Morgan Stanley International Limited Group

Pillar 3 Regulatory Disclosures Report

As at 30 September 2021

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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 third quarter of 2021.

As at 30 September 2021, Morgan Stanley & Co. International plc ("MSIP") and Morgan Stanley Europe Holding SE ("MSEHSE Group") are 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 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 of the MSI Group as at 30 September 2021 are prepared on the basis of the consolidated MSI Group. In addition, certain disclosures are provided for MSIP and MSEHSE Group.

Key Metrics

Table 1: Key metrics
$MM

MSI Group[1]	Q3'21	Q2'21	Q1'21	Q4'20	Q3'20
Common Equity Tier 1 Capital[2]	22,544	21,657	20,885	21,396	21,047
Additional Tier 1 Capital	3,500	3,500	3,500	3,500	3,500
Tier 1 Capital	**26,044**	**25,157**	**24,385**	**24,896**	**24,547**
Tier 2 Capital	**6,656**	**4,835**	**5,103**	**5,365**	**5,373**
Total Own Funds	**32,700**	**29,992**	**29,488**	**30,261**	**29,920**
Risk Weighted Assets	170,087	168,003	181,191	167,445	155,236
Common Equity Tier 1 Ratio	13.3%	12.9%	11.5%	12.8%	13.6%
Tier 1 Capital Ratio	15.3%	15.0%	13.5%	14.9%	15.8%
Total Capital Ratio	19.2%	17.9%	16.3%	18.1%	19.3%
Leverage Exposure	547,423	535,605	537,184	493,282	461,992
Leverage Ratio[3]	4.8%	4.7%	4.5%	5.0%	5.3%
Liquidity buffer	49,416	48,780	47,018	45,310	45,785
Total net cash outflows	25,717	26,017	24,373	22,436	21,507
Liquidity Coverage Ratio[4]	192%	187%	193%	203%	213%
MSIP[1]	**Q3'21**	**Q2'21**	**Q1'21**	**Q4'20**	**Q3'20**
Common Equity Tier 1 Capital[2]	17,195	16,419	15,796	16,106	16,298
Additional Tier 1 Capital	3,500	3,500	3,500	3,500	3,500
Tier 1 Capital	**20,695**	**19,919**	**19,296**	**19,606**	**19,798**
Tier 2 Capital	**5,628**	**4,480**	**4,729**	**4,975**	**5,000**
Total Own Funds	**26,323**	**24,399**	**24,025**	**24,581**	**24,798**
Risk Weighted Assets	142,027	145,033	161,379	155,537	143,871
Common Equity Tier 1 Ratio	12.1%	11.3%	9.8%	10.4%	11.3%
Tier 1 Capital Ratio	14.6%	13.7%	12.0%	12.6%	13.8%
Total Capital Ratio	18.5%	16.8%	14.9%	15.8%	17.2%
Leverage Exposure	509,199	502,756	500,490	474,169	450,574
Leverage Ratio[3]	4.1%	4.0%	3.9%	4.1%	4.4%

1. The MSI Group and MSIP are required to maintain a minimum ratio of Own Funds to Risk Weighted Assets ("RWAs"). As at 30 September 2021, 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 30 September 2021 are $1,129MM and as at 31 June 2021 were $1,042MM. MSIP's adjustments to CET1 due to prudential filters as at 30 September 2021 are $1,069MM and as at 30 June 2021 were $995MM.
3. Leverage is disclosed on a fully phased-in basis
4. Total weighted adjusted value (12 month average)

Table 1: Key metrics

$MM[5]

MSEHSE Group[6]	**Q3'21**	**Q2'21**	**Q1'21**	**Q4'20**
Common Equity Tier 1 Capital[7]	3,715	3,826	3,329	3,478
Additional Tier 1 Capital	695	711	704	734
Tier 1 Capital	**4,410**	**4,537**	**4,033**	**4,212**
Tier 2 Capital	**1,159**	**1,185**	**1,172**	**1,222**
Total Own Funds	**5,569**	**5,722**	**5,205**	**5,434**
Risk Weighted Assets	24,433	22,336	23,136	14,521
Common Equity Tier 1 Ratio	15.2%	17.1%	14.4%	24.0%
Tier 1 Capital Ratio	18.0%	20.3%	17.4%	29.0%
Total Capital Ratio	22.8%	25.6%	22.5%	37.4%
Leverage Exposure	69,695	66,358	78,772	56,301
Leverage Ratio	6.3%	6.8%	5.1%	7.5%

5. MSEHSE Group quantitative data for 30 September 2021 has been converted from EUR to USD at a rate of 1.15850
6. MSEHSE Group is required to maintain a minimum ratio of Own Funds to Risk Weighted Assets ("RWAs"). As at 30 September 2021, MSEHSE Group is in compliance with the regulatory capital requirements.
7. MSEHSE Group adjustment to CET1 due to prudential filters as at 30 September 2021 is $92MM, as at 30 June 2021 was $90MM.

