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Press Release

March 26, 2026

Statement on Request from Morgan Stanley by Vice Chair for Supervision Michelle W. Bowman

I support the Board's findings, in connection with Morgan Stanley's (MS) request to move its German bank under its U.S. national bank subsidiary, that this exemption is in the public interest and consistent with the purposes of section 23A of the Federal Reserve Act.

For decades, federal law has permitted U.S. banks to engage in securities underwriting and dealing activities through foreign subsidiaries outside the U.S. subject to various limits. Since 1999, federal law has given U.S. bank holding companies a choice to either conduct these activities through foreign subsidiaries held in a U.S. bank ownership chain subject to the limits in Regulation K, or conduct them through foreign subsidiaries outside the bank ownership chain without limit under section 4(k)of the Bank Holding Company Act.

Some financial institutions have chosen to conduct these activities through their U.S. banks under Regulation K and others have chosen to conduct these activities through non-bank subsidiaries under section 4(k). Each path has advantages and disadvantages. Morgan Stanley initially chose section 4(k) but now believes Regulation K would be more advantageous. As such, MS is seeking to move its German bank subsidiary under the U.S. national bank subsidiary to enjoy the benefits they see Regulation K providing other banks that conduct similar activities.

Other large banks already operate with a similar structure and engage in similar activities through a bank-owned subsidiary in Europe. At no point has the Board challenged or expressed concern about these existing ownership structures in terms of safety and soundness, financial stability, or the risks to the deposit insurance fund. These risks have been managed through appropriate supervision by the primary federal regulator.

The proposed transaction is intended to meet the "public interest" standard for a 23A exemption by diversifying the business of Morgan Stanley Bank, N.A. (MSBNA). It achieves this by facilitating the provision of products and services to European customers, creating a more level playing field for U.S. banks operating in Europe, and improves competitiveness with European banks. MS and MSBNA have provided commitments to the Board intended to help mitigate potential losses to MSBNA from the proposed reorganization and are consistent with standard commitments the Board receives in connection with granting section 23A exemption requests for internal corporate reorganizations.

In my view, the proposed securities underwriting and dealing activities support the Board's findings in this case. As the primary federal regulator the OCC has reached the same

conclusion that granting MS's request is in the public interest and consistent with the purposes of Section 23A. In addition, the FDIC has determined that granting the exemption will not pose an unacceptable risk to the Deposit Insurance Fund.

For as long as these foreign activities have been permitted, no U.S. bank has suffered material financial losses arising out of these overseas activities.

Today's action does not create precedent that would bind the Board in future cases. Similar exemption requests made by other firms will be reviewed based on the applicable legal standard as applied to the particular facts of that request. In this case, the Board's analysis—including longstanding Board precedent in this area—supports the Board's findings.

I support the findings made by the Board in connection with Morgan Stanley's request.

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