UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2020

Commission File Number 1-11758

Morgan Stanley

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**1585 Broadway** **New York, NY 10036** (Address of principal executive offices, including zip code)	**36-3145972** (I.R.S. Employer Identification No.)	**(212) 761-4000** (Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of exchange on which registered
Common Stock, $0.01 par value	MS	New York Stock Exchange
Depositary Shares, each representing 1/1,000th interest in a share of Floating Rate Non-Cumulative Preferred Stock, Series A, $0.01 par value	MS/PA	New York Stock Exchange
Depositary Shares, each representing 1/1,000th interest in a share of Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series E, $0.01 par value	MS/PE	New York Stock Exchange
Depositary Shares, each representing 1/1,000th interest in a share of Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series F, $0.01 par value	MS/PF	New York Stock Exchange
Depositary Shares, each representing 1/1,000th interest in a share of Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series I, $0.01 par value	MS/PI	New York Stock Exchange
Depositary Shares, each representing 1/1,000th interest in a share of Fixed-to-Floating Rate Non-Cumulative Preferred Stock, Series K, $0.01 par value	MS/PK	New York Stock Exchange
Depository Shares, each representing 1/1000th interest in a share of 4.875% Non-Cumulative Preferred Stock, Series L, $0.01 par value	MS/PL	New York Stock Exchange
Global Medium-Term Notes, Series A, Fixed Rate Step-Up Senior Notes Due 2026 of Morgan Stanley Finance LLC (and Registrant's guarantee with respect thereto)	MS/26C	New York Stock Exchange
Morgan Stanley Cushing® MLP High Income Index ETNs due March 21, 2031	MLPY	NYSE Arca, Inc.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 30, 2020, there were 1,809,198,248 shares of the Registrant's Common Stock, par value $0.01 per share, outstanding.

Morgan Stanley

QUARTERLY REPORT ON FORM 10-Q

For the quarter ended September 30, 2020

Available Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. The SEC maintains a website, *www.sec.gov*, that contains annual, quarterly and current reports, proxy and information statements and other information that issuers file electronically with the SEC. Our electronic SEC filings are available to the public at the SEC's website.

Our website is *www.morganstanley.com*. You can access our Investor Relations webpage at *www.morganstanley.com/about-us-ir*. We make available free of charge, on or through our Investor Relations webpage, our proxy statements, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended ("Exchange Act"), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. We also make available, through our Investor Relations webpage, via a link to the SEC's website, statements of beneficial ownership of our equity securities filed by our directors, officers, 10% or greater shareholders and others under Section 16 of the Exchange Act.

You can access information about our corporate governance at *www.morganstanley.com/about-us-governance* and our sustainability initiatives at *www.morganstanley.com/about-us/sustainability-at-morgan-stanley.* Our webpages include:

- Amended and Restated Certificate of Incorporation;
- Amended and Restated Bylaws;
- Charters for our Audit Committee, Compensation, Management Development and Succession Committee, Nominating and Governance Committee, Operations and Technology Committee, and Risk Committee;
- Corporate Governance Policies;
- Policy Regarding Corporate Political Activities;
- Policy Regarding Shareholder Rights Plan;
- Equity Ownership Commitment;
- Code of Ethics and Business Conduct;
- Code of Conduct;
- Integrity Hotline Information;
- Environmental and Social Policies; and
- Sustainability Report.

Our Code of Ethics and Business Conduct applies to all directors, officers and employees, including our Chief Executive Officer, Chief Financial Officer and Deputy Chief Financial Officer. We will post any amendments to the Code of Ethics and Business Conduct and any waivers that are required to be disclosed by the rules of either the SEC or the New York Stock Exchange LLC ("NYSE") on our website. You can request a copy of these documents, excluding exhibits, at no cost, by contacting Investor Relations, 1585 Broadway, New York, NY 10036 (212-761-4000). The information on our website is not incorporated by reference into this report.

Risk Factors

In addition to “Risk Factors” in Part I, Item 1A of the 2019 Form 10-K, please refer to the risk factors under Item 8.01 “Other Matters” in each of the the Current Reports on Form 8-K filed with the SEC on April 16, 2020 and October 2, 2020, respectively.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

Morgan Stanley is a global financial services firm that maintains significant market positions in each of its business segments—Institutional Securities, Wealth Management and Investment Management. Morgan Stanley, through its subsidiaries and affiliates, provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. Unless the context otherwise requires, the terms "Morgan Stanley," "Firm," "us," "we" or "our" mean Morgan Stanley (the "Parent Company") together with its consolidated subsidiaries. See the "Glossary of Common Terms and Acronyms" for the definition of certain terms and acronyms used throughout this Form 10-Q.

A description of the clients and principal products and services of each of our business segments is as follows:

Institutional Securities provides investment banking, sales and trading, lending and other services to corporations, governments, financial institutions and high to ultra-high net worth clients. Investment banking services consist of capital raising and financial advisory services, including services relating to the underwriting of debt, equity and other securities, as well as advice on mergers and acquisitions, restructurings, real estate and project finance. Sales and trading services include sales, financing, prime brokerage and market-making activities in the equity and fixed income businesses. Lending activities include originating corporate loans and commercial real estate loans, providing secured lending facilities, and extending financing to sales and trading customers. Other activities include Asia wealth management services, investments and research.

Wealth Management provides a comprehensive array of financial services and solutions to individual investors and small to medium-sized businesses and institutions covering: brokerage and investment advisory services; financial and wealth planning services; stock plan administration services; annuity and insurance products; securities-based lending, residential real estate loans and other lending products; banking; and retirement plan services.

Investment Management provides a broad range of investment strategies and products that span geographies, asset classes, and public and private markets to a diverse group of clients across institutional and intermediary channels. Strategies and products, which are offered through a variety of investment vehicles, include equity, fixed income, liquidity and alternative/other products. Institutional clients include defined benefit/defined contribution plans, foundations, endowments, government entities, sovereign wealth funds, insurance companies, third-party fund sponsors and corporations. Individual clients are generally served through intermediaries, including affiliated and non-affiliated distributors.

Management's Discussion and Analysis includes certain metrics which we believe to be useful to us, investors, analysts and other stakeholders by providing further transparency about, or an additional means of assessing, our financial condition and operating results. Such metrics, when used, are defined and may be different from or inconsistent with metrics used by other companies.

The results of operations in the past have been, and in the future may continue to be, materially affected by: competition; risk factors; legislative, legal and regulatory developments; and other factors. These factors also may have an adverse impact on our ability to achieve our strategic objectives. Additionally, the discussion of our results of operations herein may contain forward-looking statements. These statements, which reflect management's beliefs and expectations, are subject to risks and uncertainties that may cause actual results to differ materially. For a discussion of the risks and uncertainties that may affect our future results, see "Forward-Looking Statements," "Business—Competition," "Business—Supervision and Regulation," and "Risk Factors" herein and in the 2019 Form 10-K, and "Liquidity and Capital Resources—Regulatory Requirements" herein. In addition, see "Executive Summary" herein and "Risk Factors" for information on the current and possible future effects of the COVID-19 pandemic on our results.

Executive Summary

Overview of Financial Results

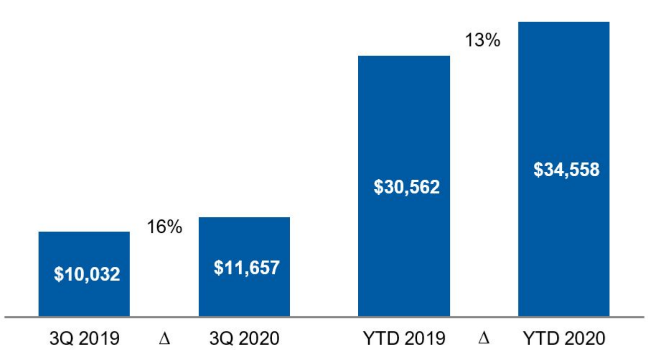
Consolidated Results—Three Months Ended September 30, 2020

- Firm Net revenues were up 16% and Net income applicable to Morgan Stanley was up 25%, reflecting strength across all business segments, and resulting in an annualized ROTCE of 15.0% (see "Non-GAAP Financial Measures" herein).
- Institutional Securities Net revenues of $6,062 million increased as a result of higher sales and trading and strength in equity underwriting.
- Wealth Management delivered pre-tax income of $1.1 billion with a pre-tax profit margin of 24%, reflecting strong fee-based flows and increased loan and deposit balances.
- Investment Management reported long-term net flows of $10.4 billion and AUM of $715 billion driving revenue growth of 38%.
- Our provision for credit losses on loans and lending commitments was $111 million.
- At September 30, 2020, our standardized Common Equity Tier 1 capital ratio was 17.4%.

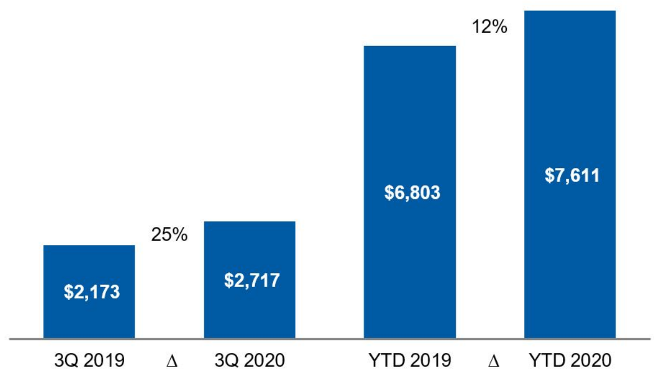
Strategic Transactions

- On October 2, 2020, we completed the acquisition of E*TRADE Financial Corporation ("E*TRADE"). For further information, see "Business Segments—Wealth Management."
- On October 8, 2020, we entered into a definitive agreement under which we will acquire Eaton Vance Corp. ("Eaton Vance"), subject to customary closing conditions. For further information, see "Business Segments—Investment Management."

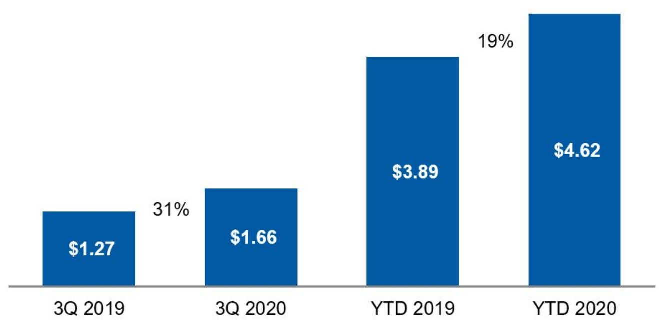
Net Revenues
($ in millions)



Net Income Applicable to Morgan Stanley
($ in millions)



Earnings per Diluted Common Share

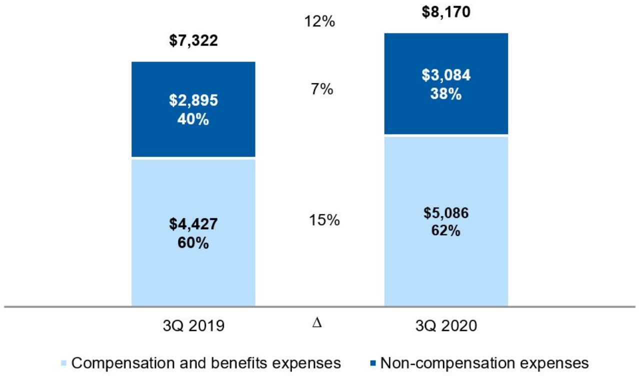


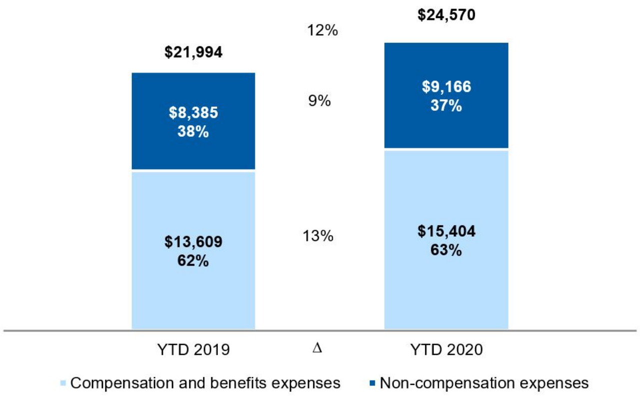
We reported net revenues of $11,657 million in the quarter ended September 30, 2020 ("current quarter," or "3Q 2020"), compared with $10,032 million in the quarter ended September 30, 2019 ("prior year quarter," or "3Q 2019"). For the current quarter, net income applicable to Morgan Stanley was $2,717 million, or $1.66 per diluted common share, compared with $2,173 million or $1.27 per diluted common share, in the prior year quarter.

We reported net revenues of $34,558 million in the nine months ended September 30, 2020 ("current year period," or "YTD 2020"), compared with $30,562 million in the period ended September 30, 2019 ("prior year period," or "YTD 2019"). For the current year period, net income applicable to Morgan Stanley was $7,611 million, or $4.62 per diluted common share, compared with $6,803 million or $3.89 per diluted common share, in the prior year period.

Non-interest Expenses[1]

($ in millions)





1. The percentages on the bars in the chart represent the contribution of compensation and benefits expenses and non-compensation expenses to the total.

Current Quarter

- Compensation and benefits expenses of $5,086 million in the current quarter increased 15% from the prior year quarter, primarily as a result of increases in discretionary incentive compensation and the formulaic payout to Wealth Management representatives, driven by higher revenues, and higher expenses related to certain deferred compensation plans linked to investment performance.

- Non-compensation expenses of $3,084 million in the current quarter increased 7% from the prior year quarter, primarily as a result of higher volume-related expenses and increased information processing and communication expenses, partially offset by a decrease in marketing and business development expenses.

Current Year Period

- Compensation and benefits expenses of $15,404 million in the current year period increased 13% from the prior year period, primarily as a result of increases in discretionary incentive compensation and the formulaic payout to Wealth Management representatives, driven by higher revenues, partially offset by lower compensation associated with carried interest and certain deferred compensation plans linked to investment performance.

- Non-compensation expenses of $9,166 million in the current year period increased 9% from the prior year period, primarily as a result of higher volume-related expenses, an increase in the provision for credit losses for lending commitments and off-balance sheet instruments, and increased information processing and communication expenses. These increases were partially offset by a decrease in marketing and business development expenses.

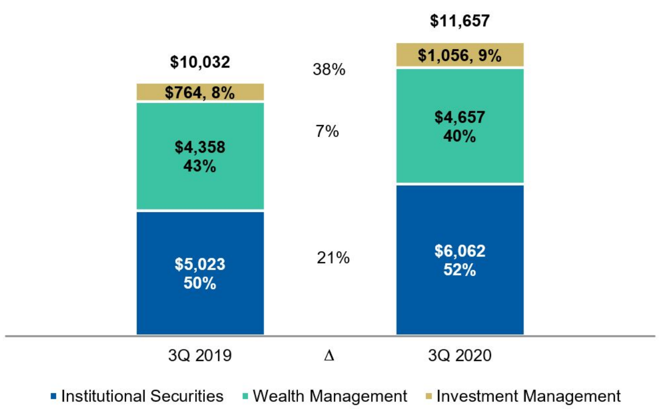
Income Taxes

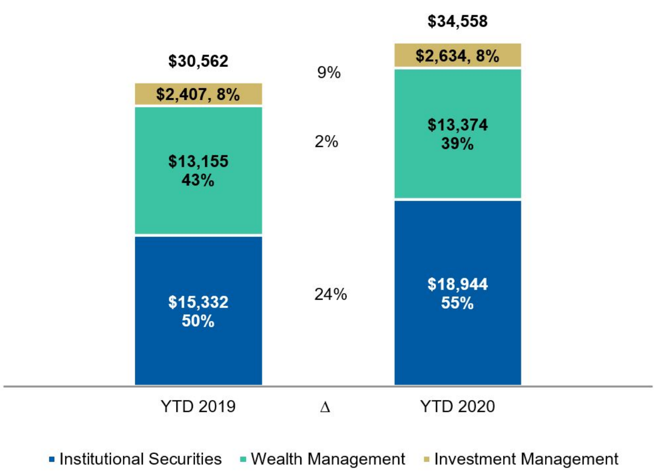
The current quarter included intermittent net discrete tax benefits of $113 million, principally associated with the remeasurement of reserves and related interest as a result of new information pertaining to the resolution of tax examinations in certain jurisdictions. The prior year quarter included intermittent net discrete tax benefits of $89 million primarily associated with the filing of the 2018 federal tax return and the remeasurement of reserves and related interest as a result of new information pertaining to the resolution of multi-jurisdiction tax examinations.

The current year period included intermittent net discrete tax benefits of $10 million. The prior year period included intermittent net discrete tax benefits of $190 million, primarily associated with the remeasurement of reserves and related interest as a result of new information pertaining to the resolution of multi-jurisdiction tax examinations and other matters. For further information, see "Supplemental Financial Information —Income Tax Matters"
herein.

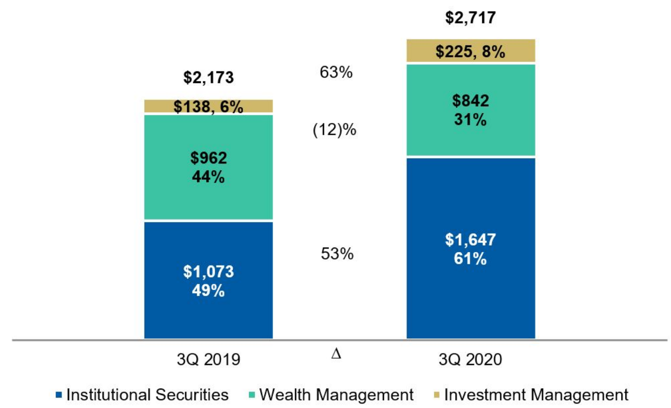
Business Segment Results

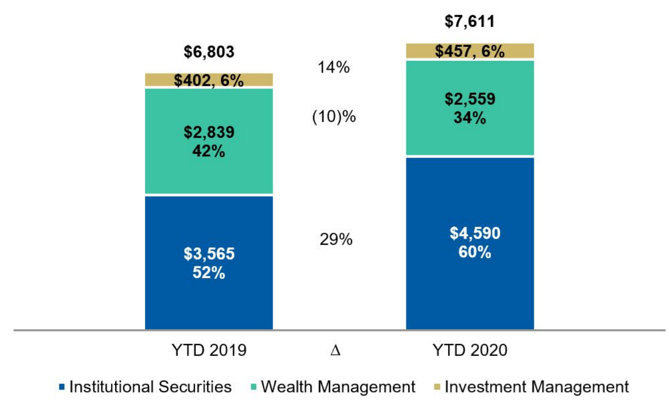
Net Revenues by Segment[1]
($ in millions)





Net Income Applicable to Morgan Stanley by Segment[1]
($ in millions)





1. The percentages on the bars in the charts represent the contribution of each business segment to the total of the applicable financial category and may not sum to 100% due to intersegment eliminations. See Note 20 to the financial statements for details of intersegment eliminations.

Current Quarter

- Institutional Securities net revenues of $6,062 million in the current quarter increased 21% from the prior year quarter primarily due to higher sales and trading and equity underwriting revenues.

- Wealth Management net revenues of $4,657 million in the current quarter increased 7% principally due to gains from investments associated with certain employee deferred compensation plans. Excluding these investment gains, revenues increased modestly, reflecting higher Asset management revenues on positive net flows, partially offset by lower Net interest.

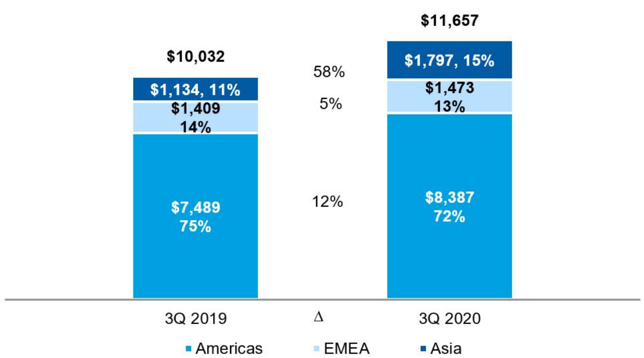
- Investment Management net revenues of $1,056 million in the current quarter increased 38% from the prior year quarter, primarily due to higher Investments revenues, driven by accrued carried interest and investment gains in an Asia private equity fund, and higher Asset management revenues as a result of higher average AUM.

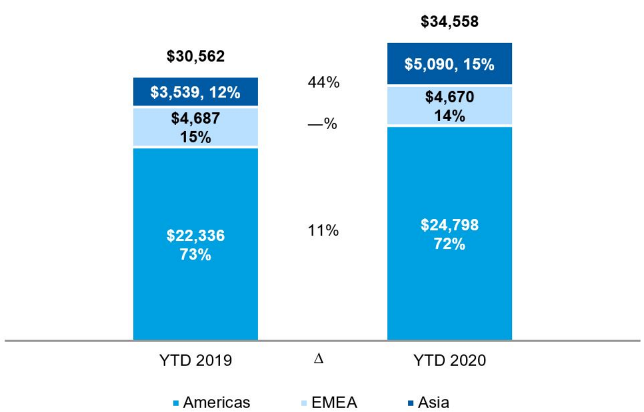
Current Year Period

- Institutional Securities net revenues of $18,944 million in the current year period increased 24% from the prior year period. The increase is primarily due to higher sales and trading and underwriting revenues, partially offset by losses on loans and lending commitments held for sale, an increase in the provision for credit losses on loans held for investment, and a decrease in advisory revenues.
- Wealth Management net revenues of $13,374 million in the current year period increased 2% from the prior year period, primarily due to higher Asset management revenues, largely as a result of market appreciation, and higher Commissions and fees, partially offset by lower Net interest.
- Investment Management net revenues of $2,634 million in the current year period increased 9% from the prior year period primarily due to higher Asset management revenues as a result of higher average AUM.

Net Revenues by Region[1, 2]

($ in millions)





1. The percentages on the bars in the charts represent the contribution of each region to the total.
2. For a discussion of how the geographic breakdown of net revenues is determined, see Note 20 to the financial statements in the 2019 Form 10-K.

Current quarter revenues in Asia increased 58%, primarily driven by Equity sales and trading within the Institutional Securities business segment. Americas revenues increased 12%, primarily driven by Institutional Securities business segment sales and trading, as well as the Wealth Management business segment. EMEA revenues were relatively unchanged in the current quarter.

Current year period revenues in Asia increased 44% and the Americas increased 11%, primarily driven by the Institutional Securities business segment. EMEA revenues were relatively unchanged in the current year period.

Coronavirus Disease ("COVID-19") Pandemic

The COVID-19 pandemic and related voluntary and government-imposed social and business restrictions have had, and will likely continue to have, a severe impact on global economic conditions and the environment in which we operate our businesses. We have implemented a return-to-workplace program, which is phased based on role, location and employee willingness and ability to return, and focused on the health and safety of all staff. The Firm continues to be fully operational, with more than 85% of global employees and more than 90% of employees in the Americas working from home as of September 30, 2020.

Though we are unable to estimate the extent of the impact, the ongoing COVID-19 pandemic and related global economic crisis may have adverse impacts on our future operating results. To date, given our unique business model, economic conditions have affected our businesses in different ways. We have increased our allowance for credit losses on loans and lending commitments, and the persistence of low interest rates has continued to negatively affect our net interest margin in the Wealth Management business segment. Overall for the Firm, increased client trading and capital markets activity, particularly in the first half of the year, has benefited Institutional Securities business segment results in Sales and trading and Investment banking underwriting revenues. However, the high levels of client trading and capital markets activity experienced in the current year period may not be repeated and Investment banking advisory activity may continue to be subdued. Refer to "Risk Factors" herein and Forward Looking Statements in the 2019 Form 10-K.

We continue to use the elements of our Enterprise Risk Management framework to manage the significant uncertainty in the present economic and market conditions. See "Quantitative and Qualitative Disclosures about Risk" in the 2019 Form 10-K for further information.

Selected Financial Information and Other Statistical Data

$ in millions	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net income applicable to Morgan Stanley	**$ 2,717**	$ 2,173	**$ 7,611**	$ 6,803
Preferred stock dividends	**120**	113	**377**	376
Earnings applicable to Morgan Stanley common shareholders	**$ 2,597**	$ 2,060	**$ 7,234**	$ 6,427
Expense efficiency ratio[1]	**70.1%**	73.0%	**71.1%**	72.0%
ROE[2]	**13.2%**	11.2%	**12.6%**	11.8%
Adjusted ROE[3]	**12.6%**	10.7%	**12.5%**	11.5%
ROTCE[2,3]	**15.0%**	12.9%	**14.3%**	13.5%
Adjusted ROTCE[3]	**14.3%**	12.3%	**14.2%**	13.1%
Pre-tax profit margin[4]	**29.9%**	27.0%	**28.9%**	28.0%
Pre-tax profit margin by segment[4]				
Institutional Securities	**34%**	26%	**32%**	28%
Wealth Management	**24%**	28%	**25%**	28%
Investment Management	**30%**	22%	**26%**	22%

in millions, except per share and employee data	At September 30, 2020	At December 31, 2019
Liquidity resources[5]	**$ 267,292**	$ 215,868
Loans[6]	**$ 146,237**	$ 130,637
Total assets	**$ 955,940**	$ 895,429
Deposits	**$ 239,253**	$ 190,356
Borrowings	**$ 203,444**	$ 192,627
Common shares outstanding	**1,576**	1,594
Common shareholders' equity	**$ 79,874**	$ 73,029
Tangible common shareholders' equity[3]	**$ 70,646**	$ 63,780
Book value per common share[7]	**$ 50.67**	$ 45.82
Tangible book value per common share[3,7]	**$ 44.81**	$ 40.01
Worldwide employees	**63,051**	60,431
Capital ratios[8]		
Common Equity Tier 1 capital—Advanced	**16.9%**	16.9%
Common Equity Tier 1 capital—Standardized	**17.4%**	16.4%
Tier 1 capital—Advanced	**19.0%**	19.2%
Tier 1 capital—Standardized	**19.5%**	18.6%
Tier 1 leverage	**8.3%**	8.3%
SLR[9]	**7.4%**	6.4%

1. The expense efficiency ratio represents total non-interest expenses as a percentage of net revenues.
2. ROE and ROTCE represent annualized earnings applicable to Morgan Stanley common shareholders as a percentage of average common equity and average tangible common equity, respectively.
3. Represents a non-GAAP financial measure. See "Selected Non-GAAP Financial Information" herein.
4. Pre-tax profit margin represents income before income taxes as a percentage of net revenues.
5. For a discussion of Liquidity resources, see "Liquidity and Capital Resources—Liquidity Risk Management Framework—Liquidity Resources" herein.
6. Amounts include loans held for investment (net of allowance) and loans held for sale but exclude loans at fair value, which are included in Trading assets in the balance sheets (see Note 10 to the financial statements).
7. Book value per common share and tangible book value per common share equal common shareholders' equity and tangible common shareholders' equity, respectively, divided by common shares outstanding.
8. At September 30, 2020 and December 31, 2019, our risk-based capital ratios are based on the Advanced Approach and the Standardized Approach rules, respectively. For a discussion of our capital ratios, see "Liquidity and Capital Resources—Regulatory Requirements" herein.
9. At September 30, 2020, our SLR reflects the impact of a Federal Reserve interim final rule in effect until March 31, 2021. For further information, see "Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments" herein.

Selected Non-GAAP Financial Information

We prepare our financial statements using U.S. GAAP. From time to time, we may disclose certain "non-GAAP financial measures" in this document or in the course of our earnings releases, earnings and other conference calls, financial presentations, definitive proxy statement and otherwise. A "non-GAAP financial measure" excludes, or includes, amounts from the most directly comparable measure calculated and presented in accordance with U.S. GAAP. We consider the non-GAAP financial measures we disclose to be useful to us, investors, analysts and other stakeholders by providing further transparency about, or an alternate means of assessing, our financial condition, operating results, prospective regulatory capital requirements or capital adequacy.

These measures are not in accordance with, or a substitute for, U.S. GAAP and may be different from or inconsistent with non-GAAP financial measures used by other companies. Whenever we refer to a non-GAAP financial measure, we will also generally define it or present the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, along with a reconciliation of the differences between the U.S. GAAP financial measure and the non-GAAP financial measure.

The principal non-GAAP financial measures presented in this document are set forth in the following tables.

Reconciliations from U.S. GAAP to Non-GAAP Consolidated Financial Measures

$ in millions, except per share data	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Earnings applicable to Morgan Stanley common shareholders	**$ 2,597**	$ 2,060	**$ 7,234**	$ 6,427
Impact of adjustments	**(113)**	(89)	**(10)**	(190)
Adjusted earnings applicable to Morgan Stanley common shareholders—non-GAAP[1]	**$ 2,484**	$ 1,971	**$ 7,224**	$ 6,237
Earnings per diluted common share	**$ 1.66**	$ 1.27	**$ 4.62**	$ 3.89
Impact of adjustments	**(0.07)**	(0.06)	**—**	(0.12)
Adjusted earnings per diluted common share—non-GAAP[1]	**$ 1.59**	$ 1.21	**$ 4.62**	$ 3.77
Effective income tax rate	**21.1%**	18.2%	**22.2%**	19.1%
Impact of adjustments	**3.2%**	3.2%	**0.1%**	2.2%
Adjusted effective income tax rate—non-GAAP[1]	**24.3%**	21.4%	**22.3%**	21.3%

	Average Monthly Balance			
$ in millions	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Tangible equity				
Morgan Stanley shareholders' equity	**$ 87,210**	$ 81,912	**$ 85,378**	$ 81,028
Less: Goodwill and net intangible assets	**(9,260)**	(9,389)	**(9,248)**	(9,097)
Tangible Morgan Stanley shareholders' equity—Non-GAAP	**$ 77,950**	$ 72,523	**$ 76,130**	$ 71,931
Common shareholders' equity	**$ 78,690**	$ 73,392	**$ 76,858**	$ 72,508
Less: Goodwill and net intangible assets	**(9,260)**	(9,389)	**(9,248)**	(9,097)
Tangible common shareholders' equity—Non-GAAP	**$ 69,430**	$ 64,003	**$ 67,610**	$ 63,411

$ in billions	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Average common equity				
Unadjusted—GAAP	**$ 78.7**	$ 73.4	**$ 76.9**	$ 72.5
Adjusted[1]—Non-GAAP	**78.7**	73.4	**76.9**	72.4
ROE[2]				
Unadjusted—GAAP	**13.2%**	11.2%	**12.6%**	11.8%
Adjusted—Non-GAAP[1, 3]	**12.6%**	10.7%	**12.5%**	11.5%
Average tangible common equity—Non-GAAP				
Unadjusted	**$ 69.4**	$ 64.0	**$ 67.6**	$ 63.4
Adjusted[1]	**69.4**	64.0	**67.6**	63.3
ROTCE[2]—Non-GAAP				
Unadjusted	**15.0%**	12.9%	**14.3%**	13.5%
Adjusted[1, 3]	**14.3%**	12.3%	**14.2%**	13.1%

Non-GAAP Financial Measures by Business Segment

$ in billions	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Average common equity[4, 5]				
Institutional Securities	**$ 42.8**	$ 40.4	**$ 42.8**	$ 40.4
Wealth Management	**18.2**	18.2	**18.2**	18.2
Investment Management	**2.6**	2.5	**2.6**	2.5
Average tangible common equity[4, 5]				
Institutional Securities	**$ 42.3**	$ 39.9	**$ 42.3**	$ 39.9
Wealth Management	**10.4**	10.2	**10.4**	10.2
Investment Management	**1.7**	1.5	**1.7**	1.5
ROE[6]				
Institutional Securities	**14.5%**	9.8%	**13.4%**	10.8%
Wealth Management	**17.9%**	20.6%	**18.2%**	20.2%
Investment Management	**34.0%**	22.1%	**23.0%**	21.5%
ROTCE[6]				
Institutional Securities	**14.7%**	9.9%	**13.5%**	10.9%
Wealth Management	**31.4%**	36.9%	**31.7%**	36.2%
Investment Management	**52.6%**	35.6%	**35.6%**	34.7%

1. Adjusted amounts exclude net discrete tax provisions (benefits) that are intermittent and include those that are recurring. Provisions (benefits) related to conversion of employee share-based awards are expected to occur every year and, as such, are considered recurring discrete tax items. For further information on net discrete tax provisions (benefits), see "Supplemental Financial Information—Income Tax Matters" herein.
2. ROE and ROTCE represent annualized earnings applicable to Morgan Stanley common shareholders as a percentage of average common equity and average tangible common equity, respectively. When excluding intermittent net discrete tax provisions (benefits), both the numerator and average denominator are adjusted.
3. The calculations used in determining our "ROE and ROTCE Targets" referred to in the following section are the Adjusted ROE and Adjusted ROTCE amounts shown in this table.
4. Average common equity and average tangible common equity for each business segment is determined using our Required Capital framework (see "Liquidity and Capital Resources—Regulatory Requirements—Attribution of Average Common Equity According to the Required Capital Framework" herein).
5. The sums of the segments' Average common equity and Average tangible common equity do not equal the Consolidated measures due to Parent equity.
6. The calculation of ROE and ROTCE by segment uses annualized net income applicable to Morgan Stanley by segment less preferred dividends allocated to each segment as a percentage of average common equity and average tangible common equity, respectively, allocated to each segment.

Return on Tangible Common Equity Target

In January 2020, we established an ROTCE Target of 13% to 15% to be achieved over the next two years.

Our ROTCE Target is a forward-looking statement that was based on a normal market environment and may be materially affected by many factors, including, among other things: mergers and acquisitions; macroeconomic and market conditions; legislative and regulatory developments; industry trading and investment banking volumes; equity market levels; interest rate environment; outsized legal expenses or penalties; the ability to maintain a reduced level of expenses; and capital levels.

With the COVID–19 pandemic, and the current global economic crisis, it is uncertain that the ROTCE Target will be met within the originally stated time frame. See "Coronavirus Disease (COVID–19) Pandemic" herein and "Risk Factors" for further information on market and economic conditions and their effects on our financial results.

For further information on non-GAAP measures (ROTCE excluding intermittent net discrete tax items), see "Selected Non-GAAP Financial Information" herein. For information on the impact of intermittent net discrete tax items, see "Supplemental Financial Information—Income Tax Matters" herein.

Business Segments

Substantially all of our operating revenues and operating expenses are directly attributable to our business segments. Certain revenues and expenses have been allocated to each business segment, generally in proportion to its respective net revenues, non-interest expenses or other relevant measures.

For an overview of the components of our business segments, net revenues, compensation expense and income taxes, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Segments" in the 2019 Form 10-K.

Institutional Securities

Income Statement Information

$ in millions	Three Months Ended September 30, 2020	2019	% Change
Revenues			
Investment banking	**$ 1,707**	$ 1,535	**11 %**
Trading	**2,807**	2,533	**11 %**
Investments	**87**	(18)	**N/M**
Commissions and fees	**639**	643	**(1)%**
Asset management	**114**	100	**14 %**
Other	**114**	51	**124 %**
Total non-interest revenues	**5,468**	4,844	**13 %**
Interest income	**1,086**	3,112	**(65)%**
Interest expense	**492**	2,933	**(83)%**
Net interest	**594**	179	**N/M**
Net revenues	**6,062**	5,023	**21 %**
Compensation and benefits	**2,001**	1,768	**13 %**
Non-compensation expenses	**2,013**	1,948	**3 %**
Total non-interest expenses	**4,014**	3,716	**8 %**
Income before provision for income taxes	**2,048**	1,307	**57 %**
Provision for income taxes	**385**	189	**104 %**
Net income	**1,663**	1,118	**49 %**
Net income applicable to noncontrolling interests	**16**	45	**(64)%**
Net income applicable to Morgan Stanley	**$ 1,647**	$ 1,073	**53 %**

$ in millions	Nine Months Ended September 30, 2020	2019	% Change
Revenues			
Investment banking	**$ 4,902**	$ 4,158	**18 %**
Trading	**10,375**	8,221	**26 %**
Investments	**98**	257	**(62)%**
Commissions and fees	**2,230**	1,889	**18 %**
Asset management	**342**	310	**10 %**
Other	**(628)**	416	**N/M**
Total non-interest revenues	**17,319**	15,251	**14 %**
Interest income	**4,809**	9,457	**(49)%**
Interest expense	**3,184**	9,376	**(66)%**
Net interest	**1,625**	81	**N/M**
Net revenues	**18,944**	15,332	**24 %**
Compensation and benefits	**6,767**	5,376	**26 %**
Non-compensation expenses	**6,186**	5,591	**11 %**
Total non-interest expenses	**12,953**	10,967	**18 %**
Income before provision for income taxes	**5,991**	4,365	**37 %**
Provision for income taxes	**1,326**	703	**89 %**
Net income	**4,665**	3,662	**27 %**
Net income applicable to noncontrolling interests	**75**	97	**(23)%**
Net income applicable to Morgan Stanley	**$ 4,590**	$ 3,565	**29 %**

Investment Banking

Investment Banking Revenues

$ in millions	Three Months Ended September 30, 2020	2019	% Change
Advisory	**$ 357**	$ 550	**(35)%**
Underwriting:			
Equity	**874**	401	**118 %**
Fixed income	**476**	584	**(18)%**
Total Underwriting	**1,350**	985	**37 %**
Total Investment banking	**$ 1,707**	$ 1,535	**11 %**

$ in millions	Nine Months Ended September 30, 2020	2019	% Change
Advisory	**$ 1,181**	$ 1,462	**(19)%**
Underwriting:			
Equity	**2,092**	1,286	**63 %**
Fixed income	**1,629**	1,410	**16 %**
Total Underwriting	**3,721**	2,696	**38 %**
Total Investment banking	**$ 4,902**	$ 4,158	**18 %**

Investment Banking Volumes

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in billions	2020	2019	2020	2019
Completed mergers and acquisitions[1]	$ 88	$ 215	$ 633	$ 582
Equity and equity-related offerings[2, 3]	25	17	74	47
Fixed income offerings[2, 4]	91	90	304	211

Source: Refinitiv data as of October 1, 2020. Transaction volumes may not be indicative of net revenues in a given period. In addition, transaction volumes for prior periods may vary from amounts previously reported due to the subsequent withdrawal, change in value or change in timing of certain transactions.

1. Includes transactions of $100 million or more. Based on full credit to each of the advisors in a transaction.
2. Based on full credit for single book managers and equal credit for joint book managers.
3. Includes Rule 144A issuances and registered public offerings of common stock, convertible securities and rights offerings.
4. Includes Rule 144A and publicly registered issuances, non-convertible preferred stock, mortgage-backed and asset-backed securities, and taxable municipal debt. Excludes leveraged loans and self-led issuances.

Investment Banking Revenues in the Current Quarter

Investment banking revenues of $1,707 million in the current quarter increased 11% from the prior year quarter, reflecting an increase in revenues in our Equity underwriting business, partially offset by a decrease in revenues in our Advisory and Fixed income underwriting businesses.

- Advisory revenues decreased in the current quarter primarily as a result of lower volumes of completed M&A activity.

- Equity underwriting revenues increased, primarily in initial public offerings, follow-on offerings and secondary block share trades, on overall higher volumes in the current quarter.

- Fixed income underwriting revenues decreased in the current quarter primarily in non-investment grade and investment grade loan issuances, reflecting lower event-driven activity.

Investment Banking Revenues in the Current Year Period

Investment banking revenues of $4,902 million in the current year period increased 18% from the prior year period, reflecting an increase in revenues in our underwriting businesses, partially offset by a decrease in revenues in our Advisory business.

- Advisory revenues decreased in the current year period as there were fewer completed transactions.

- Equity underwriting revenues increased, primarily in follow-on offerings, secondary block share trades, initial public offerings and convertible issuances, on overall higher volumes in the current year period.

- Fixed income underwriting revenues increased, primarily in investment grade and non-investment grade bond issuances, partially offset by investment grade loan issuances, on overall higher volumes.

See "Investment Banking Volumes" herein.

Sales and Trading Net Revenues

By Income Statement Line Item

	Three Months Ended September 30,		
$ in millions	2020	2019	% Change
Trading	$ 2,807	$ 2,533	11 %
Commissions and fees	639	643	(1)%
Asset management	114	100	14 %
Net interest	594	179	N/M
Total	$ 4,154	$ 3,455	20 %

	Nine Months Ended September 30,		
$ in millions	2020	2019	% Change
Trading	$ 10,375	$ 8,221	26%
Commissions and fees	2,230	1,889	18%
Asset management	342	310	10%
Net interest	1,625	81	N/M
Total	$ 14,572	$ 10,501	39%

By Business

	Three Months Ended September 30,		
$ in millions	2020	2019	% Change
Equity	$ 2,262	$ 1,991	14 %
Fixed Income	1,924	1,430	35 %
Other	(32)	34	(194)%
Total	$ 4,154	$ 3,455	20 %

	Nine Months Ended September 30,		
$ in millions	2020	2019	% Change
Equity	$ 7,303	$ 6,136	19%
Fixed Income	7,160	4,273	68%
Other	109	92	18%
Total	$ 14,572	$ 10,501	39%

Sales and Trading Revenues—Equity and Fixed Income

	Three Months Ended September 30, 2020			
$ in millions	Trading	Fees[1]	Net Interest[2]	Total
Financing	**$ 929**	**$ 108**	**$ 116**	**$ 1,153**
Execution services	**606**	**580**	**(77)**	**1,109**
Total Equity	**$ 1,535**	**$ 688**	**$ 39**	**$ 2,262**
Total Fixed Income	**$ 1,420**	**$ 65**	**$ 439**	**$ 1,924**

	Three Months Ended September 30, 2019			
$ in millions	Trading	Fees[1]	Net Interest[2]	Total
Financing	$ 1,049	$ 88	$ (90)	$ 1,047
Execution services	446	564	(66)	944
Total Equity	$ 1,495	$ 652	$ (156)	$ 1,991
Total Fixed Income	$ 1,329	$ 90	$ 11	$ 1,430

	Nine Months Ended September 30, 2020			
$ in millions	Trading	Fees[1]	Net Interest[2]	Total
Financing	**$ 2,847**	**$ 325**	**$ 172**	**$ 3,344**
Execution services	**2,134**	**2,014**	**(189)**	**3,959**
Total Equity	**$ 4,981**	**$ 2,339**	**$ (17)**	**$ 7,303**
Total Fixed Income	**$ 5,661**	**$ 234**	**$ 1,265**	**$ 7,160**

	Nine Months Ended September 30, 2019			
$ in millions	Trading	Fees[1]	Net Interest[2]	Total
Financing	$ 3,249	$ 280	$ (500)	$ 3,029
Execution services	1,597	1,671	(161)	3,107
Total Equity	$ 4,846	$ 1,951	$ (661)	$ 6,136
Total Fixed Income	$ 4,200	$ 249	$ (176)	$ 4,273

1. Includes Commissions and fees and Asset management revenues.
2. Includes funding costs, which are allocated to the businesses based on funding usage.

