

Morgan Stanley Private Bank,  
National Association  
IDI Resolution Plan

July 1, 2018

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## Glossary

165(d) Resolution Plan	Resolution Plan prepared in accordance with the requirements of Section 165(d) of the Dodd-Frank Act
BDP	Bank Deposit Program
BHC	Bank Holding Company
CBLs	Core Business Lines
DFAST	Dodd-Frank Act Stress Test
DIF	Deposit Insurance Fund
FDIC	Federal Deposit Insurance Corporation
Final Rule	FDIC's Final Rule – Resolution plans required for insured depository institutions with \$50 billion or more of total assets
Firm	Morgan Stanley, on a consolidated basis
Guidance	FDIC's December 17, 2014 Guidance for Covered Insured Depository Institution Resolution Plan Submissions
HELOC	Home Equity Line of Credit
IDI	Insured Depository Institution
IDI Resolution Plan	MSPBNA's resolution plan prepared in accordance with the Final IDI Rule adopted by the FDIC
IM	Investment Management
IP	Investment Portfolio
ISG	Institutional Securities 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.
MSCM	Morgan Stanley Capital Management LLC
MSDH	Morgan Stanley Delta Holdings LLC
MSDHI	Morgan Stanley Domestic Holdings, Inc.
MSPBNA	Morgan Stanley Private Bank, National Association
MSPBNA Board	MSPBNA Board of Directors
MSPBNA RRP Team	Reporting to the Chief Operating Officer of MSPBNA, this team is responsible for the Resolution and Recovery Planning efforts of MSPBNA
MSSB	Morgan Stanley Smith Barney LLC
Private Bank	MSPBNA
TL	Tailored Lending
T&D	Technology and Data
WM	Wealth Management

## 1 Executive Summary

Morgan Stanley Private Bank, National Association (“MSPBNA” or the “Private Bank”) is an indirect, wholly-owned insured depository institution subsidiary of Morgan Stanley (as a stand-alone parent holding company on an unconsolidated basis “MS Parent,” and collectively with all of its subsidiaries on a consolidated basis, the “Firm”). MSPBNA had approximately \$65 billion in assets as of December 31, 2017.

MSPBNA's resolution plan (the “IDI Resolution Plan”) describes its businesses and its strategy for rapid and orderly resolution in the event of 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 the FDIC’s *Guidance for Covered Insured Depository Institution Resolution Plan Submissions* provided in December 2014 (“Guidance”).

The objective of the Final Rule and accompanying Guidance is for banks to provide the FDIC as receiver with the information it needs to make orderly and cost-effective IDI resolutions more feasible. MSPBNA has developed the IDI Resolution Plan in coordination with 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 and the FDIC and other relevant guidance.

Accordingly, this IDI Resolution Plan describes how MSPBNA could be resolved under Sections 11 and 13 of the Federal Deposit Insurance Act within a reasonable period of time and in the least costly manner. MSPBNA’s IDI Resolution Plan provides a developed discussion and analysis across a range of resolution strategies, and illustrates the 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 MSPBNA’s creditors. MSPBNA’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 this IDI Resolution Plan presents alternative resolution strategies, MSPBNA’s preferred resolution strategy is to be sold as part of a joint sale with the Firm’s Wealth Management business, consistent with the Firm’s 165(d) resolution plan. See *Section 3* for additional details.

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

- Morgan Stanley and MSPBNA Profiles
- MSPBNA 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 MSPBNA Profiles

MSPBNA's ultimate parent is MS Parent, a Delaware corporation and the Firm's top-tier holding company. MS Parent is registered as a Bank Holding Company ("BHC") and elected to become a Financial Holding Company 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. Wealth Management*

The Firm's WM business provides a wide array of products and services to accommodate the investment and wealth management needs of individual investors and small-to-medium sized businesses and institutions, with an emphasis on high net

worth investors and affluent investors, providing solutions designed to accommodate individual investment objectives, risk tolerances and liquidity needs. WM products and services include brokerage and investment advisory services, equities and fixed-income trading to facilitate clients' investments in securities, cash management services, trust and fiduciary services, and a broad suite of consumer credit products. WM conducts its brokerage activities primarily through Morgan Stanley Smith Barney, LLC ("MSSB"), a U.S. retail broker-dealer. MSPBNA provides MSSB clients with banking products that consist primarily of deposits, securities based loans, tailored lending, and mortgages.

