

Morgan Stanley Bank N.A. IDI Resolution Plan

July 1, 2018

Table of Contents

Table of Contents	2
Table of Defined Terms	3
1 Executive Summary	5
2 Morgan Stanley and MSBNA Profiles	6
3 MSBNA Resolution Strategies	11
4 Structural Changes to Facilitate Orderly Resolution	12
5 Consolidated Financial Information	13
6 Derivative and Hedging Activities	15
7 List of Memberships in Material Payment, Clearing and Settlement Systems	15
8 Description of Foreign Operations	16
9 Material Supervisory Authorities	16
10 Principal Officers	16
11 Material Management Information Systems	16
12 Resolution Planning Governance Structure and Processes	17

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
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 Group	Chicago Mercantile Exchange
DIF	Deposit Insurance Fund
FDI Act	Federal Deposit Insurance Act
FDIC	Federal Deposit Insurance Corporation
FHLB	Federal Home Loan Bank
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
FID	Fixed Income Division
Guidance	FDIC's December 17, 2014 Guidance for Covered Insured Depository Institution Resolution Plan Submissions
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 Group
LCH Clearnet Group	London Clearing House Clearnet Group
LAL	Liquidity Access Line
MIS	Management Information System
MS Parent	Morgan Stanley parent entity, on an unconsolidated basis
MSBNA	Morgan Stanley Bank, N.A.
MSBNA RRP Team	Reporting to the Chief Administrative Officer of the Bank, this team is responsible for the Resolution and Recovery Planning efforts of MSBNA
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
SLA	Service Level Agreement
Target2	Euro Interbank Payment System
T&D	Technology and Data

1 Executive Summary

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 \$129.7 billion in assets as of December 31, 2017.

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. The IDI Resolution Plan has been developed in accordance with the Final Rule adopted by the Federal Deposit Insurance Corporation (“FDIC”) for Resolution Plans Required for IDIs with \$50 billion or more in total assets, and the additional requirements under subsequent FDIC guidance received in 2014.

The objective of the Final Rule and accompanying Guidance is to provide the FDIC, as receiver, with the information it needs to make orderly and cost-effective IDI resolutions more feasible. The Bank has developed the IDI Resolution Plan in coordination with Morgan Stanley (the “Firm”), which submitted a resolution plan on July 1, 2017, in accordance with the requirements of Section 165(d) of the Dodd-Frank Act and implementing regulations of the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the FDIC and other relevant guidance.

Accordingly, 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. MSBNA’s IDI Plan provides a developed discussion and analysis across a range of resolution strategies, and illustrates the Bank’s ability to ensure that depositors receive timely access to their deposits, while maximizing the net present value return from the sale or disposition of its assets, and minimizing the amount of any potential loss to the Deposit Insurance Fund (“DIF”) and the Bank’s creditors. The Bank’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. While the IDI presents alternative resolution strategies, MSBNA’s preferred resolution strategy is to be sold as part of a joint sale with the Firm’s Wealth Management business, consistent with Morgan Stanley’s 165(d) resolution plan.

This document is organized into the following sub-sections, in alignment with the requirements outlined in the FDIC Final Rule:

- Morgan Stanley and MSBNA Profiles
- MSBNA Resolution Strategies
- Consolidated Financial Information
- Derivative and Hedging Activities
- Memberships in Payment, Clearing and Settlement Systems
- Foreign Operations

- Material Supervisory Authorities
- Principal Officers
- Management Information Systems
- Resolution Planning Governance Structure and Processes

2 Morgan Stanley and MSBNA Profiles

MSBNA's ultimate parent is MS Parent, a Delaware corporation and the Firm's top-tier holding company. Morgan Stanley is registered as a Bank Holding Company ("BHC") and elected to become a Financial Holding Company ("FHC") in 2008 under the Gramm-Leach-Bliley Act amendments to the BHC Act.

The Firm is a global financial services industry leader 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: Institutional Securities Group ("ISG"), Wealth Management ("WM"), and Investment Management ("IM"). A summary of the activities of each segment is provided below.

A. Institutional Securities Group

The Firm's Institutional Securities Group provides financial advisory and capital-raising services to a diverse group of corporate and other institutional clients globally, primarily through five Material Operating Entities. ISG, primarily through these entities, also conducts sales and trading activities worldwide, as principal and agent, and provides related financing services on behalf of institutional investors.

