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


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

- In November 2012, the Financial Stability Board listed Morgan Stanley as one of 28 banks whose failure could cause serious systemic financial/economic problems.[^5]
- 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.[^6] 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.[^7]
- Due to the contagion effect[^8] 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.

[^1]: JP Morgan Chase June 17, 2009, [http://www.morganstanley.com/about/press/articles/b7cf5f77-5b47-11de-96f6-3f25a44c9933.html](http://www.morganstanley.com/about/press/articles/b7cf5f77-5b47-11de-96f6-3f25a44c9933.html)


[^3]: Financial Stability Board, [http://www.financialstabilityboard.org/about/mandate.htm](http://www.financialstabilityboard.org/about/mandate.htm)


### 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.

<table>
<thead>
<tr>
<th>Institution Name</th>
<th>State/Federal Charter</th>
<th>No. of Offices</th>
<th>Deposits $0</th>
<th>No. of Offices</th>
<th>Deposits $0</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America, National Association</td>
<td>Federal</td>
<td>5,624</td>
<td>985,318,828</td>
<td>32</td>
<td>6,366,177</td>
<td>19.21%</td>
</tr>
<tr>
<td>Wells Fargo Bank, National Association</td>
<td>Federal</td>
<td>6,281</td>
<td>841,486,135</td>
<td>31</td>
<td>6,240,865</td>
<td>18.83%</td>
</tr>
<tr>
<td>PNC Bank, National Association</td>
<td>Federal</td>
<td>3,017</td>
<td>198,781,944</td>
<td>27</td>
<td>4,593,219</td>
<td>13.86%</td>
</tr>
<tr>
<td>SunTrust Bank</td>
<td>State</td>
<td>1,660</td>
<td>126,495,538</td>
<td>28</td>
<td>3,919,097</td>
<td>11.83%</td>
</tr>
<tr>
<td>Citibank, National Association</td>
<td>Federal</td>
<td>1,041</td>
<td>392,237,790</td>
<td>17</td>
<td>2,427,008</td>
<td>7.32%</td>
</tr>
<tr>
<td>HSBC Bank USA, National Association</td>
<td>Federal</td>
<td>314</td>
<td>98,034,092</td>
<td>3</td>
<td>2,339,113</td>
<td>7.06%</td>
</tr>
<tr>
<td>Branch Banking and Trust Company</td>
<td>State</td>
<td>1,762</td>
<td>130,215,323</td>
<td>12</td>
<td>1,379,175</td>
<td>4.16%</td>
</tr>
<tr>
<td>Manufacturers and Traders Trust Company</td>
<td>State</td>
<td>738</td>
<td>61,935,430</td>
<td>7</td>
<td>1,044,139</td>
<td>3.15%</td>
</tr>
<tr>
<td>Capital One, National Association</td>
<td>Federal</td>
<td>948</td>
<td>102,155,067</td>
<td>22</td>
<td>946,866</td>
<td>2.86%</td>
</tr>
<tr>
<td>EagleBank</td>
<td>State</td>
<td>11</td>
<td>1,685,727</td>
<td>5</td>
<td>830,894</td>
<td>2.51%</td>
</tr>
<tr>
<td>TD Bank, National Association</td>
<td>Federal</td>
<td>1,299</td>
<td>158,678,513</td>
<td>19</td>
<td>650,979</td>
<td>1.96%</td>
</tr>
<tr>
<td>United Bank</td>
<td>State</td>
<td>49</td>
<td>2,380,050</td>
<td>7</td>
<td>417,577</td>
<td>1.26%</td>
</tr>
<tr>
<td>Bank of Georgetown</td>
<td>State</td>
<td>3</td>
<td>188,378</td>
<td>6</td>
<td>408,419</td>
<td>1.23%</td>
</tr>
<tr>
<td>The National Capital Bank of Washington</td>
<td>Federal</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>348,186</td>
<td>1.05%</td>
</tr>
<tr>
<td>Industrial Bank</td>
<td>State</td>
<td>2</td>
<td>43,734</td>
<td>6</td>
<td>235,810</td>
<td>0.71%</td>
</tr>
<tr>
<td>WashingtonFirst Bank</td>
<td>State</td>
<td>7</td>
<td>245,434</td>
<td>3</td>
<td>203,252</td>
<td>0.61%</td>
</tr>
<tr>
<td>Premier Bank, Inc.</td>
<td>State</td>
<td>17</td>
<td>485,434</td>
<td>5</td>
<td>147,830</td>
<td>0.45%</td>
</tr>
<tr>
<td>City First Bank of D.C., National Association</td>
<td>Federal</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>144,217</td>
<td>0.44%</td>
</tr>
</tbody>
</table>