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, 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.

Morgan Stanley is listed on the New York Stock Exchange and is required, by the US Securities and Exchange Commission, to file public disclosures, including Annual Reports on Form 10-K 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

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 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 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.

Both MSIP and MSEHSE Group are considered large subsidiaries of the MSI Group for Pillar 3 disclosures. However, MSEHSE Group, as a non-listed large subsidiary is only required to be disclosed on an annual basis.

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 disclosures are not required to be, and have not been, audited by the MSI Group's auditor. The MSI Group's Pillar 3 disclosure as at 30 September 2021 is based on its current understanding of CRD, CRR and related legislation, which will be subject to change as CRR II comes into effect.

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. In line with Morgan Stanley Group capital management policies, the MSI Group manages its capital position based upon, among other things, business opportunities, risks, capital availability and rate of return together with, internal capital policies, regulatory requirements and rating agency guidelines. Therefore, in the future it may adjust its capital base in reaction to the changing needs of its businesses. The appropriate level of capital is determined at a legal entity level to safeguard that entity's ability to continue as a going concern and ensure that it meets all regulatory capital requirements. The key components of the capital management framework used by the MSI Group are set out in the MSI Group Capital Planning and Management Policy and include a point in time risk and leverage based capital assessment, forward looking capital projections and stress testing. The MSI Group conducts an ICAAP at least annually in order to meet its obligations under CRD.

The ICAAP is a key tool used to inform the MSI Board and the executive management on risk profile and capital adequacy. The MSI Group's ICAAP:

- Is designed to ensure that the risks to which the MSI Group is exposed are appropriately capitalised and risk managed, including those risks that are either not captured, or not fully captured under Pillar 1;
- Uses stress testing to size a capital buffer aimed at ensuring the MSI Group will continue to operate above regulatory requirements under a range of severe but plausible stress scenarios; and
- Assesses capital adequacy under normal and stressed operating environments over the three year capital planning horizon to ensure the MSI Group maintains a capital position in line with internal pre and post stress minimum levels.

The key elements of the ICAAP are embedded in the MSI Group's day-to-day management processes and decision making culture.

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. As of 30 September 2021, the MSI Group TCR was $18.1Bn, equivalent to 10.6% of RWAs. If required, the PRA also sets a buffer in addition to the Basel Combined Buffers, which is available to support the MSI Group in a stressed market environment.

The principles of the MSI Group's ICAAP are applied, in a manner consistent with local regulatory requirements, at the subsidiary legal entities.

The Capital Conservation Buffer ("CCB") requires banks to build up a capital buffer that can be utilised to absorb losses during period of stress, whilst remaining compliant with minimum requirements, and must be met with Common Equity Tier 1 ("CET1") capital. The CCB was fully phased in on 1 January 2019 at 2.5%.

The Countercyclical Capital Buffer ("CCyB") was introduced to ensure that excessive growth in specific countries is accounted for by increasing minimum capital ratios by between 0% and 2.5%, and must be met with CET1 Capital. The CCyB for the MSI Group stood at 0.04% as of 30 September 2021.

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.

The capital managed by the MSI Group broadly includes share capital, Additional Tier 1 ("AT1") capital instruments, subordinated debt and reserves. In order to maintain or adjust its capital structure, the MSI Group may pay dividends, return capital to its shareholders, issue new shares, or issue or repay AT1 capital instruments or subordinated debt.

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 subsidiaries.

COVID-19 Regulatory Measures

Where applicable, reporting throughout this disclosure reflects regulatory relief, previously in place, intended to mitigate the impact of the Covid-19 outbreak. In the UK, the Bank of England reduction to countercyclical buffer requirements remains in place.

4. Total Loss-Absorbing Capacity

MSI Group is subject to internal Total Loss-Absorbing Capacity (“TLAC”) requirements. These requirements are designed to enhance the resilience of the financial system by ensuring firms have sufficient capital to absorb losses and recapitalise under resolution. The minimum capacity requirements are set at 16% of risk weighted assets and 6% of leverage exposure, scaled at 90% for MSI Group as the subsidiary of a non-EU Global Systemically Important Institution (“G-SII”).