Investment banking and corporate lending activities include:

- Capital Raising
- Financial Advisory Services
- Corporate Lending

Sales and trading activities include:

- Institutional Equity
- Fixed Income and Commodities

- Research
- Investments

B. Wealth Management

The Firm's Wealth Management business provides comprehensive financial services to individual investors and small-to-medium-sized businesses and institutions through a network of almost 16,000 global representatives in over 600 locations as of December 31, 2017. As of that date, the Firm's Wealth Management business had \$2.4 trillion in client assets.

Wealth Management provides clients with a comprehensive array of financial solutions, including products and services from the Firm and third-party providers. Wealth Management provides:

- Brokerage and investment advisory services
- Fixed income principal trading to facilitate client trading and investments in such securities
- Plan administration for education savings programs
- Financial and wealth planning services, and annuity and other insurance products
- Access to cash management services through various banks and other third parties, as well as lending products including securities-based lending, mortgage loans and home equity lines of credit through affiliates
- Individual and corporate retirement solutions, (including individual retirement accounts and 401(k) plans), and U.S. and global stock plan services to corporate executives and businesses

C. Investment Management

The Firm's Investment Management business offers clients a broad array of equity, fixed income, liquidity, and alternative investments, including fund of funds and single manager strategies. Portfolio managers located in the United States, Europe and Asia manage investment products across the asset class, geographic, and capitalization spectrum.

Investment Management delivers its strategies as an advisor through a number of investment vehicles, including separately managed accounts, mutual funds (open and closed end), limited partnerships, sociétés d'investissement à capital variable ("SICAVs"), and collective and pooled trusts. It also provides sub-advisory services.

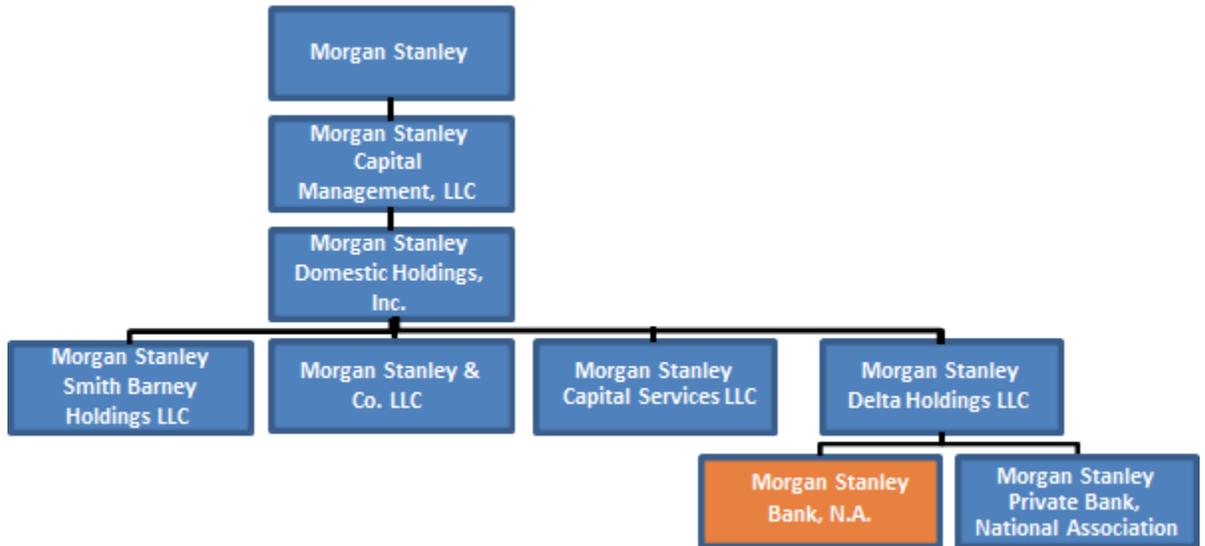
Investment Management distributes its products through affiliated and unaffiliated broker-dealers, retirement plan platforms and directly. Clients include individual investors and institutional investors, corporations, pension plans, endowments, foundations, sovereign wealth funds, insurance companies, and banks. The client base is both onshore and offshore.

Investment Management typically acts as general partner of, and investment adviser to, its alternative investment funds and typically commits to invest a minority of the capital of such funds with subscribing investors contributing the majority.

