Morgan Stanley

Third Addendum to the Base Listing Document dated 17 March 2020 relating to Non-collateralised Structured Products

Issuer

Morgan Stanley Asia Products Limited

(Incorporated in the Cayman Islands with limited liability)

Guarantor

Morgan Stanley

(Incorporated in the State of Delaware, United States of America)

Manager

Morgan Stanley Asia Limited

(Incorporated in Hong Kong)

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This document, for which we and the Guarantor accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Stock Exchange's Listing Rules**") for the purpose of giving information with regard to the Issuer, the Guarantor and the warrants, callable bull/bear contracts ("**CBBCs**") and any other structured products (together, "**our structured products**") referred to in this document. The Issuer and the Guarantor, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document, our base listing document dated 17 March 2020 ("**Base Listing Document**"), our first addendum to the Base Listing Document dated 29 April 2020 ("**First Addendum**") and our second addendum to the Base Listing Document dated 27 May 2020 ("**Second Addendum**") is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or these documents, when read together, misleading. This document should be read together with the Base Listing Document, the First Addendum and the Second Addendum.

We, the Issuer of our structured products, are publishing this document in order to obtain a listing on the Stock Exchange of our structured products.

The structured products are complex products. You should exercise caution in relation to them. Investors are warned that the price of the structured products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the structured products and carefully study the risk factors set out in the Base Listing Document and, where necessary, seek professional advice, before they invest in the structured products.

The structured products constitute general unsecured contractual obligations of the Issuer and of no other person and the guarantee constitutes the general unsecured contractual obligations of the Guarantor and of no other person and will rank equally among themselves and with all our and the Guarantor's other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the structured products, you are relying upon the creditworthiness of the Issuer and the Guarantor, and have no rights under the structured products against (a) the company which has issued the underlying securities, (b) the trustee or the manager of the underlying trust, or (c) the index sponsor of any underlying index or any other person. If the Issuer becomes insolvent or default on its obligations under the structured products or the Guarantor becomes insolvent or defaults on its obligations under the guarantee, you may not be able to recover all or even part of the amount due under the structured products (if any).

The structured products are not bank deposits or protected deposits for the purposes of the Deposit Protection Scheme in Hong Kong and are not insured or guaranteed by the United States Federal Deposit Insurance Corporation ("**FDIC**"), or any other governmental agency. The structured products are guaranteed by Morgan Stanley and the guarantee will rank *pari passu* with all other direct, unconditional, unsecured and unsubordinated indebtedness of Morgan Stanley.

The distribution of this document, the Base Listing Document, the First Addendum, the Second Addendum and the relevant launch announcement and supplemental listing document, and the offering, sale and delivery of structured products in certain jurisdictions may be restricted by law. You are required to inform yourselves about and to observe such restrictions. Please read Annex 3 "Purchase and Sale" in the Base Listing Document. The structured products have not been approved or disapproved by the SEC or any state securities commission in the United States or regulatory authority, nor has the SEC or any state securities commission or any regulatory authority passed upon the accuracy or the adequacy of this document. Any representation to the contrary is a criminal offence. **The structured products and the guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended ("Securities Act"), and the structured products may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act).**

Dated 25 August 2020

IMPORTANT

If you are in doubt as to the contents of this document, you should obtain independent professional advice.

This document contains (i) the supplemental information about the Guarantor and (ii) the extracts of the Guarantor's quarterly report on Form 10-Q for the quarterly period ended 30 June 2020. You should read this document, the Base Listing Document, the First Addendum, the Second Addendum and the relevant launch announcement and supplemental listing document published by us in relation to the particular series of structured products you are considering for investment to understand our structured products before deciding whether to buy our structured products.

Copies of this document, the Base Listing Document, the First Addendum, the Second Addendum and the relevant launch announcement and supplemental listing document (together with a Chinese translation of each of these documents) and other documents listed under the section "Where can I read copies of the Issuer's and Guarantor's documentation?" in the Base Listing Document may be inspected at the offices of Morgan Stanley Asia Limited at Level 46, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

本文件，基本上市文件，第一份增編，第二份增編及相關發行公佈及補充上市文件(及以上各份文件的英文本)連同基本上市文件的「本人從何處可查閱發行人及擔保人的文件副本？」一節所列的其他文件，可於摩根士丹利亞洲有限公司的辦事處(地址為香港九龍柯士甸道西1號環球貿易廣場46樓)查閱。

We do not give you investment advice; you must decide for yourself, after reading the listing documents for the relevant structured products and, if necessary, seeking professional advice, whether our structured products meet your investment needs.

Our Guarantor's long term credit ratings (as of the day immediately preceding the date of this document) are: A3 (Rating Under Review for Possible Upgrade) by Moody's Investors Service, Inc. and BBB+ (Stable) by S&P Global Ratings.

Save as disclosed in the Base Listing Document, the First Addendum, the Second Addendum and this document, the Issuer and our Guarantor are not aware, to the best of our and our Guarantor's knowledge and belief, of any litigation or claims of material importance pending or threatened against us or our Guarantor.

Save as disclosed in Annex 6 of the Base Listing Document, the First Addendum, the Second Addendum and this document, there has been no material adverse change in the Issuer's and our Guarantor's financial or trading position since the date of the most recently published audited consolidated financial statements of the Issuer and our Guarantor that would have a material adverse effect on the Issuer's and our Guarantor's ability to perform their respective obligations in respect of the structured products.

