

MEMORANDUM

TO: Public File - Notice of Public Rulemaking: Net Stable Funding Ratio: Liquidity Risk Measurement Standards and Disclosure Requirements (RIN 3064-AE44) (“NSFR NPR”)

FROM: Sue Dawley, Senior Attorney, Legal Division

DATE: November 7, 2016

SUBJECT: Meeting with Representatives from Charles Schwab and Morgan Stanley

On October 25, 2016, FDIC staff, along with the staff of the Office of the Comptroller and the Board of Governors of the Federal Reserve System, met with representatives of Charles Schwab and Morgan Stanley.

Representatives from Charles Schwab and Morgan Stanley presented their concerns and views with regard to certain provisions of the NSFR NPR, which was issued in the Federal Register of 81 FR 35124 (June 1, 2016), including the impact of the NSFR NPR on the treatment of broker-dealer payables owed to customers, and presented the attached information.

The FDIC representatives at this meeting were:

- Nana Ofori-ansah, Policy Analyst, Division of Risk Management Supervision
- Greg Feder, Counsel, Legal Division
- Andy Williams, Counsel, Legal Division
- Sue Dawley, Senior Attorney, Legal Division

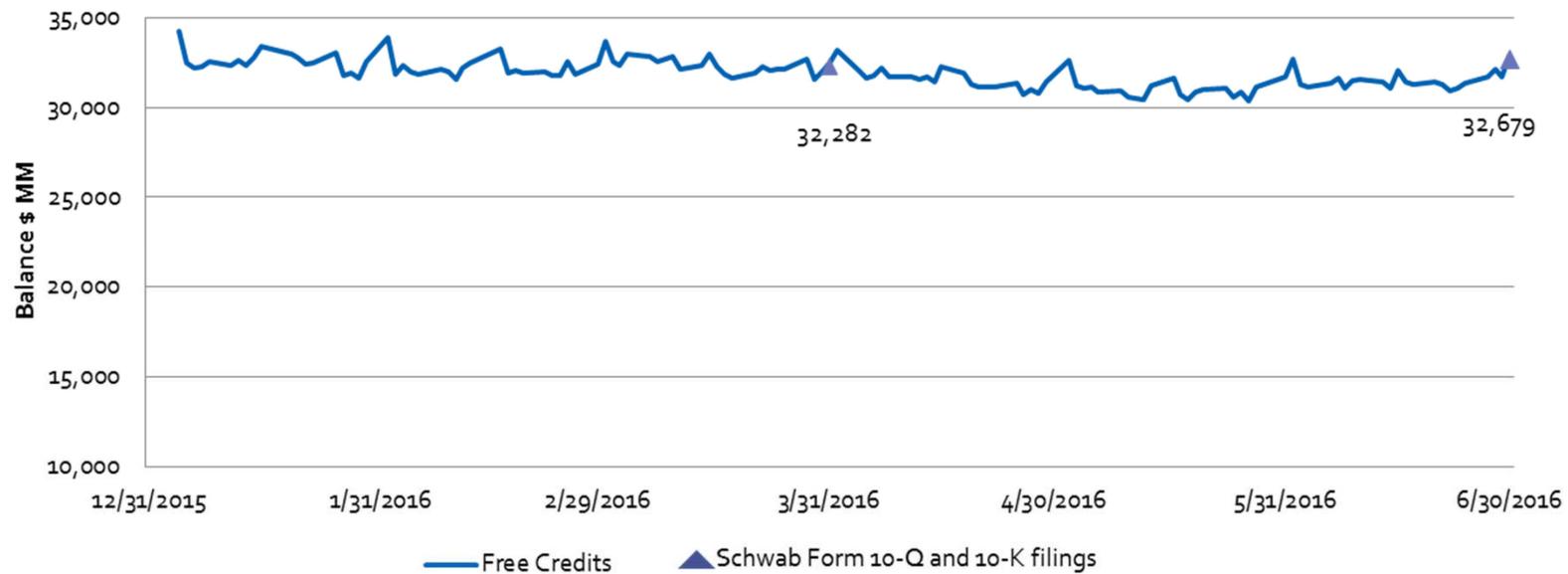
Representatives from Charles Schwab and Morgan Stanley in attendance at the meeting were:

- John Buchman, Director, Legal Counsel, Regulatory Liaison Office, Charles Schwab
- Bill Quinn, Treasurer, Charles Schwab
- Andrew Nash, Executive Director, Legal and Compliance Division, Morgan Stanley
- Anita Rios, Treasurer, Morgan Stanley Smith Barney

Stability of retail broker-dealer payables

Schwab data (Q1-Q2 2016)

Schwab Broker-Dealer Payables to Retail Customers for Q1 and Q2 2016

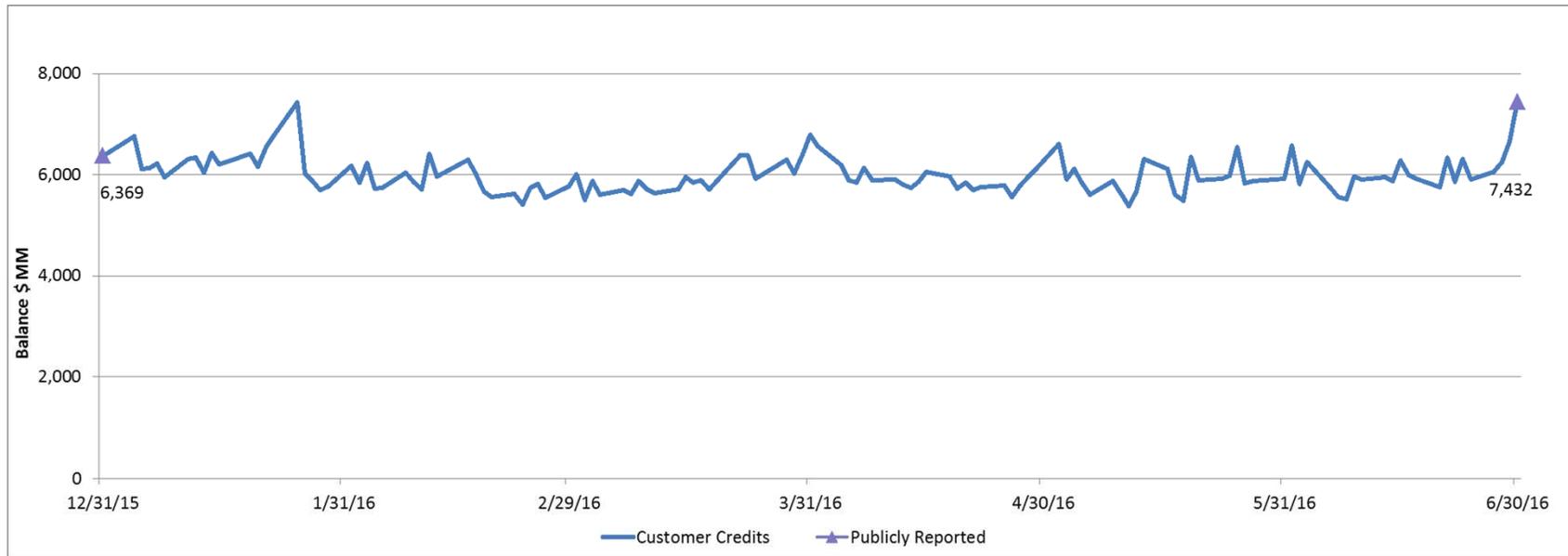


- Daily retail broker-dealer payables totals sourced from non-public internal data . Includes optionsXpress and Charles Schwab & Co.
- "Payables to Brokerage Clients" from form 10-Q SEC filing used for public source of quarter-end balances from Schwab website: <https://www.aboutschwab.com/investor-relations/financial-reports#anchor-adhoc-secure-quarter-reports>

Stability of retail broker-dealer payables

Morgan Stanley Smith Barney (MSSB) data (Q1-Q2 2016)