2.1 U.S. Banks

The Firm’s wholly-owned FDIC-insured depository institutions are MSBNA and Morgan Stanley Private Bank, National Association (“MSPBNA”). Figure 1 below illustrates the ownership structure of MSBNA and MSPBNA.

Figure 1: Current MSBNA and MSPBNA Ownership Structure



Morgan Stanley Capital Management, LLC (“MSCM”), Morgan Stanley Domestic Holdings, Inc. (“MSDHI”), and Morgan Stanley Delta Holdings LLC (“MSDH”) are headquartered in New York. MSCM 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 an indirect, wholly-owned, insured depository institution subsidiary of MS Parent. The Bank is headquartered in Salt Lake City, Utah, with administrative offices in New York City. MSBNA had approximately \$129.7 billion in assets as of December 31, 2017. MSBNA primarily provides deposit and credit products, on a secured and unsecured basis, to Morgan Stanley's WM and ISG clients and invests in high-quality securities.

2.2 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 are comprised of 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 six Core Business Lines as follows:

- Bank Deposit Program ("BDP")
- Securities Based Lending- Liquidity Access Line ("SBL")
- Investment Portfolio ("IP")
- Relationship Lending ("RL")
- Commercial Real Estate Lending ("CRE")
- FID Secured Lending ("FSL")

MSBNA's core business lines do not represent a material share of their respective markets and the Bank's product offering and services are readily substitutable with products and services offered by other institutions.

A. Bank Deposit Program

Under MSBNA's BDP, free credit balances held by certain clients of MSSB in their securities accounts are automatically swept 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 single, joint, trust,

corporate, retirement, and government money market demand accounts (“MMDA”) and deposit demand accounts (“DDA”).¹

B. Securities Based Lending

The SBL business primarily provides non-purpose loans to WM clients (and plans to offer purpose loans in 2018), secured by assets maintained in MSSB brokerage accounts. A large majority of loans are uncommitted and outstanding advances are repayable on demand. The Bank has a contractual right to demand repayment at any time for any reason, and clients can also repay the loan at any time. The loans are considered high quality given MSBNA’s underwriting standards, the nature and composition of qualifying collateral, and low loan-to-value ratio.

C. Investment Portfolio

The Bank uses its IP to maintain a readily available pool of liquidity, manage the Bank’s asset-liability profile, and enhance MSBNA’s returns while maintaining acceptable asset quality and risk standards. The IP includes U.S. Treasuries, Agency mortgage-backed securities, collateralized mortgage obligations (“CMOs”), high grade corporate securities, consumer credit backed securities, and commercial mortgage backed securities (“CMBs”). In addition to the securities portfolio, the IP also includes reverse-repurchase agreements, which are fully-collateralized by pools of liquid, fixed income securities.

D. Relationship Lending

Relationship loans are commitments to clients for general corporate purposes, funded through either a syndicate of banks or bilateral facilities, and may take the form of revolving lines of credit, letter of credit facilities, and other loan terms.

E. Commercial Real Estate Lending

CRE originates commercial real estate loans to large public real estate companies, major institutional investors, MS Wealth Management clients, and direct lending clients who are looking to either refinance or acquire commercial real estate assets.

¹ Deposits are swept to both MSBNA and MSPBNA in accordance with an algorithm designed to provide customers with deposit insurance coverage and optimize deposit allocation.

F. FID Secured Lending

FSL offers revolving credit or term facilities to a variety of institutional clients. The facilities are typically secured by assets that include residential mortgages, loans, and other assets and receivables.

2.3 Financial and Operational Interconnections

MSBNA's relationships with its affiliates enhance the Bank's client service offerings and enable it to leverage its affiliates' operating platforms, resources, and technology in a cost effective manner. Such business / financial interconnections, and operational and other intercompany agreements with its affiliates, are captured through Service Level Agreements ("SLAs"). The Firm has also relocated a substantial amount of shared services resources from operating entities to affiliated resolution-resilient shared services entities.

3 MSBNA Resolution Strategies

MSBNA's IDI Resolution Plan describes how MSBNA can be resolved in a manner that ensures depositors receive timely access to their insured deposits, maximizes the net present value of cash received on 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. Further, MSBNA's IDI Resolution Plan and the Firm's 165(d) Resolution Plan do not rely on 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.