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SUPPLEMENTAL INFORMATION ABOUT THE GUARANTOR

LEGAL PROCEEDINGS

The following developments have occurred since previously reporting certain matters in the Guarantor's 2019 Form 10-K and the Guarantor's Quarterly Report on Form 10-Q for the quarterly period ended 31 March 2020 (the "**First Quarter Form 10-Q**"). See also the disclosures set forth under "Legal Proceedings" in the Guarantor's 2019 Form 10-K and the First Quarter Form 10-Q. Unless the context otherwise requires, the term the "Firm" means Morgan Stanley together with its consolidated subsidiaries.

Residential Mortgage and Credit Crisis Related Matter

On May 21, 2020, the First Department, modified the order of the Supreme Court of NY in *China Development Industrial Bank v. Morgan Stanley & Co. Incorporated, et al.*, 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 Court of Appeals.

European Matters

Tax

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.

Other

On July 14, 2020, the Italian Supreme Court in the matter styled *Case number 2012/00406/MNV* scheduled a hearing to take place on November 17, 2020.

EXTRACT OF THE GUARANTOR'S QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTERLY PERIOD ENDED 30 JUNE 2020

This information set out in the following pages has been extracted from the Guarantor's quarterly report on Form 10-Q for the quarterly period ended 30 June 2020. References to page numbers in this extract are to the pages in the Guarantor's quarterly report on Form 10-Q for the quarterly period ended 30 June 2020 and not to the pages in this document.

Consolidated Income Statements (Unaudited)

Morgan Stanley

in millions, except per share data	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Revenues				
Investment banking	$ **2,142**	$ 1,590	$ **3,413**	$ 2,832
Trading	**4,683**	2,732	**7,739**	6,173
Investments	**275**	441	**313**	714
Commissions and fees	**1,102**	979	**2,462**	1,945
Asset management	**3,265**	3,220	**6,682**	6,269
Other	**347**	253	**(664)**	554
Total non-interest revenues	**11,814**	9,215	**19,945**	18,487
Interest income	**2,358**	4,506	**5,861**	8,796
Interest expense	**758**	3,477	**2,905**	6,753
Net interest	**1,600**	1,029	**2,956**	2,043
Net revenues	**13,414**	10,244	**22,901**	20,530
Non-interest expenses				
Compensation and benefits	**6,035**	4,531	**10,318**	9,182
Brokerage, clearing and exchange fees	**716**	630	**1,456**	1,223
Information processing and communications	**589**	538	**1,152**	1,070
Professional services	**535**	537	**984**	1,051
Occupancy and equipment	**365**	353	**730**	700
Marketing and business development	**63**	162	**195**	303
Other	**756**	590	**1,565**	1,143
Total non-interest expenses	**9,059**	7,341	**16,400**	14,672
Income before provision for income taxes	**4,355**	2,903	**6,501**	5,858
Provision for income taxes	**1,119**	657	**1,485**	1,144
Net income	$ **3,236**	$ 2,246	$ **5,016**	$ 4,714
Net income applicable to noncontrolling interests	**40**	45	**122**	84
Net income applicable to Morgan Stanley	$ **3,196**	$ 2,201	$ **4,894**	$ 4,630
Preferred stock dividends	**149**	170	**257**	263
Earnings applicable to Morgan Stanley common shareholders	$ **3,047**	$ 2,031	$ **4,637**	$ 4,367
Earnings per common share				
Basic	$ **1.98**	$ 1.24	$ **3.00**	$ 2.65
Diluted	$ **1.96**	$ 1.23	$ **2.96**	$ 2.62
Average common shares outstanding				
Basic	**1,541**	1,634	**1,548**	1,646
Diluted	**1,557**	1,655	**1,565**	1,666

Consolidated Comprehensive Income Statements (Unaudited)

Morgan Stanley

$ in millions	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Net income	**$ 3,236**	$ 2,246	**$ 5,016**	$ 4,714
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	**21**	65	**(111)**	43
Change in net unrealized gains (losses) on available-for-sale securities	**295**	609	**1,620**	1,038
Pension, postretirement and other	**(1)**	3	**24**	4
Change in net debt valuation adjustment	**(2,496)**	(246)	**1,307**	(866)
Total other comprehensive income (loss)	**$ (2,181)**	$ 431	**$ 2,840**	$ 219
Comprehensive income	**$ 1,055**	$ 2,677	**$ 7,856**	$ 4,933
Net income applicable to noncontrolling interests	**40**	45	**122**	84
Other comprehensive income (loss) applicable to noncontrolling interests	**(87)**	9	**51**	(22)
Comprehensive income applicable to Morgan Stanley	**$ 1,102**	$ 2,623	**$ 7,683**	$ 4,871

