

Morgan Stanley International Limited Group

Pillar 3 Regulatory Disclosure Report

As at 30 September 2024

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1. Overview

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 third quarter of 2024 and no significant change is expected.

As at 30 September 2024, Morgan Stanley & Co. International plc (“MSIP”) and Morgan Stanley Europe SE (“MSESE”) are considered 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”). MSESE and the Morgan Stanley Europe Holding SE Group (“MSEHSE Group”), of which MSESE is a subsidiary, are under the direct supervision of the European Central Bank (“ECB”) under the Single Supervisory Mechanism.

The Pillar 3 disclosures as at 30 September 2024 are prepared on the basis of the consolidated situation of the MSI Group. In addition, certain disclosures are required for MSIP and MSESE as large non-listed subsidiaries of MSI Group. MSESE is able to meet its capital requirements by incorporating its subsidiary Morgan Stanley Bank AG (“MSESE Consol”). As a result, MSESE Consol is considered the large subsidiary for disclosure 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 established formal policies and internal processes, systems and control.

Anthony Mullineaux

Chief Financial Officer

Morgan Stanley International Limited

Basis of Consolidation

The MSI Group completes its prudential consolidation in compliance with the PRA rulebook, 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 under the PRA rulebook. As noted above, the most significant subsidiaries of the MSI Group are MSIP and MSESE Consol, the results of which are material to 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 ("LCR") and Net Stable Funding Ratio ("NSFR") disclosures can be accessed at <https://www.morganstanley.com/about-us-ir/lcr-disclosures-us> and <https://www.morganstanley.com/about-us-ir/nsfr-disclosures-us>.

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/about-us-ir/sec-filings>.

Additional Regulatory Supervision

As a provider of services to global clients, MSIP and MSESE, are conditionally registered with the SEC as a Securities-Based Swap Dealer ("SBSD"). Both MSIP and MSESE are complying with home country capital requirements in lieu of SEC capital requirements pursuant to applicable substituted compliance rules.

MSIP, MSESE and Morgan Stanley Bank International Limited ("MSBIL"), a non-material subsidiary of the MSI Group, are also registered with the Commodity Futures Trading Commission ("CFTC") as Swap Dealers ("SDs"). MSBIL complies directly with the applicable Bank SD CFTC requirements and MSIP and MSESE comply with the CFTC Non-U.S Non-Bank substituted compliance requirements.

These SD registrations provide a comprehensive regulatory framework applicable to the MSI Group's US-related swap and SBSB activities.

2. Regulatory Frameworks

Regulatory Overview

The 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 UK via the PRA Rulebook including retained European Union (“EU”) Law under the European Union (Withdrawal) Act 2018.

The Basel Accords are implemented in the EU through the Capital Requirements Regulation (“CRR”) and the Capital Requirements Directive (“CRD”) as well as standards issued by the European Banking Authority (“EBA”) and the ECB. These regulations and technical standards continue to be relevant for EU subsidiaries of the MSI Group.

The framework consists of three “Pillars”:

- Pillar 1 – Minimum capital and liquidity 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 Process (“ICAAP”) and Internal Liquidity Adequacy Assessment Process (“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 Disclosures

MSI Group Pillar 3 disclosures are prepared in accordance with the requirements of section 4 of the PRA Rulebook on Disclosure (CRR) applicable to CRR firms.

Further details on MSI Group and its large subsidiaries can be found in the annual Pillar 3 disclosure that can be accessed at: <https://www.morganstanley.com/about-us-ir/pillar-uk>.

Further details on the MSEHSE Group can be found in their Pillar 3 disclosures that can be accessed at: <https://www.morganstanley.com/about-us-ir/pillar-eu>.

3. Minimum Requirements for Own Funds and Eligible Liabilities

Material subsidiaries of a group that are not a UK resolution entity, such as MSI Group, are required to have sufficient own funds and eligible liabilities to meet internal Minimum Requirement for Own Funds and Eligible Liabilities ("MREL").