In accordance with CIDI resolution guidance, MSBNA used a hypothetical insolvency scenario as part of its resolution plan. This scenario is consistent with the hypothetical insolvency scenario reflected in Morgan Stanley's firm-wide 165(d) resolution plan, and occurs in the context of stressed macroeconomic and market environments.

Preferred Resolution Strategy

MSBNA's preferred resolution strategy is to be sold as part of a joint sale with the Firm's Wealth Management business, consistent with Morgan Stanley's 165(d) Resolution Plan. This strategy provides continuity to business operations and helps maximize the value of the Bank. Key benefits of the preferred strategy, as it pertains to the Bank, include:

- WM brokerage customers retain timely access to their deposits.
- Businesses would continue to operate without disruption of their critical services, and would continue to be able to meet customer and depositor obligations in the ordinary course of business.

Potential purchasers could include a broad range of buyers, including but not limited to global, national and regional financial institutions, private equity and hedge funds, and other financial asset buyers including insurance companies.

Additional Strategies

In addition to the preferred resolution strategy above, MSBNA contemplated, as part of its IDI plan, additional resolution strategies suitable for the Bank given the scope and scale of its business activities, as prescribed in the FDIC CIDI Rule and Guidance.² Under these alternative resolution approaches, including Liquidation and Multiple Acquirer strategies, insured depositors would 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.

Under the Liquidation and Multiple Acquirer strategies, the FDIC would effect MSBNA's resolution strategy through asset sales to third-party buyers, depositor payoff and controlled wind-down of business activities and monetization of associated assets. Likely potential buyers would include banks seeking to expand client relationships or institutions looking to achieve greater scale.

4 Structural Changes to Facilitate Orderly Resolution

In alignment with the Firm, MSBNA has taken and will continue to take steps to further strengthen the Bank's safety and soundness, resilience in stress, and the effectiveness of its resolution plan. Certain enhancements at the Firm and Bank have been undertaken since the penultimate IDI plan to ensure continuity of, and access to, critical personnel, infrastructure, data and other infrastructure services.

Set forth below are some structural changes by the Firm that will help facilitate the Bank's resolution:

- Establishing a Clean Holding Company Structure – The Firm has implemented a clean holding company structure to facilitate separability of MS Parent and the Material Entities, including, but not limited to MSBNA. This will allow for MSBNA to remain outside of resolution proceedings and continue operations after a bankruptcy filing by MS Parent.

² MSBNA considered the use of a Bridge Bank as part of its MAS; however, given the Bank's business profile, Bank Management determined that this was not appropriate for MSBNA.

- Establishing a Rational, Less Complex Legal Entity Structure - The Firm has continued to analyze and rationalize its legal entity structure through changes aligning businesses and legal entities.
- Amending Financial Contracts - The Firm is in the process of amending its qualified financial contracts to ensure their stayability in the event of a resolution scenario.
- Ensuring Continuity of, and Access to, Data and Services Through Structural Changes - The Firm has made and will continue to make significant structural changes to assure continuity of access in resolution to data, personnel, infrastructure, and internal and external services, including relocating shared services resources from operating entities to affiliated resolution-resilient shared services entities.
- Enhancing Operational Capabilities for Resolution Preparedness - The Firm has significantly expanded its operational capabilities that are critical to the Firm's operational resilience and contingency planning in circumstances where capital and liquidity buffers are strained and that are critical to the resiliency of the financial system as a whole, such as the ability to produce timely data.

5 Consolidated Financial Information

5.1 Financial Overview

MSBNA has no subsidiaries as of December 31, 2017³, thus there are no legal entities that are subject to consolidation. Figure 2 provides MSBNA's balance sheet as of December 31, 2017.

³On April 9, 2018 MSBNA incorporated a subsidiary, FVX LLC, a Delaware LLC with headquarters in Salt Lake City, for the purpose of holding any residential real estate that may be acquired through foreclosure by the Residential Whole Loan Trading business.

Figure 2: MSBNA Balance Sheet as of December 31, 2017

MSBNA Balance Sheet	December 31, 2017
Assets (\$ Billions)	
Cash and cash equivalents	17.1
Reverse Repo	6.3
Securities (AFS +HTM)	48.5
Loans	55.8
Other Assets	2.0
Total Assets	129.7
Liabilities (\$ Billions)	
Deposits	110.1
Long-term subordinated debt	0
All Other Liabilities	4.5
Total Equity	15.1
Total Liabilities and Equity	129.7

5.2 Capital

The Bank calculates its regulatory capital ratios in accordance with Basel III. MSBNA has also adopted a capital planning process, inclusive of the DFAST, to ensure 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, 2017 are provided in Figure 3.

