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## WRITTEN NOTICE

### MARKET RISK CONSOLIDATION PERMISSION

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To: Morgan Stanley International Limited (FRN 218356) (the 'company')

Of: 25 Cabot Square, London, E14 4QA

Date: 20/12/2021

#### **DECISIONS**

1. In accordance with the discretions afforded to the PRA by Article 325 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms as it forms part of retained EU law, the PRA has decided to grant the company the permission to use positions in one institution or undertaking to offset positions in another institution or undertaking only for the purpose of calculating net positions and own funds requirements for market risk in accordance with Title IV of the CRR on a consolidated basis on the terms and conditions set out in Annex 1 (the "Market Risk Consolidation Permission").
2. Further to Article 104 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the "CRD") the PRA is minded to impose the matters specified in Annex 2 as requirements under section 55M (3) of the Financial Services and Markets Act 2000 (the "Act").
3. If the company ceases to comply with the conditions for granting of this Market Risk Consolidation Permission set out in Article 325(2) of the CRR, the terms and conditions of the Market Risk Consolidation Permission set out in Annex 1, and any of the proposed requirements set out in Annex 2 that are imposed or sought, the PRA will re-consider the terms and conditions of the Market Risk Consolidation Permission and the requirements relevant to it, including a revocation of the Market Risk Consolidation Permission in whole or in part.
4. The Market Risk Consolidation Permission takes effect on 20/12/2021.
5. Annex 3 summarises any permissions previously granted by the PRA under CRR in connection with the Market Risk Consolidation Permission.

**Talib Idris**  
**Head of Division – Major Overseas Banks**  
**For and on behalf of The Prudential Regulation Authority**



**ANNEX 1**  
**THE MARKET RISK CONSOLIDATION PERMISSION**

**Legal Entities**

1. The IMA Permission means that the company may use positions in an institution or undertaking, listed in Table 1 only, to offset positions in another institution or undertaking listed therein that uses the same measurement approach only for the purpose of calculating net positions and own funds requirements for market risk in accordance with Title IV of the CRR on a consolidated basis. For the avoidance of doubt, the company may only offset positions in an institution or undertaking that is permitted to use the Internal Model Approach (IMA) with positions in another institution or undertaking that also is permitted to use the Internal Model Approach (IMA). Similarly the company may only offset positions in an institution or undertaking that uses the standardised approach with positions in another institution or undertaking that also uses the standardised approach.

**Table 1**

<b>Institutions or undertakings</b>	<b>Location of undertaking</b>
Morgan Stanley Europe SE	Germany
Morgan Stanley Bank AG	Germany

**Use of Internal models**

2. In accordance with Sections 1,2,3,4 & 5, Chapter 5, Part 3, Title IV of the CRR, Morgan Stanley Bank International Ltd (FRN: 195430) was granted permission to use the internal models approach with effect from 1<sup>st</sup> October 2014 (the "IMA Permission"). The company was granted the permission on 20 December 2021. The company may calculate net positions and own funds requirements on a consolidated basis for the purposes of this Market Risk Consolidation Permission using the internal models approach as specified by the IMA Permission.

## **ANNEX 2**

### **EXPECTATIONS RELEVANT TO THE MARKET RISK CONSOLIDATION PERMISSION**

1. This Market Risk Consolidation Permission applies in relation to an institution or undertaking listed Table 1 only for as long as it remains part of the Morgan Stanley Europe Holdings SE ("MSEHSE") Group. It is the PRA's expectation that the company will notify the PRA promptly if any of those institutions or undertakings ceases to be part of the MSEHSE Group.
2. It is the PRA's expectation that the company will, no later than 20 business days after the end of each quarter, submit, in respect of that quarter, a report to the PRA highlighting the capital impact of market risk consolidation for each of the locations listed in Table 1.
3. It is the PRA's expectation that the company will:
  - 3.1 ensure that any existing legal agreements or arrangements necessary for the fulfilment of the conditions of Article 325(2) or Article 325(3) of the CRR as between any of the institutions and undertakings in Table 1 are maintained; and
  - 3.2 notify PRA of any variation in the terms of such agreements, or of any change in the relevant legal or regulatory framework of which it becomes aware and which may have an impact on the ability of any of the institutions or undertakings listed in Table 1 to meet the conditions of Article 325(2) or Article 325(3) of the CRR.

**ANNEX 3**

**VERSION CONTROL**

<b>Version</b>	<b>Comment</b>	<b>Authorisation</b>	<b>Date</b>
1.0	The Market Risk Consolidated Permission was issued.	Laura Winchester, Head of Division, Investment Banks	30/08/2019
2.0	Granting permission to the Financial Holding Company	SRPC	20/12/2021