Sales and Trading Net Revenues in the Current Quarter

Equity

Equity sales and trading net revenues of $2,262 million in the current quarter increased 14% from the prior year quarter, reflecting increases in both our execution services and financing businesses.

- Financing revenues increased from the prior year quarter, primarily driven by client activity. The effect of lower interest rates was an increase in Net interest driven by lower funding costs, partially offset by reduced Trading revenues.

- Execution services revenues increased from the prior year quarter primarily due to higher Trading revenues reflecting favorable inventory management results and higher client activity in derivatives products.

Fixed Income

Fixed Income sales and trading net revenues of $1,924 million in the current quarter were 35% higher than the prior year quarter, reflecting strong performance across all products.

- Global macro products revenues increased primarily due to improved inventory management in rates and foreign exchange products, partially offset by lower levels of client activity across all products.

- Credit products revenues increased primarily driven by improved inventory management and higher client activity, which benefited from an active primary market in the current quarter. Net interest revenues increased reflecting lower funding costs.

- Commodities products and Other revenues increased primarily due to favorable inventory management in Commodities, mainly in precious metals products.

Other

- Other sales and trading losses of $32 million in the current quarter primarily reflect losses on economic hedges related to certain Borrowings and corporate lending activity, partially offset by gains from investments associated with certain employee deferred compensation plans.

Sales and Trading Net Revenues in the Current Year Period

Equity

Equity sales and trading net revenues of $7,303 million in the current year period increased 19% from the prior year period, reflecting increases in both our execution services and financing businesses.

- Financing revenues increased from the prior year period, primarily driven by client activity. The effect of lower interest rates was an increase in Net interest driven by lower funding costs, partially offset by reduced Trading revenues.

- Execution services revenues increased from the prior year period, reflecting higher client activity and favorable inventory management results in cash equities and derivatives, partially offset by the impact of counterparty exposure losses.

Fixed Income

Fixed Income sales and trading net revenues of $7,160 million in the current year period were 68% higher than the prior year period, reflecting strong performance across all products.

- Global macro products revenues increased primarily due to higher client activity in both rates and foreign exchange products and improved inventory management results.

- Credit products revenues increased primarily due to higher client activity in corporate credit and securitized products from higher volumes and wider bid-offer spreads, partially offset by the effect of widening credit spreads on inventory. Net interest revenues increased reflecting lower funding costs and higher average balances in secured lending facilities.

- Commodities products and Other revenues increased primarily reflecting favorable inventory management and higher client activity in commodities, partially offset by lower client structuring activity within derivatives counterparty credit risk management.

Other

- Other sales and trading revenues of $109 million in the current year period increased from the prior year period reflecting gains on hedges associated with corporate lending activity, partially offset by lower yields on liquidity investments, lower gains from investments associated with certain employee deferred compensation plans and losses on economic hedges related to certain Borrowings.

Investments, Other Revenues, Non-interest Expenses, and Income Tax Items

Investments

- Net investments gains of $87 million in the current quarter include gains on certain business-related investments compared with losses in the prior year quarter.

- Net investments gains of $98 million in the current year period include gains on certain business-related investments. The prior year period included gains associated with an investment's initial public offering.

Other Revenues

- Other revenues of $114 million in the current quarter increased compared to the prior year quarter primarily as a result of mark-to-market gains on loans and lending commitments held for sale as credit spreads tightened, partially offset by an increase in the provision for credit losses on loans held for investment.

- Other net losses of $628 million in the current year period were primarily as a result of mark-to-market losses on loans and lending commitments held for sale as credit spreads widened and an increase in the provision for credit losses on loans held for investment.

Non-interest Expenses

Non-interest expenses of $4,014 million in the current quarter increased from the prior year quarter, primarily reflecting a 13% increase in Compensation and benefits expenses.

- Compensation and benefits expenses increased in the current quarter primarily due to increases in discretionary incentive compensation, driven by higher revenues, and higher expenses related to certain deferred compensation plans linked to investment performance.

- Non-compensation expenses increased in the current quarter primarily due to higher volume-related expenses and information processing and communications expenses, partially offset by lower litigation costs.

Non-interest expenses of $12,953 million in the current year period increased from the prior year period, reflecting a 26% increase in Compensation and benefits expenses and an 11% increase in Non-compensation expenses.

- Compensation and benefits expenses increased in the current year period primarily due to increases in discretionary incentive compensation, driven by higher revenues, partially offset by lower expenses related to certain deferred compensation plans linked to investment performance.

- Non-compensation expenses increased in the current year period primarily due to higher volume-related expenses, an increase in the provision for credit losses for lending commitments held for investment and off-balance sheet instruments, and higher information processing and communications expenses. Partially offsetting these increases were lower marketing and business development expenses.

Income Tax Items

- The current quarter and prior year quarter included intermittent net discrete tax benefits of $115 million and $67 million, respectively.

- The current year period and prior year period included intermittent net discrete tax benefits of $17 million and $168 million, respectively.

For further information, see "Supplemental Financial Information—Income Tax Matters" herein.

Wealth Management

Income Statement Information

$ in millions	Three Months Ended September 30, 2020	2019	% Change
Revenues			
Investment banking	$ 135	$ 118	14 %
Trading	268	61	N/M
Investments	1	—	N/M
Commissions and fees	477	416	15 %
Asset management	2,793	2,639	6 %
Other	94	81	16 %
Total non-interest revenues	3,768	3,315	14 %
Interest income	1,065	1,378	(23)%
Interest expense	176	335	(47)%
Net interest	889	1,043	(15)%
Net revenues	4,657	4,358	7 %
Compensation and benefits	2,684	2,340	15 %
Non-compensation expenses	853	780	9 %
Total non-interest expenses	3,537	3,120	13 %
Income before provision for income taxes	$ 1,120	$ 1,238	(10)%
Provision for income taxes	278	276	1 %
Net income applicable to Morgan Stanley	$ 842	$ 962	(12)%

$ in millions	Nine Months Ended September 30, 2020	2019	% Change
Revenues			
Investment banking	$ 403	$ 365	10 %
Trading	413	525	(21)%
Investments	9	1	N/M
Commissions and fees	1,538	1,250	23 %
Asset management	7,980	7,544	6 %
Other	216	281	(23)%
Total non-interest revenues	10,559	9,966	6 %
Interest income	3,468	4,139	(16)%
Interest expense	653	950	(31)%
Net interest	2,815	3,189	(12)%
Net revenues	13,374	13,155	2 %
Compensation and benefits	7,625	7,184	6 %
Non-compensation expenses	2,432	2,302	6 %
Total non-interest expenses	10,057	9,486	6 %
Income before provision for income taxes	$ 3,317	$ 3,669	(10)%
Provision for income taxes	758	830	(9)%
Net income applicable to Morgan Stanley	$ 2,559	$ 2,839	(10)%

Financial Information and Statistical Data

$ in billions, except employee data	At September 30, 2020	At December 31, 2019
Client assets	$ 2,852	$ 2,700
Fee-based client assets[1]	$ 1,333	$ 1,267
Fee-based client assets as a percentage of total client assets	47%	47%
Client liabilities[2]	$ 100	$ 90
Investment securities	$ 88.6	$ 67.2
Loans and lending commitments	$ 105.9	$ 93.2
Wealth Management representatives	15,469	15,468

	Three Months Ended September 30, 2020	2019
Per representative:		
Annualized revenues ($ in thousands)[3]	$ 1,207	$ 1,118
Client assets ($ in millions)[4]	$ 184	$ 165
Fee-based asset flows ($ in billions)[5]	$ 23.8	$ 15.5

	Nine Months Ended September 30, 2020	2019
Per representative:		
Annualized revenues ($ in thousands)[3]	$ 1,155	$ 1,121
Client assets ($ in millions)[4]	$ 184	$ 165
Fee-based asset flows ($ in billions)[5]	$ 53.3	$ 40.1

1. Fee-based client assets represent the amount of assets in client accounts where the fee for services is calculated based on those assets.
2. Client liabilities include securities-based and other loans (including tailored lending), residential real estate loans and margin lending.
3. Revenues per representative equals Wealth Management's annualized net revenues divided by the average number of representatives.
4. Client assets per representative equals total period-end client assets divided by period-end number of representatives.
5. Excludes institutional cash management-related activity. For a description of the Inflows and Outflows included within Fee-based asset flows, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Segments—Wealth Management" in the 2019 Form 10-K.

Transactional Revenues

$ in millions	Three Months Ended September 30, 2020	2019	% Change
Investment banking	$ 135	$ 118	14%
Trading	268	61	N/M
Commissions and fees	477	416	15%
Total	$ 880	$ 595	48%
Transactional revenues as a % of Net revenues	19%	14%	

$ in millions	Nine Months Ended September 30, 2020	2019	% Change
Investment banking	$ 403	$ 365	10 %
Trading	413	525	(21)%
Commissions and fees	1,538	1,250	23 %
Total	$ 2,354	$ 2,140	10 %
Transactional revenues as a % of Net revenues	18%	16%	

Net Revenues

Transactional Revenues

Transactional revenues of $880 million in the current quarter increased 48% from the prior year quarter primarily as a result of higher Trading revenues and higher Commissions and fees.

- Trading revenues increased in the current quarter primarily due to gains from investments associated with certain employee deferred compensation plans, partially offset by lower fixed income revenues.

- Commissions and fees increased in the current quarter primarily due to increased client activity in equities.

Transactional revenues of $2,354 million in the current year period increased 10% from the prior year period primarily as a result of higher Commissions and fees, partially offset by lower Trading revenues.

- Trading revenues decreased in the current year period primarily due to lower fixed income revenues.

- Commissions and fees increased in the current year period primarily due to increased client activity in equities.

Asset Management

Asset management revenues of $2,793 million in the current quarter increased 6% compared with the prior year quarter due to higher fee-based asset levels during the current quarter as a result of positive net flows and market appreciation, partially offset by lower average fee rates.

Asset management revenues of $7,980 million in the current year period increased 6% from the prior year period primarily due to higher fee-based asset levels during the current year period as a result of market appreciation and positive net flows, partially offset by lower average fee rates.

See "Fee-Based Client Assets—Rollforwards" herein.

Other

Other revenues of $216 million in the current year period decreased 23% from the prior year period primarily due to lower realized gains from the AFS securities portfolio and an increase in the provision for credit losses.

Net Interest

Net interest of $889 million and $2,815 million decreased 15% and 12%, from the prior year periods primarily due to the net effect of lower interest rates, partially offset by growth in Loans and increases in investment portfolio balances driven by higher brokerage sweep deposits.

Non-interest Expenses

Non-interest expenses of $3,537 million in the current quarter increased 13% from the prior year quarter, primarily as a result of higher Compensation and benefits expenses.

- Compensation and benefits expenses increased in the current quarter, primarily due to higher expenses related to certain deferred compensation plans linked to investment performance and an increase in the formulaic payout to Wealth Management representatives, driven by higher compensable revenues.

- Non-compensation expenses increased in the current quarter, reflecting a regulatory charge, as well as expenses associated with the E*TRADE acquisition, partially offset by lower marketing and business development expenses.

Non-interest expenses of $10,057 million in the current year period increased 6% from the prior year period, primarily as a result of higher Compensation and benefits expenses.

- Compensation and benefits expenses increased in the current year period primarily due to an increase in the formulaic payout to Wealth Management representatives, driven by higher compensable revenues, as well as higher salaries.

- Non-compensation expenses increased in the current year period, reflecting a regulatory charge, as well as expenses associated with the E*TRADE acquisition and incremental expenses related to Solium Capital, Inc., partially offset by lower marketing and business development expenses.

Fee-Based Client Assets

Rollforwards

$ in billions	At June 30, 2020	Inflows	Outflows	Market Impact	At September 30, 2020
Separately managed[1]	$ 313	$ 19	$ (4)	$ 14	$ 342
Unified managed	305	16	(12)	18	327
Advisor	149	8	(8)	9	158
Portfolio manager	431	21	(16)	23	459
Subtotal	$ 1,198	$ 64	$ (40)	$ 64	$ 1,286
Cash management	38	12	(3)	—	47
Total fee-based client assets	$ 1,236	$ 76	$ (43)	$ 64	$ 1,333

$ in billions	At June 30, 2019	Inflows	Outflows	Market Impact	At September 30, 2019
Separately managed[1]	$ 296	$ 15	$ (5)	$ 6	$ 312
Unified managed	292	12	(10)	1	295
Advisor	149	7	(8)	—	148
Portfolio manager	400	19	(14)	2	407
Subtotal	$ 1,137	$ 53	$ (37)	$ 9	$ 1,162
Cash management	22	4	(3)	1	24
Total fee-based client assets	$ 1,159	$ 57	$ (40)	$ 10	$ 1,186

$ in billions	At December 31, 2019	Inflows	Outflows	Market Impact	At September 30, 2020
Separately managed[1]	$ 322	$ 37	$ (14)	$ (3)	$ 342
Unified managed	313	43	(33)	4	327
Advisor	155	22	(21)	2	158
Portfolio manager	435	62	(43)	5	459
Subtotal	$ 1,225	$ 164	$ (111)	$ 8	$ 1,286
Cash management	42	21	(16)	—	47
Total fee-based client assets	$ 1,267	$ 185	$ (127)	$ 8	$ 1,333

$ in billions	At December 31, 2018	Inflows	Outflows	Market Impact	At September 30, 2019
Separately managed[1]	$ 279	$ 38	$ (15)	$ 10	$ 312
Unified managed	257	35	(30)	33	295
Advisor	137	20	(24)	15	148
Portfolio manager	353	54	(38)	38	407
Subtotal	$ 1,026	$ 147	$ (107)	$ 96	$ 1,162
Cash management	20	12	(12)	4	24
Total fee-based client assets	$ 1,046	$ 159	$ (119)	$ 100	$ 1,186

1. Includes non-custody account values reflecting prior quarter-end balances due to a lag in the reporting of asset values by third-party custodians.

Average Fee Rates

	Three Months Ended September 30,		Nine Months Ended September 30,	
Fee rate in bps	**2020**	2019	**2020**	2019
Separately managed	**15**	15	**14**	15
Unified managed	**99**	99	**99**	100
Advisor	**85**	86	**85**	87
Portfolio manager	**94**	96	**94**	95
Subtotal	**73**	74	**72**	74
Cash management	**5**	6	**5**	6
Total fee-based client assets	**71**	73	**70**	73

For a description of fee-based client assets and rollforward items in the previous tables, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Segments—Wealth Management—Fee-Based Client Assets" in the 2019 Form 10-K.

Acquisition of E*TRADE

On October 2, 2020, we completed the acquisition of E*TRADE principally via the issuance of approximately $11 billion of common shares. In addition, we issued $0.7 billion of preferred shares in exchange for E*TRADE's existing preferred stock. We believe the combination will increase the scale and breadth of Morgan Stanley's Wealth Management franchise, and position us to be an industry leader in Wealth Management across all channels and wealth segments.

The business activities of E*TRADE will be reported within the Wealth Management business segment beginning in the fourth quarter of 2020, and the following table illustrates how E*TRADE's primary revenues will be presented.

E*TRADE Revenues	Morgan Stanley Revenues
Net interest income	Net interest
Fees and service charges	Commissions and fees[1] Asset management
Commissions	Commissions and fees

1. The primary element of this mapping is revenues from order flow payments.

Non-interest expenses are also expected to be impacted by integration costs. For additional information on the acquisition of E*TRADE, see Note 3 to the financial statements.

Investment Management

Income Statement Information

$ in millions	Three Months Ended September 30, 2020	2019	% Change
Revenues			
Trading	**$ 2**	$ 2	**— %**
Investments	**258**	105	**146 %**
Commissions and fees	**1**	1	**— %**
Asset management	**795**	664	**20 %**
Other	**1**	—	**N/M**
Total non-interest revenues	**1,057**	772	**37 %**
Interest income	**7**	4	**75 %**
Interest expense	**8**	12	**(33)%**
Net interest	**(1)**	(8)	**88 %**
Net revenues	**1,056**	764	**38 %**
Compensation and benefits	**401**	319	**26 %**
Non-compensation expenses	**340**	280	**21 %**
Total non-interest expenses	**741**	599	**24 %**
Income before provision for income taxes	**315**	165	**91 %**
Provision for income taxes	**72**	27	**167 %**
Net income	**243**	138	**76 %**
Net income applicable to noncontrolling interests	**18**	—	**N/M**
Net income applicable to Morgan Stanley	**$ 225**	$ 138	**63 %**

$ in millions	Nine Months Ended September 30, 2020	2019	% Change
Revenues			
Investment banking	**$ —**	$ (1)	**100 %**
Trading	**(13)**	(2)	**N/M**
Investments	**552**	543	**2 %**
Commissions and fees	**1**	1	**— %**
Asset management	**2,144**	1,893	**13 %**
Other	**(39)**	(6)	**N/M**
Total non-interest revenues	**2,645**	2,428	**9 %**
Interest income	**22**	14	**57 %**
Interest expense	**33**	35	**(6)%**
Net interest	**(11)**	(21)	**48 %**
Net revenues	**2,634**	2,407	**9 %**
Compensation and benefits	**1,012**	1,049	**(4)%**
Non-compensation expenses	**948**	820	**16 %**
Total non-interest expenses	**1,960**	1,869	**5 %**
Income before provision for income taxes	**674**	538	**25 %**
Provision for income taxes	**136**	104	**31 %**
Net income	**538**	434	**24 %**
Net income applicable to noncontrolling interests	**81**	32	**153 %**
Net income applicable to Morgan Stanley	**$ 457**	$ 402	**14 %**

Net Revenues

Investments

Investments revenues of $258 million in the current quarter increased 146% from the prior year quarter, primarily due to higher accrued carried interest and investment gains in an Asia private equity fund, principally driven by gains from an underlying investment.

Investments revenues of $552 million in the current year period were relatively unchanged from the prior year period as higher accrued carried interest and investment gains in an Asia private equity fund, principally driven by gains from an underlying investment, were mostly offset by the reversal of accrued carried interest and investment losses in real estate, infrastructure and certain private equity funds.

Asset Management

Asset management revenues of $795 million in the current quarter and $2,144 million in the current year period increased 20% and 13% from the prior year quarter and prior year period, respectively, primarily as a result of higher average AUM, driven by strong investment performance and positive long-term net flows.

See "Assets Under Management or Supervision" herein.

Other

Other losses of $39 million in the current year period primarily reflect an impairment of an investment in a third-party asset manager in the second quarter of 2020.

Non-interest Expenses

Non-interest expenses of $741 million in the current quarter increased 24% from the prior year quarter as a result of higher Compensation and benefits expenses and higher Non-compensation expenses.

- Compensation and benefits expenses increased in the current quarter primarily as a result of higher expenses related to certain deferred compensation plans linked to investment performance, increases in discretionary incentive compensation driven by higher Asset management revenues, and higher compensation associated with carried interest.

- Non-compensation expenses in the current quarter increased from the prior year quarter primarily as a result of higher fee sharing paid to intermediaries on higher average AUM.

Non-interest expenses of $1,960 million in the current year period increased 5% from the prior year period primarily as a result of higher Non-compensation expenses.

- Compensation and benefits expenses decreased in the current year period primarily as a result of lower compensation associated with carried interest partially offset by higher expenses related to certain deferred compensation plans linked to investment performance, and increases in discretionary incentive compensation driven by higher Asset management revenues.

- Non-compensation expenses in the current year period increased from the prior year period primarily as a result of higher fee sharing paid to intermediaries on higher average AUM.

Assets Under Management or Supervision

Rollforwards

$ in billions	At June 30, 2020	Inflows	Outflows	Market Impact	Other	**At September 30, 2020**
Equity	$ 168	**$ 24**	**$ (14)**	**$ 23**	**$ 1**	**$ 202**
Fixed income	84	**8**	**(5)**	**1**	**4**	**92**
Alternative/ Other	145	**6**	**(7)**	**4**	**2**	**150**
Long-term AUM subtotal	397	**38**	**(26)**	**28**	**7**	**444**
Liquidity	268	**319**	**(317)**	**—**	**1**	**271**
Total AUM	$ 665	**$ 357**	**$ (343)**	**$ 28**	**$ 8**	**$ 715**

$ in billions	At June 30, 2019	Inflows	Outflows	Market Impact	Other	At September 30, 2019
Equity	$ 128	$ 10	$ (8)	$ (4)	$ —	$ 126
Fixed income	71	6	(4)	2	(1)	74
Alternative/ Other	135	5	(4)	2	(3)	135
Long-term AUM subtotal	334	21	(16)	—	(4)	335
Liquidity	163	311	(301)	(1)	—	172
Total AUM	$ 497	$ 332	$ (317)	$ (1)	$ (4)	$ 507

$ in billions	At December 31, 2019	Inflows	Outflows	Market Impact	Other	**At September 30, 2020**
Equity	$ 138	**$ 56**	**$ (35)**	**$ 42**	**$ 1**	**$ 202**
Fixed income	79	**29**	**(20)**	**1**	**3**	**92**
Alternative/ Other	139	**21**	**(15)**	**(1)**	**6**	**150**
Long-term AUM subtotal	356	**106**	**(70)**	**42**	**10**	**444**
Liquidity	196	**1,174**	**(1,100)**	**1**	**—**	**271**
Total AUM	$ 552	**$ 1,280**	**$ (1,170)**	**$ 43**	**$ 10**	**$ 715**

$ in billions	At December 31, 2018	Inflows	Outflows	Market Impact	Other	At September 30, 2019
Equity	$ 103	$ 28	$ (23)	$ 18	$ —	$ 126
Fixed income	68	17	(15)	5	(1)	74
Alternative/ Other	128	17	(14)	8	(4)	135
Long-term AUM subtotal	299	62	(52)	31	(5)	335
Liquidity	164	965	(956)	1	(2)	172
Total AUM	$ 463	$ 1,027	$ (1,008)	$ 32	$ (7)	$ 507

Average AUM

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in billions	**2020**	2019	**2020**	2019
Equity	**$ 190**	$ 127	**$ 159**	$ 120
Fixed income	**90**	73	**84**	70
Alternative/Other	**148**	135	**143**	133
Long-term AUM subtotal	**428**	335	**386**	323
Liquidity	**267**	169	**244**	166
Total AUM	**$ 695**	504	**$ 630**	$ 489

Average Fee Rates

	Three Months Ended September 30,		Nine Months Ended September 30,	
Fee rate in bps	**2020**	2019	**2020**	2019
Equity	**76**	76	**75**	76
Fixed income	**29**	32	**29**	32
Alternative/Other	**58**	62	**59**	65
Long-term AUM	**60**	61	**59**	62
Liquidity	**15**	17	**16**	17
Total AUM	**43**	46	**42**	47

For a description of the asset classes and rollforward items in the previous tables, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Business Segments—Investment Management—Assets Under Management or Supervision" in the 2019 Form 10-K.

Planned Acquisition of Eaton Vance

On October 8, 2020, we entered into a definitive agreement under which we will acquire Eaton Vance Corp. (“Eaton Vance”), a leading provider of advanced investment management strategies and wealth management solutions, in a cash and stock transaction valued, as of the announcement, at approximately $7 billion, based on the closing price of our common stock and the number of Eaton Vance’s fully diluted shares outstanding on October 7, 2020. Under the terms of the agreement, Eaton Vance common stockholders will receive $28.25 in cash and 0.5833 shares of our common shares for each Eaton Vance common share. In addition, Eaton Vance common shareholders will receive a one-time special cash dividend of $4.25 per share to be paid pre-closing by Eaton Vance. The acquisition is subject to customary closing conditions, and is expected to close in the second quarter of 2021.

Supplemental Financial Information

Income Tax Matters

Effective Tax Rate

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	**2020**	2019	**2020**	2019
U.S. GAAP	**21.1%**	18.2%	**22.2%**	19.1%
Adjusted effective income tax rate—non-GAAP[1]	**24.3%**	21.4%	**22.3%**	21.3%
Net discrete tax provisions (benefits)				
Recurring[2]	**$ —**	$ —	**$ (94)**	$ (127)
Intermittent[3]	**(113)**	(89)	**(10)**	(190)

1. The adjusted effective income tax rate is a non-GAAP measure that excludes net discrete tax provisions (benefits) that are intermittent and includes those that are recurring. For further information on non-GAAP measures, see "Selected Non-GAAP Financial Information" herein.
2. Provisions (benefits) related to conversion of employee share-based awards are expected to occur every year and, as such, are considered recurring discrete tax items.
3. Includes all tax provisions (benefits) that have been determined to be discrete, other than Recurring items as defined above.

The current quarter included intermittent net discrete tax benefits principally associated with the remeasurement of reserves and related interest as a result of new information pertaining to the resolution of tax examinations in certain jurisdictions.

The prior year quarter included intermittent net discrete tax benefits primarily associated with the filing of the 2018 federal tax return and the remeasurement of reserves and related interest as a result of new information pertaining to the resolution of multi-jurisdiction tax examinations.

The prior year period included intermittent net discrete tax benefits primarily associated with the remeasurement of reserves and related interest as a result of new information pertaining to the resolution of multi-jurisdiction tax examinations and other matters. See Note 19 to the financial statements for further information.

U.S. Bank Subsidiaries

Our U.S. bank subsidiaries as of September 30, 2020, Morgan Stanley Bank N.A. ("MSBNA") and Morgan Stanley Private Bank, National Association ("MSPBNA") (collectively, "U.S. Bank Subsidiaries") accept deposits; provide loans to corporations, governments, financial institutions and high to ultra-high net worth clients; and invest in securities. Lending activity recorded in the U.S. Bank Subsidiaries from the Institutional Securities business segment primarily includes loans and lending commitments to corporate clients. Lending activity recorded in the U.S. Bank Subsidiaries from the Wealth Management business segment primarily includes securities-based lending, which allows clients to borrow money against the value of qualifying securities, and residential real estate loans.

For a further discussion of our credit risks, see "Quantitative and Qualitative Disclosures about Risk—Credit Risk." For a further discussion about loans and lending commitments, see Notes 10 and 14 to the financial statements.

U.S. Bank Subsidiaries' Supplemental Financial Information[1]

$ in billions	**At September 30, 2020**	At December 31, 2019
Assets	**$ 266.2**	$ 219.6
Investment securities portfolio:		
Investment securities—AFS	**62.9**	42.4
Investment securities—HTM	**28.2**	26.1
Total investment securities	**$ 91.1**	$ 68.5
Deposits[2]	**$ 238.0**	$ 189.3
Wealth Management Loans[3]		
Residential real estate	**$ 33.6**	$ 30.2
Securities-based lending and Other[4]	**57.7**	49.9
Total	**$ 91.3**	$ 80.1
Institutional Securities Loans[3]		
Corporate	**$ 7.8**	$ 5.6
Secured lending facilities	**28.2**	26.8
Commercial and Residential real estate	**8.6**	12.0
Securities-based lending and Other	**4.7**	5.4
Total	**$ 49.3**	$ 49.8

1. Amounts exclude transactions between the bank subsidiaries, as well as deposits from the Parent Company and affiliates.
2. For further information on deposits, see "Liquidity and Capital Resources—Funding Management—Unsecured Financing" herein.
3. For a further discussion of loans in the Wealth Management and Institutional Securities business segments, see "Quantitative and Qualitative Disclosures about Risk—Credit Risk" herein.
4. Other loans primarily include tailored lending.

Accounting Development Updates

The Financial Accounting Standards Board has issued certain accounting updates, which we have either determined are not applicable or are not expected to have a significant impact on our financial statements.

Critical Accounting Policies

Our financial statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions (see Note 1 to the financial statements). We believe that of our significant accounting policies (see Note 2 to the financial statements in the 2019 Form 10-K and Note 2 to the financial statements), the fair value, goodwill and intangible assets, legal and regulatory contingencies and income taxes policies involve a higher degree of judgment and complexity. For a further discussion about our critical accounting policies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies" in the 2019 Form 10-K.

Liquidity and Capital Resources

Senior management, with oversight by the Asset/Liability Management Committee and the Board of Directors ("Board"), establishes and maintains our liquidity and capital policies. Through various risk and control committees, senior management reviews business performance relative to these policies, monitors the availability of alternative sources of financing, and oversees the liquidity, interest rate and currency sensitivity of our asset and liability position. Our Treasury department, Firm Risk Committee, Asset/Liability Management Committee, and other committees and control groups assist in evaluating, monitoring and controlling the impact that our business activities have on our balance sheet, liquidity and capital structure. Liquidity and capital matters are reported regularly to the Board and the Risk Committee of the Board.

Balance Sheet

We monitor and evaluate the composition and size of our balance sheet on a regular basis. Our balance sheet management process includes quarterly planning, business-specific thresholds, monitoring of business-specific usage versus key performance metrics and new business impact assessments.

We establish balance sheet thresholds at the consolidated and business segment levels. We monitor balance sheet utilization and review variances resulting from business activity and market fluctuations. On a regular basis, we review current performance versus established thresholds and assess the need to re-allocate our balance sheet based on business unit needs. We also monitor key metrics, including asset and liability size and capital usage.

Total Assets by Business Segment

	At September 30, 2020			
$ in millions	IS	WM	IM	Total
Assets				
Cash and cash equivalents	**$ 72,592**	**$ 22,018**	**$ 162**	**$ 94,772**
Trading assets at fair value	**289,528**	**298**	**4,142**	**293,968**
Investment securities	**42,149**	**88,556**	**—**	**130,705**
Securities purchased under agreements to resell	**73,637**	**14,646**	**—**	**88,283**
Securities borrowed	**100,175**	**628**	**—**	**100,803**
Customer and other receivables	**57,593**	**14,067**	**877**	**72,537**
Loans[1]	**54,918**	**91,302**	**17**	**146,237**
Other assets[2]	**13,731**	**12,910**	**1,994**	**28,635**
Total assets	**$ 704,323**	**$ 244,425**	**$ 7,192**	**$ 955,940**

	At December 31, 2019			
$ in millions	IS	WM	IM	Total
Assets				
Cash and cash equivalents	$ 67,657	$ 14,247	$ 267	$ 82,171
Trading assets at fair value	293,477	47	3,586	297,110
Investment securities	38,524	67,201	—	105,725
Securities purchased under agreements to resell	80,744	7,480	—	88,224
Securities borrowed	106,199	350	—	106,549
Customer and other receivables	39,743	15,190	713	55,646
Loans[1]	50,557	80,075	5	130,637
Other assets[2]	14,300	13,092	1,975	29,367
Total assets	$ 691,201	$ 197,682	$ 6,546	$ 895,429

IS—Institutional Securities
WM—Wealth Management
IM—Investment Management
1. Amounts include loans held for investment, net of allowance, and loans held for sale but exclude loans at fair value, which are included in Trading assets in the balance sheets (see Note 10 to the financial statements).
2. Other assets primarily includes Goodwill and Intangible assets, premises, equipment and software, ROU assets related to leases, other investments, and deferred tax assets.

A substantial portion of total assets consists of liquid marketable securities and short-term receivables arising principally from sales and trading activities in the Institutional Securities business segment. Total assets increased to $956 billion at September 30, 2020 from $895 billion at December 31, 2019.

Wealth Management assets increased driven by continued growth in Loans as well as in the investment portfolio, comprising Investment securities, Cash and cash equivalents, and Securities purchased under agreements to resell, as a result of significantly higher deposits in this segment.

Institutional Securities' assets were also higher, reflecting increases within Customer and other receivables, primarily in Equity financing.

Liquidity Risk Management Framework

The core components of our Liquidity Risk Management Framework are the Required Liquidity Framework, Liquidity Stress Tests and Liquidity Resources, which support our target liquidity profile. For a further discussion about the Firm's Required Liquidity Framework and Liquidity Stress Tests, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Liquidity Risk Management Framework" in the 2019 Form 10-K.

At September 30, 2020 and December 31, 2019, we maintained sufficient liquidity to meet current and contingent funding obligations as modeled in our Liquidity Stress Tests.

Liquidity Resources

We maintain sufficient liquidity resources, which consist of HQLA and cash deposits with banks ("Liquidity Resources") to cover daily funding needs and to meet strategic liquidity targets sized by the Required Liquidity Framework and Liquidity Stress Tests. The total amount of Liquidity Resources is actively managed by us considering the following components: unsecured debt maturity profile; balance sheet size and composition; funding needs in a stressed environment, inclusive of contingent cash outflows; legal entity, regional and segment liquidity requirements; regulatory requirements; and collateral requirements.

The amount of Liquidity Resources we hold is based on our risk tolerance and is subject to change depending on market and Firm-specific events. The Liquidity Resources are primarily held within the Parent Company and its major operating subsidiaries. The Total HQLA values in the tables immediately following are different from Eligible HQLA which, in accordance with the LCR rule, also takes into account certain regulatory weightings and other operational considerations.

Liquidity Resources by Type of Investment[1]

$ in millions	**At September 30, 2020**	At December 31, 2019
Cash deposits with central banks	**$ 41,639**	$ 35,025
Unencumbered HQLA Securities[2]:		
U.S. government obligations	**113,058**	88,754
U.S. agency and agency mortgage-backed securities	**63,961**	50,732
Non-U.S. sovereign obligations[3]	**37,470**	29,909
Other investment grade securities	**1,398**	1,591
Total HQLA[2]	**$ 257,526**	$ 206,011
Cash deposits with banks (non-HQLA)	**9,766**	9,857
Total Liquidity Resources	**$ 267,292**	$ 215,868

1. In the first quarter of 2020, we changed our internal measure of liquidity from the Global Liquidity Reserve to Liquidity Resources, which is more closely aligned with the regulatory definition of HQLA. Prior periods have been recast to conform to the current presentation.
2. HQLA is presented prior to applying weightings and includes all HQLA held in subsidiaries.
3. Primarily composed of unencumbered Japanese, UK, French, German and Dutch government obligations.

Liquidity Resources by Bank and Non-Bank Legal Entities[1]

$ in millions	**At September 30, 2020**	At December 31, 2019	Average Daily Balance Three Months Ended **September 30, 2020**
Bank legal entities			
Domestic	**$ 115,821**	$ 75,894	**$ 113,991**
Foreign	**5,384**	4,049	**5,624**
Total Bank legal entities	**121,205**	79,943	**119,615**
Non-Bank legal entities			
Domestic:			
Parent Company	**62,561**	53,128	**74,587**
Non-Parent Company	**30,215**	28,905	**34,341**
Total Domestic	**92,776**	82,033	**108,928**
Foreign	**53,311**	53,892	**55,933**
Total Non-Bank legal entities	**146,087**	135,925	**164,861**
Total Liquidity Resources	**$ 267,292**	$ 215,868	**$ 284,476**

1. In the first quarter of 2020, we changed our internal measure of liquidity from the Global Liquidity Reserve to Liquidity Resources, which is more closely aligned with the regulatory definition of HQLA. Prior periods have been recast to conform to the current presentation.

Liquidity Resources may fluctuate from period to period based on the overall size and composition of our balance sheet, the maturity profile of our unsecured debt and estimates of funding needs in a stressed environment, among other factors. Liquidity Resources increased in the current year period primarily due to an increase in deposits.

Regulatory Liquidity Framework

Liquidity Coverage Ratio

We and our U.S. Bank Subsidiaries are subject to LCR requirements, including a requirement to calculate each entity's LCR on each business day. The requirements are designed to ensure that banking organizations have sufficient Eligible HQLA to cover net cash outflows arising from significant stress over 30 calendar days, thus promoting the short-term resilience of the liquidity risk profile of banking organizations. In determining Eligible HQLA for LCR purposes, weightings (or asset haircuts) are applied to HQLA and certain HQLA held in subsidiaries are excluded.

As of September 30, 2020, we and our U.S. Bank Subsidiaries are compliant with the minimum required LCR of 100%.

Liquidity Coverage Ratio

$ in millions	Average Daily Balance Three Months Ended September 30, 2020	June 30, 2020
Eligible HQLA[1]		
Cash deposits with central banks	**$ 36,481**	$ 52,369
Securities[2]	**170,817**	155,251
Total Eligible HQLA[1]	**$ 207,298**	$ 207,620
LCR	**136%**	147%

1. Under the LCR rule, Eligible HQLA is calculated using weightings and excluding certain HQLA held in subsidiaries.
2. Primarily includes U.S. Treasuries, U.S. agency mortgage-backed securities, sovereign bonds and investment grade corporate bonds.

The decrease in the LCR in the current quarter is due to higher average outflows, primarily related to secured funding with remaining maturities of less than 30 days.

Net Stable Funding Ratio

The U.S. banking agencies have finalized a rule to implement the NSFR, which requires large banking organizations to maintain sufficiently stable sources of funding over a one-year time horizon, and will apply to us and our U.S. Bank Subsidiaries. These requirements become effective on July 1, 2021 and we will be in compliance with the final rule by the effective date.

Funding Management

We manage our funding in a manner that reduces the risk of disruption to our operations. We pursue a strategy of diversification of secured and unsecured funding sources (by product, investor and region) and attempt to ensure that the tenor of our liabilities equals or exceeds the expected holding period of the assets being financed.

We fund our balance sheet on a global basis through diverse sources. These sources include our equity capital, borrowings, securities sold under agreements to repurchase, securities lending, deposits, letters of credit and lines of credit. We have active financing programs for both standard and structured products targeting global investors and currencies.

Secured Financing

For a discussion of our secured financing activities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Funding Management—Secured Financing" in the 2019 Form 10-K.

Collateralized Financing Transactions

$ in millions	At September 30, 2020	At December 31, 2019
Securities purchased under agreements to resell and Securities borrowed	**$ 189,086**	$ 194,773
Securities sold under agreements to repurchase and Securities loaned	**$ 49,300**	$ 62,706
Securities received as collateral[1]	**$ 8,799**	$ 13,022

$ in millions	Average Daily Balance Three Months Ended September 30, 2020	December 31, 2019
Securities purchased under agreements to resell and Securities borrowed	**$ 182,181**	$ 210,257
Securities sold under agreements to repurchase and Securities loaned	**$ 58,474**	$ 64,870

1. Included within Trading assets in the balance sheets.

Securities sold under agreements to repurchase and Securities loaned decreased to $49 billion at September 30, 2020 from $63 billion at December 31, 2019 primarily as a result of changes to our funding profile as a result of changes in the composition of our assets and liabilities.

See Note 2 to the financial statements in the 2019 Form 10-K and Note 9 to the financial statements for more details on collateralized financing transactions.

In addition to the collateralized financing transactions shown in the previous table, we engage in financing transactions collateralized by customer-owned securities, which are segregated in accordance with regulatory requirements. Receivables under these financing transactions, primarily margin loans, are included in Customer and other receivables in the balance sheets, and payables under these financing transactions, primarily to prime brokerage customers, are included in Customer and other payables in the balance sheets. Our risk exposure on these transactions is mitigated by collateral maintenance policies. We also hold related liquidity reserves.

Unsecured Financing

For a discussion of our unsecured financing activities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Funding Management—Unsecured Financing" in the 2019 Form 10-K.

Deposits

$ in millions	At September 30, 2020	At December 31, 2019
Savings and demand deposits:		
Brokerage sweep deposits[1]	$ 164,146	$ 121,077
Savings and other	38,431	28,388
Total Savings and demand deposits	202,577	149,465
Time deposits	36,676	40,891
Total	$ 239,253	$ 190,356

1. Amounts represent balances swept from client brokerage accounts.

Deposits are primarily sourced from our Wealth Management clients and are considered to have stable, low-cost funding characteristics. Total deposits at September 30, 2020 increased compared with December 31, 2019, primarily driven by continued increases in brokerage sweep and savings deposits.

Borrowings by Remaining Maturity at September 30, 2020[1]

$ in millions	Parent Company	Subsidiaries	Total
Original maturities of one year or less	$ —	$ 4,553	$ 4,553
Original maturities greater than one year			
2020	$ 641	$ 828	$ 1,469
2021	19,964	6,186	26,150
2022	16,418	4,011	20,429
2023	15,316	4,657	19,973
2024	15,938	5,436	21,374
Thereafter	83,172	26,324	109,496
Total	$ 151,449	$ 47,442	$ 198,891
Total Borrowings	$ 151,449	$ 51,995	$ 203,444
Maturities over next 12 months[2]			$ 20,247

1. Original maturity in the table is generally based on contractual final maturity. For borrowings with put options, remaining maturity represents the earliest put date.
2. Includes only borrowings with original maturities greater than one year.

Borrowings of $203 billion as of September 30, 2020 increased modestly when compared with $193 billion at December 31, 2019.

We believe that accessing debt investors through multiple distribution channels helps provide consistent access to the unsecured markets. In addition, the issuance of borrowings with original maturities greater than one year allows us to reduce reliance on short-term credit sensitive instruments. Borrowings with original maturities greater than one year are generally managed to achieve staggered maturities, thereby mitigating refinancing risk, and to maximize investor diversification through sales to global institutional and retail clients across regions, currencies and product types.

The availability and cost of financing to us can vary depending on market conditions, the volume of certain trading and lending activities, our credit ratings and the overall availability of credit. We also engage in, and may continue to engage in, repurchases of our borrowings in the ordinary course of business.

For further information on Borrowings, see Note 13 to the financial statements.

Credit Ratings

We rely on external sources to finance a significant portion of our daily operations. The cost and availability of financing generally are impacted by our credit ratings, among other things. In addition, our credit ratings can have an impact on certain trading revenues, particularly in those businesses where longer-term counterparty performance is a key consideration, such as certain OTC derivative transactions. When determining credit ratings, rating agencies consider both company-specific and industry-wide factors. These include regulatory or legislative changes, the macroeconomic environment and perceived levels of support, among other things. See also "Risk Factors—Liquidity Risk" in the 2019 Form 10-K.

Parent Company and U.S. Bank Subsidiaries' Issuer Ratings at October 30, 2020

	Parent Company		
	Short-Term Debt	Long-Term Debt	Rating Outlook
DBRS, Inc.	R-1 (middle)	A (high)	Stable
Fitch Ratings, Inc.	F1	A	Negative
Moody's Investors Service, Inc.	P-1	A2	Rating Under Review
Rating and Investment Information, Inc.	a-1	A	Stable
S&P Global Ratings	A-2	BBB+	Stable

	MSBNA		
	Short-Term Debt	Long-Term Debt	Rating Outlook
Fitch Ratings, Inc.	F1	A+	Negative
Moody's Investors Service, Inc.	P-1	Aa3	Stable
S&P Global Ratings	A-1	A+	Stable

	MSPBNA		
	Short-Term Debt	Long-Term Debt	Rating Outlook
Moody's Investors Service, Inc.	P-1	Aa3	Stable
S&P Global Ratings	A-1	A+	Stable

On April 22, 2020, Fitch Ratings, Inc. placed the Parent Company and MSBNA ratings on Negative outlook, a change from Stable, related to their expectation of significant operating environment headwinds due to the disruption to economic activity and financial markets from the COVID-19 pandemic.

