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Davis Polk & Wardwell LLP 212 450 4296 tel
450 Lexington Avenue luigi.deghenghi@davispolk.com
New York, NY 10017

June 12, 2020

Re: Application of Morgan Stanley to Acquire by Merger E*TRADE Financial Corporation—
Response to Additional Information Requests

VIA E-APPS

Ivan J. Hurwitz
Senior Vice President, Bank Applications
Federal Reserve Bank of New York
33 Liberty Street, New York, NY 10045

Dear Mr. Hurwitz:

On March 25, 2020, Morgan Stanley, New York, New York, filed an application (the “**Application**”), pursuant to Sections 4(j) and 4(k) of the Bank Holding Company Act of 1956, as amended, and Regulation Y promulgated thereunder, as well as Section 163(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, requesting approval of the Board of Governors of the Federal Reserve System (the “**Federal Reserve**”) for Morgan Stanley to acquire by merger E*TRADE Financial Corporation (“**E*TRADE**”), Arlington, Virginia, with Morgan Stanley as the surviving entity (the “**Proposed Transaction**”).

This letter responds to the remainder of the outstanding requests for additional information regarding the Application and the Proposed Transaction that Federal Reserve staff emailed to me on April 17, 2020 (the “**April 17th Additional Information Request**”), and is the final supplement accompanying Morgan Stanley’s previous submissions dated April 29, May 18 and June 1, 2020 in response to the April 17th Additional Information Request and the requests for additional information that Federal Reserve staff emailed to me on May 8, 2020.

In particular, this supplemental submission responds to Additional Information Request 15 and the outstanding portions of Additional Information Requests 25 and 37. The response to Additional Information Request 15 is included in Appendix 1, and responses to the outstanding portions of Additional Information Requests 25 and 37 are included in Confidential Appendix 2. In addition to the responses to the remainder of the outstanding requests for additional information, Appendix 1 also includes updates on the status of certain approvals and filings related to the Proposed Transaction.

Morgan Stanley respectfully requests confidential treatment under the federal Freedom of Information Act, 5 U.S.C. § 552 (“**FOIA**”), and the implementing regulations of the Federal Reserve, 12 C.F.R. Part 261, for the responses included in Confidential Appendix 2, as well as

any other information marked “confidential” (collectively, the “**Confidential Materials**”). The Confidential Materials include, for example, non-public information regarding the business strategies and plans of (i) Morgan Stanley and its subsidiary banks, Morgan Stanley Bank, N.A. and Morgan Stanley Private Bank, National Association (together, the “**Morgan Stanley Banks**”), and (ii) E*TRADE and its subsidiary banks, E*TRADE Bank and E*TRADE Savings Bank (together, the “**E*TRADE Banks**”), and other information regarding additional matters of a similar nature, which is commercial or financial information that is customarily and actually treated as confidential by Morgan Stanley or E*TRADE and that is being provided to the government under an assurance of confidentiality. Certain information in the Confidential Materials may also include confidential supervisory information, which is statutorily protected from disclosure. None of the information in the Confidential Materials is the type of information that would otherwise be made available to the public under any circumstances. All such information, if made public, could result in substantial and irreparable harm to Morgan Stanley, the Morgan Stanley Banks, E*TRADE, and the E*TRADE Banks. In addition, potential investors could be influenced or misled by such information, which is not reported in any documents filed or to be filed in accordance with the disclosure requirements of applicable securities laws, as a result of which Morgan Stanley or E*TRADE could be exposed to potential inadvertent violations of law or exposure to legal claims. Accordingly, confidential treatment is respectfully requested with respect to the Confidential Materials under FOIA, specifically 5 U.S.C. § 552(b)(4) and (b)(8), and the Federal Reserve’s implementing regulations, specifically 12 CFR 261.14(a)(4) and (a)(8). The Confidential Materials may also be exempt from disclosure under other provisions of law.

We also request that, if the Federal Reserve should make a preliminary determination not to comply with the request for confidential treatment, Morgan Stanley be given notice thereof in ample time to permit it to make an appropriate submission as to why such information should be preserved in confidence. If the Confidential Materials, or any memoranda, notes or writings made by employees, agents or other persons under the control of the Federal Reserve or any Federal Reserve Bank that incorporate, include or relate to any of the matters referred to in the Confidential Materials, are the subject of a FOIA request or a request or demand for disclosure by any governmental agency, Congressional office or committee, or court or grand jury, we request, pursuant to the Federal Reserve’s regulations, that you notify Morgan Stanley and the undersigned prior to making such disclosure.

