

# FEDERAL RESERVE BANK *of* NEW YORK

33 LIBERTY STREET, NEW YORK, NY 10045-0001

May 8, 2020

Luigi L. De Ghenghi, Esq.  
Davis Polk & Wardwell LLP  
450 Lexington Avenue  
New York, New York 10017

Dear Mr. De Ghenghi:

In connection with (1) the notice by Morgan Stanley, New York, New York, to acquire E\*TRADE Financial Corporation (“E\*TRADE”), E\*TRADE Bank, and E\*TRADE Savings Bank, all of Arlington, Virginia, and thereby operate savings associations, pursuant to sections 4(c)(8) and (j) of the Bank Holding Company Act of 1956 (“BHC Act”); (2) the notice by Morgan Stanley to acquire E\*TRADE pursuant to section 4(k)(6)(B)(ii) of the BHC Act; and (3) the notice by Morgan Stanley to acquire E\*TRADE pursuant to section 163(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the following additional information is requested as a supplement to our additional information request dated April 17, 2020. Supporting documentation should be provided as appropriate.

To the extent the information requested below is not yet available, provide a date by which the requested information is expected to be made available to the Board of Governors of the Federal Reserve System (“Board”).

1. Please describe how the proposed merger would affect the oversight of conduct risk in the Wealth Management and Institutional Securities Groups.
2. Please comment on the firm’s progress in remediating operational challenges highlighted by the below FINRA Matters submitted in your application (pages 82 and 89). Describe the measures being taken to ensure that these matters are not exacerbated by the proposed merger.
  - a. Late TRACE reporting
  - b. Missing trades reported to RTRS
  - c. Late reporting of MSRB-eligible trades
3. With regard to Recovery and Resolution Planning, please
  - a. Describe the impact of the merger on the ability to transfer wealth management clients in the event of a separation of the wealth management business.
  - b. Describe any material changes anticipated to the critical service support infrastructure of Morgan Stanley after the merger, and whether additional operational activity would be shifted into domestic and/or foreign Material Service Entities.
  - c. Indicate whether there are critical vendors with E\*TRADE that are anticipated to be new critical vendors in the combined organization, and describe whether such

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vendors would be brought up to compliance with MS SLA standards to include resolution friendly language.

- d. Describe how the legal entity rationalization criteria (LER) would be implemented to drive the structure of the combined organization.
4. Please describe the contemplated changes to the Community Reinvestment Act assessment areas at E\*TRADE's and Morgan Stanley's subsidiary banks.

Please provide your response addressed to the undersigned within eight business days of the date of this letter. Any information for which confidential treatment is desired should be so labeled and separately bound in accordance with Section 261.15 of the Board's Rules Regarding Availability of Information.

If you have any questions regarding this matter, please contact Cecilia Caglio (202-452-3084) of the Board's Division of Research and Statistics; Surjeet Sidhu (202-728-5888) of the Board's Division of Supervision and Regulation; Ken Williams (202-452-3136) of the Board's Division of Consumer and Community Affairs; or Evans Muzere (202-536-7019), David Imhoff (202-452-2249), or Nate Balk (202-872-7517), all of the Board's Legal Division.

Sincerely,



Brian S. Steffey  
Assistant Vice President  
Bank Applications Function

cc: Board of Governors