRB”) for credit risk or Standardised Approach (“SA”) Risk Weights are applied as applicable.

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

Settlement risk refers to the capital requirement that covers the risk due to the possibility that a counterparty will fail to deliver on the terms of a contract at the agreed-upon time.

Securitisation exposures are a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranching. Payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures. 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. For further discussion on credit risk, counterparty credit risk, market risk and operational risk, please refer to the specific sections within this document.

RWA Overview

Table 3 summarises RWAs and total own funds requirements (“TOFR”) 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.

Table 3: Overview of risk weighted exposure amounts (UK OV1) – MSI Group and MSIP

§MM	MSI Group			MSIP		
	RWAs Q1'22	RWAs Q4'21	TOFR Q1'22	RWAs Q1'22	RWAs Q4'21	TOFR Q1'22
Credit risk (excluding CCR)	15,161	14,224	1,213	10,742	8,856	859
Of which standardised approach	3,785	3,678	303	1,942	1,831	155
Of which the Foundation IRB (“FIRB”) approach	6,898	6,788	552	4,317	3,468	345
Of which slotting approach						
Of which equities under the simple risk weighted approach	4,478	3,758	358	4,483	3,557	359
Of which the Advanced IRB (“AIRB”) approach	-	-	-	-	-	-
Counterparty credit risk – CCR	74,689	66,365	5,975	65,521	58,705	5,242
Of which standardised approach	12,669	9,938	1,014	11,709	9,092	937
Of which internal model method (IMM)	32,571	29,328	2,606	27,176	24,876	2,174
Of which exposures to a CCP	891	422	71	709	266	57
Of which credit valuation adjustment - CVA	21,751	20,480	1,740	19,024	18,110	1,522
Of which other CCR	6,807	6,197	544	6,903	6,361	552
Settlement risk	244	339	19	284	482	23
Securitisation exposures in the non-trading book (after the cap)	3,084	2,162	247	3,084	2,162	247
Of which IRB	-	-	-	-	-	-
Of which IRB supervisory formula approach (“SFA”)	-	-	-	-	-	-
Of which internal assessment approach (“IAA”)	-	-	-	-	-	-
Of which standardised approach	-	-	-	-	-	-
Position, foreign exchange and commodities risks (Market risk)	62,927	62,327	5,034	50,188	49,412	4,015
Of which standardised approach	12,517	12,409	1,001	7,114	6,580	569
Of which IMA	50,410	49,918	4,033	43,074	42,832	3,446
Large exposures	6,756	3,619	540	11,768	6,209	941
Operational risk	14,352	14,352	1,149	10,067	10,067	805
Of which basic indicator approach	14,352	14,352	1,149	10,067	10,067	805
Of which standardised approach	-	-	-	-	-	-
Of which advanced measurement approach	-	-	-	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)¹	827	986	66	1,095	855	88
Total	177,213	164,374	14,177	151,654	136,748	12,132

1. Amounts below the thresholds for deduction (subject to 250% risk weight) is only for information purpose. Amount is already included in Credit risk (excluding CCR).

Over the first quarter, overall RWAs increased, primarily driven by Counterparty Credit Risk due to adoption of CRRII rules and market movements.

Credit Risk RWA flow statements

Table 4 summarises the movements of RWAs 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 (UK CR8) – MSI Group and MSIP

\$MM	MSI Group	MSIP
	RWA	RWA
Risk weighted exposure amount as at the end of the previous reporting period¹	6,788	3,468
Asset size	92	807
Asset quality	71	42
Model updates	-	-
Methodology and policy	-	-
Acquisitions and disposals	(53) ²	-
Foreign exchange movements	-	-
Other	-	-
Risk weighted exposure amount as at the end of the reporting period	6,898	4,317

1. Previous reporting period was Q4'21.

2. The change in acquisitions and disposals is driven by sale of Morgan Stanley Bank International (China) Limited.

Over the first quarter, the increase in RWAs were mainly driven by downgrades in credit rating and increase in cash exposure.

Table 5 summarises movements of RWAs for MSI Group and MSIP's CCR exposures under IMM.

Table 5: RWA flow statements of CCR exposures under the IMM (UK CCR7) – MSI Group and MSIP

\$MM	MSI Group	MSIP
	RWA	RWA
RWA as at the end of the previous reporting period¹	29,328	24,876
Asset size	3,967	2,946
Credit quality of counterparties	(874)	(860)
Model updates (IMM only)	150	214
Methodology and policy (IMM only)	-	-
Acquisitions and disposals	-	-
Foreign exchange movements	-	-
Other	-	-
RWA as at the end of the current reporting period	32,571	27,176

1. Previous reporting period was Q4'21.

The IMM RWA increase is mainly due to portfolio and market movements within Over the counter ("OTC") derivatives.