#### *B. Institutional Securities Group*

The Firm's ISG business provides institutional customers with a range of financial advisory and capital-raising services, and assists them in accessing capital markets and taking or hedging risk. ISG's business activities include providing advice on mergers and acquisitions, restructurings, real estate and project finance, corporate lending, investment activities, and providing sales, trading, financing and market-making activities in equity and fixed-income securities and related products, including foreign exchange and commodities.

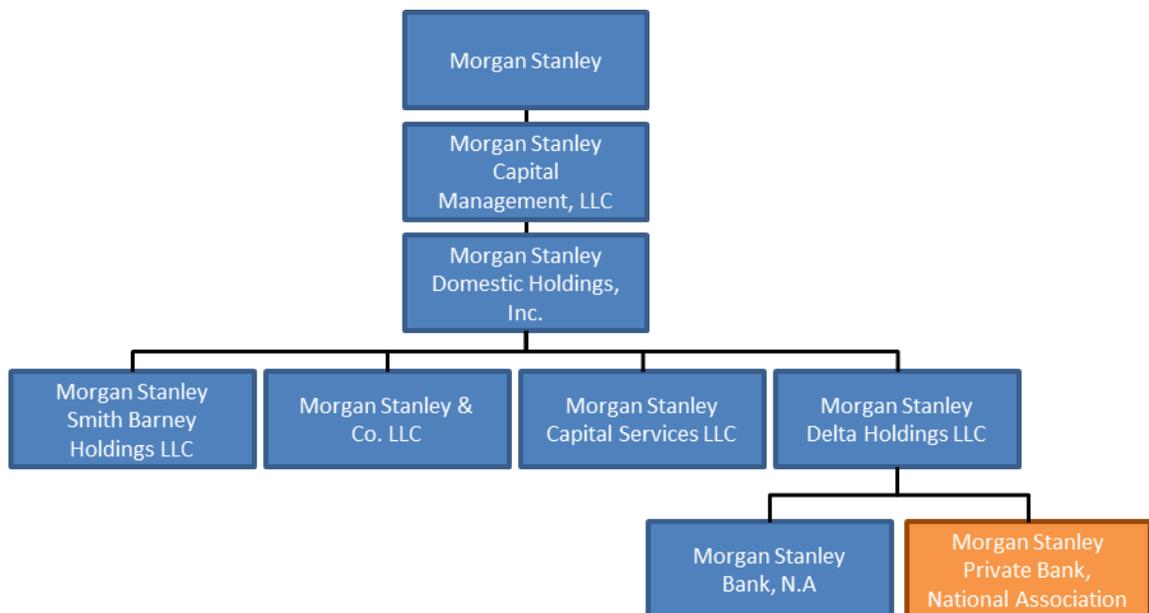
#### *C. Investment Management*

The Firm's IM business serves as an investment advisor to pooled structures and offers clients a diverse array of investment strategies across a broad range of asset classes. Portfolio managers manage investment products ranging from money market funds, equity and fixed-income strategies, alternative investments, and merchant banking products across a range of geographies and market caps.

## 2.1 MSPBNA Profile

The Firm wholly-owns MSPBNA, an FDIC-insured depository institution and Figure 1 below illustrates the ownership structure.

**Figure 1: Current 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.

MSPBNA is an indirect wholly-owned FDIC-insured subsidiary of MS Parent and is headquartered in Purchase, New York. It is a federally chartered national association. As of December 31, 2017, MSPBNA had approximately \$65 billion in total assets. MSPBNA provides deposit and credit products on a secured and unsecured basis, largely to the Firm’s WM clients. Additionally, MSPBNA invests in high-quality securities for liquidity and interest rate risk management.