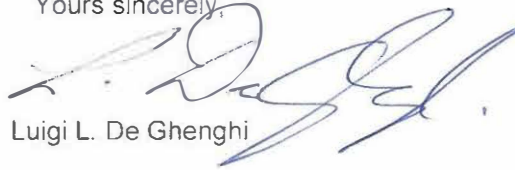
We further ask that Morgan Stanley and the undersigned be furnished with a copy of all written materials pertaining to such request (including, but not limited to, the request itself and any determination with respect to such request) and that Morgan Stanley and the undersigned be given sufficient advance notice of any intended release so that Morgan Stanley may, if deemed necessary or appropriate, pursue any available remedies.

* * *

If you have any questions regarding this letter or the confidential treatment request,

please feel free to contact me at (212) 450-4296 or luigi.deghenghi@davispolk.com, or my colleague Ryan Johansen at (212) 450-3408 or ryan.johansen@davispolk.com.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Luigi L. De Ghenghi', written over a light blue horizontal line.

Luigi L. De Ghenghi

Enclosures

cc: Alison M. Thro, Federal Reserve
Eric F. Grossman, Morgan Stanley
Sebastiano Visentini, Morgan Stanley
Andrew S. Baer, Morgan Stanley
Lori S. Sher, E*TRADE Financial Corporation
Neil Barr, Davis Polk & Wardwell LLP
Marc O. Williams, Davis Polk & Wardwell LLP
Brian Wolfe, Davis Polk & Wardwell LLP
Stephen F. Arcano, Skadden, Arps, Slate, Meagher & Flom LLP
Brian D. Christiansen, Skadden, Arps, Slate, Meagher & Flom LLP
David C. Hepp, Skadden, Arps, Slate, Meagher & Flom LLP
Dohyun Kim, Skadden, Arps, Slate, Meagher & Flom LLP

Appendix 1

Response to April 17th Additional Information Request 15

Defined terms used but not defined in these responses have the same meaning set forth in Morgan Stanley's Application.

15. Identify all significant competitors of either Morgan Stanley or E*TRADE for brokerage products and services.

Morgan Stanley is a global financial services firm that advises, and originates, trades, and manages and distributes capital for, governments, institutions and individuals, through each of its business segments – Institutional Securities, Wealth Management and Investment Management. As discussed with Federal Reserve staff, Morgan Stanley understands this Additional Information Request to be focused on the firm's Wealth Management business segment and not the Institutional Securities or Investment Management business segments. With respect to E*TRADE, similarly based on discussions with Federal Reserve staff, Morgan Stanley understands this Additional Information Request to be focused on E*TRADE's retail brokerage segment, its stock plan administration (“SPA”) business, and the custody services it offers to RIAs. Consequently, the response to this Additional Information Request is limited to information relevant to Morgan Stanley's Wealth Management business segment and to E*TRADE's retail brokerage, SPA and RIA custody businesses.

Morgan Stanley's Wealth Management business provides brokerage and investment advisory services covering various investment alternatives; financial and wealth planning services; annuity and other insurance products; credit and other lending products; cash management services; retirement services; and trust and fiduciary services, through three business groups: Private Wealth Management, International Wealth Management, and Morgan Stanley at Work. Morgan Stanley's Private Wealth Management group helps affluent families and organizations address the complex challenges of managing financial, family and social capital. Morgan Stanley International Wealth Management focuses on the financial needs of entrepreneurs, executives and professionals living outside the United States. Morgan Stanley at Work offers a suite of workplace financial solutions that helps organizations maximize employee financial benefits. Through Morgan Stanley at Work, Morgan Stanley offers Shareworks by Morgan Stanley, a global stock plan administration provider for public and private companies.

E*TRADE provides online financial services including brokerage and banking products and services to traders, investors, stock plan administrators and participants, and RIAs. E*TRADE provides these products and services through two main business segments – a Retail segment and an Institutional segment. The Retail segment services individual brokerage and banking customers that utilize web, mobile and/or active trading platforms to meet trading, investing and/or banking needs. The Institutional segment provides stock plan,

student loan management, and financial wellness solutions for public and private companies through E*TRADE's corporate services channel, as well as custody services to independent RIAs through its advisory services channel.