Consolidated Balance Sheets

Morgan Stanley

$ in millions, except share data	(Unaudited) At June 30, 2020	At December 31, 2019
Assets		
Cash and cash equivalents	**$ 106,276**	$ 82,171
Trading assets at fair value (**$127,153** and $128,386 were pledged to various parties)	**300,391**	297,110
Investment securities (includes **$85,577** and $62,223 at fair value)	**132,620**	105,725
Securities purchased under agreements to resell (includes **$19** and $4 at fair value)	**96,612**	88,224
Securities borrowed	**106,834**	106,549
Customer and other receivables	**62,290**	55,646
Loans:		
Held for investment (net of allowance of **$866** and $349)	**127,422**	118,060
Held for sale	**14,551**	12,577
Goodwill	**7,329**	7,143
Intangible assets (net of accumulated amortization of **$3,361** and $3,204)	**1,958**	2,107
Other assets	**19,080**	20,117
Total assets	**$ 975,363**	$ 895,429
Liabilities		
Deposits (includes **$4,022** and $2,099 at fair value)	**$ 236,849**	$ 190,356
Trading liabilities at fair value	**149,756**	133,356
Securities sold under agreements to repurchase (includes **$1,225** and $733 at fair value)	**50,848**	54,200
Securities loaned	**10,493**	8,506
Other secured financings (includes **$9,914** and $7,809 at fair value)	**13,662**	14,698
Customer and other payables	**198,971**	197,834
Other liabilities and accrued expenses	**21,311**	21,155
Borrowings (includes **$66,737** and $64,461 at fair value)	**205,464**	192,627
Total liabilities	**887,354**	812,732
Commitments and contingent liabilities (see Note 13)		
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: **1,576,105,281** and 1,593,973,680	**20**	20
Additional paid-in capital	**23,782**	23,935
Retained earnings	**74,015**	70,589
Employee stock trusts	**3,018**	2,918
Accumulated other comprehensive income (loss)	**1**	(2,788)
Common stock held in treasury at cost, $0.01 par value (**462,788,698** and 444,920,299 shares)	**(19,693)**	(18,727)
Common stock issued to employee stock trusts	**(3,018)**	(2,918)
Total Morgan Stanley shareholders' equity	**86,645**	81,549
Noncontrolling interests	**1,364**	1,148
Total equity	**88,009**	82,697
Total liabilities and equity	**$ 975,363**	$ 895,429

Consolidated Statements of Changes in Total Equity (Unaudited)

$ in millions	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 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	23,428	23,178	23,935	23,794
Share-based award activity	**354**	268	**(153)**	(350)
Other net increases	**—**	—	**—**	2
Ending balance	**23,782**	23,446	**23,782**	23,446
Retained Earnings				
Beginning balance	71,518	66,061	70,589	64,175
Cumulative adjustments for accounting changes[1]	**—**	—	**(100)**	63
Net income applicable to Morgan Stanley	**3,196**	2,201	**4,894**	4,630
Preferred stock dividends[2]	**(149)**	(170)	**(257)**	(263)
Common stock dividends[2]	**(550)**	(504)	**(1,111)**	(1,017)
Ending balance	**74,015**	67,588	**74,015**	67,588
Employee Stock Trusts				
Beginning balance	3,088	3,000	2,918	2,836
Share-based award activity	**(70)**	(111)	**100**	53
Ending balance	**3,018**	2,889	**3,018**	2,889
Accumulated Other Comprehensive Income (Loss)				
Beginning balance	2,095	(2,473)	(2,788)	(2,292)
Net change in Accumulated other comprehensive income (loss)	**(2,094)**	422	**2,789**	241
Ending balance	**1**	(2,051)	**1**	(2,051)
Common Stock Held In Treasury at Cost				
Beginning balance	(19,721)	(14,582)	(18,727)	(13,971)
Share-based award activity	**56**	47	**844**	1,081
Repurchases of common stock and employee tax withholdings	**(28)**	(1,264)	**(1,810)**	(2,909)
Ending balance	**(19,693)**	(15,799)	**(19,693)**	(15,799)
Common Stock Issued to Employee Stock Trusts				
Beginning balance	(3,088)	(3,000)	(2,918)	(2,836)
Share-based award activity	**70**	111	**(100)**	(53)
Ending balance	**(3,018)**	(2,889)	**(3,018)**	(2,889)
Non-Controlling Interests				
Beginning balance	1,368	1,168	1,148	1,160
Net income applicable to non-controlling interests	**40**	45	**122**	84
Net change in Accumulated other comprehensive income (loss)	**(87)**	9	**51**	(22)
Other net increases (decreases)	**43**	(101)	**43**	(101)
Ending balance	**1,364**	1,121	**1,364**	1,121
Total Equity	**$ 88,009**	$ 82,845	**$ 88,009**	$ 82,845

1. See Notes 2 and 16 for further information regarding cumulative adjustments for accounting changes.
2. See Note 16 for information regarding dividends per share for each class of stock.