## 2.2 Overview of MSPBNA Core Business Lines

Per the FDIC IDI rule, Core Business Lines (“CBLs”) are business lines, including associated operations, services, functions and support, that upon failure would result

in a material loss of revenue, profit or franchise value. MSPBNA translates this to define CBLs as those businesses that exceed 10% of total balance sheet, net revenues, or net income. MSPBNA has five CBLs as follows:

- Bank Deposit Program
- Mortgages
- Investment Portfolio
- Liquidity Access Line
- Tailored Lending

MSPBNA's businesses do not represent a material share of the markets in which they operate and its product offering and services are readily substitutable by other institutions.

#### *A. Bank Deposit Program ("BDP")*

BDP is a cash sweep feature whereby free credit balances held by certain clients of MSSB in their securities accounts are automatically deposited into deposit accounts established for clients by MSSB at both MSPBNA and Morgan Stanley Bank, N.A. ("MSBNA") on a daily basis. BDP expands the MSSB broker dealer's ability to provide its clients with access to banking and cash management services. BDP provides the primary funding source for MSPBNA. The deposit account at MSPBNA consists of one omnibus account with MSSB that aggregates client deposits for the sweep to MSPBNA. MSSB acts as agent and custodian for its clients for these accounts and they consist of single, joint, trust, corporate, retirement, and government money market demand accounts and deposit demand accounts.<sup>1</sup>

#### *B. Mortgages*

MSPBNA originates closed-end first lien residential mortgage loans and open-end first lien and second lien home equity lines of credit (commonly known as "HELOCs"). The lending products for the mortgage loans include fixed and adjustable rate products with varying maturities and amortizing options. MSPBNA generally holds originated

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

mortgage loans and HELOCs in its portfolio, except for certain mortgage loans that may be sold to investors such as Fannie Mae.

### *C. Investment Portfolio (“IP”)*

MSPBNA uses its IP to maintain a readily available pool of liquidity, manage its asset/liability profile, and enhance MSPBNA’s returns while maintaining acceptable asset quality and risk standards. The IP includes U.S. Treasuries, Agency mortgage-backed securities, collateralized mortgage obligations, 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. Liquidity Access Line (“LAL”)*

The LAL business provides loans to WM clients that are secured by portfolios of securities and other high quality assets maintained in MSSB brokerage accounts. The LAL structure is a revolving demand facility with flexible repayment options. Collateral advance and maintenance rates vary based on the type, liquidity, and volatility of the underlying assets. Facilities are repayable on demand. MSPBNA has a contractual right to demand repayment and clients can also repay the loan at any time. MSPBNA holds liquidity against the undrawn LAL facilities. The loans are considered to be high quality given MSPBNA’s underwriting standards, including the nature and composition of qualifying collateral, and the fact that the loans are well-collateralized.

### *E. Tailored Lending (“TL”)*

The Tailored Lending (“TL”) business is principally focused on Ultra High Net Worth clients who have at least \$10 million of Assets Under Management with the Firm. TL is primarily a collateralized lending business. Eligible collateral primarily includes marketable securities, hedge fund LP interests, REIT operating units, investor commercial real estate, fine art, other secured assets, capital call subscription and privately held assets. The majority of collateral types underlying TL loans are capital call subscriptions, commercial real estate, and marketable securities. In addition, unsecured loans are originated on a limited basis for clients possessing considerable liquidity and cash flow, coupled with conservative leverage profiles. Credit facilities are offered as lines of credit, term loans, letters of credit, and to a limited extent, demand loans. The minimum credit facility size is \$1 million, with an average credit facility size of ~\$25 million.

## 2.3 Financial and Operational Interconnections

MSPBNA's relationships with its affiliates enhance client service offerings and enable it to leverage its affiliates' operating platforms, resources, and technology in a cost effective manner. Such business and financial, and operational interconnections and other intercompany agreements with its affiliates, are captured primarily through Task Orders and certain funding transactions with affiliates. The Firm has also relocated a substantial amount of shared services resources from operating entities to affiliated resolution remote shared services entities.

## 3 MSPBNA Resolution Strategies

MSPBNA's IDI Resolution Plan describes how MSPBNA can be resolved in a manner that ensures depositors receive access to their insured deposits, minimizes the cost to the FDIC DIF, and maximizes the net present value from the sale and/or disposition of assets.