Morgan Stanley does not compete to any material degree with E*TRADE's retail brokerage business, including its direct-to-consumer, self-directed digital platforms. Likewise, E*TRADE does not compete to any material degree with Morgan Stanley's Wealth Management business segment, except with respect to Morgan Stanley's SPA business (Shareworks by Morgan Stanley) and the SPA business within E*TRADE's Institutional segment.

The Federal Reserve has stated in several prior orders that the market for securities brokerage and investment management and advisory services, including wealth management services, is a highly competitive, nationwide market.¹ Morgan Stanley believes that these findings accurately characterize the competition Morgan Stanley and E*TRADE have faced in their respective wealth management businesses and would continue to face as a combined company.

Morgan Stanley

Morgan Stanley's Private Wealth Management and International Wealth Management groups compete with a large number of institutions in the financial services industry, including U.S. and non-U.S. GSIBs, insurance companies, asset managers, regional banks, private banks, broker-dealers and independent financial advisors, among other categories of institutions. Morgan Stanley Wealth Management's assets under management as of March 31, 2020 were \$2.4 trillion. As of December 31, 2018, the last date for which comparison data from Cerulli Associates, a market research firm, is available, Morgan Stanley Wealth Management's assets under management were \$2.3 trillion, representing approximately 7.3% of the overall total industry assets of \$31.6 trillion. Notwithstanding Morgan Stanley's share of total industry assets, Morgan Stanley competes head-to-head with many competitors, large and small, to win accounts.

The below table provides the top 10 competitors in wealth management by share of approximate client assets under management of December 31, 2018.²

¹ See, e.g., BB&T Corporation, FRB Order No. 2019-16 (Nov. 19, 2019); Royal Bank of Canada, FRB Order No. 2015-28 (Oct. 7, 2015); The Toronto-Dominion Bank, FRB Order No. 2017-23 (Sep. 13, 2017).

² See 2019 Cerulli Broker Dealer Marketplace for AUM. Market share percentages are Morgan Stanley's calculation of competitor firm AUM divided by \$31.6 trillion in overall industry assets.

	Approximate Client Assets (\$B)	Market Share
Morgan Stanley Wealth Management	\$2,303	7.3%
Merrill Lynch	\$2,194	6.9%
Wells Fargo & Company	\$1,488	4.7%
UBS Wealth Management Americas	\$1,154	3.7%
Edward Jones	\$1,080	3.4%
LPL Financial	\$789	2.5%
Raymond James Financial Services	\$631	2.0%
Ameriprise Financial Services	\$540	1.7%
Royal Bank of Canada (RBC)	\$367	1.2%
JPMorgan Chase & Co.	\$311	1.0%
Other ³	\$20,711	65.6%
Total	\$31,567	100.0%

Morgan Stanley’s Wealth Management business consists of two major channels – Financial Advisory and Workplace. Given the scale and breadth of the Wealth Management industry, the description of the two main channels below is a high-level summary of the activities and, to the extent that individual firms are identified as competitors, they are examples of some of Morgan Stanley’s competitors across both major channels, and are not intended to be a full list of all competitors in the Wealth Management business segment. Morgan Stanley expects to continue to face significant competition from all of the firms mentioned below, as well as many other existing and new entrants into the wealth management segment.

In addition, Morgan Stanley does not take the position that any information provided in this response represents a “relevant market” as that term is used under the U.S. antitrust laws.

Financial Advisory Channel

Competition in the Financial Advisory channel is fragmented across both large and small financial advisory practices. Cerulli breaks the Financial Advisory channel into several intermediary channels, in some of which Morgan Stanley competes directly and in some of which it competes indirectly. These intermediary channels include:

³ Based on Morgan Stanley’s internal analysis of Cerulli data for each of the listed channels, “Other” includes approximately 19,000 firms.

