



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

March 5, 2026

The Honorable Jonathan V. Gould
Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street SW
Washington, DC 20219

Dear Mr. Gould:

This letter concerns the request by Morgan Stanley Bank, N.A. (“Bank”), Salt Lake City, Utah, for an exemption from certain requirements of section 23A of the Federal Reserve Act (“section 23A”)¹ to acquire Morgan Stanley Europe SE (“MSESE”), and MSESE’s wholly owned subsidiary German bank, Morgan Stanley Bank AG (“MSBAG”), both of Frankfurt am Main, Germany, as part of a one-time internal corporate reorganization.²

Bank and MSESE are both indirect, wholly owned subsidiaries of Morgan Stanley, New York, New York, a financial holding company. MSESE is an indirect, wholly owned subsidiary of Morgan Stanley and is its principal European Union subsidiary.³ MSESE’s activities primarily include sales and trading of fixed income and equity products, investment banking, capital markets, and research. On January 16, 2026, MSESE received permission from the European Central Bank (“ECB”) to convert into a European-licensed bank, as well as a change in control

¹ 12 U.S.C. § 371c.

² Following consummation, MSBAG will be merged into MSESE. The subsidiaries will be held by Bank pursuant to authority in Regulation K. In connection with this proposal, certain additional liabilities of MSBAG also would be transferred to MSESE and Bank.

³ As of September 23, 2025, MSESE’s parent company, Morgan Stanley Europe Holding SE, Frankfurt am Main, Germany, merged with and into MSESE with MSESE as the surviving entity, and Morgan Stanley International Limited (“MSI”), London, United Kingdom, became MSESE’s immediate parent.

approval authorizing MSESE to become a subsidiary of Bank.⁴ On January 19, 2026, MSESE completed the conversion and became a foreign bank for purposes of Regulation K.⁵ MSBAG is MSESE's wholly owned subsidiary German bank, which will be merged into MSESE after consummation of the proposal.

As part of a one-time internal corporate reorganization, Morgan Stanley would contribute all the shares of MSESE to Bank for no consideration, causing MSESE to become a wholly owned subsidiary of Bank.⁶ As a result of the reorganization, Bank would acquire the assets, and would assume the liabilities, of MSESE, and pay no additional consideration in connection with the transaction. MSBAG also would transfer an additional \$ [REDACTED] in funded loans and unfunded commitments to MSESE and Bank as part of the transaction, with neither entity paying additional consideration.

Section 23A defines affiliate to include "any other company that is controlled by the company that controls the member bank."⁷ Bank, MSESE, and MSBAG are all controlled by Morgan Stanley and are therefore affiliates for purposes of section 23A.⁸

Section 23A and the Board's Regulation W limit the amount of covered transactions between a bank and any single affiliate to 10 percent of the bank's capital stock and surplus, and limit the amount of covered transactions between a bank and all its

⁴ According to MS, MSESE converted to a full banking license to comply with changes in EU law. Article 21c of the EU Capital Requirements Directive VI (Directive 2013/36/EU) mandates that by January 2027 third-country institutions providing certain cross-border banking services in the European Union establish a banking presence in order to continue to lend to European Union borrowers.

⁵ Morgan Stanley submitted several notices pursuant to Regulation K related to the conversion of MSESE into a foreign bank. These notices became effective on January 15, 2026.

⁶ Morgan Stanley represents that, on the date of the reorganization, all the activities and investments of MSESE would be permissible under Regulation K.

⁷ 12 U.S.C. § 371c(b)(1)(A); 12 CFR 223.2(a)(2).

⁸ Under section 23A, a company "controls" another company if, among other things, the first company owns, controls, or has power to vote 25 percent or more of any class of voting securities of the other company. 12 U.S.C. § 371c(b)(3)(A)(i); 12 CFR 223.3(g)(1)(i). Morgan Stanley indirectly owns all the voting securities of Bank and MSESE, and will indirectly own all the voting securities of MSESE. Therefore, Morgan Stanley will still control each entity.