On October 2, 2020, Moody's Investors Service, Inc. ("Moody's") upgraded the issuer ratings of the Parent Company from A3 to A2 and U.S. Bank Subsidiaries from A1 to Aa3 and changed the outlooks to Stable. On October 29, Moody's placed issuer ratings of the Parent Company under review for possible upgrade, changing their outlook from Stable to Rating Under Review.

Incremental Collateral or Terminating Payments

In connection with certain OTC derivatives and certain other agreements where we are a liquidity provider to certain financing vehicles associated with the Institutional Securities business segment, we may be required to provide additional collateral, immediately settle any outstanding liability balances with certain counterparties or pledge additional collateral to certain clearing organizations in the event of a future credit rating downgrade irrespective of whether we are in a net asset or net liability position. See Note 7 to the financial statements for additional information on OTC derivatives that contain such contingent features.

While certain aspects of a credit rating downgrade are quantifiable pursuant to contractual provisions, the impact it would have on our business and results of operations in future periods is inherently uncertain and would depend on a number of interrelated factors, including, among other things, the magnitude of the downgrade, the rating relative to peers, the rating assigned by the relevant agency pre-downgrade, individual client behavior and future mitigating actions we might take. The liquidity impact of additional collateral requirements is included in our Liquidity Stress Tests.

Capital Management

We view capital as an important source of financial strength and actively manage our consolidated capital position based upon, among other things, business opportunities, risks, capital availability and rates of return together with internal capital policies, regulatory requirements and rating agency guidelines. In the future, we may expand or contract our capital base to address the changing needs of our businesses.

Common Stock Repurchases

	Three Months Ended September 30,		Nine Months Ended September 30,	
in millions, except for per share data	**2020**	2019	**2020**	2019
Number of shares	**—**	36	**29**	90
Average price per share	**$ —**	$ 41.92	**$ 46.01**	$ 42.77
Total	**$ —**	$ 1,500	**$ 1,347**	$ 3,860

On March 15, 2020, the Financial Services Forum announced that its eight U.S. Bank members, including us, had voluntarily suspended their share repurchase programs. On June 25, 2020, the Federal Reserve published summary results of CCAR and announced that large BHCs generally would be restricted in making share repurchases during the current quarter, and on September 30, 2020, the restrictions were extended through the fourth quarter of 2020. For more information on our capital plan, see "Liquidity and Capital Resources—Regulatory Requirements—Capital Plans and Stress Tests" herein.

For further information on our common stock repurchases, see Note 17 to the financial statements.

For a description of our capital plan, see "Liquidity and Capital Resources—Regulatory Requirements—Capital Plans and Stress Tests" herein.

Common Stock Dividend Announcement

Announcement date	October 15, 2020
Amount per share	$0.35
Date to be paid	November 13, 2020
Shareholders of record as of	October 30, 2020

On June 25, 2020, the Federal Reserve announced that it would limit common stock dividend payments in the current quarter for all large BHCs, and on September 30, 2020, the restrictions were extended through the fourth quarter of 2020. For additional information, see "Liquidity and Capital Resources—Regulatory Requirements—Capital Plans and Stress Tests" herein.

Preferred Stock Dividend Announcement

Announcement date	September 15, 2020
Date paid	October 15, 2020
Shareholders of record as of	September 30, 2020

For additional information on common and preferred stock, see Note 17 to the financial statements.

Off-Balance Sheet Arrangements and Contractual Obligations

Off-Balance Sheet Arrangements

We enter into various off-balance sheet arrangements, including through unconsolidated SPEs and lending-related financial instruments (*e.g.*, guarantees and commitments), primarily in connection with the Institutional Securities and Investment Management business segments.

We utilize SPEs primarily in connection with securitization activities. For information on our securitization activities, see Note 14 to the financial statements in the 2019 Form 10-K.

For information on our commitments, obligations under certain guarantee arrangements and indemnities, see Note 14 to the financial statements. For a further discussion of our lending commitments, see "Quantitative and Qualitative Disclosures about Risk—Credit Risk—Loans and Lending Commitments."

Contractual Obligations

For a discussion about our contractual obligations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Contractual Obligations" in the 2019 Form 10-K.

Regulatory Requirements

Regulatory Capital Framework

We are an FHC under the Bank Holding Company Act of 1956, as amended ("BHC Act"), and are subject to the regulation and oversight of the Federal Reserve. The Federal Reserve establishes capital requirements for us, including "well-capitalized" standards, and evaluates our compliance with such capital requirements. Regulatory capital requirements established by the Federal Reserve are largely based on the Basel III capital standards established by the Basel Committee and also implement certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). The OCC establishes similar capital requirements and standards for our U.S. Bank Subsidiaries. For us to remain an FHC, we must remain well-capitalized in accordance with standards established by the Federal Reserve and our U.S. Bank Subsidiaries must remain well-capitalized in accordance with standards established by the OCC. For additional information on regulatory capital requirements for our U.S. Bank Subsidiaries, see Note 16 to the financial statements.

Regulatory Capital Requirements

We are required to maintain minimum risk-based and leverage-based capital and TLAC ratios. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Capital Requirements" in the 2019 Form 10-K. For additional information on TLAC, see "Total Loss-Absorbing Capacity, Long-Term Debt and Clean Holding Company Requirements" herein.

Risk-Based Regulatory Capital. Minimum risk-based capital ratio requirements apply to Common Equity Tier 1 capital, Tier 1 capital and Total capital (which includes Tier 2 capital). Capital standards require certain adjustments to, and deductions from, capital for purposes of determining these ratios.

Risk-Based Regulatory Capital Ratio Requirements

	At September 30, 2020	Beginning October 1, 2020	
	Standardized and Advanced	Standardized	Advanced
Capital buffers			
Capital conservation buffer	**2.5%**	—	2.5%
Stress capital buffer ("SCB")[1]	**N/A**	5.7%	N/A
G-SIB capital surcharge[2]	**3%**	3%	3%
CCyB[3]	**0%**	0%	0%
Capital buffer requirement[4]	**5.5%**	8.7%	5.5%

		At September 30, 2020	Beginning October 1, 2020	
	Regulatory Minimum	Standardized and Advanced	Standardized	Advanced
Required ratios[5]				
Common Equity Tier 1 capital ratio	**4.5%**	**10.0%**	13.2%	10.0%
Tier 1 capital ratio	**6.0%**	**11.5%**	14.7%	11.5%
Total capital ratio	**8.0%**	**13.5%**	16.7%	13.5%

1. For additional information on the SCB, see "Capital Plans and Stress Tests" and "Regulatory Developments—Stress Capital Buffer Final Rule" herein.
2. For a further discussion of the G-SIB capital surcharge, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—G-SIB Capital Surcharge" in the 2019 Form 10-K.
3. The CCyB can be set up to 2.5%, but is currently set by the U.S. banking agencies at zero.
4. The capital buffer requirement represents the amount of Common Equity Tier 1 capital we must maintain above the minimum risk-based capital requirements in order to avoid restrictions on our ability to make capital distributions, including the payment of dividends and the repurchase of stock, and to pay discretionary bonuses to executive officers. Beginning October 1, 2020, our Standardized Approach capital buffer requirement is equal to the sum of our SCB, G-SIB capital surcharge and CCyB, and our Advanced Approach capital buffer requirement is equal to our 2.5% capital conservation buffer, G-SIB capital surcharge and CCyB.
5. Required ratios represent the regulatory minimum plus the capital buffer requirement.

Our risk-based capital ratios for purposes of determining regulatory compliance are the lower of the capital ratios computed under (i) the standardized approaches for calculating credit risk and market risk RWA ("Standardized Approach") or (ii) the applicable advanced approaches for calculating credit risk, market risk and operational risk RWA ("Advanced Approach"). The credit risk RWA calculations between the two approaches differ in that the Standardized Approach requires calculation of RWA using prescribed risk weights, whereas the Advanced Approach utilizes models to calculate exposure amounts and risk weights. At September 30, 2020 and December 31, 2019, our ratios for determining regulatory compliance are based on the Advanced Approach and the Standardized Approach rules, respectively.

Leverage-Based Regulatory Capital. Minimum leverage-based capital requirements include a Tier 1 leverage ratio and an SLR. We are required to maintain an SLR of 5%, inclusive of an enhanced SLR capital buffer of at least 2%.

As of September 30, 2020, our risk-based and leverage-based capital amounts and ratios, as well as RWA, adjusted average assets and supplementary leverage exposure are calculated excluding the effect of the adoption of CECL based on our election to defer this effect over a five-year transition period. For further information, see "Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments" herein.

Regulatory Capital Ratios

	At September 30, 2020		
$ in millions	Required Ratio[1]	Standardized	Advanced
Risk-based capital			
Common Equity Tier 1 capital		**$ 71,157**	**$ 71,157**
Tier 1 capital		**79,905**	**79,905**
Total capital		**90,018**	**89,763**
Total RWA		**408,850**	**420,081**
Common Equity Tier 1 capital ratio	**10.0%**	**17.4%**	**16.9%**
Tier 1 capital ratio	**11.5%**	**19.5%**	**19.0%**
Total capital ratio	**13.5%**	**22.0%**	**21.4%**

$ in millions	Required Ratio[1]	At September 30, 2020
Leverage-based capital		
Adjusted average assets[2]		**$ 962,435**
Tier 1 leverage ratio	**4.0%**	**8.3%**
Supplementary leverage exposure[3,4]		**$ 1,084,348**
SLR[4]	**5.0%**	**7.4%**

	At December 31, 2019		
$ in millions	Required Ratio[1]	Standardized	Advanced
Risk-based capital			
Common Equity Tier 1 capital		$ 64,751	$ 64,751
Tier 1 capital		73,443	73,443
Total capital		82,708	82,423
Total RWA		394,177	382,496
Common Equity Tier 1 capital ratio	10.0%	16.4%	16.9%
Tier 1 capital ratio	11.5%	18.6%	19.2%
Total capital ratio	13.5%	21.0%	21.5%

$ in millions	Required Ratio[1]	At December 31, 2019
Leverage-based capital		
Adjusted average assets[2]		$ 889,195
Tier 1 leverage ratio	4.0%	8.3%
Supplementary leverage exposure[3]		$ 1,155,177
SLR	5.0%	6.4%

1. Required ratios are inclusive of any buffers applicable as of the date presented. Failure to maintain the buffers would result in restrictions on our ability to make capital distributions, including the payment of dividends and the repurchase of stock, and to pay discretionary bonuses to executive officers.
2. Adjusted average assets represents the denominator of the Tier 1 leverage ratio and is composed of the average daily balance of consolidated on-balance sheet assets for the quarters ending on the respective balance sheet dates, reduced by disallowed goodwill, intangible assets, investments in covered funds, defined benefit pension plan assets, after-tax gain on sale from assets sold into securitizations, investments in our own capital instruments, certain deferred tax assets and other capital deductions.
3. Supplementary leverage exposure is the sum of Adjusted average assets used in the Tier 1 leverage ratio and other adjustments, primarily: (i) for derivatives, potential future exposure and the effective notional principal amount of sold credit protection offset by qualifying purchased credit protection; (ii) the counterparty credit risk for repo-style transactions; and (iii) the credit equivalent amount for off-balance sheet exposures.
4. Based on a Federal Reserve interim final rule in effect until March 31, 2021, our SLR and Supplementary leverage exposure as of September 30, 2020 reflect the exclusion of U.S. Treasury securities and deposits at Federal Reserve Banks. As of September 30, 2020, the impact of the interim final rule on our SLR was an improvement of 87 bps. For further information, see "Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments" herein.

Regulatory Capital

$ in millions	At September 30, 2020	At December 31, 2019	Change
Common Equity Tier 1 capital			
Common stock and surplus	**$ 4,350**	$ 5,228	**$ (878)**
Retained earnings	**76,353**	70,589	**5,764**
AOCI	**(537)**	(2,788)	**2,251**
Regulatory adjustments and deductions:			
Net goodwill	**(7,242)**	(7,081)	**(161)**
Net intangible assets	**(1,776)**	(2,012)	**236**
Other adjustments and deductions[1]	**9**	815	**(806)**
Total Common Equity Tier 1 capital	**$ 71,157**	$ 64,751	**$ 6,406**
Additional Tier 1 capital			
Preferred stock	**$ 8,520**	$ 8,520	**$ —**
Noncontrolling interests	**625**	607	**18**
Additional Tier 1 capital	**$ 9,145**	$ 9,127	**$ 18**
Deduction for investments in covered funds	**(397)**	(435)	**38**
Total Tier 1 capital	**$ 79,905**	$ 73,443	**$ 6,462**
Standardized Tier 2 capital			
Subordinated debt	**$ 8,681**	$ 8,538	**$ 143**
Noncontrolling interests	**147**	143	**4**
Eligible ACL	**1,287**	590	**697**
Other adjustments and deductions	**(2)**	(6)	**4**
Total Standardized Tier 2 capital	**$ 10,113**	$ 9,265	**$ 848**
Total Standardized capital	**$ 90,018**	$ 82,708	**$ 7,310**
Advanced Tier 2 capital			
Subordinated debt	**$ 8,681**	$ 8,538	**$ 143**
Noncontrolling interests	**147**	143	**4**
Eligible credit reserves	**1,032**	305	**727**
Other adjustments and deductions	**(2)**	(6)	**4**
Total Advanced Tier 2 capital	**$ 9,858**	$ 8,980	**$ 878**
Total Advanced capital	**$ 89,763**	$ 82,423	**$ 7,340**

1. Other adjustments and deductions used in the calculation of Common Equity Tier 1 capital primarily includes net after-tax DVA, the credit spread premium over risk-free rate for derivative liabilities, defined benefit pension plan assets, after-tax gain on sale from assets sold into securitizations, investments in our own capital instruments and certain deferred tax assets.

RWA Rollforward

$ in millions	Nine Months Ended September 30, 2020 Standardized	Advanced
Credit risk RWA		
Balance at December 31, 2019	$ 342,684	$ 228,927
Change related to the following items:		
Derivatives	**4,622**	**24,322**
Securities financing transactions	**(9,314)**	**514**
Securitizations	**(1,595)**	**(3,016)**
Investment securities	**2,468**	**3,904**
Commitments, guarantees and loans	**5,017**	**1,776**
Cash	**718**	**1,838**
Equity investments	**3,027**	**3,207**
Other credit risk[1]	**(601)**	**(762)**
Total change in credit risk RWA	**$ 4,342**	**$ 31,783**
Balance at September 30, 2020	**$ 347,026**	**$ 260,710**
Market risk RWA		
Balance at December 31, 2019	$ 51,493	$ 51,597
Change related to the following items:		
Regulatory VaR	**9,673**	**9,673**
Regulatory stressed VaR	**1,987**	**1,987**
Incremental risk charge	**180**	**180**
Comprehensive risk measure	**210**	**106**
Specific risk:		
Non-securitization	**(99)**	**(99)**
Securitization	**(1,620)**	**(1,620)**
Total change in market risk RWA	**$ 10,331**	**$ 10,227**
Balance at September 30, 2020	**$ 61,824**	**$ 61,824**
Operational risk RWA		
Balance at December 31, 2019	N/A	$ 101,972
Change in operational risk RWA	**N/A**	**(4,425)**
Balance at September 30, 2020	**N/A**	**$ 97,547**
Total RWA	**$ 408,850**	**$ 420,081**

Regulatory VaR—VaR for regulatory capital requirements

1. Amounts reflect assets not in a defined category, non-material portfolios of exposures and unsettled transactions, as applicable.

Credit risk RWA increased in the current year period under both the Standardized and Advanced Approaches primarily from an increase in Derivatives exposure driven by market volatility, an increase in Investment securities mainly due to increased exposures to U.S. government and agency securities, and an increase in Equity investments due to increased exposure and market value gains. Under the Standardized Approach, increased exposures in lending activities within the Wealth Management and Institutional Securities business segments were partially offset by a decrease in Securities financing transactions. Under the Advanced Approach, the increased exposure in Derivatives and higher credit spread volatilities also led to an increase in RWA related to CVA.

Market risk RWA increased in the current year period under both the Standardized and Advanced Approaches primarily due to an increase in Regulatory VaR mainly as a result of higher market volatility.

Total Loss-Absorbing Capacity, Long-Term Debt and Clean Holding Company Requirements

The Federal Reserve has established external TLAC, long-term debt ("LTD") and clean holding company requirements for top-tier BHCs of U.S. G-SIBs ("covered BHCs"), including the Parent Company. These requirements are designed to ensure that covered BHCs will have enough loss-absorbing resources at the point of failure to be recapitalized through the conversion of eligible LTD to equity or otherwise by imposing losses on eligible LTD or other forms of TLAC where an SPOE resolution strategy is used.

Required and Actual TLAC and Eligible LTD Ratios

			Actual Amount/Ratio	
$ in millions	Regulatory Minimum	Required Ratio[1]	At September 30, 2020	At December 31, 2019
External TLAC[2]			**$ 202,472**	$ 196,888
External TLAC as a % of RWA	**18.0%**	**21.5%**	**48.2%**	49.9%
External TLAC as a % of leverage exposure	**7.5%**	**9.5%**	**18.7%**	17.0%
Eligible LTD[3]			**$ 114,952**	$ 113,624
Eligible LTD as a % of RWA	**9.0%**	**9.0%**	**27.4%**	28.8%
Eligible LTD as a % of leverage exposure	**4.5%**	**4.5%**	**10.6%**	9.8%

1. Required ratios are inclusive of applicable buffers.The final rule imposes TLAC buffer requirements on top of both the risk-based and leverage exposure-based external TLAC minimum requirements. The risk-based TLAC buffer is equal to the sum of 2.5%, our Method 1 G-SIB surcharge and the CCyB, if any, as a percentage of total RWA. The leverage exposure-based TLAC buffer is equal to 2% of our total leverage exposure. Failure to maintain the buffers would result in restrictions on our ability to make capital distributions, including the payment of dividends and the repurchase of stock, and to pay discretionary bonuses to executive officers.
2. External TLAC consists of Common Equity Tier 1 capital and Additional Tier 1 capital (each excluding any noncontrolling minority interests), as well as eligible LTD.
3. Consists of TLAC-eligible LTD reduced by 50% for amounts of unpaid principal due to be paid in more than one year but less than two years from each respective balance sheet date.

We are in compliance with all TLAC requirements as of September 30, 2020 and December 31, 2019. For a further discussion of TLAC and related requirements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—Regulatory Capital Requirements—Total Loss-Absorbing Capacity, Long-Term Debt and Clean Holding Company Requirements" in the 2019 Form 10-K.

Capital Plans and Stress Tests

Pursuant to the Dodd-Frank Act, the Federal Reserve has adopted capital planning and stress test requirements for large BHCs, which form part of the Federal Reserve's annual CCAR framework.

We submitted our 2020 Capital Plan ("Capital Plan") and company-run stress test results to the Federal Reserve on April 6, 2020. On June 25, 2020, the Federal Reserve published summary results of its supervisory stress tests of each large BHC. On June 29, 2020, we disclosed a summary of the results of our company-run stress tests on our Investor Relations website. On September 4, 2020, we announced we will be subject to an SCB of 5.7% beginning October 1, 2020, which reflects the Federal Reserve's corrected 2020 supervisory stress test results. We had previously announced that we would be subject to an SCB of 5.9%, which reflected the Federal Reserve's original 2020 supervisory stress test results released in June 2020. Together with other features of the regulatory capital framework, this revised SCB results in an aggregate Standardized Approach Common Equity Tier 1 required ratio of 13.2%. Generally, our SCB will be updated annually based on the results of the supervisory stress test. See "Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments—Stress Capital Buffer Final Rule" herein for additional information on the SCB.

The Federal Reserve required each large BHC to update and resubmit its capital plan. On November 2, 2020, we resubmitted our 2020 Capital Plan and company-run stress test results based on revised scenarios released by the Federal Reserve on September 17, 2020. We expect that the Federal Reserve will publish summary results of the second round of supervisory stress tests for each large BHC, including us, by the end of this year.

Based on the Federal Reserve announcement on June 25, 2020, all large BHCs were subject to capital action restrictions in the current quarter. Except as noted below, these restrictions generally prohibit large BHCs from making any capital distribution (excluding any capital distribution arising from the issuance of a capital instrument eligible for inclusion in the numerator of a regulatory capital ratio), unless otherwise approved by the Federal Reserve. Large BHCs are, however, authorized to make share repurchases relating to issuances of common stock related to employee stock ownership plans; provided that a BHC does not increase the amount of its common stock dividends, to pay common stock dividends that do not exceed an amount equal to the average of the BHC's net income for the four preceding calendar quarters, unless otherwise specified by the Federal Reserve; and to make scheduled payments on additional Tier 1 and Tier 2 capital instruments. On September 30, 2020, the Federal Reserve announced that such capital action restrictions would be extended through the fourth quarter of 2020. For a further discussion of our capital plans, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Balance Sheet—Capital Management" herein and in the 2019 Form 10-K.

Attribution of Average Common Equity According to the Required Capital Framework

Our required capital ("Required Capital") estimation is based on the Required Capital framework, an internal capital adequacy measure. Common equity attribution to the business segments is based on capital usage calculated under the Required Capital framework, as well as each business segment's relative contribution to our total Required Capital.

The Required Capital framework is a risk-based and leverage-based capital measure, which is compared with our regulatory capital to ensure that we maintain an amount of going concern capital after absorbing potential losses from stress events, where applicable, at a point in time. The amount of capital allocated to the business segments is generally set at the beginning of each year and remains fixed throughout the year until the next annual reset unless a significant business change occurs (*e.g.*, acquisition or disposition). We define the difference between our total average common equity and the sum of the average common equity amounts allocated to our business segments as Parent common equity. We generally hold Parent common equity for prospective regulatory requirements, organic growth, acquisitions and other capital needs.

We are currently evaluating potential updates to our Required Capital framework to take into account changes to our risk-based capital requirements resulting from the SCB and we will continue to evaluate the framework with respect to the impact of other future regulatory requirements, as appropriate.

Average Common Equity Attribution[1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in billions	**2020**	2019	**2020**	2019
Institutional Securities	**$ 42.8**	$ 40.4	**$ 42.8**	$ 40.4
Wealth Management	**18.2**	18.2	**18.2**	18.2
Investment Management	**2.6**	2.5	**2.6**	2.5
Parent	**15.1**	12.3	**13.3**	11.4
Total	**$ 78.7**	$ 73.4	**$ 76.9**	$ 72.5

1. The attribution of average common equity to the business segments is a non-GAAP financial measure. See "Selected Non-GAAP Financial Information" herein.

Resolution and Recovery Planning

Pursuant to the Dodd-Frank Act, we are required to periodically submit to the Federal Reserve and the FDIC a resolution plan that describes our strategy for a rapid and orderly resolution under the U.S. Bankruptcy Code in the event of our material financial distress or failure. Our next resolution plan submission will be a targeted resolution plan in July 2021.

As described in our most recent resolution plan, which was submitted on June 28, 2019, our preferred resolution strategy is an SPOE strategy. In line with our SPOE strategy, the Parent Company has transferred, and has agreed to transfer on an ongoing basis, certain assets to its wholly owned, direct subsidiary Morgan Stanley Holdings LLC (the "Funding IHC"). In addition, the Parent Company has entered into an amended and restated support agreement with its material entities (including the Funding IHC) and certain other subsidiaries. In the event of a resolution scenario, the Parent Company would be obligated to contribute all of its Contributable Assets to our material entities and/or the Funding IHC. The Funding IHC would be obligated to provide capital and liquidity, as applicable, to our material entities. The combined implication of the SPOE resolution strategy and the requirement to maintain certain levels of TLAC is that losses in resolution would be imposed on the holders of eligible long-term debt and other forms of eligible TLAC issued by the Parent Company before any losses are imposed on the holders of the debt securities of our operating subsidiaries or before putting U.S. taxpayers at risk.

For more information about resolution and recovery planning requirements and our activities in these areas, including the implications of such activities in a resolution scenario, see "Business—Supervision and Regulation—Financial Holding Company—Resolution and Recovery Planning," "Risk Factors —Legal, Regulatory and Compliance Risk" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—Resolution and Recovery Planning" in the 2019 Form 10-K.

Regulatory Developments

Final Rule on the Regulatory Capital Treatment for Investments in Certain Unsecured Debt Instruments Issued by G-SIBs

The U.S. banking agencies have issued a final rule that, among other things, modifies the regulatory capital framework for large U.S. banking organizations, including us and our U.S. Bank Subsidiaries. Under the final rule, such organizations are required to make certain deductions from regulatory capital for their investments in certain unsecured debt instruments (including eligible LTD in the TLAC framework) issued by the Parent Company and other G-SIBs. These requirements become effective on April 1, 2021 and we expect to be in compliance with the final rule by the effective date.

CFTC Final Rule on Capital Requirements for Swap Dealers

The CFTC has finalized rules establishing capital requirements for CFTC-registered swap dealers not subject to regulation by a prudential regulator. Compliance with these rules, which will apply to a number of our subsidiaries that are CFTC-registered swap dealers, is required by October 6, 2021.

Final Rule to Amend the Covered Fund Provisions of the Volcker Rule

The Federal financial regulatory agencies responsible for the Volcker Rule's implementing regulations have finalized a rule that revises the prohibition on certain investments by banking entities with defined covered funds. The final rule adds certain new exclusions from the definition of covered fund, while streamlining others. It also simplifies certain restrictions on inter-affiliate relationships with covered funds. The final rule was effective October 1, 2020.

Stress Capital Buffer Final Rule

The Federal Reserve has adopted a final rule to integrate its annual capital planning and stress testing requirements with existing applicable regulatory capital requirements. The final rule, which applies to certain BHCs, introduces an SCB and related changes to the capital planning and stress testing processes.

The SCB applies only with respect to Standardized Approach risk-based capital requirements and replaces the existing Common Equity Tier 1 capital conservation buffer of 2.5%. The SCB is the greater of (i) the maximum decline in our Common Equity Tier 1 capital ratio under the severely adverse scenario over the supervisory stress test measurement period plus the sum of the four quarters of planned common stock dividends divided by the projected RWAs from the quarter in which the Firm's projected Common Equity Tier 1 capital ratio reaches its minimum in the supervisory stress test and (ii) 2.5%. Beginning October 1, 2020, risk-based regulatory capital requirements under the Standardized Approach include the SCB, as summarized above, as well as our Common Equity Tier 1 GSIB capital surcharge and any applicable Common Equity Tier 1 CCyB.

The final rule makes related changes to capital planning and stress testing processes for BHCs subject to the SCB. In particular, the supervisory stress test will assume that BHCs generally maintain a constant level of assets and RWAs throughout the projection period. In addition, the supervisory stress test will no longer assume that BHCs make all planned capital distributions, although the SCB will incorporate the dollar amount of four quarters of planned common stock dividends, as summarized above.

The final rule does not change regulatory capital requirements under the Advanced Approach, the Tier 1 leverage ratio or the SLR.

Regulatory Developments in Response to COVID-19

In the United States, the Federal Reserve, the other U.S. state and federal financial regulatory agencies and Congress have taken actions to mitigate disruptions to economic activity and financial stability resulting from COVID-19.

Federal Reserve and other U.S. Banking Agency Actions

The Federal Reserve has established, or has taken steps to establish, a range of facilities and programs to support the U.S. economy and U.S. marketplace participants in response to economic disruptions associated with COVID-19. Through these facilities and programs, the Federal Reserve has taken steps to directly or indirectly purchase assets or debt instruments from, or make loans to, U.S. companies, financial institutions, municipalities and other market participants. In the current year period, we have participated as principal, as well as on behalf of clients, in certain of these facilities and programs and we may participate in other of these facilities and programs in the future.

In addition, the Federal Reserve has taken a range of other actions to support the flow of credit to households and businesses. For example, the Federal Reserve has set the target range for the federal funds rate at 0 to 0.25% and has increased its holdings of U.S. Treasury securities and agency mortgage-backed securities, purchased agency commercial mortgage-backed securities, and established a facility to purchase corporate debt securities and shares of exchange-traded funds holding such securities. The Federal Reserve has also encouraged depository institutions to borrow from the discount window and has lowered the primary credit rate for such borrowings by 150 basis points to 0.25% while extending the term of such loans up to 90 days. In addition, reserve requirements have been reduced to zero.

Acting in concert with the other U.S. banking agencies, the Federal Reserve has also issued statements encouraging banking organizations to use their capital and liquidity buffers as they lend to households and businesses affected by COVID-19.

Further, the Federal Reserve along with the other U.S. banking agencies, issued guidance stating that granting certain concessions to borrowers that are current on existing loans, either individually or as part of a program for creditworthy borrowers who are experiencing short-term financial or operational problems as a result of the COVID-19 pandemic, generally would not be considered TDRs under applicable U.S. GAAP. This guidance also clarifies that efforts to work with borrowers of one-to-four family residential mortgages impacted by the COVID-19 pandemic and meeting certain criteria will not result in such loans being deemed restructured or modified for purposes of regulatory capital requirements.

The Federal Reserve and other U.S. banking agencies have also issued a series of rulemakings in response to the COVID-19 pandemic, including to facilitate banking organizations' use of their capital buffers:

- *Supplementary Leverage Ratio Interim Final Rules.* The Federal Reserve has adopted an interim final rule that excludes, on a temporary basis, U.S. Treasury securities and deposits at Federal Reserve Banks from our supplementary leverage exposure from April 1, 2020 to March 31, 2021.

  A similar interim final rule issued by the OCC along with the other U.S. banking agencies provides national banks, including MSBNA and MSPBNA, an optional election, which is considered on a case-by-case basis by the OCC if received after June 30, 2020, to apply similar relief. If elected and approved, a national bank must receive prior approval from the OCC before making any capital distributions while the exclusion is in effect. As of September 30, 2020, neither MSBNA nor MSPBNA made this optional election.

- *Revisions to Definition of Eligible Retained Income.* The U.S. banking agencies have adopted as final an interim final rule, which was effective March 20, 2020, amending the definition of eligible retained income in their respective capital rules. As amended, eligible retained income is defined by the U.S. banking agencies as the greater of (i) net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (ii) the average of net income over the preceding four quarters. This definition applies with respect to any payout restrictions applicable in the event of a breach of any regulatory capital buffers, including any applicable CCyB, G-SIB capital surcharge, capital conservation buffer, the enhanced SLR and, once effective, SCB, which replaces the capital conservation buffer under the Standardized Approach.

  Separately, the Federal Reserve has adopted as final an interim final rule, which was effective March 26, 2020, amending the definition of eligible retained income under its TLAC rule to be consistent with the revised definition of eligible retained income in the regulatory capital framework, as summarized above.

- *Regulatory Capital and Stress Testing Developments Related to Implementation of CECL.* The U.S. banking agencies have adopted a final rule, consistent with an interim final rule which was effective March 31, 2020, altering, for purposes of the regulatory capital and TLAC requirements, the required adoption time period for CECL. We have elected to apply a transition method provided by the rule, under which the effects of CECL on our regulatory capital and TLAC requirements are deferred for two years, followed by a three-year phase-in of the aggregate capital effects of the two-year deferral.

Non-U.S. Central Bank Actions

In addition to actions taken by the Federal Reserve, many non-U.S. central banks have announced similar facilities and programs in response to the economic and market disruptions associated with COVID-19. Firm subsidiaries operating in non-U.S. markets may participate, or perform customer facilitation roles, in such non-U.S. facilities or programs.

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act")

The CARES Act was signed into law on March 27, 2020. Pursuant to the CARES Act, the U.S. Treasury has the authority to provide loans, guarantees and other investments in support of eligible businesses, states and municipalities affected by the economic effects of COVID-19. Some of these funds may also be used to support the several Federal Reserve programs and facilities described in "Federal Reserve Actions" previously or additional programs or facilities that are established by the Federal Reserve under its Section 13(3) authority and meet certain criteria. Among other provisions, the CARES Act also includes funding for the Small Business Administration to expand lending, relief from certain U.S. GAAP requirements to allow COVID-19-related loan modifications to not be categorized as TDRs and a range of incentives to encourage deferment, forbearance or modification of consumer credit and mortgage contracts.

The CARES Act also includes several measures that temporarily adjust existing laws or regulations. These include providing the FDIC with additional authority to guarantee the deposits of solvent insured depository institutions held in non-interest-bearing business transaction accounts to a maximum amount specified by the FDIC, reinstating the FDIC's Temporary Liquidity Guarantee Authority to guarantee debt obligations of solvent insured depository institutions or depository institution holding companies, temporarily allowing the U.S. Treasury to fully guarantee money market mutual funds and granting additional authority to the OCC to provide certain exemptions to the lending limits imposed on national banks.

Other Matters

U.K. Withdrawal from the E.U.

On January 31, 2020, the U.K. withdrew from the E.U. under the terms of a withdrawal agreement between the U.K. and the E.U. The withdrawal agreement provides for a transition period to the end of December 2020, during which time the U.K. will continue to apply E.U. law as if it were a member state, and U.K. firms' rights to provide financial services in E.U. member states will continue. Access to the E.U. market after the transition period remains subject to negotiation.

We have prepared the structure of our European operations for a range of potential outcomes, including for the possibility that U.K. financial firms' access to E.U. markets after the transition period is limited, and we expect to be able to continue to serve our clients and customers under each of these potential outcomes.

For more information on the U.K.'s withdrawal from the E.U., our related preparations and the potential impact on our operations, see "Risk Factors— International Risk" in the 2019 Form 10-K. For further information regarding our exposure to the U.K., see also "Quantitative and Qualitative Disclosures about Risk—Country and Other Risks."

Planned Replacement of London Interbank Offered Rate and Replacement or Reform of Other Interest Rates

Central banks around the world, including the Federal Reserve, have commissioned committees and working groups of market participants and official sector representatives to replace LIBOR and replace or reform other interest rate benchmarks (collectively, the "IBORs"). Accordingly, we have established and are undertaking a Firmwide IBOR transition plan to promote the transition to alternative reference rates, which takes into account the considerable uncertainty regarding the availability of LIBOR beyond 2021.

For a further discussion of the expected replacement of the IBORs and/or reform of interest rate benchmarks, and the related risks and our transition plan, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Regulatory Requirements—Other Matters" and "Risk Factors—Risk Management," respectively, in the 2019 Form 10-K.

Quantitative and Qualitative Disclosures about Risk

Management believes effective risk management is vital to the success of our business activities. For a discussion of our Enterprise Risk Management framework and risk management functions, see "Quantitative and Qualitative Disclosures about Risk—Risk Management" in the 2019 Form 10-K.

Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, spreads, indices, volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio. Generally, we incur market risk as a result of trading, investing and client facilitation activities, principally within the Institutional Securities business segment where the substantial majority of our VaR for market risk exposures is generated. In addition, we incur non-trading market risk, principally within the Wealth Management and Investment Management business segments. The Wealth Management business segment primarily incurs non-trading market risk from lending and deposit-taking activities. The Investment Management business segment primarily incurs non-trading market risk from capital investments in alternative and other funds. For a further discussion of market risk, see "Quantitative and Qualitative Disclosures about Risk—Market Risk" in the 2019 Form 10-K.

Trading Risks

We are exposed to a wide range of risks related to interest rates and credit spreads, equity prices, foreign exchange rates and commodity prices, and the associated implied volatilities and spreads, related to the global markets in which we conduct our trading activities.

The statistical technique known as VaR is one of the tools we use to measure, monitor and review the market risk exposures of our trading portfolios.

For information regarding our primary risk exposures and market risk management, VaR methodology, assumptions and limitations, see "Quantitative and Qualitative Disclosures about Risk—Market Risk—Trading Risks" in the 2019 Form 10-K.

95%/One-Day Management VaR for the Trading Portfolio

	Three Months Ended September 30, 2020			
$ in millions	Period End	Average	High[2]	Low[2]
Interest rate and credit spread	**$ 32**	**$ 38**	**$ 49**	**$ 29**
Equity price	**27**	**30**	**39**	**19**
Foreign exchange rate	**11**	**9**	**12**	**7**
Commodity price	**17**	**22**	**29**	**16**
Less: Diversification benefit[1]	**(38)**	**(53)**	**N/A**	**N/A**
Primary Risk Categories	**$ 49**	**$ 46**	**$ 57**	**$ 37**
Credit Portfolio	**21**	**25**	**31**	**20**
Less: Diversification benefit[1]	**(8)**	**(13)**	**N/A**	**N/A**
Total Management VaR	**$ 62**	**$ 58**	**$ 78**	**$ 45**

	Three Months Ended June 30, 2020			
$ in millions	Period End	Average	High[2]	Low[2]
Interest rate and credit spread	$ 42	$ 47	$ 59	$ 36
Equity price	38	25	38	20
Foreign exchange rate	10	11	15	8
Commodity price	25	16	25	11
Less: Diversification benefit[1]	(68)	(49)	N/A	N/A
Primary Risk Categories	$ 47	$ 50	$ 62	$ 44
Credit Portfolio	26	25	30	23
Less: Diversification benefit[1]	(1)	(15)	N/A	N/A
Total Management VaR	$ 72	$ 60	$ 78	$ 47

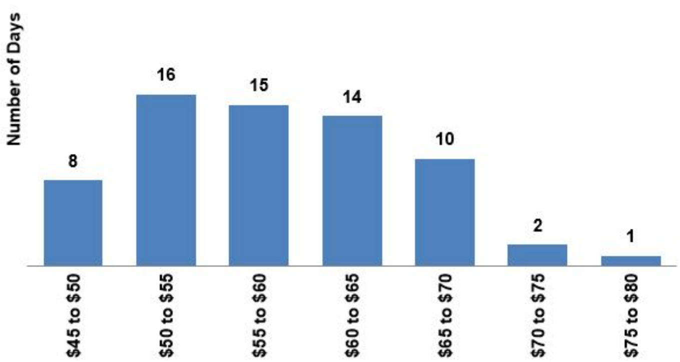
1. Diversification benefit equals the difference between the total Management VaR and the sum of the component VaRs. This benefit arises because the simulated one-day losses for each of the components occur on different days; similar diversification benefits also are taken into account within each component.
2. The high and low VaR values for the total Management VaR and each of the component VaRs might have occurred on different days during the quarter, and therefore, the diversification benefit is not an applicable measure.

Average total Management VaR and Management VaR for the Primary Risk Categories decreased from the three months ended June 30, 2020 primarily as a result of reduced credit spread risk partially offset by increased equity risk.

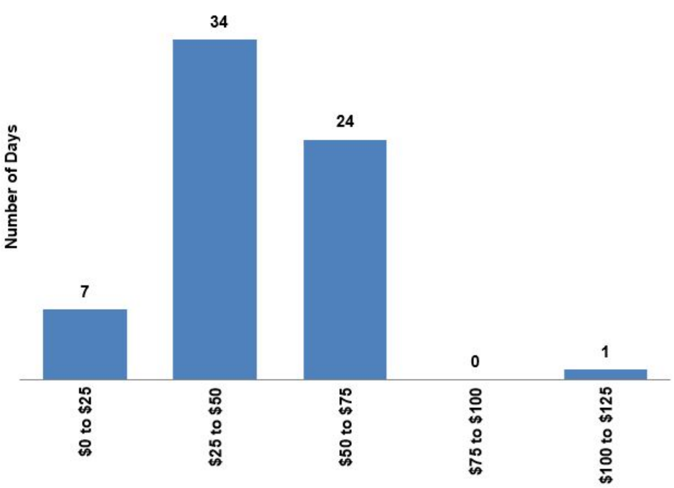
Distribution of VaR Statistics and Net Revenues

We evaluate the reasonableness of our VaR model by comparing the potential declines in portfolio values generated by the model with corresponding actual trading results for the Firm, as well as individual business units. For days where losses exceed the VaR statistic, we examine the drivers of trading losses to evaluate the VaR model's accuracy relative to realized trading results. There were no loss days in the current quarter.

Daily 95%/One-Day Total Management VaR for the Current Quarter
($ in millions)



Daily Net Trading Revenues for the Current Quarter
($ in millions)



The previous histogram shows the distribution of daily net trading revenues for the current quarter. Daily net trading revenues include profits and losses from Interest rate and credit spread, Equity price, Foreign exchange rate, Commodity price, and Credit Portfolio positions and intraday trading activities for our trading businesses. Certain items such as fees, commissions and net interest income are excluded from daily net trading revenues and the VaR model. Revenues required for Regulatory VaR backtesting further exclude intraday trading.

Non-Trading Risks

We believe that sensitivity analysis is an appropriate representation of our non-trading risks. The following sensitivity analyses cover substantially all of the non-trading risk in our portfolio.

Credit Spread Risk Sensitivity[1]

$ in millions	At September 30, 2020	At June 30, 2020
Derivatives	$ 7	$ 7
Funding liabilities[2]	46	45

1. Amounts represent the potential gain for each 1 bps widening of our credit spread.
2. Relates to Borrowings carried at fair value.

U.S. Bank Subsidiaries' Net Interest Income Sensitivity Analysis

$ in millions	At September 30, 2020	At June 30, 2020
Basis point change		
+100	$ 1,014	$ 599
-100	(338)	(351)

The previous table presents an analysis of selected instantaneous upward and downward parallel interest rate shocks (subject to a floor of zero percent in the downward scenario) on net interest income over the next 12 months for our U.S. Bank Subsidiaries. These shocks are applied to our 12-month forecast for our U.S. Bank Subsidiaries, which incorporates market expectations of interest rates and our forecasted business activity.

We do not manage to any single rate scenario but rather manage net interest income in our U.S. Bank Subsidiaries to optimize across a range of possible outcomes, including non-parallel rate change scenarios. The sensitivity analysis assumes that we take no action in response to these scenarios, assumes there are no changes in other macroeconomic variables normally correlated with changes in interest rates, and includes subjective assumptions regarding customer and market re-pricing behavior and other factors. The change in sensitivity to interest rates in the positive 100 basis point scenario between September 30, 2020 and June 30, 2020 was primarily driven by the impact of changes to assumptions as a result of an analysis of deposit pricing through a full interest rate cycle.

Investments Sensitivity, Including Related Carried Interest

	Loss from 10% Decline	
$ in millions	**At September 30, 2020**	At June 30, 2020
Investments related to Investment Management activities	$ **349**	$ 329
Other investments:		
MUMSS	**176**	170
Other Firm investments	**203**	188

MUMSS—Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

We have exposure to public and private companies through direct investments, as well as through funds that invest in these assets. These investments are predominantly equity positions with long investment horizons, a portion of which is for business facilitation purposes. The market risk related to these investments is measured by estimating the potential reduction in net income associated with a 10% decline in investment values and related impact on performance-based fees, as applicable.

