

Morgan Stanley

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IDI Resolution Plan

July 1, 2014

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Table of Defined Terms

| | |
|------------------------|--|
| 165(d) Resolution Plan | Resolution Plan prepared in accordance with the requirements of Section 165(d) of the Dodd-Frank Act |
| AFS | Available for Sale |
| Bank | MSBNA |
| BDP | Bank Deposit Program |
| BHC | Bank Holding Company |
| CIDI | Covered Insured Depository Institution |
| CFPB | Consumer Financial Protection Bureau |
| CFTC | Commodity Futures Trading Commission |
| CLS Bank | CLS Bank International |
| CME | Chicago Mercantile Exchange |
| DIF | Deposit Insurance Fund |
| FA | Financial Advisor |
| FDI Act | Federal Deposit Insurance Act |
| FDIC | Federal Deposit Insurance Corporation |
| FHLB | Federal Home Loan Bank |
| Fed wire Funds | Fed wire Funds Service |
| Fed wire Securities | Fed wire Securities Service |
| FHC | Financial Holding Company |
| Final Rule | FDIC's Final Rule – Resolution plans required for insured depository institution with \$50 billion or more of total assets |
| Firm | Morgan Stanley, on a consolidated basis |
| FX | Foreign Exchange |
| ICAAP | Internal Capital Adequacy Assessment Process |
| ICE | Intercontinental Exchange |
| IDI | Insured Depository Institution |
| IDI Resolution Plan | MSBNA's resolution plan prepared in accordance with the Final IDI Rule adopted by the FDIC |
| ISG | Institutional Securities |
| MIS | Management Information System |
| MS Parent | Morgan Stanley parent entity, on an unconsolidated basis |
| MSBNA | Morgan Stanley Bank, N.A. |
| MSBNA Board | MSBNA Board of Directors |
| MS Capital Management | Morgan Stanley Capital Management, LLC |
| MSDH | Morgan Stanley Delta Holdings LLC |
| MSDHI | Morgan Stanley Domestic Holdings, Inc. |
| MSPBNA | Morgan Stanley Private Bank, National Association |
| MSSB | Morgan Stanley Smith Barney LLC |
| OCC | Office of the Comptroller of the Currency |
| OTC Derivatives | Over-the-Counter derivatives that are not listed and are between two parties directly |
| PLA | Portfolio Loan Account |
| Target2 | Euro Interbank Payment System |
| T&D | Technology and Data |

1 Executive Summary

1.1 Overview

Morgan Stanley Bank, N.A. (“the Bank” or “MSBNA”) is an indirect, wholly-owned insured depository institution subsidiary of Morgan Stanley (“MS Parent”). MSBNA had approximately \$103 billion in assets as of December 31, 2013.

MSBNA's resolution plan (the "IDI Resolution Plan") describes the Bank's businesses and its strategy for rapid and orderly resolution in the event of material financial distress or failure, which may occur in accordance with the baseline, adverse, or severely adverse economic environments. The IDI Resolution Plan has been developed in accordance with the Final Rule adopted by the FDIC for Resolution Plans Required for IDIs with \$50 billion or more in total assets. The objective of this Final Rule is to provide the FDIC as receiver with the information it needs to make orderly and cost-effective resolutions more feasible. The IDI Resolution Plan has been developed in coordination with Morgan Stanley (the “Firm”), which is submitting a resolution plan in accordance with the requirements of Section 165(d) of the Dodd-Frank Act and regulations implementing such law adopted by the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the FDIC and other relevant guidance.

In accordance with such requirements, the IDI Resolution Plan describes how MSBNA could be resolved under Sections 11 and 13 of the FDI Act within a reasonable period of time and in the least costly manner. The IDI Resolution Plan and the Firm's 165(d) Resolution Plan do not rely on the provision of extraordinary support by the U.S. or any other government to the Firm or its subsidiaries to prevent failure. The IDI Resolution Plan illustrates how MSBNA can be resolved in a manner that ensures that depositors receive timely access to their insured deposits, maximizes the net present value return from the sale or disposition of its assets, and minimizes the amount of any potential loss to the DIF and MSBNA's creditors.

2 Morgan Stanley Profile

MSBNA's ultimate parent is MS Parent, a Delaware corporation and the Firm's top-tier holding company. MS Parent is registered as a BHC and elected to become a FHC under the Gramm-Leach-Bliley Act amendments to the BHC Act.

The Firm is a global financial services firm that provides products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions, and individuals. The Firm conducts its business from its headquarters in New York, its regional offices throughout the United States, and its offices in London, Tokyo, Hong Kong, and other world financial centers.

The Firm's business consists of three business segments: ISG, Wealth Management, and Investment Management. A summary of the activities of each segment is provided below.