Table 6 summarises the key drivers of RWAs/TOFR for MSI Group and MSIP's market risk exposures under the Internal Model Approach.

Table 6: RWA flow statements of market risk exposures under the IMA (UK MR2-B) – MSI Group and MSIP							
\$MM							
MSI Group	VaR	SVaR	IRC	Comprehensive risk measure	Other⁴	Total RWAs	TOFR
RWAs at previous period end¹	5,135	14,391	6,085	0	24,307	49,918	3,993
Regulatory adjustment ²	(3,457)	(10,482)	(968)	-	(12,019)	(26,926)	(2,154)
RWAs at the previous quarter-end (end of the day)	1,678	3,909	5,117	-	12,288	22,992	1,839
Movement in risk levels	995	1,481	223	-	(74)	2,625	211
Model updates/changes	-	-	-	-	(83)	(83)	(7)
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	(2)	(9)	(6)	-	(55)	(72)	(6)
Other ³	137	(92)	(24)	-	74	95	8
RWAs at the end of the disclosure period (end of the day)	2,808	5,289	5,310	-	12,150	25,557	2,045
Regulatory adjustment ²	2,532	10,930	421	-	10,970	24,853	1,988
RWAs at the end of the disclosure period	5,340	16,219	5,731	0	23,120	50,410	4,033
MSIP							
RWAs at previous period end¹	4,683	11,673	5,642	0	20,834	42,832	3,427
Regulatory adjustment ²	(3,136)	(8,390)	(858)	-	(10,523)	(22,907)	(1,833)
RWAs at the previous quarter-end (end of the day)	1,547	3,283	4,784	-	10,311	19,925	1,594
Movement in risk levels	942	1,259	71	-	(31)	2,241	180
Model updates/changes	-	-	-	-	(83)	(83)	(7)
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other ³	84	(95)	(22)	-	73	40	3
RWAs at the end of the disclosure period (end of the day)	2,573	4,447	4,833	-	10,270	22,123	1,770
Regulatory adjustment ²	2,173	9,168	374	-	9,236	20,951	1,676
RWAs at the end of the disclosure period	4,746	13,615	5,207	0	19,506	43,074	3,446

1. Previous reporting period was Q4'21.

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 Value at Risk ("VaR") / Stressed Value at Risk ("SVaR"), and 12-week average position in the case of Incremental Risk Charge ("IRC") and Comprehensive Risk Measure ("CRMe"). The regulatory adjustments also account for the multiplication factors mc and ms, per Article 366 of the CRR, for the VaR, SVaR and Other respectively.

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 ("RNIV").

Over the first quarter of 2022, Modelled Market Risk RWA for MSI Group increased primarily driven by changes in Fixed Income risk profile.

7. Liquidity Coverage Ratio

The MSI Group Liquidity Coverage Ratio (“LCR”) increased from 196% to 198%. A decline in net cash outflows, primarily due to higher secured lending inflows, was broadly matched by a reduction in HQLA.

The most significant drivers of MSI Group and MSIP’s cash outflow amounts this quarter were secured wholesale funding, outflows related to derivative exposures and other collateral requirements. MSI Group and MSIP’s cash inflow amounts this quarter were primarily driven by secured lending which includes reverse repurchase transactions, securities borrowed and margin loan transactions. HQLA primarily comprises of Level 1 assets that includes government bonds and cash balances with central banks.

The MSI Group and MSIP fund themselves through transactions with affiliates in the Morgan Stanley Group for capital, unsecured and secured funding, and through a diverse range of counterparties in unsecured and secured funding markets.

MSI Group and MSIP are participants in global derivatives markets. In some cases, the derivative counterparties have contractual rights that require the entities to post collateral to them in the event that credit rating agencies downgrade the Group’s credit rating. In measuring collateral call risks, all amounts of collateral that could be required to be posted in accordance with the terms and conditions of the downgrade trigger clauses found in applicable legal agreements are considered.

A portion of MSI Group’s business is conducted in currencies other than the U.S. dollar, and changes in foreign exchange rates relative to the U.S. dollar, therefore, can affect the value of non-U.S. dollar net assets, revenues and expenses. Potential exposures as a result of these fluctuations in currencies are closely monitored, and strategies are adopted to reduce the impact of these fluctuations on financial performance. These strategies may include the financing of non-U.S. dollar assets with direct or swap-based borrowings in the same currency and the use of currency forward contracts or the spot market in various hedging transactions related to net assets, revenues, expenses or cash flows.

The LCR quantitative disclosures, shown in Tables 7 reflect the monthly average value for each quarter end period. The figures reported in the “Total Weighted Value” column reflect the prescribed, industry-wide rules and haircuts applicable to the LCR to determine the Firm’s eligible HQLA (“EHQLA”) and cash in/outflow amounts. The figures reported in the “Total Unweighted Value” columns reflect gross values that are not included in the calculation used to determine the Firm’s compliance with LCR requirements.