Asset Management Revenue Sensitivity

Certain asset management revenues in the Wealth Management and Investment Management business segments are derived from management fees, which are based on fee-based client assets in Wealth Management or AUM in Investment Management (together, "client holdings"). The assets underlying client holdings are primarily composed of equity, fixed income and alternative investments, and are sensitive to changes in related markets. The overall level of these revenues depends on multiple factors that include, but are not limited to, the level and duration of a market increase or decline, price volatility, the geographic and industry mix of client assets, and client behavior such as the rate and magnitude of client investments and redemptions. Therefore, overall revenues do not correlate completely with changes in the related markets.

Credit Risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to us. We are primarily exposed to credit risk from institutions and individuals through our Institutional Securities and Wealth Management business segments. For a further discussion of our credit risks, see "Quantitative and Qualitative Disclosures about Risk—Credit Risk" in the 2019 Form 10-K.

Loans and Lending Commitments

	At September 30, 2020			
$ in millions	HFI	HFS	FVO	Total
Institutional Securities:				
Corporate	**$ 7,628**	**$ 8,552**	**$ 14**	**$ 16,194**
Secured lending facilities	**26,496**	**3,521**	**445**	**30,462**
Commercial and Residential real estate	**7,265**	**928**	**1,593**	**9,786**
Securities-based lending and Other	**1,277**	**57**	**5,729**	**7,063**
Total Institutional Securities	**42,666**	**13,058**	**7,781**	**63,505**
Wealth Management:				
Residential real estate	**33,674**	**12**	**—**	**33,686**
Securities-based lending and Other	**57,723**	**—**	**—**	**57,723**
Total Wealth Management	**91,397**	**12**	**—**	**91,409**
Total Investment Management[1]	**6**	**11**	**552**	**569**
Total loans	**134,069**	**13,081**	**8,333**	**155,483**
ACL	**(913)**			**(913)**
Total loans, net of ACL	**$133,156**	**$ 13,081**	**$ 8,333**	**$ 154,570**
Lending commitments[2]				**$ 120,098**
Total exposure				**$ 274,668**

	At December 31, 2019			
$ in millions	HFI	HFS	FVO	Total
Institutional Securities:				
Corporate	$ 5,426	$ 6,192	$ 20	$ 11,638
Secured lending facilities	24,502	4,200	951	29,653
Commercial and Residential real estate	7,859	2,049	3,290	13,198
Securities-based lending and Other	503	123	6,814	7,440
Total Institutional Securities	38,290	12,564	11,075	61,929
Wealth Management:				
Residential real estate	30,184	13	—	30,197
Securities-based lending and Other	49,930	—	—	49,930
Total Wealth Management	80,114	13	—	80,127
Total Investment Management[1]	5	—	251	256
Total loans	118,409	12,577	11,326	142,312
ACL	(349)			(349)
Total loans, net of ACL	$118,060	$ 12,577	$11,326	$ 141,963
Lending commitments[2]				$ 120,068
Total exposure				$ 262,031

HFI—Held for investment; HFS—Held for sale; FVO—Fair value option
Total exposure—consists of Total loans, net of ACL, and Lending commitments
1. Investment Management business segment loans are related to certain of our activities as an investment advisor and manager. At September 30, 2020 and December 31, 2019, loans held at fair value are predominantly the result of the consolidation of CLO vehicles, managed by Investment Management, composed primarily of senior secured loans to corporations.
2. Lending commitments represent the notional amount of legally binding obligations to provide funding to clients for lending transactions. Since commitments associated with these business activities may expire unused or may not be utilized to full capacity, they do not necessarily reflect the actual future cash funding requirements.

We provide loans and lending commitments to a variety of customers including large corporate and institutional clients as well as high to ultra-high net worth individuals. In addition, we purchase loans in the secondary market. Loans and lending commitments are either held for investment, held for sale or carried at fair value. For more information on these loan classifications, see Note 2 to the financial statements in the 2019 Form 10-K.

Total loans and lending commitments increased by approximately $13 billion since December 31, 2019, primarily due to growth within the Wealth Management business segment driven by securities-based loans and residential real estate loans. Within the Institutional Securities business segment, growth in loans and lending commitments was primarily driven by Secured lending facilities and Corporate, partially offset by a decrease in Commercial real estate.

See Notes 5, 10 and 14 to the financial statements for further information.

Beginning late in the first quarter of 2020 and following in part from the U.S. government's enactment of the CARES Act, we have received requests from certain clients for modifications of their credit agreements with us, which in some cases include deferral of their loan payments. Requests for loan payment deferrals related to Residential real estate loans are immediately granted, while Commercial real estate loan deferrals require careful consideration prior to approval. As of September 30, 2020, the unpaid principal balance of loans with approved deferrals of principal and interest payments currently in place amounted to less than $2 billion, with approximately one-third in each of our Wealth Management business segment commercial real estate-related tailored lending portfolio, which is included within Securities-based lending and Other, our Wealth Management business segment Residential real estate loans and our Institutional Securities business segment, primarily within Commercial real estate.

In addition to these principal and interest deferrals, we are also working with clients regarding modifications of certain other terms under their original loan agreements that do not impact contractual loan payments. We have granted such relief to certain borrowers, primarily within Secured lending facilities and Corporate loans. Such modifications include agreements to modify margin calls for Secured lending facilities, typically in return for additional payments which improve loan-to-value ratios. In some cases we have agreed to temporarily not enforce certain covenants, for example debt or interest coverage ratios, typically in return for other structural enhancements.

Granting loan deferral or modification requests does not necessarily mean that we will incur credit losses and we do not believe modifications have had a material impact on the risk profile of our loan portfolio. Modifications are considered in our evaluation of overall credit risk. Generally, loans with payment deferrals remain on accrual status and loans with other modifications remain on current status.

Requests for deferrals and other modifications could continue in future periods given the ongoing uncertain global economic and market conditions. See "Executive Summary—Coronavirus Disease (COVID-19) Pandemic," and "Risk Factors" herein for further information. See also "Forward Looking Statements" in the 2019 Form 10-K. For additional information on regulatory guidance which permits certain loan modifications for borrowers impacted by COVID-19 to not be accounted for and reported as TDRs and the Firm's accounting policies for such modifications, see "Liquidity and Capital Resources—Regulatory Requirements—Regulatory Developments" herein and Note 2 to the financial statements, respectively. For information on HFI loans on nonaccrual status, see "Status of Loans Held for Investment" herein and Notes 2 and 10 to the financial statements. For HFI loans modified and reported as TDRs, see Notes 2 and 10 to the financial statements.

Allowance for Credit Losses—Loans and Lending Commitments

$ in millions		
December 31, 2019[1]	$	590
Effect of CECL adoption		**(41)**
Gross charge-offs		**(59)**
Recoveries		**5**
Net (charge-offs) recoveries		**(54)**
Provision[2]		**757**
Other		**8**
September 30, 2020	**$**	**1,260**
ACL—Loans	**$**	**913**
ACL—Lending commitments		**347**

1. At December 31, 2019, the ACL for Loans and Lending commitments was $349 million and $241 million, respectively.
2. In the current quarter, the provision for loan losses was $63 million and the provision for losses on lending commitments was $48 million. In the current year period, the provision for loan losses was $601 million and the provision for losses on lending commitments was $156 million.

Credit exposure arising from our loans and lending commitments is measured in accordance with our internal risk management standards. Risk factors considered in determining the aggregate allowance for loan and commitment losses include the borrower's financial strength, industry, facility structure, loan-to-value ratio, debt service ratio, collateral and covenants. Qualitative and environmental factors such as economic and business conditions, nature and volume of the portfolio and lending terms, and volume and severity of past due loans may also be considered.

The aggregate allowance for loans and lending commitments increased in the current year period, principally reflecting the provision for credit losses within the Institutional Securities business segment primarily resulting from the continued economic impact of COVID-19. This provision was the result of risks related to vulnerable sectors and higher downgrade sensitivity, changes in asset quality trends, as well as revisions to our forecasts reflecting expected future market and macroeconomic conditions. The base scenario used in our ACL models as of September 30, 2020 was generated using a combination of industry consensus economic forecasts, forward rates, and internally developed and validated models. Given the nature of our lending portfolio, the most sensitive model input is U.S. GDP. The base scenario, among other things, assumes a continued recovery in the last quarter of 2020 through 2021, supported by fiscal stimulus and monetary policy measures. See Note 2 to the financial statements for a discussion of the Firm's ACL methodology under CECL.

Status of Loans Held for Investment

	At September 30, 2020		At December 31, 2019	
	IS	WM	IS	WM
Accrual	**99.1%**	**99.8%**	99.0%	99.9%
Nonaccrual[1]	**0.9%**	**0.2%**	1.0%	0.1%

1. These loans are on nonaccrual status because the loans were past due for a period of 90 days or more or payment of principal or interest was in doubt.

Institutional Securities Loans and Lending Commitments[1]

	At September 30, 2020				
	Contractual Years to Maturity				
$ in millions	Less than 1	1-3	3-5	Over 5	Total
Loans					
AA	**$ 274**	**$ —**	**$ —**	**$ —**	**$ 274**
A	**874**	**1,062**	**39**	**229**	**2,204**
BBB	**3,958**	**5,726**	**3,314**	**295**	**13,293**
BB	**12,683**	**7,920**	**6,273**	**491**	**27,367**
Other NIG	**5,403**	**6,519**	**3,791**	**2,423**	**18,136**
Unrated[2]	**63**	**151**	**155**	**1,056**	**1,425**
Total loans, net of ACL	**23,255**	**21,378**	**13,572**	**4,494**	**62,699**
Lending commitments					
AAA	**—**	**50**	**—**	**—**	**50**
AA	**4,157**	**1,267**	**1,878**	**—**	**7,302**
A	**6,310**	**8,290**	**7,901**	**564**	**23,065**
BBB	**5,422**	**15,408**	**15,761**	**310**	**36,901**
BB	**4,150**	**7,154**	**7,291**	**1,311**	**19,906**
Other NIG	**979**	**8,491**	**5,533**	**3,193**	**18,196**
Unrated[2]	**4**	**1**	**21**	**20**	**46**
Total lending commitments	**21,022**	**40,661**	**38,385**	**5,398**	**105,466**
Total exposure	**$ 44,277**	**$ 62,039**	**$ 51,957**	**$ 9,892**	**$ 168,165**

	At December 31, 2019				
	Contractual Years to Maturity				
$ in millions	Less than 1	1-3	3-5	Over 5	Total
Loans					
AA	$ 7	$ 50	$ —	$ 5	$ 62
A	955	923	516	277	2,671
BBB	2,297	5,589	3,592	949	12,427
BB	9,031	11,189	9,452	1,449	31,121
Other NIG	4,020	5,635	2,595	1,143	13,393
Unrated[2]	117	82	131	1,628	1,958
Total loans, net of ACL	16,427	23,468	16,286	5,451	61,632
Lending commitments					
AAA	—	50	—	—	50
AA	2,838	908	2,509	—	6,255
A	6,461	7,287	9,371	298	23,417
BBB	7,548	13,780	20,560	753	42,641
BB	2,464	5,610	8,333	1,526	17,933
Other NIG	2,193	4,741	7,062	2,471	16,467
Unrated[2]	—	9	107	7	123
Total lending commitments	21,504	32,385	47,942	5,055	106,886
Total exposure	$ 37,931	$ 55,853	$ 64,228	$10,506	$ 168,518

NIG–Non-investment grade
1. Counterparty credit ratings are internally determined by the Credit Risk Management Department ("CRM").
2. Unrated loans and lending commitments are primarily trading positions that are measured at fair value and risk-managed as a component of market risk. For a further discussion of our market risk, see "Market Risk" herein.

Institutional Securities Loans and Lending Commitments by Industry

$ in millions	At September 30, 2020	At December 31, 2019
Industry		
Financials	**$ 41,916**	$ 40,992
Real estate	**24,827**	28,348
Industrials	**15,650**	13,136
Communications services	**12,529**	12,165
Consumer discretionary	**11,253**	9,589
Healthcare	**10,788**	14,113
Energy	**10,088**	9,461
Utilities	**9,994**	9,905
Information technology	**9,808**	9,201
Consumer staples	**8,476**	9,724
Materials	**5,626**	5,577
Insurance	**3,975**	3,755
Other	**3,235**	2,552
Total exposure	**$ 168,165**	$ 168,518

Sectors Currently in Focus due to COVID-19

The continuing effect on economic activity of COVID-19 and related governmental actions have impacted borrowers in many sectors and industries. While we are carefully monitoring all of our Institutional Securities business segment exposures, certain sectors are more sensitive to the current economic environment and are continuing to receive heightened focus. The sectors currently in focus are: air travel, retail, upstream energy, lodging and leisure, and healthcare services and systems. As of September 30, 2020, exposures to these sectors are included across the Industrials, Financials, Real estate, Consumer discretionary, Energy and Healthcare industries in the previous table, and in aggregate represent approximately 10% of total Institutional Securities business segment lending exposure. The substantial majority of these exposures are either investment grade and/or secured by collateral. The future developments of COVID-19 and related government actions and their effect on the economic environment remain uncertain; therefore, the sectors impacted and the extent of the impacts may change over time. Refer to “Risk Factors” herein.

Institutional Securities Lending Activities

The Institutional Securities business segment lending activities include Corporate, Secured lending facilities, Commercial real estate and Securities-based lending and Other. Over 90% of our total lending exposure, which consists of loans and lending commitments, is investment grade and/or secured by collateral.

Corporate comprises relationship and event-driven loans and lending commitments, which typically consist of revolving lines of credit, term loans and bridge loans; may have varying terms; may be senior or subordinated; may be secured or unsecured; are generally contingent upon representations, warranties and contractual conditions applicable to the borrower; and may be syndicated, traded or hedged. For additional information on event-driven loans, see “Institutional Securities Event-Driven Loans and Lending Commitments” herein.

Secured lending facilities include loans provided to clients, which are collateralized by various assets including residential and commercial real estate mortgage loans, corporate loans, and other assets. These facilities generally provide for overcollateralization. Credit risk with respect to these loans and lending commitments arises from the failure of a borrower to perform according to the terms of the loan agreement and/or a decline in the underlying collateral value. The Firm monitors collateral levels against the requirements of lending agreements.

Commercial real estate loans are primarily senior, secured by underlying real estate and typically in term loan form. In addition, as part of certain of its trading and securitization activities, Institutional Securities may also hold residential real estate loans.

Securities-based lending and Other includes financing extended to sales and trading customers and corporate loans purchased in the secondary market.

Institutional Securities Event-Driven Loans and Lending Commitments

	At September 30, 2020				
	Contractual Years to Maturity				
$ in millions	Less than 1	1-3	3-5	Over 5	Total
Loans, net of ACL	**$ 1,891**	**$ 1,185**	**$ 710**	**$ 1,216**	**$ 5,002**
Lending commitments	**2,346**	**5,088**	**2,257**	**3,697**	**13,388**
Total exposure	**$ 4,237**	**$ 6,273**	**$ 2,967**	**$ 4,913**	**$18,390**

	At December 31, 2019				
	Contractual Years to Maturity				
$ in millions	Less than 1	1-3	3-5	Over 5	Total
Loans, net of ACL	$ 1,194	$ 1,024	$ 839	$ 390	$ 3,447
Lending commitments	7,921	5,012	2,285	3,090	18,308
Total exposure	$ 9,115	$ 6,036	$ 3,124	$ 3,480	$21,755

Event-driven loans and lending commitments are associated with a particular event or transaction, such as to support client merger, acquisition, recapitalization or project finance activities. Balances may fluctuate as such lending is related to transactions that vary in timing and size from period to period.

Institutional Securities Loans and Lending Commitments Held for Investment

	At September 30, 2020		
$ in millions	Loans	Lending Commitments	Total
Corporate	**$ 7,628**	**$ 65,358**	**$ 72,986**
Secured lending facilities	**26,496**	**8,122**	**34,618**
Commercial real estate	**7,265**	**286**	**7,551**
Other	**1,277**	**1,178**	**2,455**
Total, before ACL	**$ 42,666**	**$ 74,944**	**$ 117,610**
ACL	**$ (806)**	**$ (342)**	**$ (1,148)**

	At December 31, 2019		
$ in millions	Loans	Lending Commitments	Total
Corporate	$ 5,426	$ 61,716	$ 67,142
Secured lending facilities	24,502	6,105	30,607
Commercial real estate	7,859	425	8,284
Other	503	832	1,335
Total, before ACL	$ 38,290	$ 69,078	$ 107,368
ACL	$ (297)	$ (236)	$ (533)

Institutional Securities Allowance for Credit Losses—Loans and Lending Commitments

$ in millions	Corporate	Secured lending facilities	Commercial real estate	Other	Total
At December 31, 2019					
ACL—Loans	$ 115	$ 101	$ 75	$ 6	$ 297
ACL—Lending commitments	$ 201	$ 27	$ 7	$ 1	$ 236
Total	$ 316	$ 128	$ 82	$ 7	$ 533
Effect of CECL adoption	**(43)**	**(53)**	**35**	**3**	**(58)**
Gross charge-offs	**(33)**	**—**	**(26)**	**—**	**(59)**
Recoveries	**3**	**—**	**—**	**2**	**5**
Net (charge-offs) recoveries	**(30)**	**—**	**(26)**	**2**	**(54)**
Provision (release)[1]	**400**	**155**	**180**	**(16)**	**719**
Other	**3**	**1**	**(38)**	**42**	**8**
Total at September 30, 2020	**$ 646**	**$ 231**	**$ 233**	**$ 38**	**$ 1,148**
ACL—Loans	**$ 367**	**$ 191**	**$ 222**	**$ 26**	**$ 806**
ACL—Lending commitments	**279**	**40**	**11**	**12**	**342**

1. In the current quarter, the provision for loan losses was $66 million and the provision for losses on lending commitments was $47 million. In the current year period, the provision for loan losses was $562 million and the provision for losses on lending commitments was $157 million.

Institutional Securities HFI Loans—Ratios of Allowance for Credit Losses to Balance Before Allowance

	At September 30, 2020	At December 31, 2019
Corporate	**4.8%**	2.1%
Secured lending facilities	**0.7%**	0.4%
Commercial real estate	**3.1%**	1.0%
Other	**2.0%**	1.2%
Total Institutional Securities loans	**1.9%**	0.8%

Wealth Management Loans and Lending Commitments

	At September 30, 2020				
	Contractual Years to Maturity				
$ in millions	Less than 1	1-3	3-5	Over 5	Total
Securities-based lending and Other	**$ 49,714**	**$ 4,411**	**$ 1,869**	**$ 1,680**	**$ 57,674**
Residential real estate	**11**	**4**	**1**	**33,612**	**33,628**
Total loans, net of ACL	**$ 49,725**	**$ 4,415**	**$ 1,870**	**$35,292**	**$ 91,302**
Lending commitments	**11,797**	**2,240**	**326**	**269**	**14,632**
Total exposure	**$ 61,522**	**$ 6,655**	**$ 2,196**	**$35,561**	**$105,934**

	At December 31, 2019				
	Contractual Years to Maturity				
$ in millions	Less than 1	1-3	3-5	Over 5	Total
Securities-based lending and Other	$ 41,863	$ 3,972	$ 2,783	$ 1,284	$ 49,902
Residential real estate	13	11	—	30,149	30,173
Total loans, net of ACL	$ 41,876	$ 3,983	$ 2,783	$31,433	$ 80,075
Lending commitments	10,219	2,564	71	307	13,161
Total exposure	$ 52,095	$ 6,547	$ 2,854	$31,740	$ 93,236

The principal Wealth Management business segment lending activities include securities-based lending and residential real estate loans.

Securities-based lending allows clients to borrow money against the value of qualifying securities, generally for any purpose other than purchasing, trading or carrying securities, or refinancing margin debt. For more information about our securities-based lending and residential real estate loans, see “Quantitative and Qualitative Disclosures about Risk—Credit Risk” in the 2019 Form 10-K.

For the current year period, Loans and Lending commitments associated with the Wealth Management business segment increased, driven by securities-based loans and residential real estate loans.

Wealth Management Allowance for Credit Losses—Loans and Lending Commitments

$ in millions	
December 31, 2019[1]	$ 57
Effect of CECL adoption	**17**
Provision[2]	**38**
September 30, 2020	**$ 112**
ACL—Loans	**$ 107**
ACL—Lending commitments	**5**

1. At December 31, 2019, the total ACL for Loans and Lending commitments was $52 million and $5 million, respectively.
2. In the current quarter, the release for loan losses was $3 million and the provision for losses on lending commitments was $1 million. In the current year period the provision for loan losses was $39 million and the release for losses on lending commitments was $1 million.

At September 30, 2020, more than 75% of Wealth Management residential real estate loans were to borrowers with “Exceptional” or “Very Good” FICO scores (*i.e.*, exceeding 740). Additionally, Wealth Management’s securities-based lending portfolio remains well-collateralized and subject to daily client margining, which includes requiring customers to deposit additional collateral, or reduce debt positions, when necessary.

Customer and Other Receivables

Margin Loans

	At September 30, 2020		
$ in millions	IS	WM	Total
Customer receivables representing margin loans	**$ 35,604**	**$ 9,054**	**$ 44,658**

	At December 31, 2019		
$ in millions	IS	WM	Total
Customer receivables representing margin loans	$ 22,216	$ 9,700	$ 31,916

The Institutional Securities and Wealth Management business segments provide margin lending arrangements, which allow customers to borrow against the value of qualifying securities, primarily for the purpose of purchasing additional securities, as well as to collateralize short positions. Margin lending activities generally have lower credit risk due to the value of collateral held and their short-term nature. Amounts may fluctuate from period to period as overall client balances change as a result of market levels, client positioning and leverage.

Employee Loans

$ in millions	At September 30, 2020	At December 31, 2019
Currently employed by the Firm	**$ 2,940**	N/A
No longer employed by the Firm	**142**	N/A
Employee loans	**$ 3,082**	$ 2,980
ACL[1]	**(165)**	(61)
Employee loans, net of ACL	**$ 2,917**	$ 2,919
Remaining repayment term, weighted average in years	**5.1**	4.8

1. The change in ACL includes a $124 million increase due to the adoption of CECL on January 1, 2020.

Employee loans are granted in conjunction with a program established primarily to recruit certain Wealth Management representatives and are full recourse and generally require periodic repayments. The ACL as of September 30, 2020 was calculated under CECL, while the ACL at December 31, 2019 was calculated under the prior incurred loss model. The related provision is recorded in Compensation and benefits expense in the income statements. See Note 2 to the financial statements for a description of the CECL allowance methodology, including credit quality indicators, for employee loans. For additional information on employee loans, see Note 10 to the financial statements.

Derivatives

Fair Value of OTC Derivative Assets

	Counterparty Credit Rating[1]					
$ in millions	AAA	AA	A	BBB	NIG	Total
At September 30, 2020						
Less than 1 year	**$ 667**	**$ 10,653**	**$ 36,327**	**$ 23,017**	**$ 10,481**	**$ 81,145**
1-3 years	**641**	**5,332**	**17,817**	**13,616**	**7,196**	**44,602**
3-5 years	**389**	**5,091**	**11,562**	**8,447**	**3,648**	**29,137**
Over 5 years	**4,496**	**34,274**	**87,181**	**64,958**	**16,119**	**207,028**
Total, gross	**$ 6,193**	**$ 55,350**	**$ 152,887**	**$ 110,038**	**$ 37,444**	**$ 361,912**
Counterparty netting	**(3,107)**	**(42,447)**	**(122,838)**	**(83,836)**	**(22,686)**	**(274,914)**
Cash and securities collateral	**(2,897)**	**(10,830)**	**(25,423)**	**(20,621)**	**(8,865)**	**(68,636)**
Total, net	**$ 189**	**$ 2,073**	**$ 4,626**	**$ 5,581**	**$ 5,893**	**$ 18,362**

	Counterparty Credit Rating[1]					
$ in millions	AAA	AA	A	BBB	NIG	Total
At December 31, 2019						
Less than 1 year	$ 371	$ 9,195	$ 31,789	$ 22,757	$ 6,328	$ 70,440
1-3 years	378	5,150	17,707	11,495	9,016	43,746
3-5 years	502	4,448	9,903	6,881	3,421	25,155
Over 5 years	3,689	24,675	70,765	40,542	14,587	154,258
Total, gross	$ 4,940	$ 43,468	$ 130,164	$ 81,675	$ 33,352	$ 293,599
Counterparty netting	(2,172)	(33,521)	(103,452)	(62,345)	(19,514)	(221,004)
Cash and securities collateral	(2,641)	(8,134)	(22,319)	(14,570)	(10,475)	(58,139)
Total, net	$ 127	$ 1,813	$ 4,393	$ 4,760	$ 3,363	$ 14,456

$ in millions	At September 30, 2020	At December 31, 2019
Industry		
Utilities	**$ 4,407**	$ 4,275
Financials	**4,394**	3,448
Industrials	**1,796**	914
Healthcare	**1,442**	991
Regional governments	**966**	791
Information technology	**901**	659
Not-for-profit organizations	**796**	657
Energy	**775**	524
Materials	**590**	325
Sovereign governments	**549**	403
Consumer staples	**385**	129
Consumer discretionary	**371**	370
Communications services	**325**	381
Insurance	**302**	214
Real estate	**287**	315
Other	**76**	60
Total	**$ 18,362**	$ 14,456

1. Counterparty credit ratings are determined internally by CRM.

We are exposed to credit risk as a dealer in OTC derivatives. Credit risk with respect to derivative instruments arises from the possibility that a counterparty may fail to perform according to the terms of the contract. In the current year period, our exposure to credit risk arising from OTC derivatives has increased, primarily as a function of the effect of market factors and volatility on the valuation of our positions, although exposure has declined since peaking in March 2020. For more information on derivatives, see "Quantitative and Qualitative Disclosures about Risk—Credit Risk—Derivatives" in the 2019 Form 10-K and Note 7 to the financial statements.

Country Risk

Country risk exposure is the risk that events in, or that affect, a foreign country (any country other than the U.S.) might adversely affect us. We actively manage country risk exposure through a comprehensive risk management framework that combines credit and market fundamentals and allows us to effectively identify, monitor and limit country risk. For a further discussion of our country risk exposure see, "Quantitative and Qualitative Disclosures about Risk—Country and Other Risks" in the 2019 Form 10-K.

Our sovereign exposures consist of financial contracts and obligations entered into with sovereign and local governments. Our non-sovereign exposures consist of financial contracts and obligations entered into primarily with corporations and financial institutions. Index credit derivatives are included in the following country risk exposure table. Each reference entity within an index is allocated to that reference entity's country of risk. Index exposures are allocated to the underlying reference entities in proportion to the notional weighting of each reference entity in the index, adjusted for any fair value receivable or payable for that reference entity. Where credit risk crosses multiple jurisdictions, for example, a CDS purchased from an issuer in a specific country that references bonds issued by an entity in a different country, the fair value of the CDS is reflected in the Net Counterparty Exposure row based on the country of the CDS issuer. Further, the notional amount of the CDS adjusted for the fair value of the receivable or payable is reflected in the Net Inventory row based on the country of the underlying reference entity.

Top 10 Non-U.S. Country Exposures at September 30, 2020

United Kingdom

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	$ 1,145	$ 928	$ 2,073
Net counterparty exposure[2]	69	11,183	11,252
Loans	—	2,831	2,831
Lending commitments	—	6,607	6,607
Exposure before hedges	1,214	21,549	22,763
Hedges[3]	(311)	(1,470)	(1,781)
Net exposure	$ 903	$ 20,079	$ 20,982

Germany

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	$ (1,168)	$ (14)	$ (1,182)
Net counterparty exposure[2]	214	3,280	3,494
Loans	—	2,092	2,092
Lending commitments	(1)	4,428	4,427
Exposure before hedges	(955)	9,786	8,831
Hedges[3]	(286)	(867)	(1,153)
Net exposure	$ (1,241)	$ 8,919	$ 7,678

Japan

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	$ 2,182	$ 512	$ 2,694
Net counterparty exposure[2]	57	4,505	4,562
Loans	—	562	562
Exposure before hedges	2,239	5,579	7,818
Hedges[3]	(96)	(228)	(324)
Net exposure	$ 2,143	$ 5,351	$ 7,494

France

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	$ 1,214	$ (334)	$ 880
Net counterparty exposure[2]	18	3,444	3,462
Loans	—	525	525
Lending commitments	—	3,047	3,047
Exposure before hedges	1,232	6,682	7,914
Hedges[3]	(6)	(815)	(821)
Net exposure	$ 1,226	$ 5,867	$ 7,093

Spain

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	$ (809)	$ 28	$ (781)
Net counterparty exposure[2]	7	284	291
Loans	—	4,061	4,061
Lending commitments	—	620	620
Exposure before hedges	(802)	4,993	4,191
Hedges[3]	—	(123)	(123)
Net exposure	$ (802)	$ 4,870	$ 4,068

Australia

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	$ 1,893	$ 261	$ 2,154
Net counterparty exposure[2]	6	637	643
Loans	—	392	392
Lending commitments	—	798	798
Exposure before hedges	1,899	2,088	3,987
Hedges[3]	—	(174)	(174)
Net exposure	$ 1,899	$ 1,914	$ 3,813

India

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	$ 1,795	$ 595	$ 2,390
Net counterparty exposure[2]	—	821	821
Loans	—	205	205
Exposure before hedges	1,795	1,621	3,416
Net exposure	$ 1,795	$ 1,621	$ 3,416

China

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	$ (184)	$ 1,506	$ 1,322
Net counterparty exposure[2]	103	481	584
Loans	—	772	772
Lending commitments	—	765	765
Exposure before hedges	(81)	3,524	3,443
Hedges[3]	(82)	(122)	(204)
Net exposure	$ (163)	$ 3,402	$ 3,239

Canada

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	$ (66)	$ 330	$ 264
Net counterparty exposure[2]	60	1,477	1,537
Loans	—	155	155
Lending commitments	—	1,380	1,380
Exposure before hedges	(6)	3,342	3,336
Hedges[3]	—	(108)	(108)
Net exposure	$ (6)	$ 3,234	$ 3,228

Netherlands

$ in millions	Sovereigns	Non-sovereigns	Total
Net inventory[1]	$ (5)	$ 280	$ 275
Net counterparty exposure[2]	—	760	760
Loans	—	420	420
Lending commitments	—	1,768	1,768
Exposure before hedges	(5)	3,228	3,223
Hedges[3]	(32)	(210)	(242)
Net exposure	$ (37)	$ 3,018	$ 2,981

1. Net inventory represents exposure to both long and short single-name and index positions (*i.e.*, bonds and equities at fair value and CDS based on a notional amount assuming zero recovery adjusted for the fair value of any receivable or payable).
2. Net counterparty exposure (*e.g.*, repurchase transactions, securities lending and OTC derivatives) is net of the benefit of collateral received and also is net by counterparty when legally enforceable master netting agreements are in place. For more information, see "Additional Information—Top 10 Non-U.S. Country Exposures" herein.
3. Amounts represent net CDS hedges (purchased and sold) on net counterparty exposure and lending executed by trading desks responsible for hedging counterparty and lending credit risk exposures. Amounts are based on the CDS notional amount assuming zero recovery adjusted for any fair value receivable or payable. For further description of the contractual terms for purchased credit protection and whether they may limit the effectiveness of our hedges, see "Quantitative and Qualitative Disclosures about Risk—Credit Risk—Derivatives" in the 2019 Form 10-K.

Additional Information—Top 10 Non-U.S. Country Exposures

Collateral Held against Net Counterparty Exposure[1]

$ in millions		At September 30, 2020
Country of Risk	**Collateral[2]**	
Germany	Japan and France	$ 13,464
United Kingdom	U.K., U.S. and Spain	12,093
Other	Japan, U.S. and Canada	23,884

1. The benefit of collateral received is reflected in the Top 10 Non-U.S. Country Exposures at September 30, 2020.
2. Primarily consists of cash as well as government obligations of the countries listed.

Country Risk Exposures Related to the U.K.

At September 30, 2020, our country risk exposures in the U.K. included net exposures of $20,982 million (as shown in the Top 10 Non-U.S. Country Exposures table) and overnight deposits of $6,168 million. The $20,079 million of exposures to non-sovereigns were diversified across both names and sectors and include $6,753 million to U.K.-focused counterparties that generate more than one-third of their revenues in the U.K., $5,163 million to geographically diversified counterparties, and $7,273 million to exchanges and clearinghouses.

Operational Risk

Operational risk refers to the risk of loss, or of damage to our reputation, resulting from inadequate or failed processes or systems, from human factors or from external events (*e.g.*, fraud, theft, legal and compliance risks, cyber attacks or damage to physical assets). We may incur operational risk across the full scope of our business activities, including revenue-generating activities (*e.g.*, sales and trading) and support and control groups (*e.g.*, information technology and trade processing). For a further discussion about our operational risk, see "Quantitative and Qualitative Disclosures about Risk—Operational Risk" in the 2019 Form 10-K. In addition, for further information on market and economic conditions and their effects on risk in general, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Executive Summary—Coronavirus Disease (COVID-19) Pandemic" and "Risk Factors" herein.

Model Risk

Model risk refers to the potential for adverse consequences from decisions based on incorrect or misused model outputs. Model risk can lead to financial loss, poor business and strategic decision making or damage to our reputation. The risk inherent in a model is a function of the materiality, complexity and uncertainty around inputs and assumptions. Model risk is generated from the use of models impacting financial statements, regulatory filings, capital adequacy assessments and the formulation of strategy. For a further discussion about our model risk, see "Quantitative and Qualitative Disclosures about Risk—Model Risk" in the 2019 Form 10-K.

Liquidity Risk

Liquidity risk refers to the risk that we will be unable to finance our operations due to a loss of access to the capital markets or difficulty in liquidating our assets. Liquidity risk also encompasses our ability (or perceived ability) to meet our financial obligations without experiencing significant business disruption or reputational damage that may threaten our viability as a going concern. For a further discussion about our liquidity risk, see "Quantitative and Qualitative Disclosures about Risk—Liquidity Risk" in the 2019 Form 10-K and "Management's Discussion and Analysis of Financial Condition and Results of

Operations—Liquidity and Capital Resources" herein. In addition, for further information on market and economic conditions and their effects on risk in general, see "Risk Factors" herein.

Legal and Compliance Risk

Legal and compliance risk includes the risk of legal or regulatory sanctions, material financial loss, including fines, penalties, judgments, damages and/or settlements, or loss to reputation that we may suffer as a result of failure to comply with laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to our business activities. This risk also includes contractual and commercial risk, such as the risk that a counterparty's performance obligations will be unenforceable. It also includes compliance with AML, terrorist financing, and anti-corruption rules and regulations. For a further discussion about our legal and compliance risk, see "Quantitative and Qualitative Disclosures about Risk—Legal and Compliance Risk" in the 2019 Form 10-K.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Morgan Stanley:

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheet of Morgan Stanley and subsidiaries (the "Firm") as of September 30, 2020, and the related condensed consolidated income statements, comprehensive income statements, and statements of changes in total equity for the three-month and nine-month periods ended September 30, 2020 and 2019, and the cash flow statements for the nine-month periods ended September 30, 2020 and 2019, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Firm as of December 31, 2019, and the related consolidated income statement, comprehensive income statement, cash flow statement and statement of changes in total equity for the year then ended (not presented herein) included in the Firm's Annual Report on Form 10-K; and in our report dated February 27, 2020, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2019 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This interim financial information is the responsibility of the Firm's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Firm in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Deloitte & Touche LLP
New York, New York
November 3, 2020

Consolidated Income Statements (Unaudited)

in millions, except per share data	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Revenues				
Investment banking	**$ 1,826**	$ 1,635	**$ 5,239**	$ 4,467
Trading	**3,092**	2,608	**10,831**	8,781
Investments	**346**	87	**659**	801
Commissions and fees	**1,037**	990	**3,499**	2,935
Asset management	**3,664**	3,363	**10,346**	9,632
Other	**206**	131	**(458)**	685
Total non-interest revenues	**10,171**	8,814	**30,116**	27,301
Interest income	**2,056**	4,350	**7,917**	13,146
Interest expense	**570**	3,132	**3,475**	9,885
Net interest	**1,486**	1,218	**4,442**	3,261
Net revenues	**11,657**	10,032	**34,558**	30,562
Non-interest expenses				
Compensation and benefits	**5,086**	4,427	**15,404**	13,609
Brokerage, clearing and exchange fees	**697**	637	**2,153**	1,860
Information processing and communications	**616**	557	**1,768**	1,627
Professional services	**542**	531	**1,526**	1,582
Occupancy and equipment	**373**	353	**1,103**	1,053
Marketing and business development	**78**	157	**273**	460
Other	**778**	660	**2,343**	1,803
Total non-interest expenses	**8,170**	7,322	**24,570**	21,994
Income before provision for income taxes	**3,487**	2,710	**9,988**	8,568
Provision for income taxes	**736**	492	**2,221**	1,636
Net income	**$ 2,751**	$ 2,218	**$ 7,767**	$ 6,932
Net income applicable to noncontrolling interests	**34**	45	**156**	129
Net income applicable to Morgan Stanley	**$ 2,717**	$ 2,173	**$ 7,611**	$ 6,803
Preferred stock dividends	**120**	113	**377**	376
Earnings applicable to Morgan Stanley common shareholders	**$ 2,597**	$ 2,060	**$ 7,234**	$ 6,427
Earnings per common share				
Basic	**$ 1.68**	$ 1.28	**$ 4.68**	$ 3.94
Diluted	**$ 1.66**	$ 1.27	**$ 4.62**	$ 3.89
Average common shares outstanding				
Basic	**1,542**	1,604	**1,546**	1,632
Diluted	**1,566**	1,627	**1,565**	1,653

See Notes to Consolidated Financial Statements

Consolidated Comprehensive Income Statements (Unaudited)

$ in millions	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net income	**$ 2,751**	$ 2,218	**$ 7,767**	$ 6,932
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	**110**	(99)	**(1)**	(56)
Change in net unrealized gains (losses) on available-for-sale securities	**(62)**	214	**1,558**	1,252
Pension, postretirement and other	**5**	3	**29**	7
Change in net debt valuation adjustment	**(563)**	337	**744**	(529)
Total other comprehensive income (loss)	**$ (510)**	$ 455	**$ 2,330**	$ 674
Comprehensive income	**$ 2,241**	$ 2,673	**$ 10,097**	$ 7,606
Net income applicable to noncontrolling interests	**34**	45	**156**	129
Other comprehensive income (loss) applicable to noncontrolling interests	**28**	2	**79**	(20)
Comprehensive income applicable to Morgan Stanley	**$ 2,179**	$ 2,626	**$ 9,862**	$ 7,497

Consolidated Balance Sheets

Morgan Stanley

$ in millions, except share data	(Unaudited) At September 30, 2020	At December 31, 2019
Assets		
Cash and cash equivalents	**$ 94,772**	$ 82,171
Trading assets at fair value (**$122,933** and $128,386 were pledged to various parties)	**293,968**	297,110
Investment securities (includes **$84,536** and $62,223 at fair value)	**130,705**	105,725
Securities purchased under agreements to resell (includes **$15** and $4 at fair value)	**88,283**	88,224
Securities borrowed	**100,803**	106,549
Customer and other receivables	**72,537**	55,646
Loans:		
Held for investment (net of allowance of **$913** and $349)	**133,156**	118,060
Held for sale	**13,081**	12,577
Goodwill	**7,348**	7,143
Intangible assets (net of accumulated amortization of **$3,442** and $3,204)	**1,880**	2,107
Other assets	**19,407**	20,117
Total assets	**$ 955,940**	$ 895,429
Liabilities		
Deposits (includes **$3,679** and $2,099 at fair value)	**$ 239,253**	$ 190,356
Trading liabilities at fair value	**145,016**	133,356
Securities sold under agreements to repurchase (includes **$1,166** and $733 at fair value)	**41,376**	54,200
Securities loaned	**7,924**	8,506
Other secured financings (includes **$10,185** and $7,809 at fair value)	**13,857**	14,698
Customer and other payables	**192,300**	197,834
Other liabilities and accrued expenses	**22,952**	21,155
Borrowings (includes **$69,144** and $64,461 at fair value)	**203,444**	192,627
Total liabilities	**866,122**	812,732
Commitments and contingent liabilities (see Note 14)		
Equity		
Morgan Stanley shareholders' equity:		
Preferred stock	**8,520**	8,520
Common stock, $0.01 par value:		
Shares authorized: **3,500,000,000**; Shares issued: **2,038,893,979**; Shares outstanding: **1,576,447,988** and 1,593,973,680	**20**	20
Additional paid-in capital	**24,015**	23,935
Retained earnings	**76,061**	70,589
Employee stock trusts	**2,992**	2,918
Accumulated other comprehensive income (loss)	**(537)**	(2,788)
Common stock held in treasury at cost, $0.01 par value (**462,445,991** and 444,920,299 shares)	**(19,685)**	(18,727)
Common stock issued to employee stock trusts	**(2,992)**	(2,918)
Total Morgan Stanley shareholders' equity	**88,394**	81,549
Noncontrolling interests	**1,424**	1,148
Total equity	**89,818**	82,697
Total liabilities and equity	**$ 955,940**	$ 895,429

Consolidated Statements of Changes in Total Equity (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	**2020**	2019	**2020**	2019
Preferred Stock				
Beginning and ending balance	**$ 8,520**	$ 8,520	**$ 8,520**	$ 8,520
Common Stock				
Beginning and ending balance	**20**	20	**20**	20
Additional Paid-in Capital				
Beginning balance	23,782	23,446	23,935	23,794
Share-based award activity	**232**	196	**79**	(154)
Other net increases	**1**	7	**1**	9
Ending balance	**24,015**	23,649	**24,015**	23,649
Retained Earnings				
Beginning balance	74,015	67,588	70,589	64,175
Cumulative adjustments for accounting changes[1]	**—**	—	**(100)**	63
Net income applicable to Morgan Stanley	**2,717**	2,173	**7,611**	6,803
Preferred stock dividends[2]	**(120)**	(113)	**(377)**	(376)
Common stock dividends[2]	**(551)**	(577)	**(1,662)**	(1,594)
Ending balance	**76,061**	69,071	**76,061**	69,071
Employee Stock Trusts				
Beginning balance	3,018	2,889	2,918	2,836
Share-based award activity	**(26)**	(24)	**74**	29
Ending balance	**2,992**	2,865	**2,992**	2,865
Accumulated Other Comprehensive Income (Loss)				
Beginning balance	1	(2,051)	(2,788)	(2,292)
Net change in Accumulated other comprehensive income (loss)	**(538)**	453	**2,251**	694
Ending balance	**(537)**	(1,598)	**(537)**	(1,598)
Common Stock Held In Treasury at Cost				
Beginning balance	(19,693)	(15,799)	(18,727)	(13,971)
Share-based award activity	**38**	57	**882**	1,138
Repurchases of common stock and employee tax withholdings	**(30)**	(1,538)	**(1,840)**	(4,447)
Ending balance	**(19,685)**	(17,280)	**(19,685)**	(17,280)
Common Stock Issued to Employee Stock Trusts				
Beginning balance	(3,018)	(2,889)	(2,918)	(2,836)
Share-based award activity	**26**	24	**(74)**	(29)
Ending balance	**(2,992)**	(2,865)	**(2,992)**	(2,865)
Non-Controlling Interests				
Beginning balance	1,364	1,121	1,148	1,160
Net income applicable to non-controlling interests	**34**	45	**156**	129
Net change in Accumulated other comprehensive income (loss) applicable to non-controlling interests	**28**	2	**79**	(20)
Other net increases (decreases)	**(2)**	—	**41**	(101)
Ending balance	**1,424**	1,168	**1,424**	1,168
Total Equity	**$ 89,818**	$ 83,550	**$ 89,818**	$ 83,550

1. See Notes 2 and 17 for further information regarding cumulative adjustments for accounting changes.
2. See Note 17 for information regarding dividends per share for each class of stock.