A. ISG

The Firm's ISG segment provides financial advisory and capital-raising services to a diverse group of corporate and other institutional clients globally. Its businesses also conduct sales and trading activities worldwide such as trading in equity and equity-related products, fixed income products, and commodities. The Firm also provides related financing services to its institutional clients, including a number of bank lending products offered by MSBNA.

B. Wealth Management

Wealth Management provides comprehensive financial services to retail clients and small-to-medium sized businesses through a global network of more than 16,000 FAs. Wealth Management products and services include brokerage and investment advisory services, fixed income principal trading to facilitate clients' investments in securities, cash management services, trust and fiduciary services, and a broad suite of consumer credit products. MSBNA provides certain MSSB clients with select banking services, primarily deposit-taking and non-purpose securities-based lending.

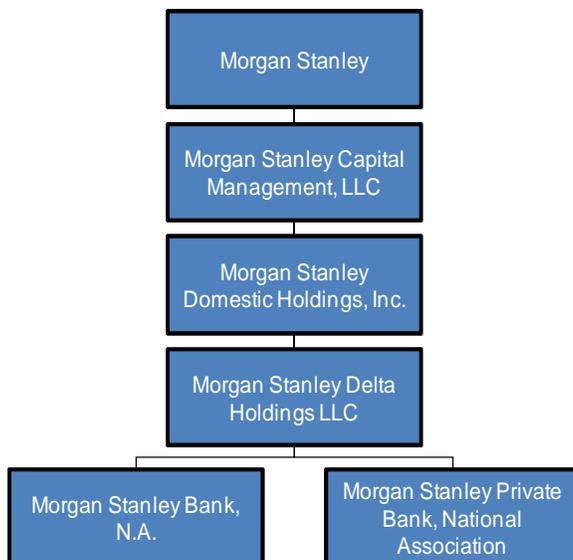
C. Investment Management

The Firm's Investment Management business is a global investment management organization and offers clients a diverse array of investment strategies across a broad range of asset classes. Portfolio managers located in the U.S., Europe, and Asia manage investment products ranging from money market funds to equity and fixed income strategies, alternative investments and merchant banking products, across a range of geographies and market caps.

2.1 Firm Banks

The Firm's wholly-owned FDIC-insured depository institution subsidiaries are MSBNA and MSPBNA. Figure 1 below illustrates the ownership structure of MSBNA and MSPBNA.

Figure 1: Current MSBNA and MSPBNA Ownership Structure



MSCM, MSDHI, and MSDH are headquartered in New York. MS Capital Management and MSDHI are organized under the laws of Delaware; MSDH is organized under the laws of New York. These entities conduct no commercial activity

A. MSBNA

MSBNA is headquartered in Salt Lake City, Utah. MSBNA provides deposit and credit products, on a secured and unsecured basis, to the Firm's ISG and Wealth Management clients and invests in high-quality securities. MSBNA is the primary provider of FX products for the Firm.

B. MSPBNA

MSPBNA is an indirect, FDIC-insured wholly-owned subsidiary of MS Parent and is chartered as a national bank. As of December 31, 2013, MSPBNA had approximately \$23 billion in total assets. Given that MSPBNA's assets are below the Final Rule threshold, it is not required to prepare a Resolution Plan, and is not covered under this IDI Resolution Plan.

Overview of MSBNA Core Business Lines

MSBNA's Core Business Lines, as defined in the FDIC's Final Rule, are those businesses that represent the key business activities of MSBNA and reflect those assets, associated operations, services, and functions that, in the view of MSBNA's management, would result in a material loss of revenue, profit, or franchise value upon failure.

Based on this definition of Core Business Lines, MSBNA management has identified its Core Business Lines to be the following:

- Investment Portfolio
- PLA
- Senior Lending
- FX
- BDP

A. Investment Portfolio (AFS Portfolio, Cash and Reverse Repo)

The objectives of the investment management program include maintaining a readily available pool of liquidity, managing the Bank's interest rate risk profile, and enhancing MSBNA's returns while maintaining acceptable asset quality and risk standards. The portfolio is managed under standards for composition, quality, diversification, and related internal controls.

B. Portfolio Loan Account

MSBNA's PLA business provides non-purpose loans to Wealth Management clients secured by assets maintained in MSSB brokerage accounts. The large majority of the commitments under these facilities are cancellable and any advances are repayable upon demand. MSBNA has a first priority perfected security interest in this collateral.

C. Senior Lending

MSBNA's senior lending business activities consist of mostly syndicated and some bilateral loans and commitments primarily to large corporate borrowers. These facilities are used for general corporate purposes, to backstop commercial paper, as bridge loans, and to support merger and acquisition activity.

