

# Morgan Stanley Bank Safety Fact Sheet

## 1. Bailout Amounts and Placement on the FSB List of Too-Big-To-Fail Banks

Morgan Stanley received \$10 billion in bailout funds<sup>1</sup> in the 2008-09 financial crisis.

Morgan Stanley is listed by the Financial Stability Board as a systemically important financial institution.<sup>2</sup> The Financial Stability Board is an international body that monitors<sup>3</sup> the global financial system and is made up of members from the G20 nations.<sup>4</sup>

- ◆ In November 2012, the Financial Stability Board listed Morgan Stanley as one of 28 banks whose failure could cause serious systemic financial/economic problems.<sup>5</sup>
- ◆ Morgan Stanley's placement on the list is in the third tier used for 2012, which indicates that it is among the 14 most critical financial institutions in the global economy. Banks in this category are required by the FSB to have a level of capitalization that is quite low, at 1.5%.
- ◆ FDIC Vice Chairman Thomas Hoenig, testifying before the House Financial Services Committee on June 26, 2013, said the biggest Wall Street banks are "woefully undercapitalized," while calling the industry underpinnings a "very vulnerable financial system."

## 2. Derivatives Holdings

- ◆ Morgan Stanley holds \$2.702 trillion (notional value) in derivatives, and appears in position 7 of 25 top banks holding derivatives.<sup>6</sup> During Chapter 11 bankruptcy in the U.S., derivatives counterparties receive "super-priority" status *above all other creditors, including depositors*. This means that derivatives counterparties will get *all* of the bank's assets before *any* other creditors, including depositors, are paid.<sup>7</sup>
- ◆ Due to the contagion effect<sup>8</sup> of our fractional reserve banking system and Morgan Stanley's significant investments in derivatives, deposits held with Morgan Stanley may be vulnerable. Wells Fargo's failure could have a significant impact on our economy in Washington, DC. As noted below Morgan Stanley holds a significant share of deposits for the government of DC.

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<sup>1</sup> JP Morgan Chase June 17, 2009, <http://www.morganstanley.com/about/press/articles/b7cf5f77-5b47-11de-96f6-3f25a44c9933.html>

<sup>2</sup>Financial Stability Board, [http://www.financialstabilityboard.org/publications/r\\_111104bb.pdf](http://www.financialstabilityboard.org/publications/r_111104bb.pdf)

<sup>3</sup> Financial Stability Board, <http://www.financialstabilityboard.org/about/mandate.htm>

<sup>4</sup> Financial Stability Board, <http://www.financialstabilityboard.org/members/links.htm>

<sup>5</sup> Financial Stability Board, [http://www.financialstabilityboard.org/publications/r\\_121031ac.pdf](http://www.financialstabilityboard.org/publications/r_121031ac.pdf)

<sup>6</sup> Office of the Comptroller of the Currency, <http://dcppublicbanking.org/wp/wp-content/uploads/2013/08/OCC-1Q13-Top-25-Derivatives-Holders.png>

<sup>7</sup> Princeton Law Review, Prof. Mark J. Roe, *The Derivatives Market's Payment Priorities as Financial Crisis Accelerator*: [http://www.naic.org/documents/committees\\_e\\_receivership\\_110819\\_comments\\_mo\\_doi.pdf](http://www.naic.org/documents/committees_e_receivership_110819_comments_mo_doi.pdf)

<sup>8</sup> Chris Martenson Peak Prosperity, <http://www.peakprosperity.com/video/223/playlist/153/chapter-7-money-creation>

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### 3. Market Share

Listed below is market share of some of the banks in the District of Columbia, not including Morgan Stanley, which does not have branches in Washington, DC. The DC Government Deposits/Investments table on the following page indicates \$96 million of government deposits are held in Morgan Stanley, which is a potential missed opportunity for leveraging increased lending for District of Columbia businesses, jobs, affordable housing, and infrastructure.