Consolidated Cash Flow Statements (Unaudited)

Morgan Stanley

$ in millions	Nine Months Ended September 30, 2020	2019
Cash flows from operating activities		
Net income	**$ 7,767**	$ 6,932
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Stock-based compensation expense	**802**	825
Depreciation and amortization	**2,363**	1,987
Provision for (Release of) credit losses on lending activities	**757**	104
Other operating adjustments	**663**	(114)
Changes in assets and liabilities:		
Trading assets, net of Trading liabilities	**18,442**	17,036
Securities borrowed	**5,746**	(16,088)
Securities loaned	**(582)**	(2,217)
Customer and other receivables and other assets	**(17,098)**	(5,135)
Customer and other payables and other liabilities	**(5,818)**	22,721
Securities purchased under agreements to resell	**(59)**	5,155
Securities sold under agreements to repurchase	**(12,824)**	9,703
Net cash provided by (used for) operating activities	**159**	40,909
Cash flows from investing activities		
Proceeds from (payments for):		
Other assets—Premises, equipment and software, net	**(905)**	(1,460)
Changes in loans, net	**(13,592)**	(10,079)
Investment securities:		
Purchases	**(41,147)**	(35,078)
Proceeds from sales	**7,220**	13,561
Proceeds from paydowns and maturities	**11,240**	8,183
Other investing activities	**(254)**	(848)
Net cash provided by (used for) investing activities	**(37,438)**	(25,721)
Cash flows from financing activities		
Net proceeds from (payments for):		
Other secured financings	**229**	(587)
Deposits	**48,734**	(7,084)
Proceeds from issuance of Borrowings	**42,169**	23,697
Payments for:		
Borrowings	**(38,151)**	(30,391)
Repurchases of common stock and employee tax withholdings	**(1,840)**	(4,447)
Cash dividends	**(2,008)**	(2,082)
Other financing activities	**(208)**	(286)
Net cash provided by (used for) financing activities	**48,925**	(21,180)
Effect of exchange rate changes on cash and cash equivalents	**955**	(1,548)
Net increase (decrease) in cash and cash equivalents	**12,601**	(7,540)
Cash and cash equivalents, at beginning of period	**82,171**	87,196
Cash and cash equivalents, at end of period	**$ 94,772**	$ 79,656

	2020	2019
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	**$ 3,747**	$ 9,760
Income taxes, net of refunds	**1,675**	1,603

1. Introduction and Basis of Presentation

The Firm

Morgan Stanley is a global financial services firm that maintains significant market positions in each of its business segments—Institutional Securities, Wealth Management and Investment Management. Morgan Stanley, through its subsidiaries and affiliates, provides a wide variety of products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. Unless the context otherwise requires, the terms "Morgan Stanley" or the "Firm" mean Morgan Stanley (the "Parent Company") together with its consolidated subsidiaries. See the "Glossary of Common Terms and Acronyms" for the definition of certain terms and acronyms used throughout this Form 10-Q.

A description of the clients and principal products and services of each of the Firm's business segments is as follows:

Institutional Securities provides investment banking, sales and trading, lending and other services to corporations, governments, financial institutions and high to ultra-high net worth clients. Investment banking services consist of capital raising and financial advisory services, including services relating to the underwriting of debt, equity and other securities, as well as advice on mergers and acquisitions, restructurings, real estate and project finance. Sales and trading services include sales, financing, prime brokerage and market-making activities in the equity and fixed income businesses. Lending activities include originating corporate loans and commercial real estate loans, providing secured lending facilities, and extending financing to sales and trading customers. Other activities include Asia wealth management services, investments and research.

Wealth Management provides a comprehensive array of financial services and solutions to individual investors and small to medium-sized businesses and institutions covering: brokerage and investment advisory services; financial and wealth planning services; stock plan administration services; annuity and insurance products; securities-based lending, residential real estate loans and other lending products; banking; and retirement plan services.

Investment Management provides a broad range of investment strategies and products that span geographies, asset classes, and public and private markets to a diverse group of clients across institutional and intermediary channels. Strategies and products, which are offered through a variety of investment vehicles, include equity, fixed income, liquidity and alternative/other products. Institutional clients include defined benefit/defined contribution plans, foundations, endowments, government entities, sovereign wealth funds, insurance companies, third-party fund sponsors and corporations. Individual clients are generally served through intermediaries, including affiliated and non-affiliated distributors.

Basis of Financial Information

The financial statements are prepared in accordance with U.S. GAAP, which requires the Firm to make estimates and assumptions regarding the valuations of certain financial instruments, the valuations of goodwill and intangible assets, the outcome of legal and tax matters, deferred tax assets, ACL, and other matters that affect its financial statements and related disclosures. The Firm believes that the estimates utilized in the preparation of its financial statements are prudent and reasonable. Actual results could differ materially from these estimates.

Certain reclassifications have been made to prior periods to conform to the current presentation. The Notes are an integral part of the Firm's financial statements. The Firm has evaluated subsequent events for adjustment to or disclosure in these financial statements through the date of this report and has not identified any recordable or disclosable events not otherwise reported in these financial statements or the notes thereto.

The accompanying financial statements should be read in conjunction with the Firm's financial statements and notes thereto included in the 2019 Form 10-K. Certain footnote disclosures included in the 2019 Form 10-K have been condensed or omitted from these financial statements as they are not required for interim reporting under U.S. GAAP. The financial statements reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for the fair presentation of the results for the interim period. The results of operations for interim periods are not necessarily indicative of results for the entire year.

Consolidation

The financial statements include the accounts of the Firm, its wholly owned subsidiaries and other entities in which the Firm has a controlling financial interest, including certain VIEs (see Note 15). Intercompany balances and transactions have been eliminated. For consolidated subsidiaries that are not wholly owned, the third-party holdings of equity interests are referred to as noncontrolling interests. The net income attributable to noncontrolling interests for such subsidiaries is presented as Net income applicable to noncontrolling interests in the income statements. The portion of shareholders' equity that is attributable to noncontrolling interests for such subsidiaries is presented as noncontrolling interests, a component of Total equity, in the balance sheets.

For a discussion of the Firm's significant regulated U.S. and international subsidiaries and its involvement with VIEs, see Note 1 to the financial statements in the 2019 Form 10-K.

2. Significant Accounting Policies

For a detailed discussion about the Firm's significant accounting policies and for further information on accounting updates adopted in the prior year, see Note 2 to the financial statements in the 2019 Form 10-K.

During the nine months ended September 30, 2020 ("current year period"), there were no significant revisions to the Firm's significant accounting policies, other than for the accounting updates adopted.

Accounting Updates Adopted in 2020

Reference Rate Reform

The Firm adopted the *Reference Rate Reform* accounting update in the current year period. There was no impact to the Firm's financial statements upon initial adoption.

This accounting update provides optional accounting relief to entities with contracts, hedge accounting relationships or other transactions that reference LIBOR or other interest rate benchmarks for which the referenced rate is expected to be discontinued or replaced. The Firm is applying the accounting relief as relevant contract and hedge accounting relationship modifications are made during the course of the reference rate reform transition period. The optional relief generally allows for contract modifications solely related to the replacement of the reference rate to be accounted for as a continuation of the existing contract instead of as an extinguishment of the contract, and would therefore not trigger certain accounting impacts that would otherwise be required. It also allows entities to change certain critical terms of existing hedge accounting relationships that are affected by reference rate reform, and these changes would not require de-designating the hedge accounting relationship. The optional relief ends December 31, 2022.

Financial Instruments—Credit Losses

The Firm adopted the *Financial Instruments—Credit Losses* accounting update on January 1, 2020.

This accounting update impacted the impairment model for certain financial assets measured at amortized cost by requiring a CECL methodology to estimate expected credit losses over the entire life of the financial asset, recorded at inception or purchase. CECL replaced the loss model previously applicable to loans held for investment, HTM securities and other receivables carried at amortized cost, such as employee loans.

The update also eliminated the concept of other-than-temporary impairment for AFS securities and instead requires impairments on AFS securities to be recognized in earnings through an allowance when the fair value is less than amortized cost and a credit loss exists, and through a permanent reduction of the amortized cost basis when the securities are expected to be sold before recovery of amortized cost.

For certain portfolios, we determined that there are *de minimus* or zero expected credit losses, for example, for lending and financing transactions, such as Securities borrowed, Securities purchased under agreements to resell and certain other portfolios where collateral arrangements are being followed. Also, we have zero expected credit losses for certain financial assets based on the credit quality of the borrower or issuer, such as U.S. government and agency securities.

At transition on January 1, 2020, the adoption of this accounting standard resulted in an increase in the allowance for credit losses of $131 million with a corresponding reduction in Retained earnings of $100 million, net of tax. The adoption impact was primarily attributable to a $124 million increase in the allowance for credit losses on employee loans.

The following discussion highlights changes to the Firm's accounting policies as a result of this adoption.

Instruments Measured at Amortized Cost and Certain Off-Balance Sheet Credit Exposures

Allowance for Credit Losses

The ACL for financial instruments measured at amortized cost and certain off-balance sheet exposures (*e.g.,* HFI loans and lending commitments, HTM securities, customer and other receivables and certain guarantees) represents an estimate of expected credit losses over the entire life of the financial instrument.

Factors considered by management when determining the ACL include payment status, fair value of collateral, expected payments of principal and interest, as well as internal or external information relating to past events, current conditions and reasonable and supportable forecasts. The Firm's three forecasts include assumptions about certain macroeconomic variables including, but not limited to, U.S. gross domestic product, equity market indices, unemployment rates, as well as commercial real estate and home price indices. At the conclusion of the Firm's reasonable and supportable forecast period of 13 quarters, there is a gradual reversion back to historical averages.

The ACL is measured on a collective basis when similar risk characteristics exist for multiple instruments considering all available information relevant to assessing the collectability of cash flows. Generally, the Firm applies a probability of default/loss given default model for instruments that are collectively assessed, under which the ACL is calculated as the product of probability of default, loss given default and exposure at default. These parameters are forecast for each collective group of assets using a scenario-based statistical model and at the conclusion of the Firm's reasonable and supportable forecast period, the parameters gradually revert back to historical averages.

If the instrument does not share similar risk characteristics with other instruments, including when it is probable that the Firm will be unable to collect the full payment of principal and interest on the instrument when due, the ACL is measured on an individual basis. The Firm generally applies a discounted cash flow method for instruments that are individually assessed.

The Firm may also elect to use an approach that considers the fair value of the collateral when measuring the ACL if the loan is collateral dependent (*i.e.,* repayment of the loan is expected to be provided substantially by the sale or operation of the underlying collateral and the borrower is experiencing financial difficulty).

Additionally, the Firm can elect to use an approach to measure the ACL using the fair value of collateral where the borrower is required to, and reasonably expected to, continually adjust and replenish the amount of collateral securing the instrument to reflect changes in the fair value of such collateral. The Firm has elected to use this approach for certain securities-based loans, customer receivables representing margin loans, Securities purchased under agreements to resell and Securities borrowed.

Credit quality indicators considered in developing the ACL include:

- Corporate loans, Secured lending facilities, Commercial real estate loans and securities, and Other loans: Internal risk ratings developed by the Credit Risk Management Department which are refreshed at least annually, and more frequently as necessary. These ratings generally correspond to external ratings published by S&P. The Firm also considers transaction structure, including type of collateral, collateral terms, and position of the obligation within the capital structure. In addition, for Commercial real estate, the Firm considers property type and location, net operating income, LTV ratios, among others, as well as commercial real estate price and credit spread indices and capitalization rates.
- Residential real estate loans: Loan origination Fair Isaac Corporation ("FICO") credit scores as determined by independent credit agencies in the United States and loan-to-value ("LTV") ratios.
- Employee loans: Employment status, which includes those currently employed by the Firm and for which the Firm can deduct any unpaid amounts due to it through certain compensation arrangements; and those no longer employed by the Firm where such compensation arrangements are no longer applicable.

For Securities-based loans, the Firm generally measures the ACL based on the fair value of collateral.

Qualitative and environmental factors such as economic and business conditions, the nature and volume of the portfolio, and lending terms and the volume and severity of past due loans are also considered in the ACL calculations.

Presentation of ACL and Provision for Credit Losses

	ACL	Provision for credit losses
Instruments measured at amortized cost (*e.g.,* HFI loans, HTM securities and customer and other receivables)	Contra asset	Other revenue
Employee loans	Contra asset	Compensation and benefits expense
Off-balance sheet instruments (*e.g.,* HFI lending commitments and certain guarantees)	Other liabilities and accrued expenses	Other expense

Troubled Debt Restructurings ("TDRs")

The Firm may modify the terms of certain loans for economic or legal reasons related to a borrower's financial difficulties by granting one or more concessions that the Firm would not otherwise consider. Such modifications are accounted for and reported as a TDR, except for certain modifications related to the Coronavirus Disease ("COVID-19") as noted in "Modifications and Nonaccrual Status for Borrowers Impacted by COVID-19" herein. A loan that has been modified in a TDR is generally considered to be impaired and is evaluated individually. TDRs are also generally classified as nonaccrual and may be returned to accrual status only after the Firm expects repayment of the remaining contractual principal and interest and there is sustained repayment performance for a reasonable period.

Nonaccrual

The Firm places financial instruments on nonaccrual status if principal or interest is past due for a period of 90 days or more or payment of principal or interest is in doubt unless the obligation is well-secured and in the process of collection, or in certain cases when related to COVID-19 as noted in "Modifications and Nonaccrual Status for Borrowers Impacted by COVID-19" herein. For any instrument placed on nonaccrual status, the Firm reverses any unpaid interest accrued with an offsetting reduction to Interest income. Principal and interest payments received on nonaccrual instruments are applied to principal if there is doubt regarding the ultimate collectability of principal. If collection of the principal is not in doubt, interest income is realized on a cash basis. If neither principal nor interest collection is in doubt and the instruments are brought current, instruments are generally placed on accrual status and interest income is recognized using the effective interest method.

Modifications and Nonaccrual Status for Borrowers Impacted by COVID-19

In the first quarter of 2020, the Firm elected to apply the guidance issued by Congress in the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") as well as by the U.S. banking agencies stating that certain concessions granted to borrowers that are current on existing loans, either individually or as part of a program for creditworthy borrowers who are experiencing short-term financial or operational problems as a result of COVID-19, generally would not be considered TDRs.

Additionally, these loans generally would not be considered nonaccrual status unless collectability concerns exist despite the modification provided. For loans remaining on accrual status, the Firm elected to continue recognizing interest income during the modification periods.

ACL Write-offs

The Firm writes-off a financial instrument in the period that it is deemed uncollectible and records a reduction in the ACL and the balance of the financial instrument in the balance sheet. However, for accrued interest receivable balances that are separately recorded from the related financial instruments, the Firm's nonaccrual policy requires that accrued interest receivable be written off against Interest income when the related financial instrument is placed in nonaccrual status. Accordingly, the Firm elected not to measure an ACL for accrued interest receivables. However, in the case of loans which are modified as a result of COVID-19 and remain on accrual status due to the relief noted in "Modifications and Nonaccrual Status for Borrowers Impacted by COVID-19," accrued interest receivable balances are assessed for any required ACL.

Available-for-Sale ("AFS") Investment Securities

AFS securities are reported at fair value in the balance sheets. Interest income, including amortization of premiums and accretion of discounts, is included in Interest income in the Income statements. Unrealized gains are recorded in OCI and unrealized losses are recorded either in OCI or in Other revenues as described below.

AFS securities in an unrealized loss position are first evaluated to determine whether there is an intent to sell or it is more likely than not the Firm will be required to sell before recovery of the amortized cost basis. If so, the entire unrealized loss is recognized in Other revenues, as any previously established ACL is written off and the amortized cost basis is written down to the fair value of the security.

For all other AFS securities in an unrealized loss position, any portion of unrealized losses representing a credit loss is recognized in Other revenues and as an increase to the ACL for AFS securities, with the remainder of unrealized losses recognized in OCI. When considering whether a credit loss exists, relevant information as discussed in Note 2 of the 2019 Form 10-K is considered, except that with the adoption of *Financial Instruments—Credit Losses* in 2020, the length of time the fair value has been less than the amortized cost basis is no longer considered.

Presentation of ACL and Provision for Credit Losses

	ACL	Provision for credit losses
AFS securities	Contra Investment securities	Other revenue

Nonaccrual & ACL Write-Offs on AFS Securities

AFS securities follow the same nonaccrual and write-off guidance as discussed in "Instruments Measured at Amortized Cost and Certain Off-Balance Sheet Credit Exposures" herein, except as set forth in "Modifications and Nonaccrual Status for Borrowers Impacted by COVID-19."

Goodwill

The Firm completed its annual goodwill impairment testing as of July 1, 2020. The Firm's impairment testing did not indicate any goodwill impairment, as each of the Firm's reporting units with goodwill had a fair value that was in excess of its carrying value.

3. Acquisitions

Acquisition of E*TRADE

On October 2, 2020, the Firm completed the acquisition of 100% of E*TRADE Financial Corporation ("E*TRADE") in a stock-for-stock transaction, which is expected to increase the scale and breadth of the Wealth Management business segment. Given the recency of the closing, the purchase accounting analysis is still preliminary, however, the transaction is expected to result in the addition of approximately $77 billion in assets, inclusive of approximately $5 billion of Goodwill and $3 billion of Intangible assets. Total consideration for the transaction was approximately $11.9 billion, which principally consists of the $11 billion fair value of 233 million common shares issued from Common stock held in treasury, at an exchange ratio of 1.0432 per E*TRADE common share. In addition, the Firm issued Series M and Series N preferred shares with a fair value of approximately $0.7 billion in exchange for E*TRADE's existing preferred stock.

Planned Acquisition of Eaton Vance

On October 8, 2020, the Firm entered into a definitive agreement under which it will acquire Eaton Vance Corp. ("Eaton Vance") in a cash and stock transaction valued, as of the announcement, at approximately $7 billion, based on the closing price of the Firm's common stock and the number of Eaton Vance's fully diluted shares outstanding on October 7, 2020. Under the terms of the agreement, Eaton Vance common stockholders will receive $28.25 in cash and 0.5833 Morgan Stanley common shares for each Eaton Vance common share. In addition, Eaton Vance common shareholders will receive a one-time special cash dividend of $4.25 per share to be paid pre-closing by Eaton Vance. The acquisition is subject to customary closing conditions, and is expected to close in the second quarter of 2021.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of Cash and due from banks and Interest bearing deposits with banks. Cash equivalents are highly liquid investments with remaining maturities of three months or less from the acquisition date that are readily convertible to cash and are not held for trading purposes.

$ in millions	At September 30, 2020	At December 31, 2019
Cash and due from banks	$ 13,840	$ 6,763
Interest bearing deposits with banks	80,932	75,408
Total Cash and cash equivalents	**$ 94,772**	$ 82,171
Restricted cash	$ 37,186	$ 32,512

Cash and cash equivalents also include Restricted cash such as cash segregated in compliance with federal or other regulations, including minimum reserve requirements set by the Federal Reserve Bank and other central banks, and the Firm's initial margin deposited with clearing organizations.

5. Fair Values

Recurring Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	At September 30, 2020				
$ in millions	Level 1	Level 2	Level 3	Netting[1]	Total
Assets at fair value					
Trading assets:					
U.S. Treasury and agency securities	$ 41,488	$ 27,033	$ 122	$ —	$ 68,643
Other sovereign government obligations	31,171	5,909	10	—	37,090
State and municipal securities	—	1,479	—	—	1,479
MABS	—	999	443	—	1,442
Loans and lending commitments[2]	—	3,982	4,351	—	8,333
Corporate and other debt	—	27,158	2,727	—	29,885
Corporate equities[3]	102,975	655	135	—	103,765
Derivative and other contracts:					
Interest rate	2,784	239,900	1,114	—	243,798
Credit	—	9,138	768	—	9,906
Foreign exchange	16	67,016	152	—	67,184
Equity	1,244	65,115	1,127	—	67,486
Commodity and other	3,022	12,031	3,480	—	18,533
Netting[1]	(5,913)	(304,977)	(1,060)	(59,715)	(371,665)
Total derivative and other contracts	1,153	88,223	5,581	(59,715)	35,242
Investments[4]	664	144	821	—	1,629
Physical commodities	—	2,615	—	—	2,615
Total trading assets[4]	177,451	158,197	14,190	(59,715)	290,123
Investment securities—AFS	46,946	37,590	—	—	84,536
Securities purchased under agreements to resell	—	15	—	—	15
Total assets at fair value	$ 224,397	$ 195,802	$ 14,190	$ (59,715)	$ 374,674

	At September 30, 2020				
$ in millions	Level 1	Level 2	Level 3	Netting[1]	Total
Liabilities at fair value					
Deposits	$ —	$ 3,574	$ 105	$ —	$ 3,679
Trading liabilities:					
U.S. Treasury and agency securities	11,311	462	1	—	11,774
Other sovereign government obligations	25,589	1,513	—	—	27,102
Corporate and other debt	—	8,623	2	—	8,625
Corporate equities[3]	59,950	344	57	—	60,351
Derivative and other contracts:					
Interest rate	2,942	226,788	478	—	230,208
Credit	—	9,602	652	—	10,254
Foreign exchange	17	65,390	53	—	65,460
Equity	1,219	75,900	3,272	—	80,391
Commodity and other	3,025	10,304	1,676	—	15,005
Netting[1]	(5,913)	(304,977)	(1,060)	(52,204)	(364,154)
Total derivative and other contracts	1,290	83,007	5,071	(52,204)	37,164
Total trading liabilities	98,140	93,949	5,131	(52,204)	145,016
Securities sold under agreements to repurchase	—	718	448	—	1,166
Other secured financings	—	9,876	309	—	10,185
Borrowings	—	65,063	4,081	—	69,144
Total liabilities at fair value	$ 98,140	$ 173,180	$ 10,074	$ (52,204)	$ 229,190

	At December 31, 2019				
$ in millions	Level 1	Level 2	Level 3	Netting[1]	Total
Assets at fair value					
Trading assets:					
U.S. Treasury and agency securities	$ 36,866	$ 28,992	$ 22	$ —	$ 65,880
Other sovereign government obligations	23,402	4,347	5	—	27,754
State and municipal securities	—	2,790	1	—	2,791
MABS	—	1,690	438	—	2,128
Loans and lending commitments[2]	—	6,253	5,073	—	11,326
Corporate and other debt	—	22,124	1,396	—	23,520
Corporate equities[3]	123,942	652	97	—	124,691
Derivative and other contracts:					
Interest rate	1,265	182,977	1,239	—	185,481
Credit	—	6,658	654	—	7,312
Foreign exchange	15	64,260	145	—	64,420
Equity	1,219	48,927	922	—	51,068
Commodity and other	1,079	7,255	2,924	—	11,258
Netting[1]	(2,794)	(235,947)	(993)	(47,804)	(287,538)
Total derivative and other contracts	784	74,130	4,891	(47,804)	32,001
Investments[4]	481	252	858	—	1,591
Physical commodities	—	1,907	—	—	1,907
Total trading assets[4]	185,475	143,137	12,781	(47,804)	293,589
Investment securities—AFS	32,902	29,321	—	—	62,223
Securities purchased under agreements to resell	—	4	—	—	4
Total assets at fair value	$ 218,377	$ 172,462	$ 12,781	$ (47,804)	$ 355,816

$ in millions	At December 31, 2019 Level 1	Level 2	Level 3	Netting[1]	Total
Liabilities at fair value					
Deposits	$ —	$ 1,920	$ 179	$ —	$ 2,099
Trading liabilities:					
U.S. Treasury and agency securities	11,191	34	—	—	11,225
Other sovereign government obligations	21,837	1,332	1	—	23,170
Corporate and other debt	—	7,410	—	—	7,410
Corporate equities[3]	63,002	79	36	—	63,117
Derivative and other contracts:					
Interest rate	1,144	171,025	462	—	172,631
Credit	—	7,391	530	—	7,921
Foreign exchange	6	67,473	176	—	67,655
Equity	1,200	49,062	2,606	—	52,868
Commodity and other	1,194	7,118	1,312	—	9,624
Netting[1]	(2,794)	(235,947)	(993)	(42,531)	(282,265)
Total derivative and other contracts	750	66,122	4,093	(42,531)	28,434
Total trading liabilities	96,780	74,977	4,130	(42,531)	133,356
Securities sold under agreements to repurchase	—	733	—	—	733
Other secured financings	—	7,700	109	—	7,809
Borrowings	—	60,373	4,088	—	64,461
Total liabilities at fair value	$ 96,780	$ 145,703	$ 8,506	$ (42,531)	$ 208,458

MABS—Mortgage- and asset-backed securities
1. For positions with the same counterparty that cross over the levels of the fair value hierarchy, both counterparty netting and cash collateral netting are included in the column titled “Netting.” Positions classified within the same level that are with the same counterparty are netted within that level. For further information on derivative instruments and hedging activities, see Note 7.
2. For a further breakdown by type, see the following Detail of Loans and Lending Commitments at Fair Value table.
3. For trading purposes, the Firm holds or sells short equity securities issued by entities in diverse industries and of varying sizes.
4. Amounts exclude certain investments that are measured based on NAV per share, which are not classified in the fair value hierarchy. For additional disclosure about such investments, see “Net Asset Value Measurements” herein.

Detail of Loans and Lending Commitments at Fair Value[1]

$ in millions	At September 30, 2020	At December 31, 2019
Corporate	$ 14	$ 20
Secured lending facilities	445	951
Commercial Real Estate	769	2,098
Residential Real Estate	824	1,192
Securities-based lending and Other loans	6,281	7,065
Total	$ 8,333	$ 11,326

1. Loans previously classified as corporate have been further disaggregated; prior period balances have been revised to conform with current period presentation.

Unsettled Fair Value of Futures Contracts[1]

$ in millions	At September 30, 2020	At December 31, 2019
Customer and other receivables, net	$ 589	$ 365

1. These contracts are primarily Level 1, actively traded, valued based on quoted prices from the exchange and are excluded from the previous recurring fair value tables.

For a description of the valuation techniques applied to the Firm’s major categories of assets and liabilities measured at fair value on a recurring basis, see Note 3 to the financial statements in the 2019 Form 10-K. During the current quarter, there were no significant revisions made to the Firm’s valuation techniques.

Rollforward of Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis

$ in millions	Three Months Ended September 30, 2020	2019	Nine Months Ended September 30, 2020	2019
U.S. Treasury and agency securities				
Beginning balance	$ 97	$ 5	$ 22	$ 54
Realized and unrealized gains (losses)	(1)	—	—	—
Purchases	109	11	133	18
Sales	(36)	—	(42)	(54)
Net transfers	(47)	2	9	—
Ending balance	$ 122	$ 18	$ 122	$ 18
Unrealized gains (losses)	$ (1)	$ —	$ —	$ —
Other sovereign government obligations				
Beginning balance	$ 11	$ 10	$ 5	$ 17
Realized and unrealized gains (losses)	(1)	(3)	—	(2)
Purchases	1	2	8	13
Sales	(1)	(2)	(3)	(6)
Net transfers	—	5	—	(10)
Ending balance	$ 10	$ 12	$ 10	$ 12
Unrealized gains (losses)	$ —	$ (3)	$ —	$ (2)
State and municipal securities				
Beginning balance	$ —	$ 16	$ 1	$ 148
Sales	—	(2)	—	(43)
Net transfers	—	(13)	(1)	(104)
Ending balance	$ —	$ 1	$ —	$ 1
Unrealized gains (losses)	$ —	$ —	$ —	$ —
MABS				
Beginning balance	$ 379	$ 480	$ 438	$ 354
Realized and unrealized gains (losses)	13	(10)	(60)	(9)
Purchases	13	5	172	66
Sales	(54)	(58)	(162)	(157)
Settlements	—	—	—	(39)
Net transfers	92	(16)	55	186
Ending balance	$ 443	$ 401	$ 443	$ 401
Unrealized gains (losses)	$ 8	$ (8)	$ (35)	$ (38)
Loans and lending commitments				
Beginning balance	$ 4,068	$ 5,604	$ 5,073	$ 6,870
Realized and unrealized gains (losses)	20	(51)	(161)	3
Purchases and originations	846	852	1,926	1,934
Sales	(725)	(464)	(1,139)	(1,541)
Settlements	(285)	(811)	(1,907)	(2,130)
Net transfers[1]	427	(261)	559	(267)
Ending balance	$ 4,351	$ 4,869	$ 4,351	$ 4,869
Unrealized gains (losses)	$ 27	$ (55)	$ (137)	$ 283

$ in millions	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Corporate and other debt				
Beginning balance	$ 2,686	$ 1,364	$ 1,396	$ 1,076
Realized and unrealized gains (losses)	**(107)**	157	**(184)**	269
Purchases	**451**	341	**2,217**	632
Sales	**(325)**	(474)	**(425)**	(587)
Settlements	**—**	—	**(311)**	(7)
Net transfers	**22**	2	**34**	7
Ending balance	**$ 2,727**	$ 1,390	**$ 2,727**	$ 1,390
Unrealized gains (losses)	**$ (96)**	$ 114	**$ (186)**	$ 217
Corporate equities				
Beginning balance	$ 83	$ 98	$ 97	$ 95
Realized and unrealized gains (losses)	**32**	1	**—**	(41)
Purchases	**32**	5	**42**	44
Sales	**(27)**	(16)	**(27)**	(268)
Net transfers	**15**	15	**23**	273
Ending balance	**$ 135**	$ 103	**$ 135**	$ 103
Unrealized gains (losses)	**$ 39**	$ 7	**$ 14**	$ (38)
Investments				
Beginning balance	$ 759	$ 785	$ 858	$ 757
Realized and unrealized gains (losses)	**55**	(15)	**(6)**	19
Purchases	**7**	7	**37**	28
Sales	**(16)**	(7)	**(37)**	(43)
Net transfers	**16**	15	**(31)**	24
Ending balance	**$ 821**	$ 785	**$ 821**	$ 785
Unrealized gains (losses)	**$ 44**	$ (12)	**$ (19)**	$ 22
Net derivatives: Interest rate				
Beginning balance	$ 760	$ 816	$ 777	$ 618
Realized and unrealized gains (losses)	**(147)**	(40)	**(95)**	143
Purchases	**36**	69	**153**	132
Issuances	**(15)**	(11)	**(41)**	(22)
Settlements	**(31)**	2	**36**	16
Net transfers	**33**	(48)	**(194)**	(99)
Ending balance	**$ 636**	$ 788	**$ 636**	$ 788
Unrealized gains (losses)	**$ (139)**	$ 120	**$ (37)**	$ 214
Net derivatives: Credit				
Beginning balance	$ 131	$ (138)	$ 124	$ 40
Realized and unrealized gains (losses)	**(16)**	(183)	**11**	36
Purchases	**17**	44	**66**	103
Issuances	**(51)**	(19)	**(101)**	(162)
Settlements	**10**	389	**61**	90
Net transfers	**25**	12	**(45)**	(2)
Ending balance	**$ 116**	$ 105	**$ 116**	$ 105
Unrealized gains (losses)	**$ (16)**	$ 20	**$ 2**	$ 41

$ in millions	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net derivatives: Foreign exchange				
Beginning balance	$ 17	$ (29)	$ (31)	$ 75
Realized and unrealized gains (losses)	**86**	67	**202**	(83)
Purchases	**—**	—	**3**	—
Issuances	**(4)**	—	**(5)**	—
Settlements	**(9)**	5	**(27)**	—
Net transfers	**9**	9	**(43)**	60
Ending balance	**$ 99**	$ 52	**$ 99**	$ 52
Unrealized gains (losses)	**$ 75**	$ 79	**$ 136**	$ 26
Net derivatives: Equity				
Beginning balance	$ (1,884)	$ (1,715)	$ (1,684)	$ (1,485)
Realized and unrealized gains (losses)	**3**	(61)	**75**	59
Purchases	**19**	36	**192**	75
Issuances	**(181)**	(207)	**(706)**	(227)
Settlements	**(151)**	(56)	**(167)**	(173)
Net transfers	**49**	622	**145**	370
Ending balance	**$ (2,145)**	$ (1,381)	**$ (2,145)**	$ (1,381)
Unrealized gains (losses)	**$ 32**	$ (86)	**$ (143)**	$ 81
Net derivatives: Commodity and other				
Beginning balance	$ 2,087	$ 1,861	$ 1,612	$ 2,052
Realized and unrealized gains (losses)	**(29)**	120	**373**	35
Purchases	**1**	126	**26**	145
Issuances	**(40)**	(36)	**(65)**	(71)
Settlements	**(181)**	(107)	**(101)**	(307)
Net transfers	**(34)**	10	**(41)**	120
Ending balance	**$ 1,804**	$ 1,974	**$ 1,804**	$ 1,974
Unrealized gains (losses)	**$ (251)**	$ 33	**$ (6)**	$ (89)
Deposits				
Beginning balance	$ 90	$ 138	$ 179	$ 27
Realized and unrealized losses (gains)	**4**	5	**8**	16
Issuances	**—**	23	**—**	70
Settlements	**(2)**	(8)	**(13)**	(12)
Net transfers	**13**	(13)	**(69)**	44
Ending balance	**$ 105**	$ 145	**$ 105**	$ 145
Unrealized losses (gains)	**$ 4**	$ 5	**$ 8**	$ 16
Nonderivative trading liabilities				
Beginning balance	$ 74	$ 36	$ 37	$ 16
Realized and unrealized losses (gains)	**(6)**	(7)	**(21)**	(37)
Purchases	**(7)**	(13)	**(23)**	(31)
Sales	**5**	6	**23**	36
Settlements	**—**	—	**3**	—
Net transfers	**(6)**	18	**41**	56
Ending balance	**$ 60**	$ 40	**$ 60**	$ 40
Unrealized losses (gains)	**$ (4)**	$ (7)	**$ (21)**	$ (37)
Securities sold under agreements to repurchase				
Beginning balance	$ 440	$ —	$ —	$ —
Realized and unrealized losses (gains)	**8**	—	**(22)**	—
Issuances	**—**	—	**470**	—
Ending balance	**$ 448**	$ —	**$ 448**	$ —
Unrealized losses (gains)	**$ 8**	$ —	**$ (22)**	$ —

$ in millions	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Other secured financings				
Beginning balance	$ 300	$ 154	$ 109	$ 208
Realized and unrealized losses (gains)	**11**	(1)	**(1)**	5
Issuances	**3**	—	**10**	—
Settlements	**(5)**	—	**(208)**	(8)
Net transfers	**—**	(43)	**399**	(95)
Ending balance	**$ 309**	$ 110	**$ 309**	$ 110
Unrealized losses (gains)	**$ 11**	$ (1)	**$ (1)**	$ 5
Borrowings				
Beginning balance	$ 4,135	$ 3,939	$ 4,088	$ 3,806
Realized and unrealized losses (gains)	**(32)**	88	**(284)**	498
Issuances	**194**	201	**992**	610
Settlements	**(70)**	(260)	**(346)**	(438)
Net transfers	**(146)**	(430)	**(369)**	(938)
Ending balance	**$ 4,081**	$ 3,538	**$ 4,081**	$ 3,538
Unrealized losses (gains)	**$ (33)**	$ 91	**$ (282)**	$ 459
Portion of Unrealized losses (gains) recorded in OCI—Change in net DVA	**22**	(23)	**(124)**	68

1. Net transfers in the current year period reflect the largely offsetting impacts of transfers in of $857 million of equity margin loans and transfers out of $707 million of equity margin loans. The loans were transferred into Level 3 in the first quarter as the significance of the margin loan rate input increased as a result of reduced liquidity, and transferred out of Level 3 in the second quarter as liquidity conditions improved reducing the significance of the input.

Level 3 instruments may be hedged with instruments classified in Level 1 and Level 2. The realized and unrealized gains or losses for assets and liabilities within the Level 3 category presented in the previous tables do not reflect the related realized and unrealized gains or losses on hedging instruments that have been classified by the Firm within the Level 1 and/or Level 2 categories.

The unrealized gains (losses) during the period for assets and liabilities within the Level 3 category may include changes in fair value during the period that were attributable to both observable and unobservable inputs. Total realized and unrealized gains (losses) are primarily included in Trading revenues in the income statements.

Additionally, in the previous tables, consolidations of VIEs are included in Purchases and deconsolidations of VIEs are included in Settlements.

Significant Unobservable Inputs Used in Recurring and Nonrecurring Level 3 Fair Value Measurements

Valuation Techniques and Unobservable Inputs

$ in millions, except inputs	Balance / Range (Average)[1] At September 30, 2020	Balance / Range (Average)[1] At December 31, 2019
Assets Measured at Fair Value on a Recurring Basis		
U.S. Treasury and agency securities	**$ 122**	$ 22
Comparable pricing:		
Bond price	**102 to 108 points (104 points)**	N/M
MABS	**$ 443**	$ 438
Comparable pricing:		
Bond price	**0 to 80 points (47 points)**	0 to 96 points (47 points)
Loans and lending commitments	**$ 4,351**	$ 5,073
Margin loan model:		
Discount rate	**N/A**	1% to 9% (2%)
Volatility skew	**N/A**	15% to 80% (28%)
Credit Spread	**N/A**	9 to 39 bps (19 bps)
Margin loan rate	**1% to 5% (3%)**	N/A
Comparable pricing:		
Loan price	**70 to 103 points (96 points)**	69 to 100 points (93 points)
Corporate and other debt	**$ 2,727**	$ 1,396
Comparable pricing:		
Bond price	**10 to 103 points (94 points)**	11 to 108 points (84 points)
Discounted cash flow:		
Recovery rate	**51% to 62% (53% / 51%)**	35%
Option model:		
At the money volatility	**21%**	21%
Corporate equities	**$ 135**	$ 97
Comparable pricing:		
Equity price	**100%**	100%
Investments	**$ 821**	$ 858
Discounted cash flow:		
WACC	**10% to 21% (15%)**	8% to 17% (15%)
Exit multiple	**7 to 17 times (11 times)**	7 to 16 times (11 times)
Market approach:		
EBITDA multiple	**8 to 29 times (11 times)**	7 to 24 times (11 times)
Comparable pricing:		
Equity price	**50% to 100% (98%)**	75% to 100% (99%)
Net derivative and other contracts:		
Interest rate	**$ 636**	$ 777
Option model:		
IR volatility skew	**0% to 162% (62% / 75%)**	24% to 156% (63% / 59%)
IR curve correlation	**59% to 97% (87% / 92%)**	47% to 90% (72% / 72%)
Bond volatility	**4% to 32% (13% / 8%)**	4% to 15% (13% / 14%)
Inflation volatility	**25% to 64% (44% / 42%)**	24% to 63% (44% / 41%)
IR curve	**1%**	1%

	Balance / Range (Average)[1]	
$ in millions, except inputs	**At September 30, 2020**	At December 31, 2019
Credit	**$ 116**	$ 124
Credit default swap model:		
Cash-synthetic basis	**6 points**	6 points
Bond price	**0 to 95 points (52 points)**	0 to 104 points (45 points)
Credit spread	**20 to 435 bps (79 bps)**	9 to 469 bps (81 bps)
Funding spread	**71 to 138 bps (116 bps)**	47 to 117 bps (84 bps)
Correlation model:		
Credit correlation	**29% to 56% (35%)**	29% to 62% (36%)
Foreign exchange[2]	**$ 99**	$ (31)
Option model:		
IR - FX correlation	**13% to 59% (37% / 37%)**	32% to 56% (46% / 46%)
IR volatility skew	**0% to 162% (62% / 75%)**	24% to 156% (63% / 59%)
IR curve	**8% to 9% (8% / 8%)**	10% to 11% (10% / 10%)
Foreign exchange volatility skew	**-7% to -5% (-6% / -6%)**	N/A
Contingency probability	**95% (95%)**	85% to 95% (94% / 95%)
Equity[2]	**$ (2,145)**	$ (1,684)
Option model:		
At the money volatility	**16% to 92% (42%)**	9% to 90% (36%)
Volatility skew	**-2% to 0% (-1%)**	-2% to 0% (-1%)
Equity correlation	**5% to 96% (70%)**	5% to 98% (70%)
FX correlation	**-60% to 60% (-17%)**	-79% to 60% (-37%)
IR correlation	**-7% to 44% (20% / 18%)**	-11% to 44% (18% / 16%)
Commodity and other	**$ 1,804**	$ 1,612
Option model:		
Forward power price	**$-1 to $116 ($28) per MWh**	$3 to $182 ($28) per MWh
Commodity volatility	**8% to 95% (19%)**	7% to 183% (18%)
Cross-commodity correlation	**43% to 99% (92%)**	43% to 99% (93%)
Liabilities Measured at Fair Value on a Recurring Basis		
Deposits	**$ 105**	$ 179
Option Model:		
Equity at the money volatility	**7% to 23% (7%)**	16% to 37% (20%)
Corporate equities	**$ 57**	$ 36
Comparable pricing:		
Equity price	**100% (100%)**	N/M
Securities sold under agreements to repurchase	**$ 448**	$ —
Discounted cash flow:		
Funding spread	**105 to 130 bps (114 bps)**	N/A
Other secured financings	**$ 309**	$ 109
Discounted cash flow:		
Funding spread	**110 bps (110 bps)**	111 to 124 bps (117 bps)
Comparable pricing:		
Loan price	**25 to 101 points (68 points)**	N/A

	Balance / Range (Average)[1]	
$ in millions, except inputs	**At September 30, 2020**	At December 31, 2019
Borrowings	**$ 4,081**	$ 4,088
Option model:		
At the money volatility	**6% to 70% (23%)**	5% to 44% (21%)
Volatility skew	**-2% to 0% (0%)**	-2% to 0% (0%)
Equity correlation	**37% to 98% (81%)**	38% to 94% (78%)
Equity - FX correlation	**-72% to 13% (-28%)**	-75% to 26% (-25%)
IR - FX Correlation	**-28% to 6% (-6% / -6%)**	-26% to 10% (-7% / -7%)
Nonrecurring Fair Value Measurement		
Loans	**$ 2,088**	$ 1,500
Corporate loan model:		
Credit spread	**52 bps to 668 bps (380 bps)**	69 to 446 bps (225 bps)
Warehouse model:		
Credit spread	**191 bps to 580 bps (379 bps)**	287 to 318 bps (297 bps)

Points—Percentage of par
IR—Interest rate
FX—Foreign exchange
1. A single amount is disclosed for range and average when there is no significant difference between the minimum, maximum and average. Amounts represent weighted averages except where simple averages and the median of the inputs are more relevant.
2. Includes derivative contracts with multiple risks (*i.e.*, hybrid products).

