



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, DC 20551

June 28, 2019

Mr. Gabriel Rosenberg  
Davis Polk & Wardwell LLP  
450 Lexington Avenue  
New York, New York 10017

Dear Mr. Rosenberg:

This letter responds to the request dated April 1, 2019, submitted on behalf of Morgan Stanley, New York, New York, addressed to the Office of the Comptroller of the Currency (“OCC”), the Board of Governors of the Federal Reserve System (“Board”), and the Federal Deposit Insurance Corporation (“FDIC”) (collectively, the “Agencies”) regarding a request for exemptive relief from each of the Agencies’ respective qualified financial contract stay rules (collectively, the “QFC Stay Rules”).<sup>1</sup> Consistent with your request, the Board is considering granting exemptive relief with respect to: (1) any covered QFC that is a “non-U.S. non-linked contract” and for which each party to the covered QFC (other than the covered entity) is a financial counterparty that is not a covered entity or excluded bank from the requirements of 12 CFR 252.83, and (2) any covered QFC that is an investment advisory contract that meets the requirements of 12 CFR 252.88(c)(1)(ii)–(iii) and for which each party to the covered QFC (other than the covered entity) is a financial counterparty that is not a covered entity or excluded bank from the requirements of 12 CFR part 252, subpart I (collectively, the “Relief Request QFCs”).<sup>2</sup>

The Agencies’ staff are coordinating and actively considering your request for exemptive relief. However, the Agencies are not yet in a position to determine whether the requested relief is appropriate under the exemption standards set forth in the QFC Stay Rules. As part of your request, you noted the upcoming compliance date and requested time to conform any QFCs as needed.

Acting pursuant to authority delegated by the Board and having considered all relevant facts, I grant an extension of time. Under this extension of time, the Relief Request QFCs entered into by any covered entity that would otherwise be subject to the July 1, 2019,

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<sup>1</sup> 12 CFR part 47 (OCC); 12 CFR part 252, subpart I (Board); and 12 CFR part 382 (FDIC).

<sup>2</sup> Definitions related to the scope of the Relief Request QFCs are set out in the Appendix.

compliance date set forth in 12 CFR 252.82(f)(1)(ii) will temporarily not be subject to the requirements of the Board's QFC Stay Rule. The extension shall remain in effect until the Board acts on the merits of your request for exemptive relief, which it is expected to do no later than January 15, 2020. This extension of time does not apply to QFCs that were subject to the January 1, 2019, compliance date, which should already be in compliance with the requirements of the Board's QFC Stay Rule. Should the Board deny in whole or in part the requested exemptions for the Relief Request QFCs, staff would recommend that you be permitted a period of six months from the date of the denial to ensure all affected QFCs are brought into conformance with the requirements of the Board's QFC Stay Rule.

Board staff has consulted with staff of the OCC and FDIC with respect to the extension of the July 1, 2019, compliance date for the requesting entity as set forth in this letter. OCC and FDIC staff has advised Board staff that it does not object to this extension.

This action may be revised or revoked, based on evolving industry standards, evolving supervisory standards, changes to applicable regulations, or other relevant factors. This action is based on all the facts of record, including the information discussed above, and the representations in your submissions and supplemental information. Any material change in those facts or representations could affect this approval and should be communicated promptly to Board staff.

Please contact Lucy Chang at (202) 475-6331 or Evan Hechtman at (202) 263-4810, both of the Board's Legal Division, or Felton Booker at (202) 912-4651 or Lesley Chao at (202) 974-7063, of the Board's Division of Supervision and Regulation, if you have any questions.

Very truly yours,



Ann E. Misback  
Secretary of the Board

cc: Office of the Comptroller of the Currency  
Federal Deposit Insurance Corporation

## Appendix

1. For purposes of this extension of time, the following definitions apply:
  - a. “Affiliate” has the same meaning as in 12 CFR 252.2.
  - b. “Investment advisory contract” has the same meaning as in 12 CFR 252.81.
  - c. “Linked” has the same meaning as in 12 CFR 380.12(b)(1).
  - d. “Non-U.S. non-linked contract” is defined as a QFC that meets all of the following:
    - i. No party to the QFC is a covered entity:
      - A. that is incorporated in or organized under the laws of the United States or any State;
      - B. whose principal place of business is located in the United States, including any State; or
      - C. that is a U.S. branch or U.S. agency;
    - ii. The QFC is not guaranteed or otherwise supported by an affiliate of a covered entity that is a party to the QFC that could itself be placed into a U.S. special resolution regime;
    - iii. The QFC is not linked to an affiliate of a covered entity that is a party to the QFC; and
    - iv. The QFC contains no default rights that could be exercised against any other covered entity that itself could be placed into a U.S. special resolution regime.
  - e. “Support” has the same meaning as in 12 CFR 380.12(b)(3).
  - f. “State” has the same meaning as in 12 CFR 252.2(y).
  - g. “U.S. agency” has the same meaning as in 12 CFR 252.2(bb).
  - h. “U.S. branch” has the same meaning as in 12 CFR 252.2(cc).
  - i. “U.S. special resolution regime” has the same meaning as in 12 CFR 252.81.