<b>30 June 2012 Selected Market: State: District of Columbia</b>		<b>Total Market</b>		<b>DC Market</b>		
<b>Institution Name</b>	<b>State/Federal Charter</b>	<b>No. of Offices</b>	<b>Deposits \$0</b>	<b>No. of Offices</b>	<b>Deposits \$0</b>	<b>Market Share</b>
<a href="#"><u>Bank of America, National Association</u></a>	Federal	5,624	985,318,828	<a href="#"><u>32</u></a>	6,366,177	19.21%
<a href="#"><u>Wells Fargo Bank, National Association</u></a>	Federal	6,281	841,486,135	<a href="#"><u>31</u></a>	6,240,865	18.83%
<a href="#"><u>PNC Bank, National Association</u></a>	Federal	3,017	198,781,944	<a href="#"><u>27</u></a>	4,593,219	13.86%
<a href="#"><u>SunTrust Bank</u></a>	State	1,660	126,495,538	<a href="#"><u>28</u></a>	3,919,097	11.83%
<a href="#"><u>Citibank, National Association</u></a>	Federal	1,041	392,237,790	<a href="#"><u>17</u></a>	2,427,008	7.32%
<a href="#"><u>HSBC Bank USA, National Association</u></a>	Federal	314	98,034,092	<a href="#"><u>3</u></a>	2,339,113	7.06%
<a href="#"><u>Branch Banking and Trust Company</u></a>	State	1,762	130,215,323	<a href="#"><u>12</u></a>	1,379,175	4.16%
<a href="#"><u>Manufacturers and Traders Trust Company</u></a>	State	738	61,935,430	<a href="#"><u>7</u></a>	1,044,139	3.15%
<a href="#"><u>Capital One, National Association</u></a>	Federal	948	102,155,067	<a href="#"><u>22</u></a>	946,866	2.86%
<a href="#"><u>EagleBank</u></a>	State	11	1,685,727	<a href="#"><u>5</u></a>	830,894	2.51%
<a href="#"><u>TD Bank, National Association</u></a>	Federal	1,299	158,678,513	<a href="#"><u>10</u></a>	650,979	1.96%
<a href="#"><u>United Bank</u></a>	State	49	2,380,050	<a href="#"><u>7</u></a>	417,577	1.26%
<a href="#"><u>Bank of Georgetown</u></a>	State	3	188,378	<a href="#"><u>6</u></a>	408,419	1.23%
<a href="#"><u>The National Capital Bank of Washington</u></a>	Federal	0	0	<a href="#"><u>2</u></a>	348,186	1.05%
<a href="#"><u>Industrial Bank</u></a>	State	2	43,734	<a href="#"><u>6</u></a>	235,810	0.71%
<a href="#"><u>WashingtonFirst Bank</u></a>	State	7	245,434	<a href="#"><u>3</u></a>	203,252	0.61%
<a href="#"><u>Premier Bank, Inc.</u></a>	State	17	485,434	<a href="#"><u>6</u></a>	147,830	0.45%
<a href="#"><u>City First Bank of D.C., National Association</u></a>	Federal	0	0	<a href="#"><u>1</u></a>	144,217	0.44%
<b>Number of Institutions in the Market: 35</b>	<b>TOTALS</b>	29,034	4,006,758,394	244	33,135,034	100

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### 4. DC Government Deposits/Investments

The District of Columbia government has roughly \$96 million in Morgan Stanley accounts. \$96 million is 4.5% of DC's roughly \$2.1 billion deposit and investment fund.

Financial Institution List		Balances as of January 31, 2012
1	AIM -Canter Fitzgerald (Money Market Fund)	\$74,729,626
2	Premier Bank, formerly Adams Bank (CD)	\$6,000,000
3	Bank of America (Sweep Product)	\$33,877,274
4	BOA Global Capital Mgmt. (Money Market Fund)	\$154,615,864
5	Bank of Georgetown (CD)	\$20,000,000
6	Bank of New York (Money Market Fund)	\$564,133
7	BB&T (NOW Account)	\$37,063,750
9	Blackrock Inc. (Money Market Fund)	\$161,142,977
11	City First (CD, NOW Account)	\$5,000,000
12	Colombo (CD)	\$30,000,000
13	Congressional Bank (CD)	\$5,000,000
14	Dreyfus Money Market (Money Market Funds)	\$203,580,425
15	Eagle Bank (CD)	\$20,000,000
16	Evergreen Prime (Money Market Fund)	\$79,384,612
17	US Treasury (Direct Obligations)	\$269,305,018
18	Federated Obligations (Money Market Funds)	\$207,128,769
19	Fidelity Money Market (Money Market Fund)	\$53,141,264
20	Goldman Sachs (Money Market Fund)	\$5,663,917
22	Industrial Bank (CD, Sweep)	\$13,560,322
23	JP Morgan (Money Market Fund)	\$150,777,786
24	<b>Morgan Stanley (Money Market Fund)</b>	<b>\$93,230,231</b>
25	<b>Morgan Stanley - Managed Account</b>	<b>\$2,754,383</b>
26	M&T Bank (Money Market Fund)	\$87,550,120
28	PFM Money Market Fund (Money Market Fund)	\$85,370,613
29	RBC - Managed Account	\$3,907,028
32	TD Bank (NOW Account)	\$25,209,577
33	The Reserve (Money Market Fund)	\$540,547
34	UBS (Money Market Fund)	\$121,366,030
35	US Bank (Money Market Fund)	\$361,393
37	Wells Fargo (Money Market Funds)	\$108,907,013
38	Williams Capital (Money Market Fund)	\$27,328,008
<b>TOTAL</b>		<b>\$2,087,060,681</b>