The previous tables provide information on the valuation techniques, significant unobservable inputs, and the ranges and averages for each major category of assets and liabilities measured at fair value on a recurring and nonrecurring basis with a significant Level 3 balance. The level of aggregation and breadth of products cause the range of inputs to be wide and not evenly distributed across the inventory of financial instruments. Further, the range of unobservable inputs may differ across firms in the financial services industry because of diversity in the types of products included in each firm's inventory. Generally, there are no predictable relationships between multiple significant unobservable inputs attributable to a given valuation technique.

Other than as follows, during the current year period, there were no significant revisions made to the descriptions of the Firm's significant unobservable inputs. For margin loans, the margin loan rate is the annualized rate that reflects the possibility of losses as a result of movements in the price of the underlying margin loan collateral. The rate is calibrated from the previously disclosed discount rate, credit spread and/or volatility measures. For a description of the Firm's significant unobservable inputs and qualitative information about the effect of hypothetical changes in the values of those inputs, see Note 3 to the financial statements in the 2019 Form 10-K.

Net Asset Value Measurements

Fund Interests

	At September 30, 2020		At December 31, 2019	
$ in millions	Carrying Value	Commitment	Carrying Value	Commitment
Private equity	$ 2,400	$ 614	$ 2,078	$ 450
Real estate	1,383	140	1,349	150
Hedge[1]	62	—	94	4
Total	**$ 3,845**	**$ 754**	$ 3,521	$ 604

1. Investments in hedge funds may be subject to initial period lock-up or gate provisions, which restrict an investor from withdrawing from the fund during a certain initial period or restrict the redemption amount on any redemption date, respectively.

Amounts in the previous table represent the Firm's carrying value of general and limited partnership interests in fund investments, as well as any related performance-based fees in the form of carried interest. The carrying amounts are measured based on the NAV of the fund taking into account the distribution terms applicable to the interest held. This same measurement applies whether the fund investments are accounted for under the equity method or fair value.

For a description of the Firm's investments in private equity funds, real estate funds and hedge funds, which are measured based on NAV, see Note 3 to the financial statements in the 2019 Form 10-K.

See Note 14 for information regarding general partner guarantees, which include potential obligations to return performance fee distributions previously received. See Note 20 for information regarding unrealized carried interest at risk of reversal.

Nonredeemable Funds by Contractual Maturity

	Carrying Value at September 30, 2020	
$ in millions	Private Equity	Real Estate
Less than 5 years	$ 1,551	$ 415
5-10 years	765	374
Over 10 years	84	594
Total	**$ 2,400**	**$ 1,383**

Nonrecurring Fair Value Measurements

Carrying and Fair Values

	At September 30, 2020		
	Fair Value		
$ in millions	Level 2	Level 3[1]	Total
Assets			
Loans	$ 4,827	$ 2,088	$ 6,915
Other assets—Other investments	—	18	18
Total	$ 4,827	$ 2,106	$ 6,933
Liabilities			
Other liabilities and accrued expenses—Lending commitments	$ 221	$ 69	$ 290
Total	$ 221	$ 69	$ 290

	At December 31, 2019		
	Fair Value		
$ in millions	Level 2	Level 3[1]	Total
Assets			
Loans	$ 1,543	$ 1,500	$ 3,043
Other assets—Other investments	—	113	113
Total	$ 1,543	$ 1,613	$ 3,156
Liabilities			
Other liabilities and accrued expenses—Lending commitments	$ 132	$ 69	$ 201
Total	$ 132	$ 69	$ 201

1. For significant Level 3 balances, refer to "Significant Unobservable Inputs Used in Recurring and Nonrecurring Level 3 Fair Value Measurements" section herein for details of the significant unobservable inputs used for nonrecurring fair value measurement.

Gains (Losses) from Fair Value Remeasurements[1]

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	**2020**	2019	**2020**	2019
Assets				
Loans[2]	$ (43)	$ (27)	$ (467)	$ (12)
Intangibles	(1)	—	(1)	—
Other assets—Other investments[3]	(2)	(3)	(54)	(8)
Other assets—Premises, equipment and software[4]	(29)	(4)	(35)	(8)
Total	$ (75)	$ (34)	$ (557)	$ (28)
Liabilities				
Other liabilities and accrued expenses—Lending commitments[2]	$ 25	$ (19)	$ (54)	$ 82
Total	$ 25	$ (19)	$ (54)	$ 82

1. Gains and losses for Loans and Other assets—Other investments are classified in Other revenues. For other items, gains and losses are recorded in Other revenues if the item is held for sale; otherwise, they are recorded in Other expenses.
2. Nonrecurring changes in the fair value of loans and lending commitments were calculated as follows: for the held-for-investment category, based on the value of the underlying collateral; and for the held-for-sale category, based on recently executed transactions, market price quotations, valuation models that incorporate market observable inputs where possible, such as comparable loan or debt prices and CDS spread levels adjusted for any basis difference between cash and derivative instruments, or default recovery analysis where such transactions and quotations are unobservable.
3. Losses related to Other assets—Other investments were determined using techniques that included discounted cash flow models, methodologies that incorporate multiples of certain comparable companies and recently executed transactions.
4. Losses related to Other assets—Premises, equipment and software generally include impairments as well as write-offs related to the disposal of certain assets.

Financial Instruments Not Measured at Fair Value

	At September 30, 2020				
		Fair Value			
$ in millions	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 94,772	$ 94,772	$ —	$ —	$ 94,772
Investment securities—HTM	46,169	30,893	17,200	861	48,954
Securities purchased under agreements to resell	88,268	—	86,756	1,538	88,294
Securities borrowed	100,803	—	100,804	—	100,804
Customer and other receivables[1]	68,541	—	65,624	2,903	68,527
Loans[2]	146,237	—	25,942	121,217	147,159
Other assets	466	—	466	—	466
Financial liabilities					
Deposits	$ 235,574	$ —	$235,924	$ —	$ 235,924
Securities sold under agreements to repurchase	40,210	—	39,876	375	40,251
Securities loaned	7,924	—	7,921	—	7,921
Other secured financings	3,672	—	3,672	—	3,672
Customer and other payables[1]	189,754	—	189,754	—	189,754
Borrowings	134,300	—	138,925	5	138,930
	Commitment Amount				
Lending commitments[3]	$ 118,966	$ —	$ 965	$ 406	$ 1,371

	At December 31, 2019				
		Fair Value			
$ in millions	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 82,171	$ 82,171	$ —	$ —	$ 82,171
Investment securities—HTM	43,502	30,661	12,683	789	44,133
Securities purchased under agreements to resell	88,220	—	86,794	1,442	88,236
Securities borrowed	106,549	—	106,551	—	106,551
Customer and other receivables[1]	51,134	—	48,215	2,872	51,087
Loans[2]	130,637	—	22,293	108,059	130,352
Other assets	495	—	495	—	495
Financial liabilities					
Deposits	$ 188,257	$ —	$188,639	$ —	$ 188,639
Securities sold under agreements to repurchase	53,467	—	53,486	—	53,486
Securities loaned	8,506	—	8,506	—	8,506
Other secured financings	6,889	—	6,800	92	6,892
Customer and other payables[1]	195,035	—	195,035	—	195,035
Borrowings	128,166	—	133,563	10	133,573
	Commitment Amount				
Lending commitments[3]	$ 119,004	$ —	$ 748	$ 338	$ 1,086

1. Accrued interest and dividend receivables and payables have been excluded. Carrying value approximates fair value for these receivables and payables.
2. Amounts include loans measured at fair value on a nonrecurring basis.
3. Represents Lending commitments accounted for as Held for Investment and Held for Sale. For a further discussion on lending commitments, see Note 14.

The previous tables exclude certain financial instruments such as equity method investments and all non-financial assets and liabilities such as the value of the long-term relationships with the Firm's deposit customers.

6. Fair Value Option

The Firm has elected the fair value option for certain eligible instruments that are risk managed on a fair value basis to mitigate income statement volatility caused by measurement basis differences between the elected instruments and their associated risk management transactions or to eliminate complexities of applying certain accounting models.

Borrowings Measured at Fair Value on a Recurring Basis

$ in millions	At September 30, 2020	At December 31, 2019
Business Unit Responsible for Risk Management		
Equity	$ 31,673	$ 30,214
Interest rates	28,986	27,298
Commodities	5,097	4,501
Credit	1,257	1,246
Foreign exchange	2,131	1,202
Total	$ 69,144	$ 64,461

Net Revenues from Borrowings under the Fair Value Option

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	2020	2019	2020	2019
Trading revenues	$ (1,455)	$ (795)	$ (1,447)	$ (5,888)
Interest expense	77	93	241	280
Net revenues[1]	$ (1,532)	$ (888)	$ (1,688)	$ (6,168)

1. Amounts do not reflect any gains or losses from related economic hedges.

Gains (losses) from changes in fair value are recorded in Trading revenues and are mainly attributable to movements in the reference price or index, interest rates or foreign exchange rates.

Gains (Losses) Due to Changes in Instrument-Specific Credit Risk

	Three Months Ended September 30,			
	2020		2019	
$ in millions	Trading Revenues	OCI	Trading Revenues	OCI
Loans and other debt[1]	$ 56	$ —	$ (3)	$ —
Lending commitments	(3)	—	—	—
Deposits	—	(19)	—	1
Borrowings	(8)	(720)	(2)	442

	Nine Months Ended September 30,			
	2020		2019	
$ in millions	Trading Revenues	OCI	Trading Revenues	OCI
Loans and other debt[1]	$ (183)	$ —	$ 148	$ —
Lending commitments	(2)	—	(2)	—
Deposits	—	(10)	—	(2)
Borrowings	(14)	991	(9)	(702)

$ in millions	At September 30, 2020	At December 31, 2019
Cumulative pre-tax DVA gain (loss) recognized in AOCI	$ (1,017)	$ (1,998)

1. Loans and other debt instrument-specific credit gains (losses) were determined by excluding the non-credit components of gains and losses.

Difference Between Contractual Principal and Fair Value[1]

$ in millions	At September 30, 2020	At December 31, 2019
Loans and other debt[2]	$ 13,552	$ 13,037
Nonaccrual loans[2]	11,411	10,849
Borrowings[3]	(2,103)	(1,665)

1. Amounts indicate contractual principal greater than or (less than) fair value.
2. The majority of the difference between principal and fair value amounts for loans and other debt relates to distressed debt positions purchased at amounts well below par.
3. Excludes borrowings where the repayment of the initial principal amount fluctuates based on changes in a reference price or index.

The previous tables exclude non-recourse debt from consolidated VIEs, liabilities related to transfers of financial assets treated as collateralized financings, pledged commodities and other liabilities that have specified assets attributable to them.

Fair Value Loans on Nonaccrual Status

$ in millions	At September 30, 2020	At December 31, 2019
Nonaccrual loans	$ 1,119	$ 1,100
Nonaccrual loans 90 or more days past due	$ 238	$ 330

7. Derivative Instruments and Hedging Activities

Fair Values of Derivative Contracts

At September 30, 2020

	Assets			
$ in millions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate	**$ 1,109**	**$ 4**	**$ —**	**$ 1,113**
Foreign exchange	**63**	**9**	**—**	**72**
Total	**1,172**	**13**	**—**	**1,185**
Not designated as accounting hedges				
Interest rate	**232,894**	**9,261**	**530**	**242,685**
Credit	**6,889**	**3,017**	**—**	**9,906**
Foreign exchange	**65,734**	**1,299**	**79**	**67,112**
Equity	**28,255**	**—**	**39,231**	**67,486**
Commodity and other	**13,378**	**—**	**5,155**	**18,533**
Total	**347,150**	**13,577**	**44,995**	**405,722**
Total gross derivatives	**$ 348,322**	**$ 13,590**	**$ 44,995**	**$406,907**
Amounts offset				
Counterparty netting	**(263,488)**	**(11,426)**	**(42,320)**	**(317,234)**
Cash collateral netting	**(52,608)**	**(1,823)**	**—**	**(54,431)**
Total in Trading assets	**$ 32,226**	**$ 341**	**$ 2,675**	**$ 35,242**
Amounts not offset[1]				
Financial instruments collateral	**(14,117)**	**—**	**—**	**(14,117)**
Other cash collateral	**(88)**	**—**	**—**	**(88)**
Net amounts	**$ 18,021**	**$ 341**	**$ 2,675**	**$ 21,037**
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable				**$ 2,848**

	Liabilities			
$ in millions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate	**$ —**	**$ —**	**$ —**	**$ —**
Foreign exchange	**92**	**40**	**—**	**132**
Total	**92**	**40**	**—**	**132**
Not designated as accounting hedges				
Interest rate	**222,102**	**7,258**	**848**	**230,208**
Credit	**6,638**	**3,616**	**—**	**10,254**
Foreign exchange	**63,885**	**1,405**	**38**	**65,328**
Equity	**38,518**	**—**	**41,873**	**80,391**
Commodity and other	**9,910**	**—**	**5,095**	**15,005**
Total	**341,053**	**12,279**	**47,854**	**401,186**
Total gross derivatives	**$ 341,145**	**$ 12,319**	**$ 47,854**	**$401,318**
Amounts offset				
Counterparty netting	**(263,488)**	**(11,426)**	**(42,320)**	**(317,234)**
Cash collateral netting	**(46,148)**	**(772)**	**—**	**(46,920)**
Total in Trading liabilities	**$ 31,509**	**$ 121**	**$ 5,534**	**$ 37,164**
Amounts not offset[1]				
Financial instruments collateral	**(9,085)**	**—**	**(2,240)**	**(11,325)**
Other cash collateral	**(62)**	**(3)**	**—**	**(65)**
Net amounts	**$ 22,362**	**$ 118**	**$ 3,294**	**$ 25,774**
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable				**5,282**

At December 31, 2019

	Assets			
$ in millions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate	$ 673	$ —	$ —	$ 673
Foreign exchange	41	1	—	42
Total	714	1	—	715
Not designated as accounting hedges				
Interest rate	179,450	4,839	519	184,808
Credit	4,895	2,417	—	7,312
Foreign exchange	62,957	1,399	22	64,378
Equity	27,621	—	23,447	51,068
Commodity and other	9,306	—	1,952	11,258
Total	284,229	8,655	25,940	318,824
Total gross derivatives	$ 284,943	$ 8,656	$ 25,940	$319,539
Amounts offset				
Counterparty netting	(213,710)	(7,294)	(24,037)	(245,041)
Cash collateral netting	(41,222)	(1,275)	—	(42,497)
Total in Trading assets	$ 30,011	$ 87	$ 1,903	$ 32,001
Amounts not offset[1]				
Financial instruments collateral	(15,596)	—	—	(15,596)
Other cash collateral	(46)	—	—	(46)
Net amounts	$ 14,369	$ 87	$ 1,903	$ 16,359
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable				$ 1,900

	Liabilities			
$ in millions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate	$ 1	$ —	$ —	$ 1
Foreign exchange	121	38	—	159
Total	122	38	—	160
Not designated as accounting hedges				
Interest rate	168,597	3,597	436	172,630
Credit	4,798	3,123	—	7,921
Foreign exchange	65,965	1,492	39	67,496
Equity	30,135	—	22,733	52,868
Commodity and other	7,713	—	1,911	9,624
Total	277,208	8,212	25,119	310,539
Total gross derivatives	$ 277,330	$ 8,250	$ 25,119	$310,699
Amounts offset				
Counterparty netting	(213,710)	(7,294)	(24,037)	(245,041)
Cash collateral netting	(36,392)	(832)	—	(37,224)
Total in Trading liabilities	$ 27,228	$ 124	$ 1,082	$ 28,434
Amounts not offset[1]				
Financial instruments collateral	(7,747)	—	(287)	(8,034)
Other cash collateral	(14)	—	—	(14)
Net amounts	$ 19,467	$ 124	$ 795	$ 20,386
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable				$ 3,680

1. Amounts relate to master netting agreements and collateral agreements that have been determined by the Firm to be legally enforceable in the event of default but where certain other criteria are not met in accordance with applicable offsetting accounting guidance.

See Note 5 for information related to the unsettled fair value of futures contracts not designated as accounting hedges, which are excluded from the previous tables.

Notionals of Derivative Contracts

At September 30, 2020

	Assets			
$ in billions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate	$ 6	$ 120	$ —	$ 126
Foreign exchange	6	1	—	7
Total	12	121	—	133
Not designated as accounting hedges				
Interest rate	4,234	6,726	409	11,369
Credit	136	124	—	260
Foreign exchange	2,941	102	10	3,053
Equity	466	—	416	882
Commodity and other	118	—	79	197
Total	7,895	6,952	914	15,761
Total gross derivatives	$ 7,907	$ 7,073	$ 914	$ 15,894

	Liabilities			
$ in billions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate	$ —	$ 64	$ —	$ 64
Foreign exchange	6	2	—	8
Total	6	66	—	72
Not designated as accounting hedges				
Interest rate	4,108	6,596	668	11,372
Credit	143	128	—	271
Foreign exchange	2,943	100	8	3,051
Equity	473	—	579	1,052
Commodity and other	91	—	76	167
Total	7,758	6,824	1,331	15,913
Total gross derivatives	$ 7,764	$ 6,890	$ 1,331	$ 15,985

At December 31, 2019

	Assets			
$ in billions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate	$ 14	$ 94	$ —	$ 108
Foreign exchange	2	—	—	2
Total	16	94	—	110
Not designated as accounting hedges				
Interest rate	4,230	7,398	732	12,360
Credit	136	79	—	215
Foreign exchange	2,667	91	10	2,768
Equity	429	—	419	848
Commodity and other	99	—	61	160
Total	7,561	7,568	1,222	16,351
Total gross derivatives	$ 7,577	$ 7,662	$ 1,222	$ 16,461

	Liabilities			
$ in billions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate	$ —	$ 71	$ —	$ 71
Foreign exchange	9	2	—	11
Total	9	73	—	82
Not designated as accounting hedges				
Interest rate	4,185	6,866	666	11,717
Credit	153	84	—	237
Foreign exchange	2,841	91	14	2,946
Equity	455	—	515	970
Commodity and other	85	—	61	146
Total	7,719	7,041	1,256	16,016
Total gross derivatives	$ 7,728	$ 7,114	$ 1,256	$ 16,098

The Firm believes that the notional amounts of derivative contracts generally overstate its exposure. In most circumstances, notional amounts are used only as a reference point from which to calculate amounts owed between the parties to the contract. Furthermore, notional amounts do not reflect the benefit of legally enforceable netting arrangements or risk mitigating transactions.

For a discussion of the Firm's derivative instruments and hedging activities, see Note 5 to the financial statements in the 2019 Form 10-K.

Gains (Losses) on Accounting Hedges

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	**2020**	2019	**2020**	2019
Fair value hedges—Recognized in Interest income				
Interest rate contracts	**$ 12**	$ (7)	**$ (68)**	$ (26)
Investment Securities—AFS	**(11)**	8	**78**	27
Fair value hedges—Recognized in Interest expense				
Interest rate contracts	**$ (1,004)**	$ 1,999	**$ 5,908**	$ 6,046
Deposits[1]	**62**	—	**(153)**	—
Borrowings	**915**	(1,996)	**(5,844)**	(6,111)
Net investment hedges—Foreign exchange contracts				
Recognized in OCI	**$ (260)**	$ 251	**$ 54**	$ 201
Forward points excluded from hedge effectiveness testing—Recognized in Interest income	**(6)**	30	**19**	107

Fair Value Hedges—Hedged Items

$ in millions	**At September 30, 2020**	At December 31, 2019
Investment Securities—AFS		
Amortized cost basis currently or previously hedged	**$ 2,146**	$ 917
Basis adjustments included in amortized cost[2]	**$ 74**	$ 14
Deposits[1]		
Carrying amount currently or previously hedged	**$ 18,241**	$ 5,435
Basis adjustments included in carrying amount[2]	**$ 146**	$ (7)
Borrowings		
Carrying amount currently or previously hedged	**$ 107,653**	$ 102,456
Basis adjustments included in carrying amount—Outstanding hedges	**$ 7,697**	$ 2,593
Basis adjustments included in carrying amount—Terminated hedges	**$ (762)**	$ —

1. The Firm began designating interest rate swaps as fair value hedges of certain Deposits in the fourth quarter of 2019.
2. Hedge accounting basis adjustments are primarily related to outstanding hedges.

Net Derivative Liabilities and Collateral Posted

$ in millions	**At September 30, 2020**	At December 31, 2019
Net derivative liabilities with credit risk-related contingent features	**$ 27,659**	$ 21,620
Collateral posted	**23,426**	17,392

The previous table presents the aggregate fair value of certain derivative contracts that contain credit risk-related contingent features that are in a net liability position for which the Firm has posted collateral in the normal course of business.

Incremental Collateral and Termination Payments upon Potential Future Ratings Downgrade

$ in millions	**At September 30, 2020**
One-notch downgrade	**$ 246**
Two-notch downgrade	**315**
Bilateral downgrade agreements included in the amounts above[1]	**$ 487**

1. Amount represents arrangements between the Firm and other parties where upon the downgrade of one party, the downgraded party must deliver collateral to the other party. These bilateral downgrade arrangements are used by the Firm to manage the risk of counterparty downgrades.

The additional collateral or termination payments that may be called in the event of a future credit rating downgrade vary by contract and can be based on ratings by either or both of Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings. The previous table shows the future potential collateral amounts and termination payments that could be called or required by counterparties or exchange and clearing organizations in the event of one-notch or two-notch downgrade scenarios based on the relevant contractual downgrade triggers.

Maximum Potential Payout/Notional of Credit Protection Sold[1]

	Years to Maturity at September 30, 2020				
$ in billions	< 1	1-3	3-5	Over 5	Total
Single-name CDS					
Investment grade	**$ 10**	**$ 16**	**$ 31**	**$ 13**	**$ 70**
Non-investment grade	**6**	**10**	**15**	**4**	**35**
Total	**$ 16**	**$ 26**	**$ 46**	**$ 17**	**$ 105**
Index and basket CDS					
Investment grade	**$ 3**	**$ 11**	**$ 44**	**$ 35**	**$ 93**
Non-investment grade	**6**	**6**	**25**	**20**	**57**
Total	**$ 9**	**$ 17**	**$ 69**	**$ 55**	**$ 150**
Total CDS sold	**$ 25**	**$ 43**	**$ 115**	**$ 72**	**$ 255**
Other credit contracts	—	—	—	—	—
Total credit protection sold	**$ 25**	**$ 43**	**$ 115**	**$ 72**	**$ 255**
CDS protection sold with identical protection purchased					**$ 222**

	Years to Maturity at December 31, 2019				
$ in billions	< 1	1-3	3-5	Over 5	Total
Single-name CDS					
Investment grade	$ 16	$ 17	$ 33	$ 9	$ 75
Non-investment grade	9	9	16	1	35
Total	$ 25	$ 26	$ 49	$ 10	$ 110
Index and basket CDS					
Investment grade	$ 4	$ 7	$ 46	$ 11	$ 68
Non-investment grade	7	4	17	10	38
Total	$ 11	$ 11	$ 63	$ 21	$ 106
Total CDS sold	$ 36	$ 37	$ 112	$ 31	$ 216
Other credit contracts	—	—	—	—	—
Total credit protection sold	$ 36	$ 37	$ 112	$ 31	$ 216
CDS protection sold with identical protection purchased					$ 187

Fair Value Asset (Liability) of Credit Protection Sold[1]

$ in millions	At September 30, 2020	At December 31, 2019
Single-name CDS		
Investment grade	$ 764	$ 1,057
Non-investment grade	(969)	(540)
Total	$ (205)	$ 517
Index and basket CDS		
Investment grade	$ 994	$ 1,052
Non-investment grade	(2,546)	134
Total	$ (1,552)	$ 1,186
Total CDS sold	$ (1,757)	$ 1,703
Other credit contracts	(4)	(17)
Total credit protection sold	$ (1,761)	$ 1,686

1. Investment grade/non-investment grade determination is based on the internal credit rating of the reference obligation. Internal credit ratings serve as the Credit Risk Management Department's assessment of credit risk and the basis for a comprehensive credit limits framework used to control credit risk. The Firm uses quantitative models and judgment to estimate the various risk parameters related to each obligor.

Protection Purchased with CDS

	Notional	
$ in billions	At September 30, 2020	At December 31, 2019
Single name	$ 115	$ 118
Index and basket	143	103
Tranched index and basket	18	15
Total	$ 276	$ 236

	Fair Value Asset (Liability)	
$ in millions	At September 30, 2020	At December 31, 2019
Single name	$ 72	$ (723)
Index and basket	1,276	(1,139)
Tranched index and basket	61	(450)
Total	$ 1,409	$ (2,312)

The Firm enters into credit derivatives, principally CDS, under which it receives or provides protection against the risk of default on a set of debt obligations issued by a specified reference entity or entities. A majority of the Firm's counterparties for these derivatives are banks, broker-dealers, and insurance and other financial institutions.

The fair value amounts as shown in the previous tables are prior to cash collateral or counterparty netting. For further information on credit derivatives and other contracts, see Note 5 to the financial statements in the 2019 Form 10-K.

8. Investment Securities

AFS and HTM Securities

	At September 30, 2020			
$ in millions	Amortized Cost[1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities				
U.S. government and agency securities:				
U.S. Treasury securities	$ 45,796	$ 1,150	$ —	$ 46,946
U.S. agency securities[2]	26,887	769	6	27,650
Total U.S. government and agency securities	72,683	1,919	6	74,596
Corporate and other debt:				
Agency CMBS	4,653	355	1	5,007
Corporate bonds	1,756	43	1	1,798
State and municipal securities	1,682	60	18	1,724
FFELP student loan ABS[3]	1,455	—	44	1,411
Total corporate and other debt	9,546	458	64	9,940
Total AFS securities	82,229	2,377	70	84,536
HTM securities				
U.S. government and agency securities:				
U.S. Treasury securities	28,754	2,138	—	30,892
U.S. agency securities[2]	16,598	610	7	17,201
Total U.S. government and agency securities	45,352	2,748	7	48,093
Corporate and other debt:				
Non-agency CMBS	817	45	1	861
Total HTM securities	46,169	2,793	8	48,954
Total investment securities	$ 128,398	$ 5,170	$ 78	$ 133,490

$ in millions	At December 31, 2019 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities				
U.S. government and agency securities:				
U.S. Treasury securities	$ 32,465	$ 224	$ 111	$ 32,578
U.S. agency securities[2]	20,725	249	100	20,874
Total U.S. government and agency securities	53,190	473	211	53,452
Corporate and other debt:				
Agency CMBS	4,810	55	57	4,808
Corporate bonds	1,891	17	1	1,907
State and municipal securities	481	22	—	503
FFELP student loan ABS[3]	1,580	1	28	1,553
Total corporate and other debt	8,762	95	86	8,771
Total AFS securities	61,952	568	297	62,223
HTM securities				
U.S. government and agency securities:				
U.S. Treasury securities	30,145	568	52	30,661
U.S. agency securities[2]	12,589	151	57	12,683
Total U.S. government and agency securities	42,734	719	109	43,344
Corporate and other debt:				
Non-agency CMBS	768	22	1	789
Total HTM securities	43,502	741	110	44,133
Total investment securities	$ 105,454	$ 1,309	$ 407	$ 106,356

1. Amounts are net of any ACL.
2. U.S. agency securities consist mainly of agency-issued debt, agency mortgage pass-through pool securities and CMOs.
3. Underlying loans are backed by a guarantee, ultimately from the U.S. Department of Education, of at least 95% of the principal balance and interest outstanding.

In the first quarter of 2020, the Firm transferred certain municipal securities from Trading assets into AFS securities as a result of a change in intent due to the severe deterioration in liquidity for these instruments. These securities had a fair value of $441 million at the end of the first quarter of 2020.

Investment Securities in an Unrealized Loss Position

$ in millions	**At September 30, 2020** Fair Value	Gross Unrealized Losses	At December 31, 2019 Fair Value	Gross Unrealized Losses
U.S. government and agency securities:				
U.S. Treasury securities				
Less than12 months	**$ —**	**$ —**	$ 4,793	$ 28
12 months or longer	**—**	**—**	7,904	83
Total	**—**	**—**	12,697	111
U.S. agency securities				
Less than12 months	**1,198**	**3**	2,641	20
12 months or longer	**1,294**	**3**	7,697	80
Total	**2,492**	**6**	10,338	100
Total U.S. government and agency securities:				
Less than12 months	**1,198**	**3**	7,434	48
12 months or longer	**1,294**	**3**	15,601	163
Total	**2,492**	**6**	23,035	211
Corporate and other debt:				
Agency CMBS				
Less than12 months	**17**	**—**	2,294	26
12 months or longer	**189**	**1**	681	31
Total	**206**	**1**	2,975	57
Corporate bonds				
Less than12 months	**127**	**—**	194	1
12 months or longer	**21**	**1**	44	—
Total	**148**	**1**	238	1
State and municipal securities				
Less than12 months	**606**	**18**	—	—
Total	**606**	**18**	—	—
FFELP student loan ABS				
Less than12 months	**322**	**1**	91	—
12 months or longer	**1,089**	**43**	1,165	28
Total	**1,411**	**44**	1,256	28
Total Corporate and other debt:				
Less than12 months	**1,072**	**19**	2,579	27
12 months or longer	**1,299**	**45**	1,890	59
Total	**2,371**	**64**	4,469	86
Total AFS securities in an unrealized loss position				
Less than12 months	**2,270**	**22**	10,013	75
12 months or longer	**2,593**	**48**	17,491	222
Total	**$ 4,863**	**$ 70**	$ 27,504	$ 297

For AFS securities, the Firm believes there are no securities in an unrealized loss position that have credit losses after performing the analysis described in Note 2. Additionally, the Firm does not intend to sell the securities and is not likely to be required to sell the securities prior to recovery of the amortized cost basis. Furthermore, the securities have not experienced credit losses as they are predominantly investment grade and the Firm expects to recover the amortized cost basis.

As of September 30, 2020, the HTM securities net carrying amount reflects an ACL of $24 million related to Non-agency CMBS. See Note 2 for a description of the ACL methodology used beginning in 2020 following the Firm's adoption of CECL and see Note 2 to the financial statements in the 2019 Form 10-K for prior period credit loss considerations. There were no HTM securities in an unrealized loss position as of December 31, 2019 that were other-than-temporarily impaired. As of September 30, 2020, and December 31, 2019, Non-Agency CMBS HTM securities were predominantly on accrual status and investment grade.

See Note 15 for additional information on securities issued by VIEs, including U.S. agency mortgage-backed securities, non-agency CMBS and FFELP student loan ABS.

Investment Securities by Contractual Maturity

	At September 30, 2020		
$ in millions	Amortized Cost[1]	Fair Value	Annualized Average Yield
AFS securities			
U.S. government and agency securities:			
U.S. Treasury securities:			
Due within 1 year	$ 15,671	$ 15,741	0.9%
After 1 year through 5 years	27,523	28,399	1.5%
After 5 years through 10 years	2,602	2,806	1.7%
Total	45,796	46,946	
U.S. agency securities:			
Due within 1 year	215	215	0.8%
After 1 year through 5 years	70	71	1.6%
After 5 years through 10 years	1,235	1,274	1.8%
After 10 years	25,367	26,090	1.9%
Total	26,887	27,650	
Total U.S. government and agency securities	72,683	74,596	1.5%
Corporate and other debt:			
Agency CMBS:			
Due within 1 year	44	45	2.5%
After 1 year through 5 years	535	547	1.8%
After 5 years through 10 years	3,399	3,728	2.5%
After 10 years	675	687	1.8%
Total	4,653	5,007	
Corporate bonds:			
Due within 1 year	210	213	2.5%
After 1 year through 5 years	1,269	1,301	2.6%
After 5 years through 10 years	266	273	2.7%
After 10 years	11	11	1.7%
Total	1,756	1,798	
State and municipal securities:			
Due within 1 year	3	3	1.8%
After 1 year through 5 years	16	16	2.2%
After 5 years through 10 years	103	109	2.6%
After 10 Years	1,560	1,596	2.7%
Total	1,682	1,724	

	At September 30, 2020		
$ in millions	Amortized Cost[1]	Fair Value	Annualized Average Yield
FFELP student loan ABS:			
After 1 year through 5 years	93	88	0.8%
After 5 years through 10 years	257	241	0.8%
After 10 years	1,105	1,082	1.2%
Total	1,455	1,411	
Total corporate and other debt	9,546	9,940	2.3%
Total AFS securities	82,229	84,536	1.6%
HTM securities			
U.S. government and agency securities:			
U.S. Treasury securities:			
Due within 1 year	$ 3,065	$ 3,095	2.6%
After 1 year through 5 years	16,991	17,880	2.0%
After 5 years through 10 years	7,616	8,572	2.2%
After 10 years	1,082	1,345	2.5%
Total	28,754	30,892	
U.S. agency securities:			
After 5 years through 10 years	279	288	1.9%
After 10 years	16,319	16,913	2.0%
Total	16,598	17,201	
Total U.S. government and agency securities	45,352	48,093	2.2%
Corporate and other debt:			
Non-agency CMBS:			
Due within 1 year	110	109	4.6%
After 1 year through 5 years	77	78	3.7%
After 5 years through 10 years	576	616	3.8%
After 10 years	54	58	3.8%
Total corporate and other debt	817	861	3.9%
Total HTM securities	46,169	48,954	2.2%
Total investment securities	$ 128,398	$ 133,490	1.8%

1. Amounts are net of any ACL.

Gross Realized Gains (Losses) on Sales of AFS Securities

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	**2020**	2019	**2020**	2019
Gross realized gains	$ 55	$ 27	$ 120	$ 99
Gross realized (losses)	—	(1)	(14)	(10)
Total[1]	$ 55	$ 26	$ 106	$ 89

1. Realized gains and losses are recognized in Other revenues in the income statements.

9. Collateralized Transactions

Offsetting of Certain Collateralized Transactions

	At September 30, 2020				
$ in millions	Gross Amounts	Amounts Offset	Net Amounts Presented	Amounts Not Offset[1]	Net Amounts
Assets					
Securities purchased under agreements to resell	**$199,725**	**$(111,442)**	**$ 88,283**	**$ (86,057)**	**$ 2,226**
Securities borrowed	**104,642**	**(3,839)**	**100,803**	**(97,169)**	**3,634**
Liabilities					
Securities sold under agreements to repurchase	**$152,760**	**$(111,384)**	**$ 41,376**	**$ (35,742)**	**$ 5,634**
Securities loaned	**11,821**	**(3,897)**	**7,924**	**(7,725)**	**199**
Net amounts for which master netting agreements are not in place or may not be legally enforceable					
Securities purchased under agreements to resell					**$ 2,117**
Securities borrowed					**601**
Securities sold under agreements to repurchase					**4,698**
Securities loaned					**149**

	At December 31, 2019				
$ in millions	Gross Amounts	Amounts Offset	Net Amounts Presented	Amounts Not Offset[1]	Net Amounts
Assets					
Securities purchased under agreements to resell	$247,545	$(159,321)	$ 88,224	$ (85,200)	$ 3,024
Securities borrowed	109,528	(2,979)	106,549	(101,850)	4,699
Liabilities					
Securities sold under agreements to repurchase	$213,519	$(159,319)	$ 54,200	$ (44,549)	$ 9,651
Securities loaned	11,487	(2,981)	8,506	(8,324)	182
Net amounts for which master netting agreements are not in place or may not be legally enforceable					
Securities purchased under agreements to resell					$ 2,255
Securities borrowed					1,181
Securities sold under agreements to repurchase					8,033
Securities loaned					101

1. Amounts relate to master netting agreements that have been determined by the Firm to be legally enforceable in the event of default but where certain other criteria are not met in accordance with applicable offsetting accounting guidance.

For further discussion of the Firm's collateralized transactions, see Note 7 to the financial statements in the 2019 Form 10-K. For information related to offsetting of derivatives, see Note 7.

Gross Secured Financing Balances by Remaining Contractual Maturity

	At September 30, 2020				
$ in millions	Overnight and Open	Less than 30 Days	30-90 Days	Over 90 Days	Total
Securities sold under agreements to repurchase	**$ 69,210**	**$ 37,965**	**$13,144**	**$ 32,441**	**$152,760**
Securities loaned	**5,752**	**278**	**1,169**	**4,622**	**11,821**
Total included in the offsetting disclosure	**$ 74,962**	**$ 38,243**	**$14,313**	**$ 37,063**	**$164,581**
Trading liabilities—Obligation to return securities received as collateral	**21,753**	**—**	**—**	**—**	**21,753**
Total	**$ 96,715**	**$ 38,243**	**$14,313**	**$ 37,063**	**$186,334**

	At December 31, 2019				
$ in millions	Overnight and Open	Less than 30 Days	30-90 Days	Over 90 Days	Total
Securities sold under agreements to repurchase	$ 67,158	$ 81,300	$26,904	$ 38,157	$213,519
Securities loaned	2,378	3,286	516	5,307	11,487
Total included in the offsetting disclosure	$ 69,536	$ 84,586	$27,420	$ 43,464	$225,006
Trading liabilities—Obligation to return securities received as collateral	23,877	—	—	—	23,877
Total	$ 93,413	$ 84,586	$27,420	$ 43,464	$248,883

Gross Secured Financing Balances by Class of Collateral Pledged

$ in millions	At September 30, 2020	At December 31, 2019
Securities sold under agreements to repurchase		
U.S. Treasury and agency securities	**$ 55,759**	$ 68,895
State and municipal securities	**864**	905
Other sovereign government obligations	**70,281**	109,414
ABS	**1,945**	2,218
Corporate and other debt	**4,923**	6,066
Corporate equities	**18,256**	25,563
Other	**732**	458
Total	**$ 152,760**	$ 213,519
Securities loaned		
Other sovereign government obligations	**$ 4,254**	$ 3,026
Corporate equities	**7,034**	8,422
Other	**533**	39
Total	**$ 11,821**	$ 11,487
Total included in the offsetting disclosure	**$ 164,581**	$ 225,006
Trading liabilities—Obligation to return securities received as collateral		
Corporate equities	**$ 21,724**	$ 23,873
Other	**29**	4
Total	**$ 21,753**	$ 23,877
Total	**$ 186,334**	$ 248,883

Carrying Value of Assets Loaned or Pledged without Counterparty Right to Sell or Repledge

$ in millions	At September 30, 2020	At December 31, 2019
Trading assets	$ 34,952	$ 41,201
Loans, before ACL	—	750
Total	$ 34,952	$ 41,951

The Firm pledges certain of its trading assets and loans to collateralize securities sold under agreements to repurchase, securities loaned, other secured financings and derivatives and to cover customer short sales. Counterparties may or may not have the right to sell or repledge the collateral.

Pledged financial instruments that can be sold or repledged by the secured party are identified as Trading assets (pledged to various parties) in the balance sheets.

Fair Value of Collateral Received with Right to Sell or Repledge

$ in millions	At September 30, 2020	At December 31, 2019
Collateral received with right to sell or repledge	$ 609,445	$ 679,280
Collateral that was sold or repledged[1]	455,883	539,412

1. Does not include securities used to meet federal regulations for the Firm's U.S. broker-dealers.

Securities Segregated for Regulatory Purposes

$ in millions	At September 30, 2020	At December 31, 2019
Segregated securities[1]	$ 27,679	$ 25,061

1. Securities segregated under federal regulations for the Firm's U.S. broker-dealers are sourced from Securities purchased under agreements to resell and Trading assets in the balance sheets.

The Firm receives collateral in the form of securities in connection with securities purchased under agreements to resell, securities borrowed, securities-for-securities transactions, derivative transactions, customer margin loans and securities-based lending. In many cases, the Firm is permitted to sell or repledge this collateral to secure securities sold under agreements to repurchase, to enter into securities lending and derivative transactions or for delivery to counterparties to cover short positions.

Customer Margin Lending

$ in millions	At September 30, 2020	At December 31, 2019
Customer receivables representing margin loans	$ 44,658	$ 31,916

The Firm provides margin lending arrangements which allow customers to borrow against the value of qualifying securities. Receivables under margin lending arrangements are included within Customer and other receivables in the balance sheets. Under these agreements and transactions, the Firm receives collateral, which includes U.S. government and agency securities, other sovereign government obligations, corporate and other debt, and corporate equities. Customer receivables generated from margin lending activities are collateralized by customer-owned securities held by the Firm. The Firm monitors required margin levels and established credit terms daily and, pursuant to such guidelines, requires customers to deposit additional collateral, or reduce positions, when necessary.

For a further discussion of the Firm's margin lending activities, see Note 7 to the financial statements in the 2019 Form 10-K.

Other Secured Financings

The Firm has additional secured liabilities. For a further discussion of other secured financings, see Note 13.

10. Loans, Lending Commitments and Related Allowance for Credit Losses

As of September 30, 2020, the Firm's loan portfolio consists of the following types of loans:

- *Corporate.* Corporate includes revolving lines of credit, term loans and bridge loans made to corporate entities for a variety of purposes.
- *Secured lending facilities.* Secured lending facilities include loans provided to clients, which are collateralized by various assets including residential and commercial real estate mortgage loans, corporate loans, and other assets.
- *Residential Real Estate.* Residential real estate loans mainly include non-conforming loans and HELOC.
- *Commercial Real Estate.* Commercial real estate loans include owner-occupied loans and income-producing loans.
- *Securities-based lending and Other.* Securities-based lending includes loans which allow clients to borrow money against the value of qualifying securities for any suitable purpose other than purchasing, trading, or carrying securities or refinancing margin debt. The majority of these loans are structured as revolving lines of credit. Other primarily includes certain loans originated in the tailored lending business within the Wealth Management business segment.

