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**WRITTEN NOTICE**  
**COMMODITY OPTION DELTA PERMISSION**

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To: **Morgan Stanley & Co. International Plc (FRN: 165935)**  
**Morgan Stanley Bank Internal Ltd (FRN: 195430)**  
**(together the “firm”)**

Reference Number: **MSIP: 00002123**  
**MSBIL: 00002124**

Date: **4 December 2020**

**DECISIONS**

- (1) In accordance with the discretions afforded to the PRA by Article 358(3) of Regulation 575/2013 of the European Parliament and of the Council of 26<sup>th</sup> 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 its own calculations of delta in its calculation of own funds requirements for market risk in respect of options and warrants on commodities or commodity derivatives on the terms and conditions set out in Annex 1 (the “Commodity Option Delta Permission”).
- (2) If the firm ceases to comply with the conditions for grant of this Commodity Option Delta Permission set out in Article 358(3) of the CRR or the terms and conditions of the Commodity Option Delta Permission set out in Annex 1 the PRA will re-consider the terms and conditions of the Commodity Option Delta Permission and the requirements relevant to it, including a revocation of the Commodity Option Delta Permission in whole or in part.
- (3) The Commodity Option Delta Permission, as amended and restated, takes effect on 4 December 2020. The written notice replaced all previous written notices of the Commodity Option Delta Permission.

Laura Winchester  
Head of Division  
Major Overseas Banks  
Prudential Regulation Authority

## **PROCEDURAL MATTERS**

- (4) If you wish to challenge the decisions taken by the PRA in relation to the Commodity Option Delta Permission, you may refer the matter to the Upper Tribunal.
- (5) Details of the Commodity Option Delta Permission will be published on the PRA Register. The full text of this Written Notice will not be published.

## **ANNEX 1**

### **THE COMMODITY OPTION DELTA PERMISSION**

#### **Definition**

1. The Commodity Option Delta Permission means that the firm may use its own calculation of delta to calculate, on a solo and/or consolidated basis, the own funds requirements for market risk in relation to the exposures described in paragraph 2 of this Annex.
2. In accordance with Article 358(3) of the CRR, the firm may use the Commodity Option Delta Permission to calculate the exposure value for the products set out in Annex 2 of the written notice, which are either (i) OTC options or (ii) products traded on an exchange and for which no delta is available from the exchange concerned.

#### **Note on disclosure**

The PRA has decided not to publish the full text and annexes of the Commodity Option Delta Permission notices as it has been deemed inappropriate and unnecessary. In particular, to do so might prejudice, to an unreasonable degree, the commercial interests of the firms concerned.

However, in the interests of transparency, the PRA's policy is to publish an abridged version of the permission notice, as a record that the Commodity Option Delta Permission has been granted.



### **ANNEX 3**

#### **VERSION CONTROL SCHEDULE**

| <b>Version</b> | <b>Comment</b>                               | <b>Authorisation</b>                                                                            | <b>Date</b>        |
|----------------|----------------------------------------------|-------------------------------------------------------------------------------------------------|--------------------|
| 1              | Commodity Option<br>Delta Permission granted | Laura Winchester<br>Head of Division<br>Major Overseas Banks<br>Prudential Regulation Authority | 4 December<br>2020 |