Consolidated Cash Flow Statements (Unaudited)

Morgan Stanley

$ in millions	Six Months Ended June 30, 2020	2019
Cash flows from operating activities		
Net income	**$ 5,016**	$ 4,714
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Stock-based compensation expense	**548**	592
Depreciation and amortization	**1,510**	1,333
Provision for (Release of) credit losses on lending activities	**646**	54
Other operating adjustments	**599**	(121)
Changes in assets and liabilities:		
Trading assets, net of Trading liabilities	**17,539**	2,621
Securities borrowed	**(285)**	(17,267)
Securities loaned	**1,987**	(1,583)
Customer and other receivables and other assets	**(7,789)**	48
Customer and other payables and other liabilities	**(1,005)**	11,522
Securities purchased under agreements to resell	**(8,388)**	13,124
Securities sold under agreements to repurchase	**(3,352)**	12,535
Net cash provided by (used for) operating activities	**7,026**	27,572
Cash flows from investing activities		
Proceeds from (payments for):		
Other assets—Premises, equipment and software, net	**(782)**	(1,008)
Changes in loans, net	**(8,700)**	(4,886)
Investment securities:		
Purchases	**(33,195)**	(26,061)
Proceeds from sales	**3,581**	9,869
Proceeds from paydowns and maturities	**5,616**	5,040
Other investing activities	**(138)**	(776)
Net cash provided by (used for) investing activities	**(33,618)**	(17,822)
Cash flows from financing activities		
Net proceeds from (payments for):		
Other secured financings	**332**	214
Deposits	**46,287**	(11,227)
Proceeds from issuance of Borrowings	**32,914**	16,692
Payments for:		
Borrowings	**(24,632)**	(18,513)
Repurchases of common stock and employee tax withholdings	**(1,810)**	(2,909)
Cash dividends	**(1,328)**	(1,412)
Other financing activities	**(164)**	(106)
Net cash provided by (used for) financing activities	**51,599**	(17,261)
Effect of exchange rate changes on cash and cash equivalents	**(902)**	(105)
Net increase (decrease) in cash and cash equivalents	**24,105**	(7,616)
Cash and cash equivalents, at beginning of period	**82,171**	87,196
Cash and cash equivalents, at end of period	**$ 106,276**	$ 79,580
Supplemental Disclosure of Cash Flow Information		
Cash payments for:		
Interest	**$ 2,742**	$ 6,311
Income taxes, net of refunds	**679**	1,115

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 equity and fixed income products, including foreign exchange and commodities. 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 14). 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 six months ended June 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 quarter. 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.

Recognition. The Firm recognizes its ACL and provision for credit losses in its balance sheets and income statements, respectively, for on– and off–balance sheet instruments as follows.

	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. AFS securities in an unrealized gain position at the end of the reporting period are reflected in AOCI and AFS securities in an unrealized loss position are treated as follows.

Unrealized Losses on AFS Securities

AFS securities in an unrealized loss position that the Firm either has the intent to sell or that the Firm is likely to be required to sell before recovery of its amortized cost basis require a write-off of any previously established ACL as well as a write-down of amortized cost basis to the security's fair value, with any incremental unrealized losses reported in Other revenues.

For all other AFS securities in an unrealized loss position, the Firm assesses whether credit losses exist at the individual security level and reflects the credit losses in the ACL accordingly. When considering if a credit loss exists, the Firm considers relevant information as discussed in Note 2 of the 2019 Form 10-K. Upon the adoption of *Financial Instruments —Credit Losses*, the Firm no longer considers the length of time the fair value has been less than the amortized cost basis in determining whether a credit loss exists.

Recognition. If a credit loss exists, the Firm recognizes its ACL and provision for credit losses for AFS securities in its balance sheets and income statements, respectively, as follows.

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

The Firm recognizes the non-credit loss component of the unrealized loss as an adjustment to the security's value with an offsetting entry to AOCI in the balance sheets.

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."

3. 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 June 30, 2020	At December 31, 2019
Cash and due from banks	$ 12,411	$ 6,763
Interest bearing deposits with banks	93,865	75,408
Total Cash and cash equivalents	**$ 106,276**	$ 82,171
Restricted cash	$ 42,885	$ 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.

4. Fair Values

Recurring Fair Value Measurements

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	At June 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	$ 47,902	$ 26,585	$ 97	$ —	$ 74,584
Other sovereign government obligations	39,287	6,249	11	—	45,547
State and municipal securities	—	1,408	—	—	1,408
MABS	—	1,104	379	—	1,483
Loans and lending commitments[2]	—	4,682	4,068	—	8,750
Corporate and other debt	—	24,126	2,686	—	26,812
Corporate equities[3]	94,672	940	83	—	95,695
Derivative and other contracts:					
Interest rate	3,229	253,908	1,189	—	258,326
Credit	—	8,429	741	—	9,170
Foreign exchange	26	73,816	91	—	73,933
Equity	1,703	63,139	1,286	—	66,128
Commodity and other	2,337	13,049	3,362	—	18,748
Netting[1]	(6,355)	(321,335)	(1,065)	(58,899)	(387,654)
Total derivative and other contracts	940	91,006	5,604	(58,899)	38,651
Investments[4]	615	115	759	—	1,489
Physical commodities	—	2,396	—	—	2,396
Total trading assets[4]	183,416	158,611	13,687	(58,899)	296,815
Investment securities—AFS	49,018	36,559	—	—	85,577
Securities purchased under agreements to resell	—	19	—	—	19
Total assets at fair value	$232,434	$195,189	$ 13,687	$ (58,899)	$ 382,411