Loans by Type[1]

$ in millions	At September 30, 2020 Loans Held for Investment	Loans Held for Sale	Total Loans
Corporate	$ 7,628	$ 8,552	$ 16,180
Secured lending facilities	26,496	3,521	30,017
Commercial real estate	7,265	891	8,156
Residential real estate	33,674	49	33,723
Securities-based lending and Other loans	59,006	68	59,074
Total loans	134,069	13,081	147,150
ACL	(913)		(913)
Total loans, net	$ 133,156	$ 13,081	$ 146,237
Fixed rate loans, net			$ 31,342
Floating or adjustable rate loans, net			114,895
Loans to non-U.S. borrowers, net			23,591

$ in millions	At December 31, 2019 Loans Held for Investment	Loans Held for Sale	Total Loans
Corporate	$ 5,426	$ 6,192	$ 11,618
Secured lending facilities	24,502	4,200	28,702
Commercial real estate	7,859	2,049	9,908
Residential real estate	30,184	13	30,197
Securities-based lending and Other loans	50,438	123	50,561
Total loans	118,409	12,577	130,986
ACL	(349)		(349)
Total loans, net	$ 118,060	$ 12,577	$ 130,637
Fixed rate loans, net			$ 22,716
Floating or adjustable rate loans, net			107,921
Loans to non-U.S. borrowers, net			21,617

1. Loans previously classified as corporate have been further disaggregated; prior period balances have been revised to conform with current period presentation.

Loans Held for Investment before Allowance by Origination Year

$ in millions	At September 30, 2020 Corporate Investment Grade	Non-Investment Grade	Total
Revolving Loans	$ 1,556	$ 4,264	$ 5,820
2020	582	176	758
2019	279	159	438
2018	195	—	195
2017	—	64	64
2016	114	—	114
Prior	127	112	239
Total	$ 2,853	$ 4,775	$ 7,628

$ in millions	At September 30, 2020 Secured lending facilities Investment Grade	Non-Investment Grade	Total
Revolving Loans	$ 4,457	$ 14,832	$ 19,289
2020	206	378	584
2019	297	2,000	2,297
2018	1,063	1,449	2,512
2017	245	570	815
2016	—	620	620
Prior	—	379	379
Total	$ 6,268	$ 20,228	$ 26,496

$ in millions	At September 30, 2020 Commercial real estate Investment Grade	Non-Investment Grade	Total
2020	$ 17	$ 744	761
2019	637	2,318	2,955
2018	601	1,053	1,654
2017	188	629	817
2016	235	451	686
Prior	—	392	392
Total	$ 1,678	$ 5,587	$ 7,265

	At September 30, 2020 Residential real estate					
	by FICO Scores			by LTV Ratio		
$ in millions	≥ 740	680-739	≤ 679	≤ 80%	> 80%	Total
Revolving Loans	$ 89	$ 34	$ 5	$ 128	$ —	$ 128
2020	6,438	1,337	138	7,487	426	7,913
2019	5,791	1,306	175	6,812	460	7,272
2018	2,442	685	83	2,952	258	3,210
2017	2,875	732	93	3,436	264	3,700
2016	3,524	953	134	4,305	306	4,611
Prior	4,814	1,716	310	6,094	746	6,840
Total	$ 25,973	$ 6,763	$ 938	$ 31,214	$ 2,460	$ 33,674

	At September 30, 2020			
		Other[2]		
$ in millions	Securities-based lending[1]	Investment Grade	Non-Investment Grade	Total
Revolving Loans	$ 47,251	$ 4,238	$ 684	$ 52,173
2020	—	860	431	1,291
2019	18	1,106	674	1,798
2018	232	334	456	1,022
2017	—	663	116	779
2016	—	579	113	692
Prior	16	1,068	167	1,251
Total	$ 47,517	$ 8,848	$ 2,641	$ 59,006

1. Securities-based loans are subject to collateral maintenance provisions, and at September 30, 2020, these loans are predominantly over-collateralized. For more information on the ACL methodology related to securities-based loans, see Note 2.
2. Other loans primarily include certain loans originated in the tailored lending business within the Wealth Management business segment.

Past Due Status of Loans Held for Investment before Allowance

	At September 30, 2020		
$ in millions	Current	Past Due[1]	Total
Corporate	$ 7,628	$ —	$ 7,628
Secured lending facilities	26,496	—	26,496
Commercial real estate	7,264	1	7,265
Residential real estate	33,476	198	33,674
Securities-based lending and Other loans	58,881	125	59,006
Total	$ 133,745	$ 324	$ 134,069

1. The majority of the amounts are past due for a period of 90 days or more.

Nonaccrual Loans Held for Investment before Allowance

$ in millions	At September 30, 2020	At December 31, 2019
Corporate	$ 184	$ 299
Commercial real estate	185	85
Residential real estate	92	94
Securities-based lending and Other loans	133	5
Total[1]	$ 594	$ 483
Nonaccrual loans without an ACL	$ 91	$ 120

1. Includes all HFI loans that are 90 days or more past due.

See Note 2 for a description of the ACL calculated under the CECL methodology, including credit quality indicators, used for HFI loans beginning in 2020.

Troubled Debt Restructurings

$ in millions	At September 30, 2020	At December 31, 2019
Loans, before ACL	$ 166	$ 92
Lending commitments	32	32
ACL on Loans and Lending commitments	32	16

Troubled debt restructurings typically include modifications of interest rates, collateral requirements, other loan covenants and payment extensions. See Note 2 for further information on TDR guidance issued by Congress in the CARES Act as well as by the U.S. banking agencies.

For a discussion of the Firm's ACL methodology under the prior incurred loss model, including credit quality indicators, used for HFI loans as of December 31, 2019, and a further discussion of the Firm's loans, see Notes 2 and 8 in the 2019 Form 10-K.

Allowance for Credit Losses Rollforward—Loans

$ in millions	Corporate	Secured lending facilities	CRE	Residential real estate	SBL and Other	Total
December 31, 2019	$ 115	$ 101	$ 75	$ 25	$ 33	$ 349
Effect of CECL adoption	(2)	(42)	34	21	(2)	9
Gross charge-offs	(33)	—	(26)	—	—	(59)
Recoveries	3	—	—	—	2	5
Net (charge-offs) recoveries	(30)	—	(26)	—	2	(54)
Provision (release)[1]	281	131	173	12	4	601
Other	3	1	(34)	—	38	8
September 30, 2020	$ 367	$ 191	$ 222	$ 58	$ 75	$ 913

$ in millions	Corporate	Secured lending facilities	CRE	Residential real estate	SBL and Other	Total
December 31, 2018	$ 62	$ 60	$ 67	$ 20	$ 29	$ 238
Gross charge-offs	—	—	—	(1)	—	(1)
Provision (release)[1]	40	28	(6)	5	1	68
Other	(6)	(1)	(1)	—	—	(8)
September 30, 2019	$ 96	$ 87	$ 60	$ 24	$ 30	$ 297

1. The provision for loan losses was $63 million in the current quarter and $34 million in the prior year quarter.

Allowance for Credit Losses Rollforward—Lending Commitments

$ in millions	Corporate	Secured lending facilities	CRE	Residential real estate	SBL and Other	Total
December 31, 2019	$ 201	$ 27	$ 7	$ —	$ 6	$ 241
Effect of CECL adoption	(41)	(11)	1	2	(1)	(50)
Provision (release)[1]	119	24	7	(1)	7	156
Other	—	—	(4)	—	4	—
September 30, 2020	$ 279	$ 40	$ 11	$ 1	$ 16	$ 347

$ in millions	Corporate	Secured lending facilities	CRE	Residential real estate	SBL and Other	Total
December 31, 2018	$ 178	$ 16	$ 3	$ —	$ 6	$ 203
Provision (release)[1]	27	7	2	—	—	36
Other	(4)	—	—	—	(1)	(5)
September 30, 2019	$ 201	$ 23	$ 5	$ —	$ 5	$ 234

CRE—Commercial real estate
SBL—Securities-based lending

1. The provision (release) for lending commitments was $48 million in the current quarter and $16 million in the prior year quarter.

The aggregate allowance for loans and lending commitments increased in the current year period, principally reflecting the provision for credit losses within the Institutional Securities business segment primarily resulting from the continued economic impact of COVID-19. This provision was the result of risks related to vulnerable sectors and higher downgrade sensitivity, changes in asset quality trends, as well as revisions to our forecasts reflecting expected future market and macroeconomic conditions. The base scenario used in our ACL models as of September 30, 2020 was generated using a combination of industry consensus economic forecasts, forward rates, and internally developed and validated models. Given the nature of our lending portfolio, the most sensitive model input is U.S. GDP. The base scenario, among other things, assumes a continued recovery in the last quarter of 2020 through 2021, supported by fiscal stimulus and monetary policy measures. For a further discussion of the Firm's loans as well as the Firm's allowance methodology prior to the adoption of CECL, refer to Notes 2 and 8 to the financial statements in the 2019 Form 10-K. See Note 5 for further information regarding Loans and lending commitments held at fair value. See Note 14 for details of current commitments to lend in the future.

Employee Loans

$ in millions	At September 30, 2020	At December 31, 2019
Currently employed by the Firm[1]	$ 2,940	N/A
No longer employed by the Firm[2]	142	N/A
Employee loans	$ 3,082	$ 2,980
ACL[3]	(165)	(61)
Employee loans, net of ACL	$ 2,917	$ 2,919
Remaining repayment term, weighted average in years	5.1	4.8

1. These loans are predominantly current.
2. These loans are predominantly past due for a period of 90 days or more.
3. The change in ACL includes a $124 million increase due to the adoption of CECL in the first quarter of 2020.

Employee loans are granted in conjunction with a program established primarily to recruit certain Wealth Management representatives, are full recourse and generally require periodic repayments, and are due in full upon termination of employment with the Firm. These loans are recorded in Customer and other receivables in the balance sheets. The ACL as of September 30, 2020 was calculated under the CECL methodology, while the ACL at December 31, 2019 was calculated under the prior incurred loss model. The related provision is recorded in Compensation and benefits expense in the income statements. See Note 2 for a description of the CECL allowance methodology, including credit quality indicators, for employee loans.

11. Other Assets—Equity Method Investments

Equity Method Investments

$ in millions	At September 30, 2020	At December 31, 2019
Investments	$ 2,338	$ 2,363

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	2020	2019	2020	2019
Income (loss)[1]	$ 10	$ (13)	$ (24)	$ (39)

1. The current year period includes an impairment of the Investment Management business segment's investment in a third-party asset manager.

Equity method investments, other than investments in certain fund interests, are summarized above and are included in Other assets in the balance sheets with related income or loss included in Other revenues in the income statements. See "Net Asset Value Measurements—Fund Interests" in Note 5 for the carrying value of certain of the Firm's fund interests, which are comprised of general and limited partnership interests, as well as any related carried interest.

Japanese Securities Joint Venture

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	2020	2019	2020	2019
Income (loss) from investment in MUMSS	$ 15	$ (4)	$ 46	$ 5

For more information on Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ("MUMSS") and other relationships with Mitsubishi UFJ Financial Group, Inc., see Note 10 to the financial statements in the 2019 Form 10-K.

12. Deposits

Deposits

$ in millions	At September 30, 2020	At December 31, 2019
Savings and demand deposits	$ 202,577	$ 149,465
Time deposits	36,676	40,891
Total	$ 239,253	$ 190,356
Deposits subject to FDIC insurance	$ 173,173	$ 149,966
Time deposits that equal or exceed the FDIC insurance limit	$ 20	$ 12

Time Deposit Maturities

$ in millions		At September 30, 2020
2020	$	5,457
2021		17,986
2022		4,984
2023		4,086
2024		2,784
Thereafter		1,379
Total	$	36,676

13. Borrowings and Other Secured Financings

Borrowings

$ in millions		At September 30, 2020		At December 31, 2019
Original maturities of one year or less	$	4,553	$	2,567
Original maturities greater than one year				
Senior	$	187,717	$	179,519
Subordinated		11,174		10,541
Total	$	198,891	$	190,060
Total borrowings	$	203,444	$	192,627
Weighted average stated maturity, in years[1]		7.4		6.9

1. Only includes borrowings with original maturities greater than one year.

Other Secured Financings

$ in millions		At September 30, 2020		At December 31, 2019[1]
Original maturities:				
One year or less	$	9,141	$	7,103
Greater than one year		4,716		7,595
Total	$	13,857	$	14,698
Transfers of assets accounted for as secured financings	$	1,108	$	1,115

1. Prior period balances have been conformed to the current presentation.

Other secured financings include the liabilities related to certain ELNs, transfers of financial assets that are accounted for as financings rather than sales, pledged commodities, consolidated VIEs where the Firm is deemed to be the primary beneficiary and other secured borrowings. These liabilities are generally payable from the cash flows of the related assets accounted for as Trading assets. See Note 15 for further information on other secured financings related to VIEs and securitization activities.

For transfers of assets that fail to meet accounting criteria for a sale, the Firm continues to record the assets and recognizes the associated liabilities in the balance sheets.

14. Commitments, Guarantees and Contingencies

Commitments

	Years to Maturity at September 30, 2020				
$ in millions	Less than 1	1-3	3-5	Over 5	Total
Lending:					
Corporate	$ 14,707	$36,048	$37,002	$ 4,888	$ 92,645
Secured lending facilities	5,554	3,693	1,302	133	10,682
Commercial and Residential real estate	137	226	38	260	661
Securities-based lending and Other	12,421	2,934	369	386	16,110
Forward-starting secured financing receivables	81,340	—	—	—	81,340
Central counterparty[1]	300	—	—	9,329	9,629
Underwriting	675	—	—	—	675
Investment activities	947	241	41	286	1,515
Letters of credit and other financial guarantees	172	1	—	3	176
Total	$116,253	$43,143	$38,752	$15,285	$ 213,433
Lending commitments participated to third parties					$ 8,647
Forward-starting secured financing receivables settled within three business days					$ 72,771

1. Beginning in the first quarter of 2020, commitments to central counterparties are presented separately; these commitments were previously included in Corporate Lending commitments and Forward-starting secured financing receivables depending on the type of agreement. These commitments relate to the Firm's membership in certain clearinghouses and are contingent upon the default of a clearinghouse member or other stress events.

Since commitments associated with these instruments may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements.

For a further description of these commitments, refer to Note 13 to the financial statements in the 2019 Form 10-K.

Guarantees

Maximum Potential Payout/Notional of Obligations under Guarantee Arrangements

	Years to Maturity at September 30, 2020				
$ in millions	Less than 1	1-3	3-5	Over 5	Total
Credit derivatives	$ 25,206	$ 42,799	$114,950	$ 72,312	$ 255,267
Other credit contracts	—	190	—	104	294
Non-credit derivatives	1,531,263	1,122,139	367,428	779,686	3,800,516
Standby letters of credit and other financial guarantees issued[1]	1,082	1,475	758	3,967	7,282
Market value guarantees	92	28	—	—	120
Liquidity facilities	4,342	—	—	—	4,342
Whole loan sales guarantees	1	—	9	23,176	23,186
Securitization representations and warranties	—	—	—	67,024	67,024
General partner guarantees	59	161	12	115	347
Client clearing guarantees	92	—	—	—	92

$ in millions	Carrying Amount Asset (Liability)
Credit derivatives[2]	$ (1,757)
Other credit contracts	(4)
Non-credit derivatives[2]	(88,369)
Standby letters of credit and other financial guarantees issued[1]	113
Market value guarantees	—
Liquidity facilities	6
Whole loan sales guarantees	—
Securitization representations and warranties[3]	(42)
General partner guarantees	(66)
Client clearing guarantees	—

1. These amounts include certain issued standby letters of credit participated to third parties, totaling $0.6 billion of notional and collateral/recourse, due to the nature of the Firm's obligations under these arrangements. As of September 30, 2020, the carrying amount of standby letters of credit and other financial guarantees issued includes an allowance for credit losses of $86 million.
2. The carrying amounts of derivative contracts that meet the accounting definition of a guarantee are shown on a gross basis. For further information on derivatives contracts, see Note 7.
3. Primarily related to residential mortgage securitizations.

The Firm has obligations under certain guarantee arrangements, including contracts and indemnification agreements, that contingently require the Firm to make payments to the guaranteed party based on changes in an underlying measure (such as an interest or foreign exchange rate, security or commodity price, an index, or the occurrence or non-occurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. Also included as guarantees are contracts that contingently require the Firm to make payments to the guaranteed party based on another entity's failure to perform under an agreement, as well as indirect guarantees of the indebtedness of others.

Client Clearing Guarantees. In the first quarter of 2020, FICC's sponsored clearing model was updated such that the Firm could be responsible for liquidation of a sponsored member's account and guarantees any resulting loss to the FICC in the event the sponsored member fails to fully pay any net liquidation amount due from the sponsored member to the FICC. Accordingly, the Firm's maximum potential payout amount as of September 30, 2020 reflects the total of the estimated net liquidation amounts for sponsored member accounts.

For more information on the nature of the obligations and related business activities for our guarantees, see Note 13 to the financial statements in the 2019 Form 10-K.

Other Guarantees and Indemnities

In the normal course of business, the Firm provides guarantees and indemnifications in a variety of transactions. These provisions generally are standard contractual terms. Certain of these guarantees and indemnifications related to indemnities, exchange and clearinghouse member guarantees and merger and acquisition guarantees are described in Note 13 to the financial statements in the 2019 Form 10-K.

In addition, in the ordinary course of business, the Firm guarantees the debt and/or certain trading obligations (including obligations associated with derivatives, foreign exchange contracts and the settlement of physical commodities) of certain subsidiaries. These guarantees generally are entity or product specific and are required by investors or trading counterparties. The activities of the Firm's subsidiaries covered by these guarantees (including any related debt or trading obligations) are included in the financial statements.

Finance Subsidiary

The Parent Company fully and unconditionally guarantees the securities issued by Morgan Stanley Finance LLC, a wholly owned finance subsidiary.

Contingencies

Legal

In addition to the matters described in the following paragraphs, in the normal course of business, the Firm has been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with its activities as a global diversified financial services institution. Certain of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. In some cases, the entities that would otherwise be the primary defendants in such cases are bankrupt or are in financial distress. These actions have included, but are not limited to, residential mortgage and credit crisis-related matters.

While the Firm has identified below any individual proceedings where the Firm believes a material loss to be reasonably possible and reasonably estimable, there can be no assurance that material losses will not be incurred from claims that have not yet been asserted or are not yet determined to be probable or possible and reasonably estimable losses.

The Firm contests liability and/or the amount of damages as appropriate in each pending matter. Where available information indicates that it is probable a liability had been incurred at the date of the financial statements and the Firm can reasonably estimate the amount of that loss, the Firm accrues the estimated loss by a charge to income.

In many proceedings and investigations, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount of any loss. In addition, even where a loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is not always possible to reasonably estimate the size of the possible loss or range of loss.

For certain legal proceedings and investigations, the Firm cannot reasonably estimate such losses, particularly for proceedings and investigations where the factual record is being developed or contested or where plaintiffs or government entities seek substantial or indeterminate damages, restitution, disgorgement or penalties. Numerous issues may need to be resolved, including through potentially lengthy discovery and determination of important factual matters, determination of issues related to class certification and the calculation of damages or other relief, and by addressing novel or unsettled legal questions relevant to the proceedings or investigations in question, before a loss or additional loss or range of loss or additional range of loss can be reasonably estimated for a proceeding or investigation.

For certain other legal proceedings and investigations, the Firm can estimate reasonably possible losses, additional losses, ranges of loss or ranges of additional loss in excess of amounts accrued but does not believe, based on current knowledge and after consultation with counsel, that such losses will have a material adverse effect on the Firm's financial statements as a whole, other than the matters referred to in the following paragraphs.

On July 15, 2010, China Development Industrial Bank ("CDIB") filed a complaint against the Firm, styled *China Development Industrial Bank v. Morgan Stanley & Co. Incorporated et al.*, which is pending in the Supreme Court of the State of New York, New York County ("Supreme Court of NY"). The complaint relates to a $275 million CDS referencing the super senior portion of the STACK 2006-1 CDO. The complaint asserts claims for common law fraud, fraudulent inducement and fraudulent concealment and alleges that the Firm misrepresented the risks of the STACK 2006-1 CDO to CDIB, and that the Firm knew that the assets backing the CDO were of poor quality when it entered into the CDS with CDIB. The complaint seeks compensatory damages related to the approximately $228 million that CDIB alleges it has already lost under the CDS, rescission of CDIB's obligation to pay an additional $12 million, punitive damages, equitable relief, fees and costs. On February 28, 2011, the court denied the Firm's motion to dismiss the complaint. On December 21, 2018, the court denied the Firm's motion for summary judgment and granted in part the Firm's motion for sanctions relating to spoliation of evidence. On January 24, 2019, CDIB filed a notice of appeal from the court's December 21, 2018 order, and on January 25, 2019, the Firm filed a notice of appeal from the same order. On March 7, 2019, the court denied the relief that CDIB sought in a motion to clarify and resettle the portion of the court's December 21, 2018 order granting spoliation sanctions. On May 21, 2020, the Appellate Division, First Department ("First Department"), modified the Supreme Court of NY's order to deny the Firm's motion for sanctions relating to spoliation of evidence and otherwise affirmed the denial of the Firm's motion for summary judgment. On June 19, 2020, the Firm moved for leave to appeal the First Department's decision to the New York Court of Appeals ("Court of Appeals"), which the First Department denied on July 24, 2020. Based on currently available information, the Firm believes it could incur a loss in this action of up to approximately $240 million plus pre- and post-judgment interest, fees and costs.

On September 23, 2014, Financial Guaranty Insurance Company ("FGIC") filed a complaint against the Firm in the Supreme Court of NY styled *Financial Guaranty Insurance Company v. Morgan Stanley ABS Capital I Inc. et al.* relating to the Morgan Stanley ABS Capital I Inc. Trust 2007-NC4. The complaint asserts claims for breach of contract and fraudulent inducement and alleges, among other things, that the loans in the trust breached various representations and warranties and defendants made untrue statements and material omissions to induce FGIC to issue a financial guaranty policy on certain classes of certificates that had an original balance of approximately $876 million. The complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, compensatory, consequential and punitive damages, attorneys' fees and interest. On January 23, 2017, the court denied the Firm's motion to dismiss the complaint. On September 13, 2018, the First Department affirmed in part and reversed in part the lower court's order denying the Firm's motion to dismiss. On December 20, 2018, the First Department denied plaintiff's motion for leave to appeal its decision to the Court of Appeals or, in the alternative, for re-argument. Based on currently available information, the Firm believes that it could incur a loss in this action of up to approximately $277 million, the total original unpaid balance of the mortgage loans for which the Firm received repurchase demands from a certificate holder and FGIC that the Firm did not repurchase, plus pre- and post- judgment interest, fees and costs, as well as claim payments that FGIC has made and will make in the future. In addition, plaintiff is seeking to expand the number of loans at issue and the possible range of loss could increase.

On January 23, 2015, Deutsche Bank National Trust Company, in its capacity as trustee, filed a complaint against the Firm styled *Deutsche Bank National Trust Company solely in its capacity as Trustee of the Morgan Stanley ABS Capital I Inc. Trust 2007-NC4 v. Morgan Stanley Mortgage Capital Holdings LLC as Successor-by-Merger to Morgan Stanley Mortgage Capital Inc., and Morgan Stanley ABS Capital I Inc.*, pending in the Supreme Court of NY. The complaint asserts claims for breach of contract and alleges, among other things, that the loans in the trust, which had an original principal balance of approximately $1.05 billion, breached various representations and warranties. The complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, compensatory, consequential, rescissory, equitable and punitive damages, attorneys' fees, costs and other related expenses, and interest. On December 11, 2015, the court granted in part and denied in part the Firm's motion to dismiss the complaint. On October 19, 2018, the court granted the Firm's motion for leave to amend its answer and to stay the case pending resolution of Deutsche Bank National Trust Company's appeal to the Court of Appeals in another case, styled *Deutsche Bank National Trust Company v. Barclays Bank PLC*, regarding the applicable statute of limitations. On January 17, 2019, the First Department reversed the trial court's order to the extent that it had granted in part the Firm's motion to dismiss the complaint. On June 4, 2019, the First Department granted the Firm's motion for leave to appeal to the Court of Appeals. On March 19, 2020, the Firm filed a motion for partial summary judgment. Based on currently available information, the Firm believes that it could incur a loss in this action of up to approximately $277 million, the total original unpaid balance of the mortgage loans for which the Firm received repurchase demands from a certificate holder and a monoline insurer that the Firm did not repurchase, plus pre- and post-judgment interest, fees and costs, but plaintiff is seeking to expand the number of loans at issue and the possible range of loss could increase.

Tax

In matters styled *Case number 15/3637* and *Case number 15/4353*, the Dutch Tax Authority ("Dutch Authority") is challenging in the Dutch courts, the prior set-off by the Firm of approximately €124 million (approximately $145 million) plus accrued interest of withholding tax credits against the Firm's corporation tax liabilities for the tax years 2007 to 2013. The Dutch Authority alleges that the Firm was not entitled to receive the withholding tax credits on the basis, inter alia, that a Firm subsidiary did not hold legal title to certain securities subject to withholding tax on the relevant dates. The Dutch Authority has also alleged that the Firm failed to provide certain information to the Dutch Authority and keep adequate books and records. On April 26, 2018, the District Court in Amsterdam issued a decision dismissing the Dutch Authority's claims with respect to certain of the tax years in dispute. On May 12, 2020, the Court of Appeal in Amsterdam granted the Dutch Authority's appeal in matters re-styled *Case number 18/00318* and *Case number 18/00319*. On June 22, 2020, the Firm filed an appeal against the decision of the Court of Appeal in Amsterdam before the Dutch High Court.

15. Variable Interest Entities and Securitization Activities

Consolidated VIE Assets and Liabilities by Type of Activity

	At September 30, 2020		At December 31, 2019	
$ in millions	VIE Assets	VIE Liabilities	VIE Assets	VIE Liabilities
OSF	$ 672	$ 429	$ 696	$ 391
MABS[1]	447	108	265	4
Other[2]	942	42	987	66
Total	$ 2,061	$ 579	$ 1,948	$ 461

OSF—Other structured financings
1. Amounts include transactions backed by residential mortgage loans, commercial mortgage loans and other types of assets, including consumer or commercial assets and may be in loan or security form. The value of assets is determined based on the fair value of the liabilities and the interests owned by the Firm in such VIEs as the fair values for the liabilities and interests owned are more observable.
2. Other primarily includes operating entities, investment funds and structured transactions.

Consolidated VIE Assets and Liabilities by Balance Sheet Caption

$ in millions	At September 30, 2020	At December 31, 2019
Assets		
Cash and cash equivalents	$ 284	$ 488
Trading assets at fair value	1,376	943
Customer and other receivables	8	18
Intangible assets	101	111
Other assets	292	388
Total	$ 2,061	$ 1,948
Liabilities		
Other secured financings	$ 536	$ 422
Other liabilities and accrued expenses	43	39
Total	$ 579	$ 461
Noncontrolling interests	$ 275	$ 192

Consolidated VIE assets and liabilities are presented in the previous tables after intercompany eliminations. Generally, most assets owned by consolidated VIEs cannot be removed unilaterally by the Firm and are not available to the Firm while the related liabilities issued by consolidated VIEs are non-recourse to the Firm. However, in certain consolidated VIEs, the Firm either has the unilateral right to remove assets or provides additional recourse through derivatives such as total return swaps, guarantees or other forms of involvement.

In general, the Firm's exposure to loss in consolidated VIEs is limited to losses that would be absorbed on the VIE net assets recognized in its financial statements, net of amounts absorbed by third-party variable interest holders.

Non-consolidated VIEs

$ in millions	At September 30, 2020 MABS[1]	CDO	MTOB	OSF	Other[2]
VIE assets (UPB)	**$136,362**	**$ 3,744**	**$ 6,404**	**$ 2,190**	**$50,040**
Maximum exposure to loss[3]					
Debt and equity interests	**$ 16,821**	**$ 390**	**$ —**	**$ 1,059**	**$10,581**
Derivative and other contracts	**—**	**—**	**4,342**	**—**	**3,853**
Commitments, guarantees and other	**810**	**—**	**—**	**—**	**685**
Total	**$ 17,631**	**$ 390**	**$ 4,342**	**$ 1,059**	**$15,119**
Carrying value of variable interests—Assets					
Debt and equity interests	**$ 16,821**	**$ 390**	**$ —**	**$ 1,059**	**$10,581**
Derivative and other contracts	**—**	**—**	**6**	**—**	**621**
Total	**$ 16,821**	**$ 390**	**$ 6**	**$ 1,059**	**$11,202**
Additional VIE assets owned[4]					**$11,832**
Carrying value of variable interests—Liabilities					
Derivative and other contracts	**$ —**	**$ —**	**$ 1**	**$ —**	**$ 114**
Total	**$ —**	**$ —**	**$ 1**	**$ —**	**$ 114**

$ in millions	At December 31, 2019 MABS[1]	CDO	MTOB	OSF	Other[2]
VIE assets (UPB)	$125,603	$ 2,976	$ 6,965	$ 2,288	$51,305
Maximum exposure to loss[3]					
Debt and equity interests	$ 16,314	$ 240	$ —	$ 1,009	$11,977
Derivative and other contracts	—	—	4,599	—	2,995
Commitments, guarantees and other	631	—	—	—	266
Total	$ 16,945	$ 240	$ 4,599	$ 1,009	$15,238
Carrying value of variable interests—Assets					
Debt and equity interests	$ 16,314	$ 240	$ —	$ 1,008	$11,977
Derivative and other contracts	—	—	6	—	388
Total	$ 16,314	$ 240	$ 6	$ 1,008	$12,365
Additional VIE assets owned[4]					$11,453
Carrying value of variable interests—Liabilities					
Derivative and other contracts	$ —	$ —	$ —	$ —	$ 444

MTOB—Municipal tender option bonds

1. Amounts include transactions backed by residential mortgage loans, commercial mortgage loans and other types of assets, including consumer or commercial assets. and may be in loan or security form.
2. Other primarily includes exposures to commercial real estate property and investment funds.
3. Where notional amounts are utilized in quantifying the maximum exposure related to derivatives, such amounts do not reflect changes in fair value recorded by the Firm.
4. Additional VIE assets owned represents the carrying value of total exposure to non-consolidated VIEs for which the maximum exposure to loss is less than specific thresholds, primarily interests issued by securitization SPEs. The Firm's maximum exposure to loss generally equals the fair value of the assets owned. These assets are primarily included in Trading assets and Investment securities and are measured at fair value (see Note 5). The Firm does not provide additional support in these transactions through contractual facilities, guarantees or similar derivatives.

The majority of the VIEs included in the previous tables are sponsored by unrelated parties; examples of the Firm's involvement with these VIEs include its secondary market-making activities and the securities held in its Investment securities portfolio (see Note 8).

The Firm's maximum exposure to loss is dependent on the nature of the Firm's variable interest in the VIE and is limited to the notional amounts of certain liquidity facilities and other credit support, total return swaps and written put options, as well as the fair value of certain other derivatives and investments the Firm has made in the VIE.

The Firm's maximum exposure to loss in the previous tables does not include the offsetting benefit of hedges or any reductions associated with the amount of collateral held as part of a transaction with the VIE or any party to the VIE directly against a specific exposure to loss.

Liabilities issued by VIEs generally are non-recourse to the Firm.

Detail of Mortgage- and Asset-Backed Securitization Assets

$ in millions	At September 30, 2020 UPB	Debt and Equity Interests	At December 31, 2019 UPB	Debt and Equity Interests
Residential mortgages	**$ 20,056**	**$ 3,264**	$ 30,353	$ 3,993
Commercial mortgages	**59,111**	**3,940**	53,892	3,881
U.S. agency collateralized mortgage obligations	**52,335**	**8,021**	36,366	6,365
Other consumer or commercial loans	**4,860**	**1,596**	4,992	2,075
Total	**$ 136,362**	**$ 16,821**	$ 125,603	$ 16,314

Transferred Assets with Continuing Involvement

$ in millions	At September 30, 2020 RML	CML	U.S. Agency CMO	CLN and Other[1]
SPE assets (UPB)[2]	**$ 7,225**	**$ 81,900**	**$ 22,951**	**$ 12,223**
Retained interests				
Investment grade	**$ 47**	**$ 794**	**$ 745**	**$ —**
Non-investment grade	**16**	**221**	**—**	**89**
Total	**$ 63**	**$ 1,015**	**$ 745**	**$ 89**
Interests purchased in the secondary market				
Investment grade	**$ 1**	**$ 129**	**$ 26**	**$ —**
Non-investment grade	**24**	**60**	**—**	**—**
Total	**$ 25**	**$ 189**	**$ 26**	**$ —**
Derivative assets	**$ —**	**$ —**	**$ —**	**$ 500**
Derivative liabilities	**—**	**—**	**—**	**127**

	At December 31, 2019			
$ in millions	RML	CML	U.S. Agency CMO	CLN and Other[1]
SPE assets (UPB)[2]	$ 9,850	$ 86,203	$ 19,132	$ 8,410
Retained interests				
Investment grade	$ 29	$ 720	$ 2,376	$ 1
Non-investment grade	17	254	—	92
Total	$ 46	$ 974	$ 2,376	$ 93
Interests purchased in the secondary market				
Investment grade	$ 6	$ 197	$ 77	$ —
Non-investment grade	75	51	—	—
Total	$ 81	$ 248	$ 77	$ —
Derivative assets	$ —	$ —	$ —	$ 339
Derivative liabilities	—	—	—	145

	Fair Value At September 30, 2020		
$ in millions	Level 2	Level 3	Total
Retained interests			
Investment grade	**$ 771**	**$ 22**	**$ 793**
Non-investment grade	**5**	**72**	**77**
Total	**$ 776**	**$ 94**	**$ 870**
Interests purchased in the secondary market			
Investment grade	**$ 154**	**$ 2**	**$ 156**
Non-investment grade	**66**	**18**	**84**
Total	**$ 220**	**$ 20**	**$ 240**
Derivative assets	**$ 495**	**$ 5**	**$ 500**
Derivative liabilities	**126**	**1**	**127**

	Fair Value at December 31, 2019		
$ in millions	Level 2	Level 3	Total
Retained interests			
Investment grade	$ 2,401	$ 4	$ 2,405
Non-investment grade	6	97	103
Total	$ 2,407	$ 101	$ 2,508
Interests purchased in the secondary market			
Investment grade	$ 278	$ 2	$ 280
Non-investment grade	68	58	126
Total	$ 346	$ 60	$ 406
Derivative assets	$ 337	$ 2	$ 339
Derivative liabilities	144	1	145

RML—Residential mortgage loans
CML—Commercial mortgage loans
1. Amounts include CLO transactions managed by unrelated third parties.
2. Amounts include assets transferred by unrelated transferors.

The previous tables include transactions with SPEs in which the Firm, acting as principal, transferred financial assets with continuing involvement and received sales treatment. The transferred assets are carried at fair value prior to securitization, and any changes in fair value are recognized in the income statements. The Firm may act as underwriter of the beneficial interests issued by these securitization vehicles, for which Investment banking revenues are recognized. The Firm may retain interests in the securitized financial assets as one or more tranches of the securitization. These retained interests are generally carried at fair value in the balance sheets with changes in fair value recognized in the income statements. Fair value for these interests is measured using techniques that are consistent with the valuation techniques applied to the Firm's major categories of assets and liabilities as described in Note 2 in the 2019 Form 10-K and Note 5 herein. Further, as permitted by applicable guidance, certain transfers of assets where the Firm's only continuing involvement is a derivative are only reported in the following Assets Sold with Retained Exposure table.

Proceeds from New Securitization Transactions and Sales of Loans

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	**2020**	2019	**2020**	2019
New transactions[1]	**$ 12,969**	$ 8,651	**$ 30,629**	$ 20,897
Retained interests	**1,991**	902	**7,215**	4,424
Sales of corporate loans to CLO SPEs[1, 2]	**234**	—	**373**	—

1. Net gains on new transactions and sales of corporate loans to CLO entities at the time of the sale were not material for all periods presented.
2. Sponsored by non-affiliates.

The Firm has provided, or otherwise agreed to be responsible for, representations and warranties regarding certain assets transferred in securitization transactions sponsored by the Firm (see Note 14).

Assets Sold with Retained Exposure

$ in millions	**At September 30, 2020**	At December 31, 2019
Gross cash proceeds from sale of assets[1]	**$ 31,800**	$ 38,661
Fair value		
Assets sold	**$ 32,006**	$ 39,137
Derivative assets recognized in the balance sheets	**631**	647
Derivative liabilities recognized in the balance sheets	**423**	152

1. The carrying value of assets derecognized at the time of sale approximates gross cash proceeds.

The Firm enters into transactions in which it sells securities, primarily equities and contemporaneously enters into bilateral OTC derivatives with the purchasers of the securities, through which it retains exposure to the sold securities.

For a discussion of the Firm's VIEs, the determination and structure of VIEs and securitization activities, see Note 14 to the financial statements in the 2019 Form 10-K.

16. Regulatory Requirements

Regulatory Capital Framework and Requirements

For a discussion of the Firm's regulatory capital framework, see Note 15 to the financial statements in the 2019 Form 10-K.

The Firm is required to maintain minimum risk-based and leverage-based capital ratios under regulatory capital requirements. A summary of the calculations of regulatory capital and RWA follows.

Minimum risk-based capital ratio requirements apply to Common Equity Tier 1 capital, Tier 1 capital and Total capital (which includes Tier 2 capital). Capital standards require certain adjustments to, and deductions from, capital for purposes of determining these ratios. At September 30, 2020 and December 31, 2019, the Firm's ratios for determining regulatory compliance are based on the Advanced Approach and the Standardized Approach rules, respectively.

In the current year period, the U.S. banking agencies have adopted an interim final rule altering, for purposes of the regulatory capital rules, the required adoption time period for CECL. As of September 30, 2020, the risk-based and leverage-based capital amounts and ratios, as well as RWA, adjusted average assets and supplementary leverage exposure are calculated excluding the effect of the adoption of CECL based on our election to defer this effect over a five-year transition period in accordance with the interim final rule.

In addition to the minimum risk-based capital ratio requirements, the Firm is subject to the following Common Equity Tier 1 buffers:

- A greater than 2.5% capital conservation buffer;
- The G-SIB capital surcharge, currently at 3%; and
- Up to a 2.5% CCyB, currently set by U.S. banking agencies at zero.

The Firm's Regulatory Capital and Capital Ratios

	At September 30, 2020		
$ in millions	Required Ratio[1]	Amount	Ratio
Risk-based capital			
Common Equity Tier 1 capital	**10.0%**	**$ 71,157**	**16.9%**
Tier 1 capital	**11.5%**	**79,905**	**19.0%**
Total capital	**13.5%**	**89,763**	**21.4%**
Total RWA		**420,081**	

$ in millions	Required Ratio[1]	At September 30, 2020
Leverage-based capital		
Adjusted average assets[2]		**$ 962,435**
Tier 1 leverage ratio	**4.0%**	**8.3%**
Supplementary leverage exposure[3,4]		**$ 1,084,348**
SLR[3]	**5.0%**	**7.4%**

	At December 31, 2019		
$ in millions	Required Ratio[1]	Amount	Ratio
Risk-based capital			
Common Equity Tier 1 capital	10.0%	$ 64,751	16.4%
Tier 1 capital	11.5%	73,443	18.6%
Total capital	13.5%	82,708	21.0%
Total RWA		394,177	

$ in millions	Required Ratio[1]	At December 31, 2019
Leverage-based capital		
Adjusted average assets[2]		$ 889,195
Tier 1 leverage ratio	4.0%	8.3%
Supplementary leverage exposure[3,4]		$ 1,155,177
SLR[3]	5.0%	6.4%

1. Required ratios are inclusive of any buffers applicable as of the date presented. Failure to maintain the buffers would result in restrictions on the Firm's ability to make capital distributions, including the payment of dividends and the repurchase of stock, and to pay discretionary bonuses to executive officers.
2. Adjusted average assets represents the denominator of the Tier 1 leverage ratio and is composed of the average daily balance of consolidated on-balance sheet assets for the quarters ending on the respective balance sheet dates, reduced by disallowed goodwill, intangible assets, investments in covered funds, defined benefit pension plan assets, after-tax gain on sale from assets sold into securitizations, investments in the Firm's own capital instruments, certain defined tax assets and other capital deductions.
3. Based on a Federal Reserve interim final rule in effect until March 31, 2021, the Firm's SLR and Supplementary leverage exposure as of September 30, 2020 reflect the exclusion of U.S. Treasury securities and deposits at Federal Reserve Banks.
4. Supplementary leverage exposure is the sum of Adjusted average assets used in the Tier 1 leverage ratio and other adjustments, primarily: (i) for derivatives, potential future exposure and the effective notional principal amount of sold credit protection offset by qualifying purchased credit protection; (ii) the counterparty credit risk for repo-style transactions; and (iii) the credit equivalent amount for off-balance sheet exposures.

U.S. Bank Subsidiaries' Regulatory Capital and Capital Ratios

The OCC establishes capital requirements for the Firm's U.S. bank subsidiaries, which as of September 30, 2020 include Morgan Stanley Bank, N.A. ("MSBNA") and Morgan Stanley Private Bank, National Association ("MSPBNA") (collectively, the "U.S. Bank Subsidiaries"), and evaluates their compliance with such capital requirements. Regulatory capital requirements for the U.S. Bank Subsidiaries are calculated in a similar manner to the Firm's regulatory capital requirements, although G-SIB capital surcharge requirements do not apply to the U.S. Bank Subsidiaries.

The OCC's regulatory capital framework includes Prompt Corrective Action ("PCA") standards, including "well-capitalized" PCA standards that are based on specified regulatory capital ratio minimums. For the Firm to remain an FHC, the U.S. Bank Subsidiaries must remain well-capitalized in accordance with the OCC's PCA standards. In addition, failure by the U.S. Bank Subsidiaries to meet minimum capital requirements may result in certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on the U.S. Bank Subsidiaries' and the Firm's financial statements.

At September 30, 2020 and December 31, 2019, the U.S. Bank Subsidiaries' risk-based capital ratios are based on the Standardized Approach rules. At September 30, 2020, the risk-based and leverage-based capital amounts and ratios are calculated excluding the effect of the adoption of CECL based on our election to defer this effect over a five-year transition period.

