



Direction

To: On a solo basis:

Morgan Stanley & Co. International Plc – 165935
Morgan Stanley Securities Ltd – 139238
Morgan Stanley Bank International Ltd – 195430
Morgan Stanley & Co. Ltd – 165934
Morgan Stanley Investment Management Ltd - 121920
Morgan Stanley Investment Management ACD Ltd – 230885
Morgan Stanley Securities ACD Ltd – 401308
(the "principal firm(s)")

On a consolidated basis:

Morgan Stanley & Co. International Plc – 165935
Morgan Stanley Securities Ltd – 139238
Morgan Stanley Bank International Ltd – 195430
Morgan Stanley & Co. Ltd – 165934
Morgan Stanley Investment Management Ltd – 121920
Morgan Stanley Investment Management ACD Ltd – 230885
Morgan Stanley Securities ACD Ltd - 401308

Each other firm in the Morgan Stanley Group (the "group") as at the date of this direction, that falls into *BIPRU* 8.1.1R (collectively the "firms")

Ref: Morgan Stanley & Co. International Plc – 812967
Morgan Stanley Securities Ltd – 812969
Morgan Stanley Bank International Ltd – 812976
Morgan Stanley & Co. Ltd – 812981
Morgan Stanley Investment Management Ltd – 812986
Morgan Stanley Investment Management ACD Ltd – 812989
Morgan Stanley Securities ACD Ltd – 812992

Of: 25 Cabot Square, Canary Wharf, London, E14 4QA

Date: 16 August 2012

Handbook Version as in force at the date of this Direction

Power

1. This direction is given by the *FSA* under section 148 of the *Act*.

Duration

2. This direction takes effect on 16 August 2012.

Rules Waived/Modified

3. The FSA directs that the *rules* listed below and, where applicable, in Schedule 2 apply to the firms with the modifications shown or, where indicated does not apply to the firms.

Chapter/Rule	Modification/Waiver
GENPRU 2.1.51R	This rule is modified as follows: A BIPRU firm <u>principal firm</u> must calculate its <i>credit risk capital requirement</i> as the sum of: (1) the <i>credit risk capital component</i>; (2) the <i>counterparty risk capital component</i>; and (3) the <i>concentration risk capital component</i>; <u>subject to the following:</u> (4) <u>for exposures covered by the IRB permission (as set out in Schedule 1 of the IRB permission), the principal firm must calculate its <i>credit risk capital requirement</i> and (to the extent that the relevant <i>Handbook</i> provisions provide for the use of the <i>IRB approach</i>) the <i>counterparty risk capital component</i> and the <i>concentration risk capital component</i> in accordance with the <i>IRB approach</i> and the IRB permission;</u> (5) <u>the principal firm must comply with other requirements in the IRB permission; and</u> (6) <u>the IRB permission means direction reference number 812967, 812969, 812976, 812981, 812986, 812989, 812992 and a "principal firm" means the same thing as it does in that direction.</u>
BIPRU 3.1.1R	The rule is modified by inserting after 'a BIPRU firm', the following: "but does not apply to a firm in relation to exposures to which the <i>IRB approach</i> is applied"
BIPRU 8.8.1R.	The rule is replaced by the following: "(1) A firm must use each of the <i>advanced prudential calculation approaches</i> listed in the table in BIPRU 8.8.1AR for the purposes of this chapter to the extent set out in that table and in accordance with that table. (2) Except as described in (1), a firm must not apply any <i>advanced prudential calculation approach</i> for the purposes of this chapter."

Chapter/Rule	Modification/Waiver	
BIPRU 8.8	The following table is inserted immediately after BIPRU 8.8.1R.	
"BIPRU 8.8.1AR Table: Permissions to use advanced approaches		
This table belongs to BIPRU 8.8.1R		
Advanced prudential calculation approach	Scope	Remarks
IRB approach Note [1]	(1) Subject to (2), applies to the exposures coming within the scope of Schedule 1 of the IRB permission in relation to a firm's UK consolidation group and each non-EEA sub-group as applied on a consolidated basis. (2) Applies to the exposures of the following undertakings: Morgan Stanley & Co. International Plc Morgan Stanley Securities Ltd Morgan Stanley Bank International Ltd Morgan Stanley & Co. Ltd Morgan Stanley Investment Management Ltd Morgan Stanley Investment Management ACD Ltd Morgan Stanley Securities ACD Ltd	A firm must comply with the requirements of the IRB permission as applied on a consolidated basis.
Note [1]: The IRB permission means direction reference number 812967, 812969, 812976, 812981, 812986, 812989, 812992 and a "principal firm" means the same thing as it does in that direction."		

Conditions

- 4.1 This direction applies to the firms for so long as they remain part of the Morgan Stanley Group.



Guidance

- 5.1 The schedules to this direction in part contain requirements referred to in *GENPRU* 2.1.51R (as modified), and provisions in *BIPRU*, which the firm must comply with as *rules*. Schedule 2 sets out details of how the *IRB permission* applies for the purposes of *BIPRU* 4.1.23R (1) to (6). The schedules also contain guidance for the firm and where this is the case this is indicated.
- 5.2 As set out in *SUP* 8, the firm must notify the *FSA* immediately if it becomes aware of any matter which could affect the continuing relevance or appropriateness of this *waiver*. In particular any material change to the models needs to be reported to the *FSA* by the firms.
- 5.3 Any changes to any of Schedules 1 to 3 of this direction will require a variation of this direction.
- 5.4 As part of the supervisory process, the *FSA* will from time to time reissue Schedule 4. This does not represent a variation of this direction. Instead it is a process for recording in one place cumulative changes to the matters set out in the Schedules.

Interpretation

- 7 Interpretative provisions of the *Handbook* apply to this direction in the same way they apply to the *Handbook*.

Andy Murfin
Investment Banks and Overseas Banks Division
Financial Services Authority

Note on disclosure

"The *FSA* has decided not to publish the full text and schedules of the waiver directions as it has been deemed inappropriate and unnecessary. In particular, to do so might prejudice, to an unreasonable degree, the commercial interests of the firm concerned.

However, in the interests of transparency, the *FSA*'s policy is to publish an abridged version of the waiver direction, as a record that the advanced prudential approach waiver has been granted."