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

Table 2: TLAC key metrics

$MM MSI Group[1]	Q3’21	Q2’21	Q1’21	Q4’20	Q3’20
Total loss absorbing capacity (TLAC) available	**40,432**	**39,553**	**38,780**	**36,288**	**35,920**
Total RWA at the level of the resolution group	170,087	168,003	181,191	167,445	155,236
TLAC as a percentage of RWA (row 1/row2) (%)	23.8%	23.5%	21.4%	21.7%	23.1%
Leverage ratio exposure measure at the level of the resolution group	547,423	535,605	537,184	493,282	461,992
TLAC at a percentage of leverage ratio exposures measure (row1/row4) (%)	7.4%	7.4%	7.2%	7.4%	7.8%

1. As at 30 September 2021, the MSI 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 30 September 2021 exceed the proposed minimum requirement of 3.25% that will apply once new legislation comes into effect, expected to be 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 and MSEHSE Group are regularly calculated 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.

The leverage ratios of MSI Group and MSIP have increased from 30 June 2021 to 30 September 2021, primarily due to an increase in Tier1 capital. Leverage ratio of MSEHSE Group has decreased primarily due to an increase in 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 approved internal modelling approaches – the Foundation Internal Ratings Based approach ("IRB") for credit risk and the IMM for counterparty risk – as well as the Standardised Approach ("SA") and Mark-to-Market Method ("MTMM") for exposures not covered by internal models.

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

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.

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. 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 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.

Table 3: Overview of RWAs (EU OV1)

	MSI Group			MSIP		
$MM **MSI Group**	**RWAs Q3'21**	**RWAs Q2'21**	**MCR Q3'21**	**RWAs Q3'21**	**RWAs Q2'21**	**MCR Q3'21**
Credit risk (excluding CCR)	**15,833**	**14,339**	**1,267**	**9,695**	**9,521**	**775**
Of which standardised approach	4,128	3,695	330	2,503	2,091	200
Of which foundation IRB (FIRB) approach	7,948	6,759	636	3,714	3,856	297
Of which advanced IRB (AIRB) approach	-	-	-	-	-	-
Of which equity IRB under the simple risk-weighted approach or the IMA	3,757	3,885	301	3,478	3,574	278
CCR	**69,787**	**68,611**	**5,582**	**62,053**	**62,537**	**4,964**
Of which mark-to-market	11,400	9,501	912	10,499	8,972	840
Of which original exposure	-	-	-	-	-	-
Of which standardised approach	440	207	35	316	326	25
Of which internal model method	32,777	29,251	2,622	28,737	25,692	2,299
Of which Financial collateral comprehensive method (for SFTs)	5,718	11,800	457	5,790	11,839	463
Of which risk exposure amount for contributions to the default fund of a CCP	521	499	42	337	357	27
Of which CVA	18,931	17,353	1,514	16,374	15,351	1,310
Settlement risk	**405**	**393**	**32**	**438**	**449**	**35**
Securitisation exposures in banking book (after cap)[1]	**1,832**	**1,665**	**147**	**1,832**	**1,665**	**147**
Of which IRB	-	-	-	-	-	-
Of which IRB supervisory formula approach (SFA)[1]	-	-	-	-	-	-
Of which internal assessment approach (IAA)	-	-	-	-	-	-
Of which standardised approach	-	-	-	-	-	-
Market risk	**66,199**	**61,321**	**5,296**	**53,470**	**48,009**	**4,278**
Of which standardised approach	13,575	12,938	1,086	7,544	6,432	604
Of which IMA	52,624	48,383	4,210	45,926	41,577	3,674
Large exposures	**2,326**	**8,006**	**186**	**4,578**	**12,916**	**366**
Operational risk	**12,760**	**12,760**	**1,021**	**9,083**	**9,083**	**727**
Of which basic indicator approach	12,760	12,760	1,021	9,083	9,083	727
Of which standardised approach	-	-	-	-	-	-
Of which advanced measurement approach	-	-	-	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	**945**	**908**	**76**	**878**	**853**	**70**
Floor adjustment	-	-	-	-	-	-
Total	**170,087**	**168,003**	**13,607**	**142,027**	**145,033**	**11,362**

1. As of 1 Jan 2020, these positions were subject to the hierarchy of methods laid down in the revised securitisation framework.