MSBNA's Regulatory Capital

	At September 30, 2020			
$ in millions	Well-Capitalized Requirement	Required Ratio[1]	Amount	Ratio
Risk-based capital				
Common Equity Tier 1 capital	**6.5%**	**7.0%**	**$ 17,764**	**19.7%**
Tier 1 capital	**8.0%**	**8.5%**	**17,764**	**19.7%**
Total capital	**10.0%**	**10.5%**	**18,442**	**20.4%**
Leverage-based capital				
Tier 1 leverage	**5.0%**	**4.0%**	**$ 17,764**	**10.7%**
SLR	**6.0%**	**3.0%**	**17,764**	**8.5%**

	At December 31, 2019			
$ in millions	Well-Capitalized Requirement	Required Ratio[1]	Amount	Ratio
Risk-based capital				
Common Equity Tier 1 capital	6.5%	7.0%	$ 15,919	18.5%
Tier 1 capital	8.0%	8.5%	15,919	18.5%
Total capital	10.0%	10.5%	16,282	18.9%
Leverage-based capital				
Tier 1 leverage	5.0%	4.0%	$ 15,919	11.3%
SLR	6.0%	3.0%	15,919	8.7%

MSPBNA's Regulatory Capital

	At September 30, 2020			
$ in millions	Well-Capitalized Requirement	Required Ratio[1]	Amount	Ratio
Risk-based capital				
Common Equity Tier 1 capital	**6.5%**	**7.0%**	**$ 8,528**	**23.4%**
Tier 1 capital	**8.0%**	**8.5%**	**8,528**	**23.4%**
Total capital	**10.0%**	**10.5%**	**8,611**	**23.6%**
Leverage-based capital				
Tier 1 leverage	**5.0%**	**4.0%**	**$ 8,528**	**8.2%**
SLR	**6.0%**	**3.0%**	**8,528**	**7.8%**

	At December 31, 2019			
$ in millions	Well-Capitalized Requirement	Required Ratio[1]	Amount	Ratio
Risk-based capital				
Common Equity Tier 1 capital	6.5%	7.0%	$ 7,962	24.8%
Tier 1 capital	8.0%	8.5%	7,962	24.8%
Total capital	10.0%	10.5%	8,016	25.0%
Leverage-based capital				
Tier 1 leverage	5.0%	4.0%	$ 7,962	9.9%
SLR	6.0%	3.0%	7,962	9.4%

1. Required ratios are inclusive of any buffers applicable as of the date presented. Failure to maintain the buffers would result in restrictions on the U.S. Bank Subsidiaries' ability to make capital distributions, including the payment of dividends.

U.S. Broker-Dealer Regulatory Capital Requirements

MS&Co. Regulatory Capital

$ in millions	At September 30, 2020	At December 31, 2019
Net capital	**$ 14,183**	$ 13,708
Excess net capital	**10,217**	10,686

MS&Co. is a registered U.S. broker-dealer and registered futures commission merchant and, accordingly, is subject to the minimum net capital requirements of the SEC and the CFTC. MS&Co. has consistently operated with capital in excess of its regulatory capital requirements.

As an Alternative Net Capital broker-dealer, and in accordance with Securities Exchange Act of 1934 ("Exchange Act") Rule 15c3-1, Appendix E, MS&Co. is subject to minimum net capital and tentative net capital requirements. In addition, MS&Co. must notify the SEC if its tentative net capital falls below certain levels. At September 30, 2020 and December 31, 2019, MS&Co. has exceeded its net capital requirement and has tentative net capital in excess of the minimum and notification requirements.

MSSB Regulatory Capital

$ in millions	At September 30, 2020	At December 31, 2019
Net capital	**$ 2,758**	$ 3,387
Excess net capital	**2,581**	3,238

MSSB is a registered U.S. broker-dealer and introducing broker for the futures business and, accordingly, is subject to the minimum net capital requirements of the SEC. MSSB has consistently operated with capital in excess of its regulatory capital requirements.

Other Regulated Subsidiaries

MSIP, a London-based broker-dealer subsidiary, is subject to the capital requirements of the PRA, and MSMS, a Tokyo-based broker-dealer subsidiary, is subject to the capital requirements of the Financial Services Agency. MSIP and MSMS have consistently operated with capital in excess of their respective regulatory capital requirements.

Certain other U.S. and non-U.S. subsidiaries of the Firm are subject to various securities, commodities and banking regulations, and capital adequacy requirements promulgated by the regulatory and exchange authorities of the countries in which they operate. These subsidiaries have consistently operated with capital in excess of their local capital adequacy requirements.

17. Total Equity

Preferred Stock

$ in millions, except per share data	Shares Outstanding At September 30, 2020	Liquidation Preference per Share	Carrying Value At September 30, 2020	Carrying Value At December 31, 2019
Series				
A	**44,000**	**$ 25,000**	**$ 1,100**	$ 1,100
C[1]	**519,882**	**1,000**	**408**	408
E	**34,500**	**25,000**	**862**	862
F	**34,000**	**25,000**	**850**	850
H	**52,000**	**25,000**	**1,300**	1,300
I	**40,000**	**25,000**	**1,000**	1,000
J	**60,000**	**25,000**	**1,500**	1,500
K	**40,000**	**25,000**	**1,000**	1,000
L	**20,000**	**25,000**	**500**	500
Total			**$ 8,520**	$ 8,520
Shares authorized				30,000,000

1. Series C preferred stock is held by MUFG.

For a description of Series A through Series L preferred stock issuances, see Note 16 to the financial statements in the 2019 Form 10-K. The preferred stock has a preference over the common stock upon liquidation. The Firm's preferred stock qualifies as and is included in Tier 1 capital in accordance with regulatory capital requirements (see Note 16).

Common Shares Outstanding for Basic and Diluted EPS

in millions	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Weighted average common shares outstanding, basic	**1,542**	1,604	**1,546**	1,632
Effect of dilutive Stock options, RSUs and PSUs	**24**	23	**19**	21
Weighted average common shares outstanding and common stock equivalents, diluted	**1,566**	1,627	**1,565**	1,653
Weighted average antidilutive common stock equivalents (excluded from the computation of diluted EPS)	**—**	—	**7**	2

Share Repurchases

$ in millions	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Repurchases of common stock under the Firm's Share Repurchase Program	**$ —**	$ 1,500	**$ 1,347**	$ 3,860

On March 15, 2020, the Financial Services Forum announced that each of its eight member banks, including the Firm, had voluntarily suspended their share repurchase programs. On June 25, 2020, the Federal Reserve published summary results of CCAR and announced that large BHCs, including the Firm, generally would be restricted in making share repurchases during the current quarter, and on September 30, 2020, the restrictions were extended through the fourth quarter of 2020.

A portion of common stock repurchases was conducted under a sales plan with MUFG, whereby MUFG sold shares of the Firm's common stock to the Firm, as part of the Firm's Share Repurchase Program. The sales plan is only intended to maintain MUFG's ownership percentage below 24.9% in order to comply with MUFG's passivity commitments to the Board of Governors of the Federal Reserve System and has no impact on the strategic alliance between MUFG and the Firm, including the joint ventures in Japan.

Dividends

$ in millions, except per share data	Three Months Ended September 30, 2020 Per Share[1]	Three Months Ended September 30, 2020 Total	Three Months Ended September 30, 2019 Per Share[1]	Three Months Ended September 30, 2019 Total
Preferred Stock Series				
A	**$ 256**	**$ 11**	$ 256	$ 11
C	**25**	**13**	25	13
E	**445**	**15**	445	15
F	**430**	**15**	430	15
G[2]	**—**	**—**	414	8
H[3]	**248**	**13**	378	20
I	**398**	**16**	398	16
J[4]	**261**	**16**	—	—
K	**366**	**15**	366	15
L	**305**	**6**	—	—
Total Preferred stock		**$ 120**		$ 113
Common stock	**0.35**	**$ 551**	$ 0.35	$ 577

$ in millions, except per share data	Nine Months Ended September 30, 2020 Per Share[1]	Nine Months Ended September 30, 2020 Total	Nine Months Ended September 30, 2019 Per Share[1]	Nine Months Ended September 30, 2019 Total
Preferred Stock Series				
A	**$ 761**	**$ 33**	$ 758	$ 33
C	**75**	**39**	75	39
E	**1,336**	**45**	1,336	45
F	**1,289**	**44**	1,289	45
G[2]	**—**	**—**	1,242	24
H[3]	**897**	**47**	1,059	55
I	**1,195**	**48**	1,195	48
J[4]	**955**	**58**	694	42
K	**1,097**	**45**	1,097	45
L	**914**	**18**	—	—
Total Preferred stock		**$ 377**		$ 376
Common stock	**1.05**	**$ 1,662**	$ 0.95	$ 1,594

1. Common and Preferred Stock dividends are payable quarterly, unless otherwise noted.
2. Series G preferred stock was redeemed during the first quarter of 2020. For further information, see Note 16 to the financial statements in the 2019 Form 10-K.
3. Series H was payable semiannually until July 15, 2019, and is now payable quarterly.
4. Series J was payable semiannually until July 15, 2020, and is now payable quarterly.

Cumulative Adjustments to Beginning Retained Earnings Related to the Adoption of Accounting Updates

$ in millions	Nine Months Ended September 30, 2020
Financial Instruments—Credit Losses	**$ (100)**

$ in millions	Nine Months Ended September 30, 2019
Leases	$ 63

Accumulated Other Comprehensive Income (Loss)[1]

$ in millions	CTA	AFS Securities	Pension, Postretirement and Other	DVA	Total
June 30, 2020	$ (1,017)	$ 1,827	$ (620)	$ (189)	$ 1
OCI during the period	**81**	**(62)**	**5**	**(562)**	**(538)**
September 30, 2020	**$ (936)**	**$ 1,765**	**$ (615)**	**$ (751)**	**$ (537)**
June 30, 2019	$ (865)	$ 108	$ (574)	$ (720)	$ (2,051)
OCI during the period	(96)	214	3	332	453
September 30, 2019	$ (961)	$ 322	$ (571)	$ (388)	$ (1,598)
December 31, 2019	$ (897)	$ 207	$ (644)	$ (1,454)	$ (2,788)
OCI during the period	**(39)**	**1,558**	**29**	**703**	**2,251**
September 30, 2020	**$ (936)**	**$ 1,765**	**$ (615)**	**$ (751)**	**$ (537)**
December 31, 2018	$ (889)	$ (930)	$ (578)	$ 105	$ (2,292)
OCI during the period	(72)	1,252	7	(493)	694
September 30, 2019	$ (961)	$ 322	$ (571)	$ (388)	$ (1,598)

CTA—Cumulative foreign currency translation adjustments
1. Amounts are net of tax and noncontrolling interests.

Components of Period Changes in OCI

$ in millions	Three Months Ended September 30, 2020 Pre-tax Gain (Loss)	Income Tax Benefit (Provision)	After-tax Gain (Loss)	Non-controlling Interests	Net
CTA					
OCI activity	**$ 34**	**$ 76**	**$ 110**	**$ 29**	**$ 81**
Reclassified to earnings	**—**	**—**	**—**	**—**	**—**
Net OCI	**$ 34**	**$ 76**	**$ 110**	**$ 29**	**$ 81**
Change in net unrealized gains (losses) on AFS securities					
OCI activity	**$ (26)**	**$ 6**	**$ (20)**	**$ —**	**$ (20)**
Reclassified to earnings	**(55)**	**13**	**(42)**	**—**	**(42)**
Net OCI	**$ (81)**	**$ 19**	**$ (62)**	**$ —**	**$ (62)**
Pension, postretirement and other					
OCI activity	**$ (1)**	**$ 1**	**$ —**	**$ —**	**$ —**
Reclassified to earnings	**6**	**(1)**	**5**	**—**	**5**
Net OCI	**$ 5**	**$ —**	**$ 5**	**$ —**	**$ 5**
Change in net DVA					
OCI activity	**$ (747)**	**$ 178**	**$ (569)**	**$ (1)**	**$ (568)**
Reclassified to earnings	**8**	**(2)**	**6**	**—**	**6**
Net OCI	**$ (739)**	**$ 176**	**$ (563)**	**$ (1)**	**$ (562)**

$ in millions	Three Months Ended September 30, 2019 Pre-tax Gain (Loss)	Income Tax Benefit (Provision)	After-tax Gain (Loss)	Non-controlling Interests	Net
CTA					
OCI activity	$ (26)	$ (73)	$ (99)	$ (3)	$ (96)
Reclassified to earnings	—	—	—	—	—
Net OCI	$ (26)	$ (73)	$ (99)	$ (3)	$ (96)
Change in net unrealized gains (losses) on AFS securities					
OCI activity	$ 307	$ (73)	$ 234	$ —	$ 234
Reclassified to earnings	(26)	6	(20)	—	(20)
Net OCI	$ 281	$ (67)	$ 214	$ —	$ 214
Pension, postretirement and other					
OCI activity	$ —	$ —	$ —	$ —	$ —
Reclassified to earnings	4	(1)	3	—	3
Net OCI	$ 4	$ (1)	$ 3	$ —	$ 3
Change in net DVA					
OCI activity	$ 441	$ (106)	$ 335	$ 5	$ 330
Reclassified to earnings	2	—	2	—	2
Net OCI	$ 443	$ (106)	$ 337	$ 5	$ 332

$ in millions	Pre-tax Gain (Loss)	Income Tax Benefit (Provision)	After-tax Gain (Loss)	Non-controlling Interests	Net
	Nine Months Ended September 30, 2020				
CTA					
OCI activity	**$ 19**	**$ (17)**	**$ 2**	**$ 38**	**$ (36)**
Reclassified to earnings	**(3)**	**—**	**(3)**	**—**	**(3)**
Net OCI	**$ 16**	**$ (17)**	**$ (1)**	**$ 38**	**$ (39)**
Change in net unrealized gains (losses) on AFS securities					
OCI activity	**$ 2,142**	**$ (503)**	**$ 1,639**	**$ —**	**$ 1,639**
Reclassified to earnings	**(106)**	**25**	**(81)**	**—**	**(81)**
Net OCI	**$ 2,036**	**$ (478)**	**$ 1,558**	**$ —**	**$ 1,558**
Pension, postretirement and other					
OCI activity	**$ 20**	**$ (4)**	**$ 16**	**$ —**	**$ 16**
Reclassified to earnings	**16**	**(3)**	**13**	**—**	**13**
Net OCI	**$ 36**	**$ (7)**	**$ 29**	**$ —**	**$ 29**
Change in net DVA					
OCI activity	**$ 967**	**$ (233)**	**$ 734**	**$ 41**	**$ 693**
Reclassified to earnings	**14**	**(4)**	**10**	**—**	**10**
Net OCI	**$ 981**	**$ (237)**	**$ 744**	**$ 41**	**$ 703**

$ in millions	Pre-tax Gain (Loss)	Income Tax Benefit (Provision)	After-tax Gain (Loss)	Non-controlling Interests	Net
	Nine Months Ended September 30, 2019				
CTA					
OCI activity	$ 2	$ (58)	$ (56)	$ 16	$ (72)
Reclassified to earnings	—	—	—	—	—
Net OCI	$ 2	$ (58)	$ (56)	$ 16	$ (72)
Change in net unrealized gains (losses) on AFS securities					
OCI activity	$ 1,726	$ (406)	$ 1,320	$ —	$ 1,320
Reclassified to earnings	(89)	21	(68)	—	(68)
Net OCI	$ 1,637	$ (385)	$ 1,252	$ —	$ 1,252
Pension, postretirement and other					
OCI activity	$ —	$ (1)	$ (1)	$ —	$ (1)
Reclassified to earnings	10	(2)	8	—	8
Net OCI	$ 10	$ (3)	$ 7	$ —	$ 7
Change in net DVA					
OCI activity	$ (713)	$ 177	$ (536)	$ (36)	$ (500)
Reclassified to earnings	9	(2)	7	—	7
Net OCI	$ (704)	$ 175	$ (529)	$ (36)	$ (493)

18. Interest Income and Interest Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	**2020**	2019	**2020**	2019
Interest income				
Investment securities	**$ 529**	$ 579	**$ 1,603**	$ 1,563
Loans	**967**	1,208	**3,171**	3,599
Securities purchased under agreements to resell and Securities borrowed[1]	**(187)**	871	**70**	2,865
Trading assets, net of Trading liabilities	**537**	728	**1,902**	2,188
Customer receivables and Other[2]	**210**	964	**1,171**	2,931
Total interest income	**$ 2,056**	$ 4,350	**$ 7,917**	$ 13,146
Interest expense				
Deposits	**$ 178**	$ 505	**$ 804**	$ 1,460
Borrowings	**714**	1,219	**2,534**	3,941
Securities sold under agreements to repurchase and Securities loaned[3]	**165**	681	**883**	2,016
Customer payables and Other[4]	**(487)**	727	**(746)**	2,468
Total interest expense	**$ 570**	$ 3,132	**$ 3,475**	$ 9,885
Net interest	**$ 1,486**	$ 1,218	**$ 4,442**	$ 3,261

1. Includes fees paid on Securities borrowed.
2. Includes interest from Cash and cash equivalents.
3. Includes fees received on Securities loaned.
4. Includes fees received from prime brokerage customers for stock loan transactions entered into to cover customers' short positions.

Interest income and Interest expense are classified in the income statements based on the nature of the instrument and related market conventions. When included as a component of the instrument's fair value, interest is included within Trading revenues or Investments revenues. Otherwise, it is included within Interest income or Interest expense.

Accrued Interest

$ in millions	**At September 30, 2020**	At December 31, 2019
Customer and other receivables	**$ 2,244**	$ 1,661
Customer and other payables	**2,545**	2,223

19. Income Taxes

The Firm is under continuous examination by the IRS and other tax authorities in certain countries, such as Japan and the U.K., and in states and localities in which it has significant business operations, such as New York.

The Firm believes that the resolution of these tax examinations will not have a material effect on the annual financial statements, although a resolution could have a material impact in the income statements and on the effective tax rate for any period in which such resolutions occur.

The Firm has established a liability for unrecognized tax benefits, and associated interest, if applicable ("tax liabilities"), that it believes is adequate in relation to the potential for additional assessments. Once established, the Firm adjusts such tax liabilities only when new information is available or when an event occurs necessitating a change.

It is reasonably possible that significant changes in the balance of unrecognized tax benefits may occur within the next 12 months. At this time, however, it is not possible to reasonably estimate the expected change to the total amount of unrecognized tax benefits and the impact on the Firm's effective tax rate over the next 12 months.

Net Discrete Tax Provisions (Benefits)

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	**2020**	2019	**2020**	2019
Recurring[1]	**$ —**	$ —	**$ (94)**	$ (127)
Intermittent	**(113)**	(89)	**(10)**	(190)

1. Recurring discrete tax items are related to conversion of employee share-based awards.

The current quarter included intermittent net discrete tax benefits principally associated with the remeasurement of reserves and related interest as a result of new information pertaining to the resolution of tax examinations in certain jurisdictions.

The prior year quarter included intermittent net discrete tax benefits primarily associated with the filing of the 2018 federal tax return and the remeasurement of reserves and related interest as a result of new information pertaining to the resolution of multi-jurisdiction tax examinations.

The prior year period included intermittent net discrete tax benefits primarily associated with the remeasurement of reserves and related interest as a result of new information pertaining to the resolution of multi-jurisdiction tax examinations and other matters.

20. Segment, Geographic and Revenue Information

Selected Financial Information by Business Segment

	Three Months Ended September 30, 2020				
$ in millions	IS	WM	IM	I/E	Total
Investment banking	**$ 1,707**	**$ 135**	**$ —**	**$ (16)**	**$ 1,826**
Trading	**2,807**	**268**	**2**	**15**	**3,092**
Investments	**87**	**1**	**258**	**—**	**346**
Commissions and fees[1]	**639**	**477**	**1**	**(80)**	**1,037**
Asset management[1]	**114**	**2,793**	**795**	**(38)**	**3,664**
Other	**114**	**94**	**1**	**(3)**	**206**
Total non-interest revenues	**5,468**	**3,768**	**1,057**	**(122)**	**10,171**
Interest income	**1,086**	**1,065**	**7**	**(102)**	**2,056**
Interest expense	**492**	**176**	**8**	**(106)**	**570**
Net interest	**594**	**889**	**(1)**	**4**	**1,486**
Net revenues	**$ 6,062**	**$ 4,657**	**$1,056**	**$(118)**	**$11,657**
Income before provision for income taxes	**$ 2,048**	**$ 1,120**	**$ 315**	**$ 4**	**$ 3,487**
Provision for income taxes	**385**	**278**	**72**	**1**	**736**
Net income	**1,663**	**842**	**243**	**3**	**2,751**
Net income applicable to noncontrolling interests	**16**	**—**	**18**	**—**	**34**
Net income applicable to Morgan Stanley	**$ 1,647**	**$ 842**	**$ 225**	**$ 3**	**$ 2,717**

	Three Months Ended September 30, 2019				
$ in millions	IS	WM	IM	I/E	Total
Investment banking	$ 1,535	$ 118	$ —	$ (18)	$ 1,635
Trading	2,533	61	2	12	2,608
Investments	(18)	—	105	—	87
Commissions and fees[1]	643	416	1	(70)	990
Asset management[1]	100	2,639	664	(40)	3,363
Other	51	81	—	(1)	131
Total non-interest revenues	4,844	3,315	772	(117)	8,814
Interest income	3,112	1,378	4	(144)	4,350
Interest expense	2,933	335	12	(148)	3,132
Net interest	179	1,043	(8)	4	1,218
Net revenues	$ 5,023	$ 4,358	$ 764	$(113)	$10,032
Income before provision for income taxes	$ 1,307	$ 1,238	$ 165	$ —	$ 2,710
Provision for income taxes	189	276	27	—	492
Net income	1,118	962	138	—	2,218
Net income applicable to noncontrolling interests	45	—	—	—	45
Net income applicable to Morgan Stanley	$ 1,073	$ 962	$ 138	$ —	$ 2,173

	Nine Months Ended September 30, 2020				
$ in millions	IS	WM	IM	I/E	Total
Investment banking	$ 4,902	$ 403	$ —	$ (66)	$ 5,239
Trading	10,375	413	(13)	56	10,831
Investments	98	9	552	—	659
Commissions and fees[1]	2,230	1,538	1	(270)	3,499
Asset management[1]	342	7,980	2,144	(120)	10,346
Other	(628)	216	(39)	(7)	(458)
Total non-interest revenues	17,319	10,559	2,645	(407)	30,116
Interest income	4,809	3,468	22	(382)	7,917
Interest expense	3,184	653	33	(395)	3,475
Net interest	1,625	2,815	(11)	13	4,442
Net revenues	$18,944	$13,374	$2,634	$(394)	$34,558
Income before provision for income taxes	$ 5,991	$ 3,317	$ 674	$ 6	$ 9,988
Provision for income taxes	1,326	758	136	1	2,221
Net income	4,665	2,559	538	5	7,767
Net income applicable to noncontrolling interests	75	—	81	—	156
Net income applicable to Morgan Stanley	$ 4,590	$ 2,559	$ 457	$ 5	$ 7,611

	Nine Months Ended September 30, 2019				
$ in millions	IS	WM	IM	I/E	Total
Investment banking	$ 4,158	$ 365	$ (1)	$ (55)	$ 4,467
Trading	8,221	525	(2)	37	8,781
Investments	257	1	543	—	801
Commissions and fees[1]	1,889	1,250	1	(205)	2,935
Asset management[1]	310	7,544	1,893	(115)	9,632
Other	416	281	(6)	(6)	685
Total non-interest revenues	15,251	9,966	2,428	(344)	27,301
Interest income	9,457	4,139	14	(464)	13,146
Interest expense	9,376	950	35	(476)	9,885
Net interest	81	3,189	(21)	12	3,261
Net revenues	$15,332	$13,155	$2,407	$(332)	$30,562
Income before provision for income taxes	$ 4,365	$ 3,669	$ 538	$ (4)	$ 8,568
Provision for income taxes	703	830	104	(1)	1,636
Net income	3,662	2,839	434	(3)	6,932
Net income applicable to noncontrolling interests	97	—	32	—	129
Net income applicable to Morgan Stanley	$ 3,565	$ 2,839	$ 402	$ (3)	$ 6,803

I/E–Intersegment Eliminations
1. Substantially all revenues are from contracts with customers.

For a discussion about the Firm's business segments, see Note 21 to the financial statements in the 2019 Form 10-K.

Detail of Investment Banking Revenues

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	2020	2019	2020	2019
Institutional Securities Advisory	$ 357	$ 550	$ 1,181	$ 1,462
Institutional Securities Underwriting	1,350	985	3,721	2,696
Firm Investment banking revenues from contracts with customers	95%	85%	92%	90%

Trading Revenues by Product Type

	Three Months Ended September 30,		Nine Months Ended September 30,	
$ in millions	2020	2019	2020	2019
Interest rate	$ 511	$ 894	$ 2,593	$ 2,283
Foreign exchange	138	69	603	383
Equity security and index[1]	1,478	1,076	4,494	4,005
Commodity and other	495	300	1,363	986
Credit	470	269	1,778	1,124
Total	$ 3,092	$ 2,608	$ 10,831	$ 8,781

1. Dividend income is included within equity security and index contracts.

The previous table summarizes realized and unrealized gains and losses, from derivative and non-derivative financial instruments, included in Trading revenues in the income statements. The Firm generally utilizes financial instruments across a variety of product types in connection with its market-making and related risk management strategies. The trading revenues presented in the table are not representative of the manner in which the Firm manages its business activities and are prepared in a manner similar to the presentation of trading revenues for regulatory reporting purposes.

Investment Management Investments Revenues—Net Cumulative Unrealized Carried Interest

$ in millions	At September 30, 2020	At December 31, 2019
Net cumulative unrealized performance-based fees at risk of reversing	$ 761	$ 774

The Firm's portion of net cumulative performance-based fees in the form of unrealized carried interest, for which the Firm is not obligated to pay compensation, are at risk of reversing when the return in certain funds fall below specified performance targets. See Note 14 for information regarding general partner guarantees, which include potential obligations to return performance fee distributions previously received.

Investment Management Asset Management Revenues—Reduction of Fees Due to Fee Waivers

$ in millions	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Fee waivers	**$ 37**	$ 11	**$ 70**	$ 32

The Firm waives a portion of its fees in the Investment Management business segment from certain registered money market funds that comply with the requirements of Rule 2a-7 of the Investment Company Act of 1940.

Certain Other Fee Waivers

Separately, the Firm's employees, including its senior officers, may participate on the same terms and conditions as other investors in certain funds that the Firm sponsors primarily for client investment, and the Firm may waive or lower applicable fees and charges for its employees.

Net Revenues by Region

$ in millions	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Americas	**$ 8,387**	$ 7,489	**$ 24,798**	$ 22,336
EMEA	**1,473**	1,409	**4,670**	4,687
Asia	**1,797**	1,134	**5,090**	3,539
Total	**$ 11,657**	$ 10,032	**$ 34,558**	$ 30,562

For a discussion about the Firm's geographic net revenues, see Note 21 to the financial statements in the 2019 Form 10-K.

Revenue Recognized from Prior Services

$ in millions	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Non-interest revenues	**$ 556**	$ 841	**$ 1,616**	$ 1,995

The previous table includes revenue from contracts with customers recognized where some or all services were performed in prior periods and is primarily composed of investment banking advisory fees and distribution fees.

Receivables from Contracts with Customers

$ in millions	At September 30, 2020	At December 31, 2019
Customer and other receivables	**$ 2,854**	$ 2,916

Receivables from contracts with customers, which are included within Customer and other receivables in the balance sheets, arise when the Firm has both recorded revenues and has the right per the contract to bill the customer.

Assets by Business Segment

$ in millions	At September 30, 2020	At December 31, 2019
Institutional Securities	**$ 704,323**	$ 691,201
Wealth Management	**244,425**	197,682
Investment Management	**7,192**	6,546
Total[1]	**$ 955,940**	$ 895,429

1. Parent assets have been fully allocated to the business segments.

Average Balances and Interest Rates and Net Interest Income

$ in millions	Three Months Ended September 30, 2020 Average Daily Balance	2020 Interest	2020 Annualized Average Rate	2019 Average Daily Balance	2019 Interest	2019 Annualized Average Rate
Interest earning assets						
Investment securities[1]	**$133,726**	**$ 529**	**1.6 %**	$104,700	$ 579	2.2 %
Loans[1]	**144,985**	**967**	**2.7**	122,320	1,208	3.9
Securities purchased under agreements to resell and Securities borrowed[2]:						
U.S.	**123,614**	**(99)**	**(0.3)**	146,578	835	2.3
Non-U.S.	**58,567**	**(88)**	**(0.6)**	76,871	36	0.2
Trading assets, net of Trading liabilities[3]:						
U.S.	**78,417**	**443**	**2.2**	78,169	630	3.2
Non-U.S.	**21,092**	**94**	**1.8**	17,104	98	2.3
Customer receivables and Other[4]:						
U.S.	**81,908**	**171**	**0.8**	62,113	703	4.5
Non-U.S.	**63,657**	**39**	**0.2**	60,073	261	1.7
Total	**$705,966**	**$ 2,056**	**1.2 %**	$667,928	$ 4,350	2.6 %
Interest bearing liabilities						
Deposits[1]	**$236,119**	**$ 178**	**0.3 %**	$179,715	$ 505	1.1 %
Borrowings[1, 5]	**205,166**	**714**	**1.4**	196,777	1,219	2.5
Securities sold under agreements to repurchase and Securities loaned[6]:						
U.S.	**30,154**	**81**	**1.1**	36,335	505	5.5
Non-U.S.	**28,320**	**84**	**1.2**	30,111	176	2.3
Customer payables and Other[7]:						
U.S.	**119,846**	**(399)**	**(1.3)**	121,800	448	1.5
Non-U.S.	**64,524**	**(88)**	**(0.5)**	65,036	279	1.7
Total	**$684,129**	**$ 570**	**0.3 %**	$629,774	$ 3,132	2.0 %
Net interest income and net interest rate spread		**$ 1,486**	**0.9 %**		$ 1,218	0.6 %

$ in millions	Nine Months Ended September 30, 2020 Average Daily Balance	2020 Interest	2020 Annualized Average Rate	2019 Average Daily Balance	2019 Interest	2019 Annualized Average Rate
Interest earning assets						
Investment securities[1]	**$122,613**	**$ 1,603**	**1.7%**	$ 99,782	$ 1,563	2.1%
Loans[1]	**142,261**	**3,171**	**3.0**	118,926	3,599	4.0
Securities purchased under agreements to resell and Securities borrowed[2]:						
U.S.	**127,868**	**194**	**0.2**	144,686	2,774	2.6
Non-U.S.	**59,831**	**(124)**	**(0.3)**	76,814	91	0.2
Trading assets, net of Trading liabilities[3]:						
U.S.	**76,418**	**1,558**	**2.7**	77,434	1,922	3.3
Non-U.S.	**22,570**	**344**	**2.0**	14,362	266	2.5
Customer receivables and Other[4]:						
U.S.	**78,705**	**892**	**1.5**	61,479	2,110	4.6
Non-U.S.	**61,699**	**279**	**0.6**	59,033	821	1.9
Total	**$691,965**	**$ 7,917**	**1.5%**	$652,516	$13,146	2.7%
Interest bearing liabilities						
Deposits[1]	**$223,733**	**$ 804**	**0.5%**	$178,894	$ 1,460	1.1%
Borrowings[1, 5]	**199,855**	**2,534**	**1.7**	192,854	3,941	2.7
Securities sold under agreements to repurchase and Securities loaned[6]:						
U.S.	**30,315**	**501**	**2.2**	32,479	1,489	6.1
Non-U.S.	**29,315**	**382**	**1.7**	31,555	527	2.2
Customer payables and Other[7]:						
U.S.	**123,662**	**(693)**	**(0.7)**	116,383	1,587	1.8
Non-U.S.	**64,608**	**(53)**	**(0.1)**	65,331	881	1.8
Total	**$671,488**	**$ 3,475**	**0.7%**	$617,496	$ 9,885	2.1%
Net interest income and net interest rate spread		**$ 4,442**	**0.8%**		$ 3,261	0.6%

1. Amounts include primarily U.S. balances.
2. Includes fees paid on Securities borrowed.
3. Excludes non-interest earning assets and non-interest bearing liabilities, such as equity securities.
4. Includes Cash and cash equivalents.
5. Includes borrowings carried at fair value, whose interest expense is considered part of fair value and therefore is recorded within Trading revenues.
6. Includes fees received on Securities loaned. The annualized average rate was calculated using (a) interest expense incurred on all securities sold under agreements to repurchase and securities loaned transactions, whether or not such transactions were reported in the balance sheets and (b) net average on-balance sheet balances, which exclude certain securities-for-securities transactions.
7. Includes fees received from prime brokerage customers for stock loan transactions entered into to cover customers' short positions.

Glossary of Common Terms and Acronyms

2019 Form 10-K	Annual report on Form 10-K for year ended December 31, 2019 filed with the SEC
ABS	Asset-backed securities
ACL	Allowance for credit losses
AFS	Available-for-sale
AML	Anti-money laundering
AOCI	Accumulated other comprehensive income (loss)
AUM	Assets under management or supervision
Balance sheets	Consolidated balance sheets
BEAT	Base erosion and anti-abuse tax
BHC	Bank holding company
bps	Basis points; one basis point equals 1/100th of 1%
Cash flow statements	Consolidated cash flow statements
CCAR	Comprehensive Capital Analysis and Review
CCyB	Countercyclical capital buffer
CDO	Collateralized debt obligation(s), including Collateralized loan obligation (s)
CDS	Credit default swaps
CECL	Current Expected Credit Losses, as calculated under the Financial Instruments—Credit Losses accounting update
CFTC	U.S. Commodity Futures Trading Commission
CLN	Credit-linked note(s)
CLO	Collateralized loan obligation(s)
CMBS	Commercial mortgage-backed securities
CMO	Collateralized mortgage obligation(s)
CVA	Credit valuation adjustment
DVA	Debt valuation adjustment
EBITDA	Earnings before interest, taxes, depreciation and amortization
ELN	Equity-linked note(s)
EMEA	Europe, Middle East and Africa
EPS	Earnings per common share
E.U.	European Union
FDIC	Federal Deposit Insurance Corporation
FFELP	Federal Family Education Loan Program
FFIEC	Federal Financial Institutions Examination Council
FHC	Financial Holding Company
FICC	Fixed Income Clearing Corporation
FICO	Fair Isaac Corporation
Financial statements	Consolidated financial statements
FVA	Funding valuation adjustment
GILTI	Global Intangible Low-Taxed Income
G-SIB	Global systemically important banks
HELOC	Home Equity Line of Credit
HQLA	High-quality liquid assets
HTM	Held-to-maturity
I/E	Intersegment eliminations
IHC	Intermediate holding company
IM	Investment Management
Income statements	Consolidated income statements
IRS	Internal Revenue Service
IS	Institutional Securities
LCR	Liquidity coverage ratio, as adopted by the U.S. banking agencies
LIBOR	London Interbank Offered Rate
M&A	Merger, acquisition and restructuring transaction
MSBNA	Morgan Stanley Bank, N.A.
MS&Co.	Morgan Stanley & Co. LLC

Glossary of Common Terms and Acronyms

MSIP	Morgan Stanley & Co. International plc
MSMS	Morgan Stanley MUFG Securities Co., Ltd.
MSPBNA	Morgan Stanley Private Bank, National Association
MSSB	Morgan Stanley Smith Barney LLC
MUFG	Mitsubishi UFJ Financial Group, Inc.
MUMSS	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
MWh	Megawatt hour
N/A	Not Applicable
N/M	Not Meaningful
NAV	Net asset value
Non-GAAP	Non-generally accepted accounting principles
NSFR	Net stable funding ratio, as proposed by the U.S. banking agencies
OCC	Office of the Comptroller of the Currency
OCI	Other comprehensive income (loss)
OIS	Overnight index swap
OTC	Over-the-counter
OTTI	Other-than-temporary impairment
PRA	Prudential Regulation Authority
PSU	Performance-based stock unit
RMBS	Residential mortgage-backed securities
ROE	Return on average common equity
ROTCE	Return on average tangible common equity
ROU	Right-of-use
RSU	Restricted stock unit
RWA	Risk-weighted assets
SEC	U.S. Securities and Exchange Commission
SLR	Supplementary leverage ratio
SOFR	Secured Overnight Financing Rate
S&P	Standard & Poor’s
SPE	Special purpose entity
SPOE	Single point of entry
TDR	Troubled debt restructuring
TLAC	Total loss-absorbing capacity
U.K.	United Kingdom
UPB	Unpaid principal balance
U.S.	United States of America
U.S. GAAP	Accounting principles generally accepted in the United States of America
VaR	Value-at-Risk
VIE	Variable interest entity
WACC	Implied weighted average cost of capital
WM	Wealth Management

Other Information

None.

Legal Proceedings

The following developments have occurred since previously reporting certain matters in the Firm's 2019 Form 10-K, the Firm's Quarterly Reports on Form 10-Q for the quarterly period ended March 31, 2020 (the "First Quarter Form 10-Q") and the quarterly period ended June 30, 2020 (the "Second Quarter Form 10-Q"). See also the disclosures set forth under "Legal Proceedings" in the 2019 Form 10-K, the First Quarter Form 10-Q, and the Second Quarter Form 10-Q.

Residential Mortgage and Credit Crisis Related Matter

On July 24, 2020, the First Department in *China Development Industrial Bank v. Morgan Stanley & Co. Incorporated, et al.* denied the Firm's motion for leave to appeal to the First Department's decision denying the Firm's motion for sanctions relating to spoliation of evidence and otherwise affirming the order of the Supreme Court of NY denying the Firm's motion for summary judgment.

On September 2, 2020, the parties in *U.S. Bank National Association, solely in its capacity as Trustee of the Morgan Stanley Mortgage Loan Trust 2007-2AX (MSM 2007-2AX) v. Morgan Stanley Mortgage Capital Holdings LLC, Successor-by-Merger to Morgan Stanley Mortgage Capital Inc. and GreenPoint Mortgage Funding, Inc.* entered into a settlement agreement, which was approved in a Trust Instructional Proceeding on October 20, 2020.

European Matter

The plaintiff and the Firm are due to file final submissions in the Court of Appeal of Milan in the matter styled *Banco Popolare Societá Cooperativa v. Morgan Stanley & Co. International plc & others* by November 23, 2020.

Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities
Three Months Ended September 30, 2020

$ in millions, except per share data	Total Number of Shares Purchased[1]	Average Price Paid Per Share	Total Shares Purchased as Part of Share Repurchase Program[2,3]	Dollar Value of Remaining Authorized Repurchase
July	30,610	$ 48.10	—	$ —
August	560,008	$ 48.90	—	$ —
September	18,360	$ 52.08	—	$ —
Total	**608,978**	**$ 48.96**	**—**	

1. Refers to shares acquired by the Firm in satisfaction of the tax withholding obligations on stock-based awards granted under the Firm's stock-based compensation plans during the three months ended September 30, 2020.
2. Share purchases under publicly announced programs are made pursuant to open-market purchases, Rule 10b5-1 plans or privately negotiated transactions (including with employee benefit plans) as market conditions warrant and at prices the Firm deems appropriate and may be suspended at any time. On April 18, 2018, the Firm entered into a sales plan with Mitsubishi UFJ Financial Group, Inc. ("MUFG"). See Note 17 to the financial statements for further information on the sales plan.
3. The Firm's Board of Directors has authorized the repurchase of the Firm's outstanding stock under a share repurchase program (the "Share Repurchase Program") from time to time as conditions warrant and subject to regulatory non-objection. The Share Repurchase Program is a program for capital management purposes that considers, among other things, business segment capital needs, as well as equity-based compensation and benefit plan requirements. The Share Repurchase Program has no set expiration or termination date.

Share repurchases by the Firm are subject to regulatory non-objection. On June 27, 2019, the Federal Reserve published summary results of CCAR and the Firm received a non-objection to its 2019 Capital Plan. The Firm's 2019 Capital Plan includes a share repurchase of up to $6.0 billion of its outstanding common stock during the period beginning July 1, 2019 through June 30, 2020. On March 15, 2020, the Financial Services Forum announced that each of its eight member banks, including the Firm, had voluntarily suspended their share repurchase programs. As a result, $1.7 billion of share repurchase authorization expired unused on June 30, 2020. On June 25, 2020, the Federal Reserve published summary results of CCAR and announced that large BHCs, including the Firm, generally would be restricted in making share repurchases during the current quarter, and on September 30, 2020, the restrictions were extended through the fourth quarter of 2020. For further information, see "Liquidity and Capital Resources —Regulatory Requirements—Capital Plans and Stress Tests."

Controls and Procedures

Under the supervision and with the participation of the Firm's management, including the Chief Executive Officer and Chief Financial Officer, the Firm conducted an evaluation of the effectiveness of the Firm's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Firm's disclosure controls and procedures were effective as of the end of the period covered by this report.

No change in the Firm's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) occurred during the period covered by this report that materially affected, or is reasonably likely to materially affect, the Firm's internal control over financial reporting.

Exhibits

Exhibit Index

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Morgan Stanley, as amended to date.
10.1	Form of Aircraft Time-Sharing Agreement.
15	Letter of awareness from Deloitte & Touche LLP, dated November 3, 2020, concerning unaudited interim financial information.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer.
32.2	Section 1350 Certification of Chief Financial Officer.
101	Interactive Data Files pursuant to Rule 405 of Regulation S-T formatted in Inline eXtensible Business Reporting Language ("Inline XBRL").
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MORGAN STANLEY
(Registrant)

By: /s/ JONATHAN PRUZAN

Jonathan Pruzan
Executive Vice President and
Chief Financial Officer

By: /s/ RAJA J. AKRAM

Raja J. Akram
Deputy Chief Financial Officer,
Chief Accounting Officer and Controller

Date: November 3, 2020

EXHIBIT 31.1

Certification

I, James P. Gorman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Morgan Stanley;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2020

/s/ JAMES P. GORMAN

James P. Gorman
Chairman of the Board and Chief Executive Officer

EXHIBIT 31.2

Certification

I, Jonathan Pruzan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Morgan Stanley;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2020

/s/ JONATHAN PRUZAN

Jonathan Pruzan
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Morgan Stanley (the "Firm") on Form 10-Q for the quarter ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James P. Gorman, Chairman of the Board and Chief Executive Officer of the Firm, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Firm.

/s/ JAMES P. GORMAN

James P. Gorman
Chairman of the Board and
Chief Executive Officer

Date: November 3, 2020

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Morgan Stanley (the “Firm”) on Form 10-Q for the quarter ended September 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jonathan Pruzan, Executive Vice President and Chief Financial Officer of the Firm, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Firm.

/s/ JONATHAN PRUZAN
Jonathan Pruzan
Executive Vice President and
Chief Financial Officer

Date: November 3, 2020