In accordance with the FDIC's Final Rule and Guidance, MSPBNA has developed a hypothetical insolvency scenario as part of its IDI Resolution Plan.

### *Preferred Resolution Strategy*

MSPBNA's preferred resolution strategy is to be sold as part of a joint sale with the Firm's WM business, consistent with the Firm's 165(d) Resolution Plan. This strategy minimizes customer disruption, has the least impact operationally and is superior to the other strategies contemplated in this IDI Resolution Plan with respect to optimization of the value of MSPBNA. In this strategy, MSSB, MSPBNA and MSBNA avoid insolvency proceedings and are sold through a stock sale. The sale would likely occur after MS Parent enters bankruptcy. Potential acquirers could include a broad range of buyers, including but not limited to global, national and regional financial institutions, private equity, and hedge funds.

### *Additional Strategies*

In addition to the preferred resolution strategy above and to specifically address the FDIC Final Rule and Guidance, MSPBNA contemplated, as part of its IDI Resolution Plan, additional resolution strategies suitable for MSPBNA given the scope and scale of its business activities. The favored strategy within the IDI Resolution Plan is the Multiple Acquirer Strategy as it ensures insured depositors would have timely access to their funds, there would be no cost to the FDIC DIF, and no adverse systemic impact on U.S. financial stability.

Under all resolution strategies, the FDIC would effect MSPBNA'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 potentially seeking to expand certain client relationships or institutions looking to achieve greater scale.

## 4 Structural Changes to Facilitate Orderly Resolution

In alignment with the Firm, MSPBNA has taken and will continue to take steps to further strengthen MSPBNA's safety and soundness, resilience in stress, and the effectiveness of its IDI Resolution Plan. Enhancements at the Firm and the Private Bank have been undertaken to ensure continuity of, and access to, critical personnel, infrastructure, data and other services.

Set forth below are some structural changes by the Firm that will help facilitate MSPBNA'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 MSPBNA. This will allow for MSPBNA to remain outside of resolution proceedings and continue operations after a bankruptcy filing by MS Parent.
- 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

MSPBNA has no subsidiaries as of December 31, 2017. As such, no legal entities are subject to consolidation. Figure 2 provides MSPBNA's balance sheet as of December 31, 2017.

**Figure 2: MSPBNA Balance Sheet as of December 31, 2017**

MSPBNA Balance Sheet	December 31, 2017
<b>Assets (\$bn)</b>	
Cash and cash equivalents	5.0
Investment Portfolio	11.1
Loans	48.4
Other Assets	0.6
<b>Total Assets</b>	<b>65.1</b>
<b>Liabilities and Equity (\$bn)</b>	
Deposits	57.0
Total Fed Funds & Repos	1.5
All Other Liabilities	0.4
Total Equity	6.2
<b>Total Liabilities and Equity</b>	<b>65.1</b>

### 5.2 Capital

In 2017, MSPBNA calculated its regulatory capital ratios in accordance with Basel III guidelines. MSPBNA has a capital planning process, inclusive of the Dodd-Frank Act Stress Test ("DFAST"), to ensure that its capitalization is commensurate with its risk profile. MSPBNA uses current and forward-looking measures to determine the level of capital it needs to support its activities.

MSPBNA’s key regulatory capital ratios as of December 31, 2017 are provided in Figure 3.

**Figure 3: MSPBNA’s Key Regulatory Capital Ratios as of December 31, 2017**

	Capital Ratios
Tier 1 Leverage Ratio	9.7%
Common Equity Tier 1 Ratio	24.4%
Tier 1 Risk-Based Capital Ratio	24.4%
Total Risk-Based Capital Ratio	24.6%
Supplementary Leverage Ratio	9.3%

### 5.3 Funding

As shown in the balance sheet in Figure 2, MSPBNA’s principal funding sources are derived from deposits. Deposits are sourced primarily from WM clients through the BDP and, to a lesser extent, through third party broker-dealer customer deposit programs. MSPBNA has the ability to raise additional funding through various instruments, including WM-sourced deposits, third-party sweeps, vanilla brokered CDs, unsecured parent funding, Federal Home Loan Bank advances, and repurchase agreements.