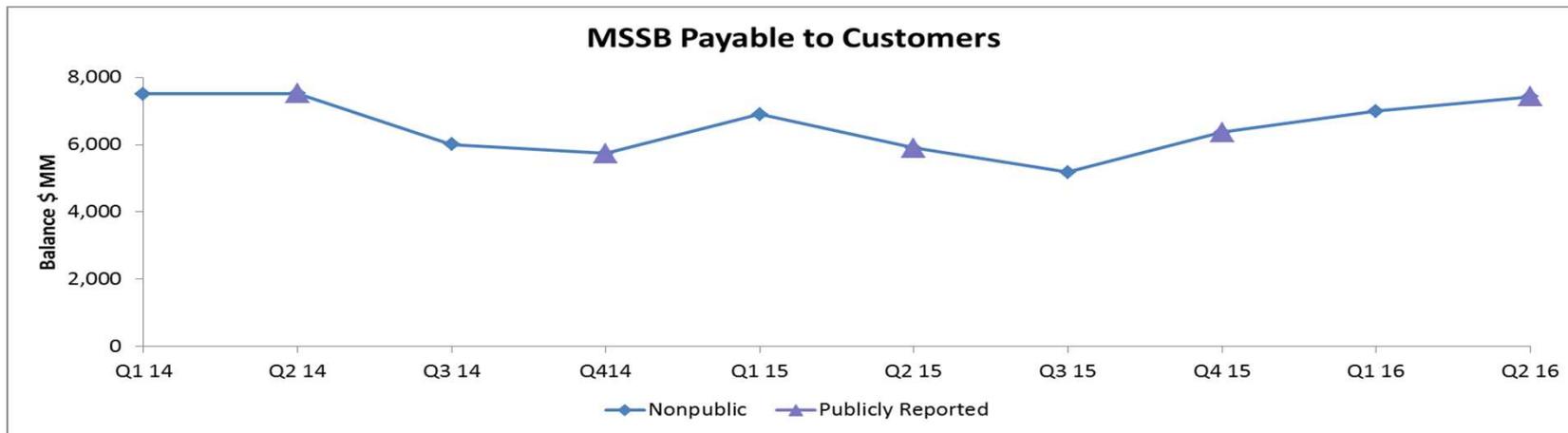
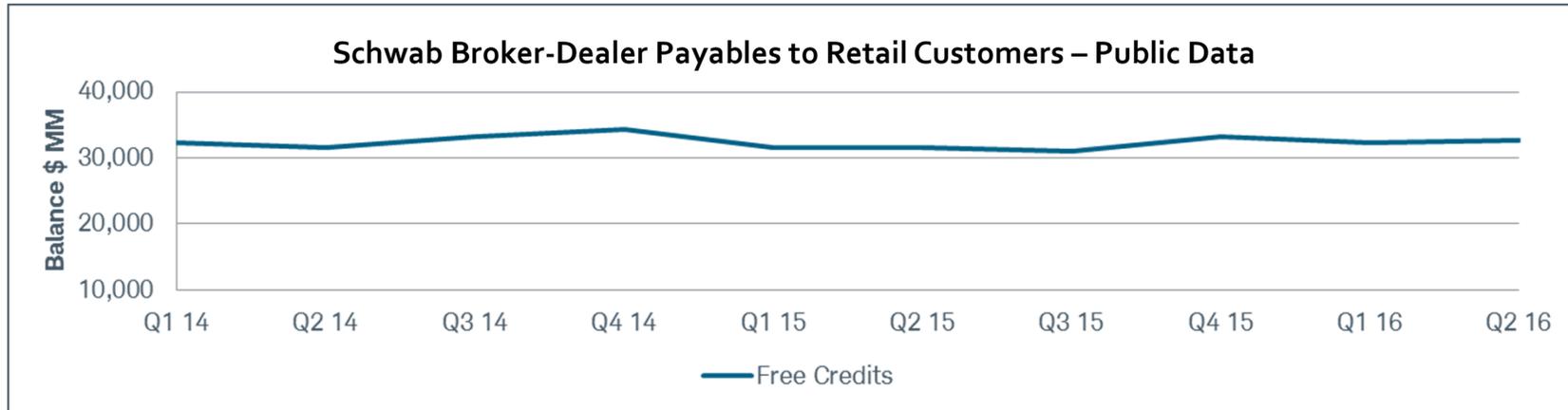
MSSB Payable to Customers for Q1 and Q2 2016



Note: MSSB Payable to Customers are customer credit balances sourced from nonpublic internal data except for 12/31/15 and 6/30/16 which were publicly reported and sourced from MSSB LLC Consolidated Statement of Financial Condition

Stability of retail broker-dealer payables

Stability holds over longer look-back periods as well



Note: Publicly reported data sourced from MSSB LLC Consolidated Statement of Financial Condition and nonpublic data sourced from quarterly filing with SEC