D. Foreign Exchange

The FX business provides execution in spot, forward, and derivative currency markets to government and institutional clients (including sovereigns and government agencies, corporations, pension plans, hedge funds, and mutual funds). FX operates as a global

business with personnel in major financial centers. This business generates revenue through bid / offer spreads on client flows and the positioning of currency risk.

E. Bank Deposit Program

Under MSBNA's BDP, free credit balances held by certain clients of MSSB in their securities accounts are transferred into MSBNA deposit accounts on a daily basis. The deposit accounts at MSBNA are established for MSSB clients by and in the name of MSSB, as agent and custodian for its clients, and consist of money market deposit accounts and demand deposit accounts.

3 Consolidated Financial Information

3.1 Financial Overview

MSBNA has no subsidiaries, and so no material entities that are subject to consolidation. Below is MSBNA's balance sheet as of December 31, 2013.

Figure 1: MSBNA Balance Sheet

| MSBNA Balance Sheet | Dec 31, 2013 |
|---|--------------|
| Assets (\$ Billions) | |
| Cash and cash equivalents | 18.8 |
| Securities purchased under agreements to resell | 6.4 |
| Financial instruments owned, at fair value | - |
| Available for sale securities | 50.2 |
| Loans | 26.1 |
| All other assets | 1.1 |
| Total Assets | 102.6 |

| Liabilities (\$ Billions) | |
|--|--------------|
| Deposits | 89.8 |
| Financial instruments sold, not yet purchased, at fair value | - |
| Long-term subordinated debt | 1.5 |
| Loans – unfunded commitments at FV | - |
| Other liabilities | 0.7 |
| Total Equity | 10.6 |
| Total Liabilities and Equity | 102.6 |

3.2 Capital

While MSBNA’s regulatory capital framework as of December 31, 2013 was based on Basel I + 2.5¹, the Bank will become subject to the U.S. Basel III rules as it becomes effective. MSBNA has also adopted an ICAAP, which ensures that its capitalization is commensurate with its risk profile. MSBNA uses current and forward-looking measures to determine the level of capital it needs to support its activities.

The key regulatory capital ratios as of December 31, 2013 are listed below.

Figure 3: MSBNA’s Key Regulatory Capital Ratios

| Ratio | Well Capitalized Ratios | MSBNA Capital Ratios |
|---------------------------------|--------------------------------|-----------------------------|
| Tier 1 Leverage Ratio | 6.0% | 10.6% |
| Tier 1 Risk-Based Capital Ratio | 8.0% | 14.3% |
| Total Risk-Based Capital Ratio | 10.0% | 16.5% |

3.3 Funding

As shown in the balance sheet above, MSBNA’s principal funding sources are deposits, capital, and subordinated debt. MSBNA has the ability to raise additional sources of funding, including deposits, repurchase agreements, and FHLB advances.

¹ For additional information regarding MSBNA’s regulatory capital framework, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements” in Part II, Item 7 of Morgan Stanley’s Annual Report on Form 10-K for the year ended December 31, 2013.

4 Derivative and Hedging Activities

MSBNA enters into derivative transactions with external counterparties and affiliates. The Bank uses derivative instruments for intermediating and managing the market risk arising from foreign exchange, interest rate, and credit risk. Derivative instruments used include futures, forwards, options, and swap contracts. Hedges may be established on a transaction-by-transaction or a portfolio basis and may include cash and derivatives instruments.

The Bank generally enters into master netting agreements and collateral arrangements with counterparties in connection with its OTC derivatives, providing MSBNA with the ability to offset a counterparty's rights and obligations, request additional collateral when necessary, or liquidate the collateral in the event of counterparty default. Transactions with affiliates are fully collateralized.

5 List of Memberships in Material Payment, Clearing and Settlement Systems

MSBNA participates in the Federal Reserve's Fedwire Funds and Fedwire Securities services. Through its affiliates, MSBNA uses CLS Bank, ICE, LCH Clearnet Group, CME Group, Target2, and Euroclear for payment, clearing and settlement activities. Additionally, MSBNA uses a number of agent banks to clear cash and securities globally. MSBNA has securities safekeeping and clearing relationships with DTCC and BNY Mellon.

6 Description of Foreign Operations

MSBNA has no material operations outside the United States and does not have any branches.

7 Material Supervisory Authorities

As a national bank, MSBNA's primary regulator is the OCC. As an insured depository institution, MSBNA is also subject to regulation by the FDIC, and as a subsidiary of MS Parent, a bank holding company, MSBNA is subject to regulation by the Federal Reserve. As a registered swap dealer, MSBNA is also subject to regulation by the CFTC. Additionally, MSBNA is subject to supervision by the CFPB with respect to consumer finance laws and regulations.