## 6 Derivative and Hedging Activities

MSPBNA may enter into derivative transactions with affiliates and external counterparties, however, this activity is currently minimal. MSPBNA uses derivative instruments for managing the market risk arising from interest rate risk. Hedges may be established on a transaction-by-transaction or on a portfolio basis and may include cash and derivatives instruments.

MSPBNA generally enters into collateral arrangements with counterparties, including affiliates, in connection with its derivative hedges, providing MSPBNA with the ability to request additional collateral when necessary, or liquidate the collateral in the event of counterparty default. Transactions with affiliates are typically fully collateralized.

## 7 List of Memberships in Material Payment, Clearing and Settlement Systems

MSPBNA participates directly in only two payment, clearing and settlement systems: the Federal Reserve’s Fedwire Funds and Fedwire Securities services. MSPBNA relies on Financial Market Utilities and agent banks, which are either directly accessed or indirectly accessed through affiliates for payment, clearing and settlement systems as necessary.

## 8 Description of Foreign Operations

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

## 9 Material Supervisory Authorities

As a national bank, MSPBNA’s primary regulator is the Office of the Comptroller of the Currency. As an insured depository institution, MSPBNA is also subject to regulation by the FDIC. As a subsidiary of MS Parent, a bank holding company that is a financial holding company, MSPBNA is subject to regulation by the Federal Reserve. Additionally, MSPBNA is subject to supervision by the Consumer Financial Protection Bureau with respect to consumer finance laws and regulations.

## 10 Principal Officers

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

**Figure 4: MSPBNA Principal Officers as of December 31, 2017**

Title	Name
CEO and President	Eric Heaton
Chief Financial Officer	Mitchell Davis
Chief Operating Officer	Laura LoCosa
Chief Risk Officer	Anthony Moon

## 11 Material Management Information Systems

Management Information Systems (“MIS”) refers broadly to the technology and information utilized by MSPBNA Management 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 MSPBNA.

Technology & Data (“T&D”) has 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 MSPBNA and the Firm’s business continuity and disaster recovery plans to identify systems and applications deemed important to the ongoing operation of MSPBNA’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-Private Bank based T&D resources are provided pursuant to Task Orders between MSPBNA and its affiliates.

MSPBNA and the Firm have policies and procedures that govern the T&D control environment. Such policies and procedures 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

MSPBNA has defined a resolution planning and governance framework to ensure that all aspects of resolution planning—including development, review, approval and maintenance of its IDI Resolution Plan—receive appropriate attention by Management and MSPBNA Board of Directors (“MSPBNA Board”). The governance framework relies upon meaningful engagement across MSPBNA as well as the broader Firm, and leverages established roles and responsibilities and governance committees. As a result, IDI Resolution Plan development, review, approval and maintenance activities at MSPBNA are integrated into the corporate governance structure.

Members of the MSPBNA Management Committee have been involved in preparing and reviewing the IDI Resolution Plan. MSPBNA's Management Committee and MSPBNA Board have received updates on the development of the IDI Resolution Plan. The MSPBNA Management Committee and MSPBNA Board are responsible for reviewing and approving the IDI Resolution Plan in advance of submission to the FDIC. MSPBNA's 2018 IDI Resolution Plan was approved by the MSPBNA Management Committee and MSPBNA Board in June 2018.

MSPBNA worked with the Firm's Resolution and Recovery Planning Team to focus on different elements of the IDI requirements and to ensure the IDI Resolution Plan is developed in concert with the Firm's 165(d) Resolution Plan. 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 MSPBNA Recovery and Resolution Planning Team ("MSPBNA RRP Team") resources. MSPBNA RRP Team regularly reports to the Recovery and Resolution Planning Steering Committee, and other Firm governance bodies.

Existing business-as-usual risk and control processes were leveraged in developing the IDI Resolution Plan to the extent possible. MSPBNA businesses and supporting functions and groups provided assistance in the data gathering, analysis, and drafting of content for this IDI 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.