

BLOOMBERG SEF LLC

NOTICE OF DISCIPLINARY ACTION

PARTICIPANT: Morgan Stanley Capital Services LLC ("**MS**")

RULE VIOLATION: RULE 516 Trade Cancellation, Correction, Offset and Adjustment

516.A Trade Cancellation, Correction, Offset and Adjustment –
Cleared Swaps

(a) A Trade in a Cleared Swap executed on or pursuant to the Rules of the SEF operated by BSEF can be cancelled, corrected, offset or adjusted only in accordance with this Rule 516.A.

FINDINGS: On April 4, 2025, MS, in executing offsetting and correcting trades in the ITRX EUR CDSI S43 5Y ("**ITXEB543**") swap contract on BSEF with another Participant, violated BSEF Rule 516. Specifically, BSEF determined that the parties had engaged in an offsetting trade and correcting trade of a partial notional of an initial trade executed between MS and the Participant earlier on April 4, 2025.

Pursuant to the BSEF Rulebook, an "Offsetting Trade" means "a Trade executed and submitted for clearing to a Clearing House, **with terms and conditions that economically reverse an Error Trade** that was accepted for clearing" (emphasis added). Similarly, a "Correcting Trade" means "a Trade executed and submitted for clearing to a Clearing House, **with the same terms and conditions as an Error Trade** other than any corrections to any operational or clerical error and the time of execution" (emphasis added). MS violated BSEF Rule 516 when it engaged in offsetting and correcting trades that, respectively, (i) did not economically reverse the Error Trade and (ii) did not have the same terms and conditions as the Error Trade.

The violation did not result in financial harm to customers.

PENALTY: On July 10, 2025, pursuant to Rule 621, a summary fine in the amount of \$15,000 was assessed against MS for its violations of BSEF Rule 516.

EFFECTIVE DATE: August 8, 2025