Intermediary Channels in which Morgan Stanley Competes Directly

- Wirehouse channel. This channel is defined by Cerulli to include full-service broker/dealer firms, with a history of national distribution, investment banking, and brokerage, offering a full range of investment services and products. These products and services include, but are not limited to, a full-service advice offering across transactional and advisory platforms, as well as banking and lending solutions. Morgan Stanley directly competes in this channel through the full suite of the firm's wealth management offerings.
- Regional broker-dealer channel. This channel is defined by Cerulli to include full-service broker-dealer firms offering a range of investment services that include regional investment banks with retail branches, firms with national salesforces, and private wealth arms of New York-based investment banks. Morgan Stanley directly competes in this channel through the full suite of the firm's wealth management offerings.
- Independent broker-dealer channel. This channel is defined by Cerulli to include broker-dealer firms that have national distribution capabilities, but fragmented advisor coverage and small branches. Morgan Stanley directly competes in this channel through the full suite of the firm's wealth management offerings.
- Registered Investment Adviser channel. This channel is defined by Cerulli to include independent firms registered with the SEC to provide investment advice for a fee. Morgan Stanley directly competes in this channel through the full suite of the firm's wealth management offerings.
- Private bank channel. This channel is defined by Cerulli to include banks whose primary business is not retail deposit taking or lending, but that have significant capabilities in wealth management, investment management and/or investment banking. Morgan Stanley competes directly in this channel through the full suite of the firm's wealth management offerings.

Intermediary Channels in which Morgan Stanley Competes Indirectly

- Bank brokerage channel. This channel is defined by Cerulli to include retail-oriented, branch-based operations that employ dedicated and part-time advisors or platform reps and have a heavy emphasis on packaged products, mutual funds, and annuities.⁴ Morgan Stanley does not directly compete in this channel, although clients may seek advice as they start working with financial advisors from Morgan Stanley, leveraging the full spectrum of products and solutions that the firm offers.
- Insurance broker-dealer channel. This channel is defined by Cerulli to include firms with national distribution capabilities through a historical career agency network, ranging from traditional life insurance companies to quasi-independent broker-dealers. Morgan Stanley

⁴ Trust departments and third-party broker/dealers that provide brokerage services to banks on a contract basis are excluded.

does not directly compete in this channel, although clients may seek advice as they start working with financial advisors from Morgan Stanley, leveraging the full spectrum of products, including insurance products offered by the firm.

In the Financial Advisory channel, Morgan Stanley competes against the following institutions, depending on the intermediary channels, among others:

Advisor Group	Hightower Advisors
Ameriprise Financial	John Hancock
AMG Wealth Partners	JP Morgan
AXA Advisors	Lincoln Financial Network
Beacon Pointe Advisors	LPL Financial
BofA Securities	Mariner Wealth Advisors
CAPTRUST Financial Advisors	MML Investor Services
Cerity Partners	Northwestern Mutual
Charles Schwab	NYLIFE Securities
Commonwealth Financial Network	Oppenheimer
Credit Suisse	Raymond James
Dynasty Financial Partners	Robert W. Baird
Edward Jones	Royal Bank of Canada
Fifth Third Securities	UBS Wealth Management Americas
First Republic Bank	United Capital
Fisher Investments	Wells Fargo
Focus Financial Partners	Wilmington Trust
Goldman Sachs	

Morgan Stanley does not have a stand-alone self-directed brokerage business comparable to that of Charles Schwab, E*TRADE, TD Ameritrade, and other financial institutions, and does not compete to any material degree in the self-directed brokerage channel. Morgan Stanley has offered some self-directed trading capabilities to customers who obtain financial advisory services from Morgan Stanley.

As of December 31, 2019 Morgan Stanley Wealth Management's self-directed brokerage assets under management were \$110 million representing, less than 1% of the full year 2018 total industry's self-directed brokerage assets under management of \$7.1 trillion.⁵ As of December 31, 2018 Morgan Stanley's self-directed brokerage assets were \$0.

Workplace Channel

Morgan Stanley defines the Workplace channel as consisting of corporate plans and the participants or employees of those corporate plans. Products and services offered by Morgan Stanley in this channel include Shareworks by Morgan Stanley, its SPA business that offers comprehensive equity compensation plan services for private and public plans,

⁵ Morgan Stanley evaluated its market share for purposes of this question based on data provided by Cerulli, which was last updated as of December 31, 2018. Therefore, this estimate likely overstates Morgan Stanley's share of self-directed brokerage assets.

educational services through Morgan Stanley’s financial wellness offering, and retirement plan services.

Morgan Stanley competes in this channel against BofA Securities, Carta, Certent, Charles Schwab, Computershare, E*TRADE, Fidelity, Global Shares, and UBS, among other institutions. The below chart provides the top competitors in the SPA business as of the latest date for which data is available⁶ based on the number of stock plans to which each competitor provides services. Data for private plans are not available except where noted.