Over the third quarter, RWAs increased primarily driven by Market Risk due to IMA on Stressed-VaR, offset by decrease in Counterparty Credit Risk due to expansion of PRA Internal Model permission and decrease in related large exposure.

RWA flow statements

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

Table 4: RWA flow statements of credit risk exposures under the IRB approach (EU CR8)

$MM	MSI Group		MSIP	
	RWAs	MCR	RWAs	MCR
RWAs at the end of the previous reporting period[1]	**6,759**	**541**	**3,856**	**308**
Asset size	1,684	135	338	27
Asset quality	(495)	(40)	(480)	(38)
Model updates	-	-	-	-
Methodology and policy	-	-	-	-
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
Other	-	-	-	-
RWAs at the end of the reporting period	**7,948**	**636**	**3,714**	**297**

1. Previous reporting period was Q2'21.

Over the third quarter, RWAs increased primarily driven by loans.

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

Table 5: 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]	**29,251**	**2,340**	**25,692**	**2,055**
Asset size	2,009	161	1,368	109
Credit quality of counterparties	(237)	(19)	(130)	(10)
Model updates (IMM only)	1,754	140	1,807	145
Methodology and policy (IMM only)	-	-	-	-
Acquisitions and disposals	-	-	-	-
Foreign exchange movements	-	-	-	-
Other	-	-	-	-
RWAs at the end of the reporting period	**32,777**	**2,622**	**28,737**	**2,299**

1. Previous reporting period was Q2'21.

Over the third quarter, RWAs increased primarily driven by portfolio and market movements as well as the expansion of the PRA Internal Model permission.

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

Table 6: 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]	**5,488**	**11,189**	**6,307**	**-**	**25,399**	**48,383**	**3,871**
Regulatory adjustment[2]	(4,035)	(6,849)	-	-	(11,279)	(22,163)	(1,772)
RWAs at end of day previous quarter end	1,453	4,340	6,307	-	14,120	26,220	2,099
Movement in risk levels	177	607	1,727	-	(738)	1,773	141
Model updates/changes	13	201	-	-	(457)	(243)	(19)
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	(4)	(26)	(8)	-	(47)	(85)	(7)
Other[3]	25	600	534	-	(1)	1,158	93
RWAs at end of day current quarter end	1,664	5,722	8,560	-	12,877	28,823	2,307
Regulatory adjustment[2]	3,176	8,032	-	-	12,593	23,801	1,903
RWAs at end of reporting period	**4,840**	**13,754**	**8,560**	**-**	**25,470**	**52,624**	**4,210**
MSIP							
RWAs at previous quarter end[1]	**4,910**	**8,781**	**5,997**	**-**	**21,889**	**41,577**	**3,326**
Regulatory adjustment[2]	(3,599)	(5,452)	-	-	(9,899)	(18,950)	(1,516)
RWAs at end of day previous quarter end	1,311	3,329	5,997	-	11,990	22,627	1,810
Movement in risk levels	201	914	1,702	-	(760)	2,057	165
Model updates/changes	13	311	-	-	(457)	(133)	(11)
Methodology and policy	-	-	-	-	-	-	-
Acquisitions and disposals	-	-	-	-	-	-	-
Foreign exchange movements	-	-	-	-	-	-	-
Other[3]	24	597	522	-	(1)	1,142	91
RWAs at end of day current quarter end	1,549	5,151	8,221	-	10,772	25,693	2,055
Regulatory adjustment[2]	2,864	6,067	-	-	11,302	20,233	1,619
RWAs at end of reporting period	**4,413**	**11,218**	**8,221**	**-**	**22,074**	**45,926**	**3,674**

1. Previous reporting period was Q2'21.
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 VaR/SVaR, and 12-week average position in the case of IRC and CRM. 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 third quarter, Modelled Market Risk RWAs increased primarily due to changes in Fixed Income risk profile.

7. Liquidity Coverage Ratio

The Liquidity Coverage Ratio ("LCR"), as per the Commission Delegated Regulation (EU) 2015/61, requires credit institutions to maintain an amount of unencumbered high quality liquid assets that is sufficient to meet their estimated total net cash outflows over a prospective 30 calendar-day period of significant stress. MSI Group is compliant with the minimum required LCR of 100%.

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.