	At June 30, 2020				
$ in millions	Level 1	Level 2	Level 3	Netting[1]	Total
Liabilities at fair value					
Deposits	$ —	$ 3,932	$ 90	$ —	$ 4,022
Trading liabilities:					
U.S. Treasury and agency securities	14,862	1,994	—	—	16,856
Other sovereign government obligations	24,147	1,460	1	—	25,608
Corporate and other debt	—	8,399	4	—	8,403
Corporate equities[3]	59,944	353	69	—	60,366
Derivative and other contracts:					
Interest rate	3,317	240,593	429	—	244,339
Credit	—	8,739	610	—	9,349
Foreign exchange	19	77,030	74	—	77,123
Equity	1,967	70,055	3,170	—	75,192
Commodity and other	2,486	11,729	1,275	—	15,490
Netting[1]	(6,355)	(321,335)	(1,065)	(54,215)	(382,970)
Total derivative and other contracts	1,434	86,811	4,493	(54,215)	38,523
Total trading liabilities	100,387	99,017	4,567	(54,215)	149,756
Securities sold under agreements to repurchase	—	785	440	—	1,225
Other secured financings	—	9,614	300	—	9,914
Borrowings	—	62,602	4,135	—	66,737
Total liabilities at fair value	$100,387	$175,950	$ 9,532	$ (54,215)	$ 231,654

	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

	At December 31, 2019				
$ in millions	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 6.
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 June 30, 2020**	At December 31, 2019
Corporate	**$ 18**	$ 20
Secured lending facilities	**497**	951
Commercial Real Estate	**942**	2,098
Residential Real Estate	**946**	1,192
Securities-based lending and Other loans	**6,347**	7,065
Total	**$ 8,750**	$ 11,326

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

Unsettled Fair Value of Futures Contracts[1]

$ in millions	**At June 30, 2020**	At December 31, 2019
Customer and other receivables, net	**$ 556**	$ 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

	Three Months Ended June 30,		Six Months Ended June 30,	
$ in millions	**2020**	2019	**2020**	2019
U.S. Treasury and agency securities				
Beginning balance	$ 99	$ 7	$ 22	$ 54
Realized and unrealized gains (losses)	**(3)**	—	**(20)**	—
Purchases	**81**	5	**108**	5
Sales	**(38)**	(4)	**(23)**	(54)
Net transfers	**(42)**	(3)	**10**	—
Ending balance	**$ 97**	$ 5	**$ 97**	$ 5
Unrealized gains (losses)	**$ (1)**	$ —	**$ (21)**	$ —
Other sovereign government obligations				
Beginning balance	$ 17	$ 5	$ 5	$ 17
Realized and unrealized gains (losses)	**(1)**		**—**	—
Purchases	**—**	8	**9**	8
Sales	**(3)**	(3)	**(4)**	(4)
Net transfers	**(2)**		**1**	(11)
Ending balance	**$ 11**	$ 10	**$ 11**	$ 10
Unrealized gains (losses)	**$ (1)**	$ —	**$ —**	$ —
State and municipal securities				
Beginning balance	$ 1	$ 12	$ 1	$ 148
Purchases	**—**	15	**—**	15
Sales	**—**	(11)	**—**	(43)
Net transfers	**(1)**	—	**(1)**	(104)
Ending balance	**$ —**	$ 16	**$ —**	$ 16
Unrealized gains (losses)	**$ —**	$ —	**$ —**	$ —
MABS				
Beginning balance	$ 483	$ 301	$ 438	$ 354
Realized and unrealized gains (losses)	**11**	(5)	**(62)**	3
Purchases	**274**	52	**384**	63
Sales	**(401)**	(43)	**(418)**	(133)
Settlements	**—**	(19)	**—**	(22)
Net transfers	**12**	194	**37**	215
Ending balance	**$ 379**	$ 480	**$ 379**	$ 480
Unrealized gains (losses)	**$ 8**	$ (12)	**$ (60)**	$ (24)
Loans and lending commitments				
Beginning balance	$ 5,980	$ 6,343	$ 5,073	$ 6,870
Realized and unrealized gains (losses)	**(2)**	73	**(119)**	44
Purchases and originations	**808**	957	**1,160**	1,548
Sales	**(672)**	(1,021)	**(755)**	(588)
Settlements	**(901)**	(733)	**(1,508)**	(1,487)
Net transfers[1]	**(1,145)**	(15)	**217**	(783)
Ending balance	**$ 4,068**	$ 5,604	**$ 4,068**	$ 5,604
Unrealized gains (losses)	**$ 5**	$ 66	**$ (116)**	$ 44

