MEETING SUMMARY WITH MORGAN STANLEY

Meeting Date: Sept. 15, 2010

Meeting Time: 12:30 pm - 1:30 pm

CFTC Attendees: Gary Gensler, Stephen Sherrod, John Riley, Dan Berkovitz, Ananda Radhakrishnan, John Lawton, Thelma Diaz, Eileen Donovan, Bruce Fekrat, and Andrea Musalem. Note, Riva Adriance and Mauricio Melara arrived toward the end of the meeting.

External Attendees:

- Stephen O'Connor, Managing Director, Counterparty Portfolio Management, Fixed Income Division;
- James Hill, Managing Director, Structured Credit Products, Fixed Income Division;
- Alan Thomas, Managing Director, Equity Financing Products, Institutional Equity Division;
- William McCoy, Managing Director, Legal and Compliance Division;
- Richard Ostrander, Managing Director, Legal and Compliance Division;
- Candice Koederitz, Managing Director
- Nancy King, Managing Director

Agenda:

1. Implementation – Morgan Stanley raised the issue of staggered implementation of the rules. The implementation of mandated clearing for swaps, Morgan Stanley stated, should be staggered by asset class, and dealer trades should be moved into clearing before client trades. Implementation at different times, according to Morgan Stanley, would be less disruptive to the markets. There are some markets that are more ready and more standardized according to Morgan Stanley.

With regard to SEFs, Morgan Stanley stated that the more flexibility promulgated into the SEF, the less likely that staggering the implementation will be necessary.

- 2. Clearing Morgan Stanley raised three sub-issues regarding DCOs:
 - a. Membership. Morgan Stanley is concerned that there will be weak counterparties in the clearinghouse if access is not somewhat limited. Access to clearing should be available to all, according to Morgan Stanley, but some should only have access as a customer, not as a clearing member.
 - b. Product Eligibility. Morgan Stanley stated that liquidity providers must provide input for product eligibility.
 - c. Margin Policy. With respect to the CDS clearinghouse, Morgan Stanley raised the issue of concentration limits per dealer and margin multipliers as DCO policies.

- 3. Execution Morgan Stanley stated that SEFs should be broadly defined to allow RFQs. According to Morgan Stanley, if a SEF becomes an order book, then a lot of trades won't be SEF eligible. Pre-trade transparency is important only for the parties involved. If you eliminate RFQs then you will eliminate a lot of trades that won't go through a SEF, according to Morgan Stanley.
- 4. Position Limits.
- 5. Margin Requirements for Uncleared Transactions On behalf of a client, Morgan Stanley asked whether the Commission has the authority to grandfather existing swaps (exempting them from margin requirements), and if the Commission has such authority, will it do so. According to Morgan Stanley, 90 percent of existing exposures predate the enactment of the legislation.

Morgan Stanley believes the Commission has the authority and requested that the Commission provide an explicit statement as to whether it will or will not grandfather existing trades because of the uncertainty in the market.