These requirements are designed to enhance the resilience of the financial system by ensuring institutions have sufficient capital and eligible liabilities to absorb losses and recapitalise in resolution.

The minimum requirements are set at higher of 2 x (Pillar 1 + Pillar 2A) of Risk Weighted Exposure Amounts ("RWAs") and 2 x (minimum leverage ratio) of leverage exposure. The Bank of England ("BoE") scales MREL requirements at 75% for internal MREL purposes, but may increase this up to 90% if considered appropriate.

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 10-Q Report as well as the Public Section of Morgan Stanley's Title I resolution plan that can be accessed at <https://www.fdic.gov/resources/resolutions/resolution-authority/resplans/>.

The MSI Group MREL key metrics are provided in Table 1.

\$MM		
MSI Group¹	Q3'24	Q2'24²
MREL available	44,962	45,995
Total RWAs at the level of the resolution group	172,995	164,418
MREL as a percentage of RWAs (row 1/row2) (%)	25.99%	27.97%
Leverage ratio exposure measure at the level of the resolution group	515,674	498,582
MREL at a percentage of leverage ratio exposures measure (row1/row4) (%)	8.72%	9.23%

1. As at 30 September 2024, the MSI Group is in compliance with the MREL requirements.

2. Q2'24 RWAs have been updated to reflect an increase in Market Risk RWAs of \$2.8Bn.

Over the third quarter of 2024, the decrease in MSI Group's MREL available was driven by an extraordinary dividend. Total RWAs increased primarily due to credit risk. Leverage ratio exposure measure increased primarily from Derivatives and Securities Financing Transactions ("SFTs").

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.

The MSI Group and MSIP are Leverage Ratio Requirements ("LREQ") entities. Their leverage ratios as at 30 September 2024 exceed the PRA's Tier 1¹ and Common Equity Tier 1² ("CET1") minimum requirements.

Table 2: Leverage Ratio - MSI Group and MSIP		
\$MM	a	b
MSI Group¹	Q3'24	Q2'24
Capital and total exposure measure		
23 Tier 1 capital (leverage)	28,865	29,898
UK-24b Total exposure measure excluding claims on central banks	515,674	498,582
Leverage ratio		
25 Leverage ratio excluding claims on central banks (%)	5.60%	6.00%
UK-25a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	5.60%	6.00%
UK-25b Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	5.60%	6.00%
UK-25c Leverage ratio including claims on central banks (%)	5.44%	5.82%
Additional leverage ratio disclosure requirements - leverage ratio buffers		
27 Leverage ratio buffer (%)	0.22%	0.24%
UK-27b Of which: countercyclical leverage ratio buffer (%)	0.22%	0.24%
Additional leverage ratio disclosure requirements - disclosure of mean values		
UK-31 Average total exposure measure including claims on central banks	523,002	521,951
UK-32 Average total exposure measure excluding claims on central banks	506,159	505,427
UK-33 Average leverage ratio including claims on central banks	5.67%	5.73%
UK-34 Average leverage ratio excluding claims on central banks	5.86%	5.92%
MSIP		
Capital and total exposure measure		
23 Tier 1 capital (leverage)	21,031	22,202
UK-24b Total exposure measure excluding claims on central banks	459,310	438,317
Leverage ratio		
25 Leverage ratio excluding claims on central banks (%)	4.58%	5.07%
UK-25a Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.58%	5.07%
UK-25b Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	4.58%	5.07%
UK-25c Leverage ratio including claims on central banks (%)	4.54%	5.03%
Additional leverage ratio disclosure requirements - leverage ratio buffers		
27 Leverage ratio buffer (%)	0.20%	0.22%
UK-27b Of which: countercyclical leverage ratio buffer (%)	0.20%	0.22%
Additional leverage ratio disclosure requirements - disclosure of mean values		
UK-31 Average total exposure measure including claims on central banks	451,811	449,421
UK-32 Average total exposure measure excluding claims on central banks	448,318	446,215
UK-33 Average leverage ratio including claims on central banks	4.82%	4.94%
UK-34 Average leverage ratio excluding claims on central banks	4.86%	4.97%

Over the third quarter of 2024, MSI Group's Tier 1 capital decreased primarily due to the payment of an extraordinary dividend. MSI Group's leverage ratio excluding claims on central banks decreased by 0.4% primarily due to a higher leverage exposure driven by an increase in Derivatives and SFTs and a decrease in Tier 1 capital. The average leverage ratio excluding claims on central banks decreased over the quarter by 0.06% primarily due to a decrease in Tier 1 capital.