Table 7: Quantitative Information of LCR (UK LIQ1) – MSI Group and MSIP

§MM	Total unweighted value				Total weighted value			
	31-Mar-2022	31-Dec-2021	30-Sep-2021	30-Jun-2021	31-Mar-2022	31-Dec-2021	30-Sep-2021	30-Jun-2021
MSI Group¹								
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-Quality Liquid Assets								
Total high-quality liquid assets (HQLA)					49,196	50,367	49,416	48,780
Cash-Outflows								
Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
<i>Stable deposits</i>	-	-	-	-	-	-	-	-
<i>Less stable deposits</i>	-	-	-	-	-	-	-	-
Unsecured wholesale funding	16,939	16,973	15,979	14,426	16,939	16,973	15,979	14,426
<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-	-	-	-	-	-	-
<i>Non-operational deposits (all counterparties)</i>	16,457	16,527	15,586	14,090	16,457	16,527	15,586	14,090
<i>Unsecured debt</i>	482	446	393	336	482	446	393	336
Secured wholesale funding					45,281	44,949	43,285	41,622
Additional requirements	30,177	29,802	28,707	27,536	20,408	20,225	19,826	19,757
<i>Outflows related to derivative exposures and other collateral requirements</i>	22,745	22,407	22,203	22,156	18,939	18,805	18,551	18,608
<i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-
<i>Credit and liquidity facilities</i>	7,432	7,395	6,504	5,380	1,469	1,420	1,275	1,149
Other contractual funding obligations	47,101	46,549	47,402	47,127	987	1,189	1,222	1,248
Other contingent funding obligations	5,259	6,073	6,533	6,626	2,545	2,678	2,689	2,623
Total Cash Outflows					86,160	86,014	83,001	79,676
Cash Inflows								
Secured lending (e.g., reverse repos)	216,519	213,764	212,076	203,057	44,352	43,668	41,259	38,080
Inflows from fully performing exposures	12,509	12,980	12,949	12,683	11,135	11,322	11,185	10,967
Other cash inflows	7,160	6,588	6,000	5,666	7,160	6,588	6,000	5,666
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					1,272	1,250	1,162	1,053
(Excess inflows from a related specialised credit institution)					-	-	-	-
Total Cash Inflows	236,188	233,332	231,025	221,406	61,375	60,328	57,282	53,660
<i>Fully exempt inflows</i>	-	-	-	-	-	-	-	-
<i>Inflows Subject to 90% Cap</i>	-	-	-	-	-	-	-	-
<i>Inflows Subject to 75% Cap</i>	188,636	187,554	185,458	177,129	61,375	60,328	57,283	53,660
						Total Adjusted Value		
Liquidity Buffer					49,196	50,367	49,416	48,780
Total Net Cash Outflows					24,785	25,686	25,717	26,017
Liquidity Coverage Ratio (%)					198%	196%	192%	187%

1. All cash inflows and outflows shown are at the full unweighted/weighted value and do not reflect the phase in of LCR requirements.

SMM	Total unweighted value				Total weighted value			
	31-Mar-2022	31-Dec-2021	30-Sep-2021	30-Jun-2021	31-Mar-2022	31-Dec-2021	30-Sep-2021	30-Jun-2021
MSIP ¹								
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-Quality Liquid Assets								
Total high-quality liquid assets (HQLA)					41,519	40,982	40,017	39,286
Cash-Outflows								
Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	-
<i>Stable deposits</i>	-	-	-	-	-	-	-	-
<i>Less stable deposits</i>	-	-	-	-	-	-	-	-
Unsecured wholesale funding	15,814	15,205	14,312	12,817	15,814	15,205	14,312	12,817
<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	0	0	0	0	0	0	0	0
<i>Non-operational deposits (all counterparties)</i>	15,332	14,759	13,919	12,481	15,332	14,759	13,919	12,481
<i>Unsecured debt</i>	482	446	393	336	482	446	393	336
Secured wholesale funding					45,901	45,514	43,759	41,955
Additional requirements	19,505	18,930	18,465	18,090	15,693	15,314	14,810	14,554
<i>Outflows related to derivative exposures and other collateral requirements</i>	19,504	18,929	18,462	18,086	15,692	15,313	14,808	14,552
<i>Outflows related to loss of funding on debt products</i>	0	0	0	0	0	0	0	0
<i>Credit and liquidity facilities</i>	1	1	3	4	1	1	2	2
Other contractual funding obligations	48,942	47,872	49,034	48,570	952	984	1,142	1,323
Other contingent funding obligations	5,313	6,114	6,561	6,631	2,572	2,700	2,706	2,631
Total Cash Outflows					80,932	79,717	76,729	73,280
Cash Inflows								
Secured lending (e.g., reverse repos)	220,041	216,302	214,347	204,749	44,372	43,676	41,280	38,114
Inflows from fully performing exposures	11,375	12,178	12,518	12,333	10,011	10,529	10,762	10,625
Other cash inflows	6,730	6,247	5,725	5,424	6,730	6,247	5,725	5,424
(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					1,180	1,204	1,129	1,010
(Excess inflows from a related specialised credit institution)					-	-	-	-
Total Cash Inflows	238,146	234,727	232,590	222,506	59,933	59,248	56,638	53,153
<i>Fully exempt inflows</i>	0	0	0	0	0	0	0	0
<i>Inflows Subject to 90% Cap</i>	0	0	0	0	0	0	0	0
<i>Inflows Subject to 75% Cap</i>	190,521	188,895	187,025	178,177	59,933	59,248	56,638	53,153
					Total Adjusted Value			
Liquidity Buffer					41,519	40,982	40,017	39,286
Total Net Cash Outflows					21,346	20,896	20,630	20,615
Liquidity Coverage Ratio (%)					195%	196%	194%	191%