Number of Institutions in the Market: 35

<table>
<thead>
<tr>
<th>TOTALS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>29,034</td>
<td>4,006,758,394</td>
</tr>
<tr>
<td>244</td>
<td>33,135,034</td>
</tr>
<tr>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Financial Institution List</th>
<th>Balances as of January 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 AIM -Canter Fitzgerald (Money Market Fund)</td>
<td>$74,729,626</td>
</tr>
<tr>
<td>2 Premier Bank, formerly Adams Bank (CD)</td>
<td>$6,000,000</td>
</tr>
<tr>
<td>3 Bank of America (Sweep Product)</td>
<td>$33,877,274</td>
</tr>
<tr>
<td>4 BOA Global Capital Mgmt. (Money Market Fund)</td>
<td>$154,615,864</td>
</tr>
<tr>
<td>5 Bank of Georgetown (CD)</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>6 Bank of New York (Money Market Fund)</td>
<td>$564,133</td>
</tr>
<tr>
<td>7 BB&amp;T (NOW Account)</td>
<td>$37,063,750</td>
</tr>
<tr>
<td>9 Blackrock Inc. (Money Market Fund)</td>
<td>$161,142,977</td>
</tr>
<tr>
<td>11 City First (CD, NOW Account)</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>12 Colombo (CD)</td>
<td>$30,000,000</td>
</tr>
<tr>
<td>13 Congressional Bank (CD)</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>14 Dreyfus Money Market (Money Market Funds)</td>
<td>$203,580,425</td>
</tr>
<tr>
<td>15 Eagle Bank (CD)</td>
<td>$20,000,000</td>
</tr>
<tr>
<td>16 Evergreen Prime (Money Market Fund)</td>
<td>$79,384,612</td>
</tr>
<tr>
<td>17 US Treasury (Direct Obligations)</td>
<td>$269,305,018</td>
</tr>
<tr>
<td>18 Federated Obligations (Money Market Funds)</td>
<td>$207,128,769</td>
</tr>
<tr>
<td>19 Fidelity Money Market (Money Market Fund)</td>
<td>$53,141,264</td>
</tr>
<tr>
<td>20 Goldman Sachs (Money Market Fund)</td>
<td>$5,663,917</td>
</tr>
<tr>
<td>22 Industrial Bank (CD, Sweep)</td>
<td>$13,560,322</td>
</tr>
<tr>
<td>23 JP Morgan (Money Market Fund)</td>
<td>$150,777,786</td>
</tr>
<tr>
<td>24 <strong>Morgan Stanley (Money Market Fund)</strong></td>
<td><strong>$93,230,231</strong></td>
</tr>
<tr>
<td>25 <strong>Morgan Stanley - Managed Account</strong></td>
<td><strong>$2,754,383</strong></td>
</tr>
<tr>
<td>26 M&amp;T Bank (Money Market Fund)</td>
<td>$87,550,120</td>
</tr>
<tr>
<td>28 PFM Money Market Fund (Money Market Fund)</td>
<td>$85,370,613</td>
</tr>
<tr>
<td>29 RBC - Managed Account</td>
<td>$3,907,028</td>
</tr>
<tr>
<td>32 TD Bank (NOW Account)</td>
<td>$25,209,577</td>
</tr>
<tr>
<td>33 The Reserve (Money Market Fund)</td>
<td>$340,547</td>
</tr>
<tr>
<td>34 UBS (Money Market Fund)</td>
<td>$121,366,030</td>
</tr>
<tr>
<td>35 US Bank (Money Market Fund)</td>
<td>$361,393</td>
</tr>
<tr>
<td>37 Wells Fargo (Money Market Funds)</td>
<td>$108,907,013</td>
</tr>
<tr>
<td>38 Williams Capital (Money Market Fund)</td>
<td>$27,328,008</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,087,060,681</strong></td>
</tr>
</tbody>
</table>
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  

◆ 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.  

◆ On June 5, 2012, Morgan Stanley agreed to pay a $5 million fine for unlawful noncompetitive trades  

◆ 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  

◆ 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.  

◆ 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  

◆ In April 28, 2003, Morgan Stanley was one of ten banks fined for deceiving investors with biased research. Morgan Stanley was fined $125 million 

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11 Reuters, [http://www.reuters.com/article/2012/05/22/idUSL1E8GMB9I20120522](http://www.reuters.com/article/2012/05/22/idUSL1E8GMB9I20120522)


13 Commodity Futures Trading Commission, [http://www.cftc.gov/PressRoom/PressReleases/pr6270-12](http://www.cftc.gov/PressRoom/PressReleases/pr6270-12)

14 Commodity Futures Trading Commission, [http://www.cftc.gov/PressRoom/PressReleases/pr5816-10](http://www.cftc.gov/PressRoom/PressReleases/pr5816-10)


Morgan Stanley Bank Safety Fact Sheet