Over the third quarter of 2024, MSIP's Tier 1 capital decreased primarily due to the payment of an extraordinary dividend and an ordinary dividend. MSIP's leverage ratio excluding claims on central banks decreased by 0.49% primarily due to a higher leverage exposure driven by an increase in Derivatives and SFTs and a decrease in Tier 1 capital. The average leverage ratio including claims on central banks decreased over the quarter by 0.12% primarily due to a decrease in Tier 1 capital.

¹ A minimum leverage ratio of 3.25% is required.

² At least 75% of the firm's T1 capital must consist of CET1 capital. Additionally, the firm must maintain an additional countercyclical leverage ratio buffer of CET1 equal to 35% of its current Countercyclical Capital Buffer ("CCyB") rate.

5. Regulatory Developments

Finalising Basel III reforms

There are a number of remaining standards of the Basel III reform package (referred to as “Finalisation of Basel III”) that are yet to be implemented. These revisions cover RWA requirements for Credit, Market, Credit Valuation Adjustment (“CVA”) and Operational Risk.

In the UK, the PRA have issued their near final rules, referred to as Basel 3.1, to implement these final standards. These rules are effective from 1 January 2026 with no further material changes expected. The proposed rules are largely consistent with the Basel III reform package with some adjustments to address UK specificities.

In the EU, the proposed rules, referred to as CRR III and CRD VI, to implement the final elements of the Basel III reform package with some EU specific adjustments, were finalised and approved via the European legislative process by the European Parliament and the Council of the EU and are effective from 1 January 2025. This excludes the Fundamental Review of the Trading Book (“FRTB”) own funds requirements that have been postponed to 1 January 2026. These finalised rules include an increased focus on Environmental, Social and Governance (“ESG”) risks.

CRD VI Article 21c

New rules amending the CRD entered into force on 9 July 2024. CRD VI includes provisions which will restrict certain non-EU entities from providing core banking services, including lending, to EU investors. Whilst each EU Member State is required to transpose the Directive's minimum requirements into their national laws by 10 January 2026, these specific provisions will take effect from 11 January 2027. The MSEHSE Group is analysing and monitoring the impact of these changes.

6. Appendix I: Abbreviations

Term	Definition
Basel Accords	Standard for international banking prudential regulation in a series of accords
BCBS	Basel Committee on Banking Supervision
BoE	Bank of England
CCyB	Countercyclical Capital Buffer
CET1	Common Equity Tier 1
CFTC	Commodity Futures Trading Commission
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustment
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Losses
ESG	Environmental, Social and Governance
EU	European Union
FCA	Financial Conduct Authority
FRTB	Fundamental Review of the Trading Book
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
LCR	Liquidity Coverage Ratio
LREQ	Leverage Ratio Requirements
MM	Millions
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
MSBIL	Morgan Stanley Bank International Limited
MSEHSE Group	Morgan Stanley Europe Holding SE Group
MSESE	Morgan Stanley Europe SE
MSESE Consol	Morgan Stanley Europe SE ("MSESE" together with its subsidiaries)
MSI	Morgan Stanley International Limited
MSI Group	("MSI") together with its subsidiaries
MSIP	Morgan Stanley & Co. International plc
NSFR	Net Stable Funding Ratio
PRA	Prudential Regulation Authority
RWAs	Risk Weighted Exposure Amounts
SBSD	Securities-Based Swap Dealer
SDs	Swap Dealers
SEC	Securities and Exchange Commission
SFTs	Securities Financing Transactions
SPOE	Single Point of Entry
UK	United Kingdom
US	United States