$ in millions	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Corporate and other debt				
Beginning balance	$ 1,708	$ 1,061	$ 1,396	$ 1,076
Realized and unrealized gains (losses)	55	86	(87)	161
Purchases	2,859	407	2,522	428
Sales	(1,726)	(101)	(861)	(267)
Settlements	(232)	(3)	(311)	(5)
Net transfers	22	(86)	27	(29)
Ending balance	$ 2,686	$ 1,364	$ 2,686	$ 1,364
Unrealized gains (losses)	$ 46	$ 85	$ (92)	$ 152
Corporate equities				
Beginning balance	$ 146	$ 152	$ 97	$ 95
Realized and unrealized gains (losses)	(12)	(12)	(100)	(10)
Purchases	13	21	24	28
Sales	(25)	(13)	(127)	(31)
Net transfers	(39)	(50)	189	16
Ending balance	$ 83	$ 98	$ 83	$ 98
Unrealized gains (losses)	$ (9)	$ (10)	$ (91)	$ (7)
Investments				
Beginning balance	$ 725	$ 974	$ 858	$ 757
Realized and unrealized gains (losses)	(23)	26	(49)	38
Purchases	14	9	17	14
Sales	(11)	(32)	(20)	(36)
Net transfers	54	(192)	(47)	12
Ending balance	$ 759	$ 785	$ 759	$ 785
Unrealized gains (losses)	$ (22)	$ 29	$ (50)	$ 38
Net derivatives: Interest rate				
Beginning balance	$ 873	$ 551	$ 777	$ 618
Realized and unrealized gains (losses)	(126)	238	70	183
Purchases	11	53	129	59
Issuances	(24)	(19)	(27)	(30)
Settlements	(12)	(1)	(26)	(15)
Net transfers	38	(6)	(163)	1
Ending balance	$ 760	$ 816	$ 760	$ 816
Unrealized gains (losses)	$ (160)	$ 230	$ 27	$ 234
Net derivatives: Credit				
Beginning balance	$ 198	$ (261)	$ 124	$ 40
Realized and unrealized gains (losses)	(74)	30	(60)	217
Purchases	13	28	44	93
Issuances	(22)	(19)	(39)	(470)
Settlements	54	39	102	(8)
Net transfers	(38)	45	(40)	(10)
Ending balance	$ 131	$ (138)	$ 131	$ (138)
Unrealized gains (losses)	$ (143)	$ 30	$ (63)	$ 224

$ in millions	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Net derivatives: Foreign exchange				
Beginning balance	$ (150)	$ 5	$ (31)	$ 75
Realized and unrealized gains (losses)	122	(33)	94	(154)
Purchases	—	—	3	—
Issuances	—	—	(9)	—
Settlements	2	(22)	(11)	(12)
Net transfers	43	21	(29)	62
Ending balance	$ 17	$ (29)	$ 17	$ (29)
Unrealized gains (losses)	$ 44	$ (37)	$ 35	$ (45)
Net derivatives: Equity				
Beginning balance	$ (1,376)	$ (1,760)	$ (1,684)	$ (1,485)
Realized and unrealized gains (losses)	(135)	86	181	(92)
Purchases	149	60	237	96
Issuances	(391)	(158)	(595)	(359)
Settlements	10	43	(52)	185
Net transfers	(141)	14	29	(60)
Ending balance	$ (1,884)	$ (1,715)	$ (1,884)	$ (1,715)
Unrealized gains (losses)	$ (156)	$ 70	$ (4)	$ (106)
Net derivatives: Commodity and other				
Beginning balance	$ 1,849	$ 2,106	$ 1,612	$ 2,052
Realized and unrealized gains (losses)	338	(145)	448	(113)
Purchases	3	8	21	16
Issuances	(2)	(2)	(17)	(17)
Settlements	(119)	(106)	7	(183)
Net transfers	18	—	16	106
Ending balance	$ 2,087	$ 1,861	$ 2,087	$ 1,861
Unrealized gains (losses)	$ 182	$ (272)	$ 257	$ (306)
Deposits				
Beginning balance	$ 117	$ 99	$ 179	$ 27
Realized and unrealized losses (gains)	6	6	3	12
Issuances	—	24	—	51
Settlements	(4)	(4)	(9)	(4)
Net transfers	(29)	13	(83)	52
Ending balance	$ 90	$ 138	$ 90	$ 138
Unrealized losses (gains)	$ 7	$ 6	$ 3	$ 12
Nonderivative trading liabilities				
Beginning balance	$ 64	$ 43	$ 37	$ 16
Realized and unrealized losses (gains)	5	(9)	(10)	(10)
Purchases	(42)	(24)	(45)	(30)
Sales	24	11	22	28
Settlements	—	—	3	—
Net transfers	23	15	67	32
Ending balance	$ 74	$ 36	$ 74	$ 36
Unrealized losses (gains)	$ 5	$ (9)	$ (10)	$ (10)
Securities sold under agreements to repurchase				
Beginning balance	$ —	$ —	$ —	$ —
Realized and unrealized losses (gains)	(31)	—	(31)	—
Issuances	471	—	471	—
Ending balance	$ 440	$ —	$ 440	$ —
Unrealized losses (gains)	$ (31)	$ —	$ (31)	$ —

$ in millions	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Other secured financings				
Beginning balance	$ 389	$ 153	$ 109	$ 208
Realized and unrealized losses (gains)	—	2	(12)	6
Issuances	5	—	7	—
Settlements	(88)	(1)	(203)	(8)
Net transfers	(6)	—	399	(52)
Ending balance	$ 300	$ 154	$ 300	$ 154
Unrealized losses (gains)	$ —	$ 2	$ (12)	$ 6
Borrowings				
Beginning balance	$ 3,998	$ 3,775	$ 4,088	$ 3,806
Realized and unrealized losses (gains)	500	172	(202)	444
Issuances	385	354	766	598
Settlements	(92)	(99)	(283)	(243)
Net transfers	(656)	(263)	(234)	(666)
Ending balance	$ 4,135	$ 3,939	$ 4,135	$ 3,939
Unrealized losses (gains)	$ 496	$ 173	$ (200)	$ 419
Portion of Unrealized losses (gains) recorded in OCI—Change in net DVA	281	35	(125)	91