affiliates to 20 percent of the bank’s capital stock and surplus.⁹ Section 23A defines a covered transaction to include, among other things, a bank’s “purchase of assets from the affiliate.”¹⁰ Regulation W defines the purchase of an asset from an affiliate as the acquisition of an asset from an affiliate in exchange for cash or any other consideration, including an assumption of liabilities. Regulation W also specifies that the acquisition by a bank of the shares of an affiliate is treated as a purchase of assets from an affiliate if (i) as a result of the transaction, the company becomes an operating subsidiary of the bank; and (ii) the company has liabilities, or the bank gives cash or any other consideration in exchange for the security.¹¹ Accordingly, Bank’s proposed acquisition of MSESE is a purchase of assets from an affiliate and, therefore, a covered transaction subject to section 23A. Further, the proposed transfer of additional funded loans and unfunded commitments by MSBAG ultimately to Bank also is a purchase of an asset and a covered transaction, as Bank would be assuming liabilities.¹²

Bank would acquire MSESE’s assets, would assume MSESE’s liabilities as well as certain additional liabilities of MSBAG, and would not pay any additional consideration in connection with the transaction. The covered transaction associated with the reorganization is valued at \$■■■■ billion, as of September 30, 2025.¹³ The acquisition of MSESE and the additional loans and unfunded commitments from MSBAG exceed Bank’s quantitative limits in section 23A for covered transactions both with a single affiliate and with all affiliates. Accordingly, Bank seeks an exemption from the quantitative limits of section 23A to engage in the proposed reorganization.

Because Bank is a national bank, the Office of the Comptroller of the Currency (“OCC”) may, by order, exempt the proposed asset purchase from the requirements of section 23A if the Board and OCC jointly find the exemption to be (i) in the public interest and (ii) consistent with the purposes of section 23A.¹⁴ In addition, the Federal Deposit Insurance Corporation must not object to the exemption in writing based on a determination that the exemption presents an unacceptable risk to the Deposit

⁹ 12 U.S.C. § 371c(a)(1); 12 CFR 223.11.

¹⁰ 12 U.S.C. § 371c(b)(7)(C); 12 CFR 223.3(h)(3).

¹¹ 12 CFR 223.31(a).

¹² 12 CFR 223.3(dd).

¹³ In addition to the MSESE liabilities, MSBNA ultimately would assume additional liabilities of MSBAG, bringing the total amount of transferred liabilities to \$■■■■ billion, as of September 30, 2025. *See* 12 CFR 223.31(b)(1).

¹⁴ 12 U.S.C. § 371c(f)(2)(B)(i)(I).

Insurance Fund within 60 days of being notified of the OCC's and Board's joint findings.¹⁵

The Board previously has stated that the dual purposes of section 23A are to protect against a depository institution suffering losses in transactions with affiliates and to limit the ability of the depository institution to transfer to its affiliates the subsidy arising from the institution's access to the federal safety net.¹⁶ The Board previously has approved exemptions under section 23A for one-time asset transfers that are part of an internal corporate reorganization where the transaction is structured to ensure the quality of the transferred assets and to protect the bank from losses should the quality of the transferred assets deteriorate.¹⁷

Morgan Stanley and Bank assert that the acquisition of MSESE with and into Bank would strengthen Bank and balance its risk profile by expanding and diversifying its activities, revenue streams, and client relationships. Morgan Stanley and Bank also assert the reorganization would increase Bank's profitability and improve Bank's ability to provide products and services to customers at a lower cost through improved efficiencies and cost savings. Further, Morgan Stanley and Bank assert that the reorganization would strengthen its strategic position and competitiveness. Morgan Stanley and Bank further assert that, after the acquisition, it will have a more balanced and diversified financial risk profile, with market, lending, and counterparty risks each contributing to the overall risk profile in a more proportionate manner.

Bank is well capitalized and would be well capitalized following the acquisition. In addition, Morgan Stanley and Bank have provided commitments listed in the Appendix, similar to those previously relied upon by the Board in granting section 23A exemptions to allow internal corporate reorganizations, to ensure that Bank is protected from losses should the quality of the assets acquired by Bank in connection

¹⁵ 12 U.S.C. § 371c(f)(2)(B)(i)(II).

¹⁶ 67 *Fed. Reg.* 76560 (Dec. 12, 2002).