8 Principal Officers

The following figure provides a summary of the principal officers of MSBNA.

Figure 2: MSBNA Principal Officers as of July 1, 2014

| Title | Name |
|-------------------------|-----------------|
| Chief Executive Officer | Jim Rosenthal |
| President | Eric Heaton |
| Chief Financial Officer | Gregory Sigrist |
| Chief Operating Officer | John Roberts |

9 Resolution Planning Governance Structure and Processes

MSBNA's Treasurer, who reports to the Bank's Chief Financial Officer and to the Firm's Treasurer, is primarily responsible for overseeing the development, maintenance, implementation, and filing of the IDI Resolution Plan and for MSBNA's compliance with the requirements of the Final Rule. The IDI Resolution Plan has been developed in concert with the Firm's 165(d) Resolution Plan, which has been developed by a dedicated, cross-functional team reporting regularly to the Global Head of Regulatory Affairs, the Recovery and Resolution Planning Steering Committee, and other Firm governance bodies. The dedicated team coordinates the Firm's efforts across all front office and support functions. In addition, the Firm's Chief Legal Officer and Chief Financial Officer serve as co-sponsors of the 165(d) Resolution Plan. Members of the MSBNA Management Committee have been involved in preparing or reviewing the IDI Resolution Plan. MSBNA's Management Committee and MSBNA's Board have received regular updates on the development of the resolution plan for both the Bank and the Firm. The MSBNA Management Committee and MSBNA Board are responsible for reviewing and approving the IDI Resolution Plan annually.

10 Material Management Information Systems

Management Information Systems (“MIS”) refers broadly to the technology and information utilized by MSBNA to make effective decisions in the management of the various businesses and support functions. It includes the infrastructure that is relied upon for the operation of applications, and the production of information used to make daily decisions in the management of the Bank.

Technology & Data (“T&D”) has the principal responsibility for global application development organizations within the Firm and the enterprise infrastructure groups that support those applications. T&D plays an important role in the management design, structure, and production of MIS within the Firm. MIS includes applications used to generate reports utilized to manage legal entity accounting, financial reporting, funding and liquidity management, capital, compliance, risk (credit, market, and operational), trading, and operations.

The IDI Resolution Plan leverages MSBNA and the Firm's business continuity and disaster recovery plans to help identify systems and applications deemed important to the ongoing operation of the Firm's businesses and MIS capabilities. These systems and applications are classified by tier ratings indicating the order in which they should be returned to service in the event of a failure. The Firm has identified system users with a dependency on the system and the data center locations of the systems. The data center information also contains specific information such as infrastructure, networks, hardware, and location.

The functional groups reflected within the T&D organizational structure that support T&D functions have been identified within the IDI Resolution Plan, and locations or regions that T&D services are provided from have been highlighted.

The Bank and the Firm have policies and procedures that govern the T&D control environment, which address information security requirements and infrastructure, application infrastructure, software development lifecycle, change management, security of systems and applications, and business continuity.

11 MSBNA Resolution Strategies

As required by the Final Rule, the Firm's 165(d) Resolution Plan assumes that the hypothetical failure of MS Parent is caused by an idiosyncratic stress specific to the Firm and macroeconomic and financial market conditions are as specified under the supervisory baseline scenario provided by the Federal Reserve. Additionally, the macroeconomic and financial market conditions as specified in the adverse and severely adverse scenarios were considered. The IDI Resolution Plan considers the impact of the idiosyncratic stress specific to the Firm and has developed its resolution strategies to align with Firm strategies for a hypothetical resolution of the Firm and its Material Entities in bankruptcy, under specialized resolution regimes, such as the Securities Investor Protection Act. In addition, MSBNA recognizes for planning purposes that MSBNA and its affiliates are generally not providers of financial market utility functions that would require continuation or transfer in the event of failure.

In accordance with such requirements, MSBNA's IDI Resolution Plan and the Firm's 165(d) Resolution Plan do not rely on the provision of extraordinary support by the U.S. or any other government to the Firm or its subsidiaries to prevent failure. Accordingly, MSBNA and the Firm do not consider strategies under the Orderly Liquidation Authority created by Title II of the Dodd-Frank Act. The IDI Resolution Plan illustrates how MSBNA can be resolved in a manner designed to ensure that depositors receive timely access to their insured deposits, maximizes the net present value return from the sale or disposition of its assets, and minimizes the amount of any loss to be realized by the deposit insurance fund and MSBNA's creditors.

MSBNA provides several alternative resolution strategies including a possible sale to global, national, and regional financial institutions. Under each of the strategies, insured depositors will have timely access to their funds; there would be no cost to the FDIC deposit insurance fund, and no adverse effects on global and U.S. financial stability.