1. Net transfers in the current year period reflect the largely offsetting impacts of transfers in of $857 million of equity margin loans in the first quarter and transfers out of $707 million of equity margin loans in the current quarter. The loans were transferred in in the first quarter as the significance of the margin loan rate input increased as a result of reduced liquidity, and transferred out 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 June 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	$ 97	$ 22
Comparable pricing:		
Bond price	18 to 109 points (68 points)	N/M
MABS	$ 379	$ 438
Comparable pricing:		
Bond price	0 to 80 points (44 points)	0 to 96 points (47 points)
Loans and lending commitments	$ 4,068	$ 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 6% (3%)	N/A
Comparable pricing:		
Loan price	68 to 110 points (92 points)	69 to 100 points (93 points)
Corporate and other debt	$ 2,686	$ 1,396
Comparable pricing:		
Bond price	10 to 104 points (89 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	$ 83	$ 97
Comparable pricing:		
Equity price	100%	100%
Investments	$ 759	$ 858
Discounted cash flow:		
WACC	10% to 20% (15%)	8% to 17% (15%)
Exit multiple	7 to 17 times (12 times)	7 to 16 times (11 times)
Market approach:		
EBITDA multiple	6 to 23 times (10 times)	7 to 24 times (11 times)
Comparable pricing:		
Equity price	50% to 100% (98%)	75% to 100% (99%)

$ in millions, except inputs	Balance / Range (Average)[1] At June 30, 2020	At December 31, 2019
Net derivative and other contracts:		
Interest rate	**$ 760**	$ 777
Option model:		
IR volatility skew	**0% to 191% (66% / 80%)**	24% to 156% (63% / 59%)
IR curve correlation	**59% to 97% (86% / 90%)**	47% to 90% (72% / 72%)
Bond volatility	**4% to 37% (21% / 20%)**	4% to 15% (13% / 14%)
Inflation volatility	**24% to 63% (44% / 41%)**	24% to 63% (44% / 41%)
IR curve	**1%**	1%
Credit	**$ 131**	$ 124
Credit default swap model:		
Cash-synthetic basis	**6 points**	6 points
Bond price	**0 to 98 points (54 points)**	0 to 104 points (45 points)
Credit spread	**20 to 435 bps (82 bps)**	9 to 469 bps (81 bps)
Funding spread	**178 to 250 bps (215 bps)**	47 to 117 bps (84 bps)
Correlation model:		
Credit correlation	**31% to 68% (39%)**	29% to 62% (36%)
Foreign exchange[2]	**$ 17**	$ (31)
Option model:		
IR - FX correlation	**16% to 59% (38%)**	32% to 56% (46% / 46%)
IR volatility skew	**0% to 191% (66% / 80%)**	24% to 156% (63% / 59%)
IR curve	**10% to 11% (11%)**	10% to 11% (10% / 10%)
Contingency probability	**95% (95%)**	85% to 95% (94% / 95%)
Equity[2]	**$ (1,884)**	$ (1,684)
Option model:		
At the money volatility	**16% to 89% (43%)**	9% to 90% (36%)
Volatility skew	**-3% to 0% (-1%)**	-2% to 0% (-1%)
Equity correlation	**5% to 96% (73%)**	5% to 98% (70%)
FX correlation	**-60% to 55% (-35%)**	-79% to 60% (-37%)
IR correlation	**-7% to 45% (20% / 18%)**	-11% to 44% (18% / 16%)
Commodity and other	**$ 2,087**	$ 1,612
Option model:		
Forward power price	**$0 to $148 ($27) per MWh**	$3 to $182 ($28) per MWh
Commodity volatility	**8% to 210% (19%)**	7% to 183% (18%)
Cross-commodity correlation	**43% to 99% (93%)**	43% to 99% (93%)
Liabilities Measured at Fair Value on a Recurring Basis		
Deposits	**$ 90**	$ 179
Option Model:		
Equity at the money volatility	**7% to 23% (7%)**	16% to 37% (20%)
Corporate equities	**$ 69**	$ 36
Comparable pricing:		
Equity price	**100%**	N/A
Securities sold under agreements to repurchase	**$ 440**	$ —
Discounted cash flow		
Funding spread	**121 to 154 bps (143 bps)**	N/A

$ in millions, except inputs	Balance / Range (Average)[1] At June 30, 2020	At December 31, 2019
Other secured financings	**$ 300**	$ 109
Discounted cash flow:		
Funding spread	**107 bps (107 bps)**	111 to 124 bps (117 bps)
Comparable pricing:		
Loan price	**25 to 101 points (73 points)**	N/M
Borrowings	**$ 4,135**	$ 4,088
Option model:		
At the money volatility	**6% to 73% (25%)**	5% to 44% (21%)
Volatility skew	**-2% to 0% (0%)**	-2% to 0% (0%)
Equity correlation	**38% to 98% (78%)**	38% to 94% (78%)
Equity - FX correlation	**-72% to 13% (-30%)**	-75% to 26% (-25%)
IR - FX Correlation	**-27% to 6% (-6% / -6%)**	-26% to 10% (-7% / -7%)
Nonrecurring Fair Value Measurement		
Loans	**$ 2,193**	$ 1,500
Corporate loan model:		
Credit spread	**42 to 591 bps (301 bps)**	69 to 446 bps (225 bps)
Warehouse model:		
Credit spread	**193 to 714 bps (371 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. There are no predictable relationships between multiple significant unobservable inputs attributable to a given valuation technique.