Figure 3: MSBNA's Key Regulatory Capital Ratios as of December 31, 2017

	Well Capitalized Ratios	Actual Capital Ratios
Tier 1 Leverage Ratio	5.0%	11.8%
Supplementary Leverage Ratio	6.0%	9.1%
Common Equity Tier 1 Ratio	6.5%	20.5%
Tier 1 Risk-Based Capital Ratio	8.0%	20.5%
Total Risk-Based Capital Ratio	10.0%	20.8%

5.3 Funding

As shown in the balance sheet in Figure 2, MSBNA's principal funding sources are deposits sourced from Wealth Management clients through the Bank Deposit Program as well as deposits sourced from 3rd Party broker-dealers. MSBNA has the ability to raise additional funding, including Wealth Management sourced deposits (e.g., promotional CDs), third-party CDs and sweeps, unsecured parent funding, FHLB advances, and repurchase agreements.

6 Derivative and Hedging Activities

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

The Bank generally enters into master netting agreements and collateral arrangements with counterparties, including affiliates, 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.

7 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, primarily MSCO and MSIP, MSBNA also uses clearing agents such as 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. MSBNA's participation in the Federal Reserve's Fedwire Funds includes the application Fedline Advantage.

8 Description of Foreign Operations

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

9 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. As a subsidiary of MS Parent, a bank holding company that is a financial holding company, MSBNA is subject to regulation by the Federal Reserve. The Bank is also a registered swap dealer, subject to regulation by the CFTC, in coordination with the OCC. Additionally, MSBNA is subject to supervision by the CFPB with respect to consumer finance laws and regulations.

10 Principal Officers

Figure 4 provides a summary of the principal officers of MSBNA.

Figure 4: MSBNA Principal Officers as of December 31, 2017

Title	Name
Chief Executive Officer	Colm Kelleher
President	Eric Heaton
Chief Financial Officer	Jeffrey Kraus
Chief Operating Officer	Su Sun Bai
Chief Risk Officer	Steven Simonte

11 Material Management Information Systems

Management Information Systems ("MIS") refers broadly to the technology and information utilized by MSBNA to support decision making and other purposes. It includes the technology infrastructure that is relied upon for the operation of applications and the production of information used to manage 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 (including credit, market, and operational risk), trading, and operations.

The IDI Resolution Plan leverages MSBNA and the Firm's business continuity and disaster recovery plans to 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 recovered in the event of a business disruption. The Firm has identified system users with a dependency on the systems and their associated data centers.

The functional groups reflected within the T&D organizational structure that support T&D functions have been identified within the IDI Resolution Plan including the specific locations from which services are provided. Non-Bank based T&D resources are provided pursuant to formal SLAs.

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

12 Resolution Planning Governance Structure and Processes

MSBNA's RRP Team is 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. Members of the MSBNA Management Committee have been involved in preparing and reviewing the IDI Resolution Plan. The planning effort is overseen by a Resolution and Recovery Steering Committee which reports to the Bank's Management Committee. The MSBNA Management Committee and MSBNA Board of Directors are responsible for reviewing and approving the IDI Resolution Plan annually.

The IDI Resolution Plan has been developed in concert with the Firm's 165(d) Resolution Plan 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, Chief Operating Officer, and Chief Financial Officer serve as Executive Sponsors of the 165(d) Resolution Plan.

In developing the IDI Resolution Plan, Bank management leveraged the existing business-as-usual (“BAU”) MSBNA and Firm risk and control processes to the extent possible.

In developing the IDI Resolution Plan, MSBNA officers worked with the Firm’s central project team and obtained external expertise to focus on different elements of the IDI requirements. The formalization and documentation of the strategies and supporting analyses were developed by the cross-functional groups, including subject matter experts within the business and functional areas together with central team resources.

MSBNA businesses and supporting functions / groups provided assistance in the data gathering, analysis, and drafting of content for this Resolution Plan. As experts in their particular area of business or support function, these groups were involved in the resolution planning process, participated in meetings and team discussions, and provided ideas and recommendations.