



WRITTEN NOTICE

MARKET RISK CONSOLIDATION PERMISSION

To: **Morgan Stanley Bank International Limited (FRN: 195430)**
(“MSBIL” or “the firm”)

Reference Numbers: MSBIL – 5216705

Date: 30 August 2019

DECISIONS

1. In accordance with the discretions afforded to the PRA by Article 325 of Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the “CRR”), the PRA has decided to grant the firm 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 101 and 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 firm has applied for and the PRA has imposed the matters specified in Annex 2 as requirements under section 55M (5) of the Financial Services and Markets Act 2000 (the “Act”).
3. If the firm ceases to comply with the conditions for granting of this Market Risk Consolidation Permission set out in Article 325(2) and (3) 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 reconsider 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 30 August 2019.

PROCEDURAL MATTERS

5. If you wish to challenge the decisions taken by the PRA in relation to the Market Risk Consolidation Permission, you may refer the matter to the Upper Tribunal.
6. Details of the Market risk Consolidation Permission and the attendant requirements imposed under section 55M will be published on the PRA Register. The full text of this Decision Notice will not be published.
7. Further details of procedural matters are contained in Annex 3.
8. Annex 4 summarises any permissions previously granted by the PRA under CRR in connection with the Market Risk Consolidation Permission.

Laura Winchester
Head of Division, Investment Banks, International Banks Directorate

ANNEX 1

THE MARKET RISK CONSOLIDATION PERMISSION

Legal Entities

1. The IMA Permission means that the firm 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 firm may only offset positions in an institution or undertaking that is permissioned to use the Internal Model Approach (IMA) with positions in another institution or undertaking that also is permissioned to use the Internal Model Approach (IMA). Similarly the firm 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

Institutions or undertakings	Location of undertaking
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, the firm was granted permission to use the internal models approach with effect from 1st October 2014 (the “IMA Permission”). The firm 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

REQUIREMENTS RELEVANT TO THE MARKET RISK CONSOLIDATION PERMISSION THAT THE FIRM HAS SOUGHT AND THE PRA IMPOSES UNDER SECTION 55M(5) OF THE ACT

Reporting Requirements

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. The firm must notify the PRA promptly if any of those institutions or undertakings ceases to be part of the MSEHSE Group.
2. The firm must, 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. The firm must:
 - 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

PROCEDURAL MATTERS

Decision-Maker

1. The decision which gave rise to the obligation to give this Notice was made by the Head of Division, Investment Banks, International Banks Directorate.

Right to make representations

2. The firm has the right to make representations to the PRA in relation to the IMA Permission.
3. If the firm wishes to make written representations, it must do so by 14 September 2019 or such later date as may be permitted by the PRA. Written representations should be made to the Supervisory Risk and Policy Committee (SRPC) and sent to Peter Williams at the PRA, 20 Moorgate, London EC2R 6DA.
4. If the firm wishes to make oral representations, it should inform Peter Williams of that fact as soon as possible and in any event by no later than 14 September 2019. If the firm does not notify the PRA by 14 September 2019, it will not, other than in exceptional circumstances, be permitted to make oral representations.

The Tribunal

5. The firm has the right to refer the decision to grant the Market Risk Consolidation Permission to the Upper Tribunal (the “Tribunal”). The Tax and Chancery Chamber is the part of the Tribunal which, amongst other things, hears references arising from decisions of the PRA. Under paragraph 2(2) of Schedule 3 of the Tribunal Procedure (Upper Tribunal) Rules 2008, the firm has 28 days from the date on which this Written Notice is given to the firm to refer the matter to the Tribunal.
6. A reference to the Tribunal can be made by way of a reference notice (Form FTC3) signed by the firm and filed with a copy of this Written Notice. The Tribunal’s contact details are: The Upper Tribunal, Tax and Chancery Chamber, 45 Bedford Square, London WC1B 3DN (telephone: 020 7612 9700; email: financeandtaxappeals@tribunals.gsi.gov.uk). Further details are contained in “Making a Reference to the UPPER TRIBUNAL (Tax and Chancery Chamber)” which is available from the Tribunal website: <http://www.tribunals.gov.uk/financeandtax/FormsGuidance.htm>.
7. The firm should note that a copy of the reference notice (Form FTC3) must be sent to the PRA at the same time that a reference is filed with the Tribunal. A copy of the reference notice should be sent to Peter Williams at the PRA, 20 Moorgate, London EC2R 6DA.

PRA contacts

8. For more information concerning this matter generally, the firm should contact Peter Williams at 0207 601 8862.

ANNEX 4
VERSION CONTROL

Version	Reference Number	Comment	Authorisation	Date
1.0	5216705	The Market Risk Consolidated Permission was issued.	Laura Winchester, Head of Division, Investment Banks	30/08/2019