	Number of Total Plans	Market Share of Total Plans	Number of Public Plans	Market Share of Public Plans
Carta	10,000	49%	60	1%
Shareworks by Morgan Stanley	3,900	19%	1,000	13%
Certent	2,500	12%	2,500	33%
Computershare	2,200	11%	2,200	29%
E*TRADE	831	4%	831	11%
Fidelity	418	2%	418	5%
BofA Securities	300	1%	300	4%
UBS Wealth Management Americas	180	1%	180	2%
Charles Schwab	150	1%	150	2%
Total	20,479	100%	7,639	100%

E*TRADE

E*TRADE’s Retail segment, SPA business, and RIA custody business compete with a large number of institutions in the financial services industry, including U.S. and non-U.S. GSIBs, asset managers, regional banks, broker-dealers and independent financial advisors, among other categories of institutions. Given the breadth and scale of the retail brokerage business and other businesses in which E*TRADE competes, to the extent that individual firms are identified as competitors, they are examples of some of E*TRADE’s competitors in those businesses and are not intended to be a full list of all competitors of E*TRADE.

E*TRADE does not take the position that any information provided in this response represents a “relevant market” as that term is used under the U.S. antitrust laws.

Retail Brokerage Segment

E*TRADE’s retail brokerage segment, including its self-directed brokerage business, faces competition from a variety of competitors, including banks and nonbanks of various sizes and with various business models. The following table provides E*TRADE’s

⁶ Data for Computershare, Fidelity, BofA Securities, UBS Wealth Management Americas, Schwab and Carta is as of December 31, 2018. Data for Global Shares is not available, and figures for Carta and Computershare plans are estimated.

approximate market share of the retail brokerage market based upon assets under management.⁷

	Approximate Client Assets (\$B)	Market Share
Fidelity	\$2,333	30.9%
Vanguard	\$1,780	23.6%
Charles Schwab	\$1,701	22.5%
TD Ameritrade	\$601	8.0%
E*TRADE	\$414	5.5%
Merrill Edge	\$242	3.2%
T. Rowe Price	\$180	2.4%
Wells Trade	\$84	1.1%
USAA	\$80	1.1%
Interactive Brokers	\$45	0.6%
Other ⁸	\$90	1.2%
Total	\$7,550	100.0%

E*TRADE competes against the following institutions in the retail brokerage segment, among others:

Ally Invest	Merrill Edge
Betterment	Robinhood
Charles Schwab	TD Ameritrade
Fidelity	TradeStation
Firsttrade	Vanguard
Interactive Brokers	Wealthfront
JP Morgan	Wells Fargo

Stock Plan Administration Business

E*TRADE competes in this business against BofA Securities, Carta, Charles Schwab, Computershare, Fidelity, Global Shares, Morgan Stanley and UBS, among other institutions.

⁷ Source: Cerulli US Retail Investor Products and Platforms.

⁸ Includes more than 10 other competitors.

Custody Services for RIAs

The following table provides E*TRADE's approximate market share of custody services provided to RIAs based upon client assets as of December 31, 2018.⁹

	Approximate Client Assets (\$B)
Charles Schwab	\$1,550
Fidelity	\$932
TD Ameritrade	\$506
Pershing	\$219
LPL	\$110
E*TRADE	\$18
Other ¹⁰	\$665
Total	\$4,000

⁹ Source: Cerulli Report: US RIA Marketplace 2019.

¹⁰ Includes more than 10 other competitors.

Status of Certain Approvals and Filings

Set out below are updates on the status of approvals and filings related to the Proposed Transaction.

1. As discussed in the Application, E*TRADE Securities, E*TRADE's broker-dealer subsidiary, was required to file an application seeking prior approval from FINRA for its indirect change in ownership or control. On June 4, 2020, FINRA notified E*TRADE Securities of its approval of the application.
2. The parties filed the final version of the registration statement on Form S-4 related to the Proposed Transaction on June 12, 2020 and the SEC declared it effective on the same day.¹¹ On July 17, 2020, E*TRADE will hold a special meeting of its stockholders to, among other things, consider and vote on a proposal to adopt the Merger Agreement.

Other than the E*TRADE stockholder vote described above and the notifications to DTCC, self-regulatory organizations and certain state regulators described in the Application, the Federal Reserve's approval of the Proposed Transaction is the only remaining approval or filing required in connection with the Proposed Transaction. The parties continue to intend to consummate the Proposed Transaction as soon as practicable, once all required approvals are received.

¹¹ A copy of the final registration statement on Form S-4 is available here:
<https://www.sec.gov/Archives/edgar/data/895421/000120677420001847/etrade3750091-s4a.htm>.