¹⁷ *See, e.g.*, Letter from Benjamin W. McDonough, Deputy Secretary of the Board, to Stuart Feldstein, Acting Principal Deputy Chief Counsel of the OCC (July 31, 2025), <https://www.federalreserve.gov/supervisionreg/legalinterpretations/fedreserseactint20250731.pdf>; Letter from Robert deV. Frierson, Deputy Secretary of the Board, to John A. Buchman, E*TRADE Bank (Oct. 24, 2006), <https://www.federalreserve.gov/supervisionreg/legalinterpretations/20061024.pdf>; Letter from Robert deV. Frierson, Deputy Secretary of the Board, to Carl Howard, Citigroup Inc. (June 30, 2006), <https://www.federalreserve.gov/supervisionreg/legalinterpretations/20060630.pdf>.

with the proposal deteriorate.¹⁸ Following the reorganization, Bank would be required to conduct activities through MSESE in compliance with the requirements and limits of the Board's Regulation K.¹⁹

In light of these considerations and all the facts presented, the Board hereby finds that the proposed exemption is in the public interest and consistent with the purposes of section 23A.

This action is specifically conditioned on compliance by Bank with all the commitments and representations it has made to the Board in connection with this exemption request. These commitments constitute conditions imposed in writing in connection with this action and, as such, may be enforced in proceedings under applicable law. This action also is based on the specific facts and circumstances described in Bank's correspondence and this letter. Any change in the facts or circumstances may result in a different conclusion or revocation of the findings in this letter.

This action also is specifically conditioned on receipt by Bank of all regulatory approvals required by the proposal and compliance with any conditions imposed in connection with such approvals.

Very truly yours,

(Signed) Benjamin W. McDonough

Benjamin W. McDonough
Deputy Secretary of the Board

cc:

Alfred Seivold, Acting Senior Deputy Director
Division of Complex Institution Supervision and Resolution
Federal Deposit Insurance Corporation

¹⁸ Morgan Stanley also has committed to contribute funds to Bank equal to the book value of any low-quality assets that are transferred to Bank in connection with Bank's acquisition of MSESE. The proposal would not involve the purchase of any low-quality assets.

¹⁹ 12 CFR part 211.

Appendix

In connection with the request filed by Morgan Stanley Bank, N.A., Salt Lake City, Utah (“Bank”), to the Office of the Comptroller of the Currency for an exemption from the requirements of section 23A of the Federal Reserve Act (12 U.S.C. § 371c) in order to engage in an internal corporate reorganization through which the Bank would acquire Morgan Stanley Europe SE (“MSESE”), Frankfurt am Main, Germany, and MSESE’s wholly-owned subsidiary German bank, Morgan Stanley Bank AG,²⁰ the Bank and its parent holding company, Morgan Stanley, provide the following commitments to the Board of Governors of the Federal Reserve System (“Board”):

1. Morgan Stanley commits that, on the effective date of the internal corporate reorganization, it will contribute funds to the Bank in the amount of the book value of any low-quality assets that are transferred to the Bank at the time that MSESE is transferred to the Bank. Morgan Stanley and the Bank also commit that the Bank will hold an amount of risk-based capital equal to the book value of any low-quality assets that are transferred to the Bank so long as the Bank retains ownership or control of the transferred assets.
2. Morgan Stanley commits, for a two-year period following the effective date of the internal corporate reorganization, to make either (i) a cash payment to the Bank equal to the book value at the end of each calendar quarter plus write-downs during that quarter by the Bank of any transferred assets (other than those that were low-quality assets at the time of the initial transfer) that were low-quality assets at the end of that quarter; or (ii) quarterly purchases from the Bank of any transferred assets (other than those that were low-quality assets at the time of the initial transfer) that were low-quality assets at the end of that quarter at a price equal to the book value at the end of that quarter plus write-downs during that quarter by the Bank of any such transferred assets. Morgan Stanley will make the cash payment or will purchase the assets within 30 days after the end of each calendar quarter. Morgan Stanley and the Bank also commit that the Bank will hold an amount of risk-based capital equal to the book value of any transferred assets that become low-quality so long as the Bank retains ownership or control of the transferred assets as described in the example above.
3. Before the internal corporate organization is consummated, a majority of the Bank’s directors will review and approve the transaction.

²⁰ Morgan Stanley Bank AG is expected to be merged into MSESE following consummation, with MSESE surviving.

Morgan Stanley and the Bank agree that these commitments are deemed to be conditions imposed in writing by the Board in connection with its findings and decision on the exemption request and, as such, may be enforced in proceedings under applicable law.

Morgan Stanley and the Bank understand that, as a condition of any finding and decision on the exemption request by the Board, the Bank must remain well capitalized based on the Office of the Comptroller of the Currency's risk-based capital guidelines and the modifications to those guidelines described in commitments (1) and (2) above.