

**Meeting Between Federal Reserve Board,  
Federal Reserve Bank of New York, and OCC Staff  
and Representatives of Morgan Stanley  
July 26, 2011**

**Participants:** David Palmer (Federal Reserve Board); Karen Schneck, Vivian Sung, Bill Brodows, Lillian MacEachern, and Sandra Harris (Federal Reserve Bank of New York)

Akhtarur Siddique and Dan Staehle (Office of the Comptroller of the Currency)

Eduardo Canabarro (Morgan Stanley)

**Summary:** Staff from the Federal Reserve Board, Federal Reserve Bank of New York, and the OCC met with representatives of Morgan Stanley to discuss the proposed interagency supervisory stress testing guidance issued on June 9, 2011. Staff from Morgan Stanley offered some overall comments on the guidance, which were supportive of the effort, and some comments on particular aspects of the guidance. Specific items discussed related to the need to keep stress testing efforts credible so they will be used by senior management, but also the need to keep senior management disciplined to use stress tests in good times and bad. There was also discussion of the importance of incorporating secondary or "knock-on" effects in stress tests, but that doing so is quite challenging. Morgan Stanley staff also underscored the need for good communication of stress test results within an institution, but that there is tradeoff between providing good information to senior management and the board, but not overwhelming them with details.