1. All cash inflows and outflows shown are at the full unweighted/weighted value and do not reflect the phase in of LCR requirements.

8. Regulatory Development

Finalising Basel III reforms

Following the UK withdrawal from the EU, the PRA issued its final rules, effective 1 January 2022, implementing key components of the Basel III reforms that were previously finalised in the EU, effective 28 June 2021. This includes: Standardised Approach to Counterparty Credit Risk, Net Stable Funding Ratio, revised Leverage Ratio, revised Large Exposure Framework, and revised Pillar 3 disclosure requirements.

Following the impact of the COVID-19 pandemic and its impact on the global banking system, the BCBS has decided to defer the remaining standards of the Basel III reform package by one year to 1 January 2023. The key amendments provide updates to the standardised measures for calculating capital requirements and include an aggregate floor for RWAs generated by the internal models, which will be set at 72.5% of total standardised RWAs.

The output floor will be phased in over five years. Banks will also need to disclose their RWAs based upon the standardised approaches.

However, no draft rules have yet been proposed by the PRA, so the final timing and impact in the UK remains uncertain, but the new requirements are not expected to apply before 1 January 2025. The same uncertainty on timing exists in the EU, where the European Commission published draft rules in October 2021.

9. Appendix I: Abbreviations

Term	Definition
AIRB	Advanced Internal Ratings Based
AT1	Additional Tier 1 Capital
BCBS	Basel Committee on Banking Supervision
BIA	Basic Indicator Approach
CCR	Counterparty Credit Risk
CET1	Common Equity Tier 1 Capital
CFTC	Commodity Future Trading Commission
CRD	Capital Requirements Directive
CRMe	Comprehensive Risk Measure
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustment
EBA	European Banking Authority
ECB	European Central Bank
EHQLA	Extremely High-Quality Liquid Assets
EMEA	Europe, the Middle East and Africa
EMEA ALCO	EMEA Asset and Liability Committee
EU	European Union
FCA	Financial Conduct Authority
FIRB	Foundation Internal Ratings Based
FRTB	Fundamental Review of the Trading Book
G-SIIs	Global Systematically Important Institutions
HQLA	High Quality Liquid Assets
IAA	Internal Assessment Approach
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IMA	Internal Modelling Approach
IMM	Internal Models Method
IRB	Internal Ratings Based
IRC	Incremental Risk Charge
ITS	Implementing Technical Standards
LCR	Liquidity Coverage Ratio
LREQ	Leverage Ratio Requirements
MM	Millions
MSEHSE Group	Morgan Stanley Europe Holding SE Group
MSESE	Morgan Stanley Europe SE
MSI	Morgan Stanley International Limited
MSI Group	Morgan Stanley International Limited (and its subsidiaries)
MSIP	Morgan Stanley & Co. International plc
MREL	Minimum Required Eligible Liabilities
NSFR	Net Stable Funding Ratio
OTC	Over-the-counter
PRA	Prudential Regulation Authority
RNIV	Risks Not in VaR
RTS	Regulatory Technical Standards
RWAs	Risk Weighted Assets
SA	Standardised Approach
SEC	US Securities and Exchange Commission
SFA	Supervisory Formula Approach
SPOE	Single Point of Entry
SREP	Supervisory Review and Evaluation Process
SVaR	Stressed Value at Risk
T1	Tier 1
T2	Tier 2
TCR	Total Capital Requirement
TLAC	Total Loss-Absorbing Capacity
TOFR	Total Own Funds Requirements
UK	United Kingdom
VaR	Value at Risk