8. Regulatory Development

Finalising Basel III reforms

Following the United Kingdom's ("UK") withdrawal from the European Union (the "EU"), the PRA is consulting on draft rules to implement key components of the Basel III reforms that have been finalised in the EU. This includes: Fundamental Review of the Trading Book, Standardised Approach to Counterparty Credit Risk, Net Stable Funding Ratio, revised Leverage Ratio, revised Large Exposure Framework, and revised Pillar 3 disclosure requirements. In the UK, these are expected to be implemented by 1 January 2022. In the EU, these rules have been finalised, effective 27 June 2019 and will be implemented over a four year period, with the majority of new requirements applying from 28 June 2021. These changes are referred to as CRRII.

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 RWA generated by the internal models, which will be set at 72.5% of total standardised RWA. The output floor will be phased in over five years. Banks will also need to disclose their RWA based upon the standardised approaches. The PRA are expected to issue their draft rules in the second half of 2022. However, in the EU the European Commission published their draft CRR rules (referred to as "CRRIII") on 27 October 2021, with a proposed effective date of 1 January 2025.

Temporary Transitionary Period

Following the end of the transition period of the UK's withdrawal from the EU on 31 December 2020, Her Majesty's Treasury decided to retain the regulators' Temporary Transitional Power ("TTP") which was introduced through the Financial Services and Markets Act 2000 (Amendment) (EU Exit) Regulations 2019.

The TTP will allow the Bank of England ("BOE"), the PRA and the FCA to phase-in changes to UK regulatory requirements so that firms can adjust to the UK's post-Transition Period regime in an orderly way.

The TTP, effective from 1 January 2021, is expected to end by March 31 2022. During this period, from a prudential regulatory rules perspective, requirements as implemented by the EU will largely continue to apply in the UK in the same way as prior to 31 December 2020.

Investment Firm Regulation / Directive

In December 2019, the European Commission published the Investment Firm Regulation ("IFR") and Investment Firm Directive ("IFD") that introduce a tailored capital adequacy and liquidity framework for EU investment firms based on their size and type of business activity, and make changes to governance and remuneration requirements. Large systemic investment firms remain subject to existing requirements based on the CRR and CRD, whilst the new regime applies to other investment firms.

In the EU, final rules were effective 25 December 2019 with, implementation of the new requirements applied from 26 June 2021.

Following the end of the transition period of the UK's withdrawal from the EU, the UK will introduce the Investment Firms Prudential Regime ("IFPR") that is expected to be largely consistent with that of the EU's IFR and IFD. However, its application date is delayed by six months to 1 January 2022.

The MSI Group, as it includes a credit institution as a subsidiary, will remain subject to existing requirements based on the CRR and CRD. Similarly, the MSEHSE Group will remain subject to existing requirements based on the CRR and CRD as it also includes a credit institution as a subsidiary along with an additional entity, Morgan Stanley Europe SE, which is in the process of re-authorising as a credit institution.

9. Appendix I: Abbreviations

Term	Definition
AT1	Additional Tier 1 Capital
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht
BCBS	Basel Committee on Banking Supervision
BIA	Basic Indicator Approach
BOE	Bank of England
CCB	Capital Conservation Buffer
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CET1	Common Equity Tier 1 Capital
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CVA	Credit Valuation Adjustment
EAD	Exposure at Default
EBA	European Banking Authority
ECB	European Central Bank
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
IFD	Investment Firm Directive
IFPR	Investment Firms Prudential Regime
IFR	Investment Firm Regulation
ILAAP	Internal Liquidity Adequacy Assessment Process
IMA	Internal Modelling Approach
IMM	Internal Models Method
ITS	Implementing Technical Standards
LCR	Liquidity Coverage Ratio
MCR	Minimum Capital Requirements
MM	Millions
MSEHSE	Morgan Stanley Europe Holding SE
MSI	Morgan Stanley International Limited
MSI Group	Morgan Stanley International Limited (and its subsidiaries)
MSIM	Morgan Stanley Investment Management Limited
MSIM Group	MSIM sub-consolidated Group
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
PRA	Prudential Regulation Authority
RNIV	Risks Not In VaR
RTS	Regulatory Technical Standards
RWAs	Risk Weighted Assets
SA	Standardised Approach
SPOE	Single Point of Entry
SREP	Supervisory Review and Evaluation Process
T1	Tier 1
TCR	Total Capital Requirement
TLAC	Total Loss-Absorbing Capacity
TTP	Temporary Transitional Power
UK	United Kingdom
VaR	Value at Risk