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### 5. Criminal Activity List

Listed below are some of the recent criminal cases against Morgan Stanley:

- ◆ On August 7, 2012, it was announced Morgan Stanley would have to pay \$4.8 million in fines in order to settle an electricity price fixing scandal, which has been estimated to have cost New Yorkers \$300 million<sup>9 10</sup>
- ◆ As of October 2012, Morgan Stanley is facing lawsuits and government investigation surrounding the Facebook IPO. It is claimed that Morgan Stanley downgraded their earnings forecasts for the company while conducting the IPO roadshow.<sup>11 12</sup>
- ◆ On June 5, 2012, Morgan Stanley agreed to pay a \$5 million fine for unlawful noncompetitive trades<sup>13</sup>
- ◆ In April 2010, the Commodity Futures Trading Commission announced Morgan Stanley agreed to pay \$14 million related to an attempt to hide prohibited trading activity in oil futures<sup>14</sup>
- ◆ In December 2004, Morgan Stanley paid a \$100,000 to National Association Of Securities Dealers and paid \$211,510 in restitution to customers for failure to make proper disclosures to municipal bond investors.<sup>15</sup>
- ◆ In September 2004, Morgan Stanley paid a \$19 fine for failure to deliver official documents to customers in registered offerings, inaccurate reporting of certain program trading information, short sale violations, failures to fingerprint new employees and failure to timely file exchange forms<sup>16</sup>
- ◆ In April 28, 2003, Morgan Stanley was one of ten banks fined for deceiving investors with biased research. Morgan Stanley was fined \$125 million<sup>17 18</sup>

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<sup>9</sup> Huffington Post, [http://www.huffingtonpost.com/2012/08/07/morgan-stanley-price-fixing\\_n\\_1753637.html?utm\\_hp\\_ref=business](http://www.huffingtonpost.com/2012/08/07/morgan-stanley-price-fixing_n_1753637.html?utm_hp_ref=business)

<sup>10</sup> Department of Justice, <http://www.justice.gov/opa/pr/2011/September/11-at-1292.html>

<sup>11</sup> Reuters, <http://www.reuters.com/article/2012/05/22/idUSL1E8GMB9I20120522>

<sup>12</sup> Huffington Post, [http://www.huffingtonpost.com/2012/10/04/facebook-ipo-lawsuits-new-york\\_n\\_1941245.html](http://www.huffingtonpost.com/2012/10/04/facebook-ipo-lawsuits-new-york_n_1941245.html)

<sup>13</sup> Commodities Futures Trading Commission, <http://www.cftc.gov/PressRoom/PressReleases/pr6270-12>

<sup>14</sup> Commodities Futures Trading Commission, <http://www.cftc.gov/PressRoom/PressReleases/pr5816-10>

<sup>15</sup> Financial Industry Regulatory Authority , <http://www.finra.org/Newsroom/NewsReleases/2004/p012707>

<sup>16</sup> New York Stock Exchange, <http://www.nyse.com/press/1095675057023.html>

<sup>17</sup> CNN, [http://money.cnn.com/2003/04/28/news/wallst\\_settlement/index.htm](http://money.cnn.com/2003/04/28/news/wallst_settlement/index.htm)

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<sup>18</sup> Securities and Exchange Commission, <http://www.sec.gov/news/press/2003-54.htm>