Other than as follows, during the current quarter, 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

$ in millions	At June 30, 2020		At December 31, 2019	
	Carrying Value	Commitment	Carrying Value	Commitment
Private equity	$ 2,210	$ 635	$ 2,078	$ 450
Real estate	1,284	147	1,349	150
Hedge[1]	82	—	94	4
Total	$ 3,576	$ 782	$ 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 13 for information regarding general partner guarantees, which include potential obligations to return performance fee distributions previously received. See Note 19 for information regarding unrealized carried interest at risk of reversal.

Nonredeemable Funds by Contractual Maturity

$ in millions	Carrying Value at June 30, 2020	
	Private Equity	Real Estate
Less than 5 years	$ 1,433	$ 436
5-10 years	726	177
Over 10 years	51	671
Total	$ 2,210	$ 1,284

Nonrecurring Fair Value Measurements

Carrying and Fair Values

$ in millions	At June 30, 2020 Fair Value Level 2	Level 3[1]	Total
Assets			
Loans	$ 4,748	$ 2,193	$ 6,941
Other assets—Other investments	—	50	50
Total	$ 4,748	$ 2,243	$ 6,991
Liabilities			
Other liabilities and accrued expenses—Lending commitments	$ 194	$ 82	$ 276
Total	$ 194	$ 82	$ 276

$ in millions	At December 31, 2019 Fair Value 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]

$ in millions	Three Months Ended June 30, 2020	2019	Six Months Ended June 30, 2020	2019
Assets				
Loans[2]	$ (13)	$ (10)	$ (488)	$ 17
Other assets—Other investments[3]	(52)	—	(52)	(5)
Other assets—Premises, equipment and software[4]	(3)	(2)	(6)	(4)
Total	$ (68)	$ (12)	$ (546)	$ 8
Liabilities				
Other liabilities and accrued expenses—Lending commitments[2]	$ 130	$ 7	$ (88)	$ 74
Total	$ 130	$ 7	$ (88)	$ 74

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 write-offs related to the disposal of certain assets.

Financial Instruments Not Measured at Fair Value

	At June 30, 2020				
		Fair Value			
$ in millions	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 106,276	$ 106,276	$ —	$ —	$ 106,276
Investment securities—HTM	47,043	31,890	17,194	844	49,928
Securities purchased under agreements to resell	96,593	—	95,383	1,269	96,652
Securities borrowed	106,834	—	106,835	—	106,835
Customer and other receivables[1]	57,969	—	55,143	2,885	58,028
Loans[2]	141,973	—	28,054	114,691	142,745
Other assets	466	—	466	—	466
Financial liabilities					
Deposits	$ 232,827	$ —	$233,592	$ —	$ 233,592
Securities sold under agreements to repurchase	49,623	—	49,681	—	49,681
Securities loaned	10,493	—	10,489	—	10,489
Other secured financings	3,748	—	3,713	36	3,749
Customer and other payables[1]	195,877	—	195,877	—	195,877
Borrowings	138,727	—	142,234	5	142,239
	Commitment Amount				
Lending commitments[3]	$ 112,225	$ —	$ 1,218	$ 547	$ 1,765

	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 13.

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.

5. 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 June 30, 2020	At December 31, 2019
Business Unit Responsible for Risk Management		
Equity	**$ 31,555**	$ 30,214
Interest rates	**27,918**	27,298
Commodities	**5,020**	4,501
Credit	**1,267**	1,246
Foreign exchange	**977**	1,202
Total	**$ 66,737**	$ 64,461

Net Revenues from Borrowings under the Fair Value Option

	Three Months Ended June 30,		Six Months Ended June 30,	
$ in millions	**2020**	2019	**2020**	2019
Trading revenues	**$ (3,439)**	$ (2,190)	**$ 8**	$ (5,093)
Interest expense	**81**	94	**164**	187
Net revenues[1]	**$ (3,520)**	$ (2,284)	**$ (156)**	$ (5,280)

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 June 30,			
	2020		2019	
$ in millions	Trading Revenues	OCI	Trading Revenues	OCI
Borrowings	**$ (1)**	**$ (3,237)**	$ (3)	$ (328)
Loans and other debt[1]	**(40)**	**—**	58	—
Lending commitments	**(1)**	**—**	(1)	—
Deposits	**—**	**(63)**	—	1

	Six Months Ended June 30,			
	2020		2019	
$ in millions	Trading Revenues	OCI	Trading Revenues	OCI
Borrowings	**$ (6)**	**$ 1,711**	$ (7)	$ (1,144)
Loans and other debt[1]	**(239)**	**—**	151	—
Lending commitments	**1**	**—**	(2)	—
Deposits	**—**	**9**	—	(3)

$ in millions	At June 30, 2020	At December 31, 2019
Cumulative pre-tax DVA gain (loss) recognized in AOCI	**$ (278)**	$ (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 June 30, 2020	At December 31, 2019
Loans and other debt[2]	**$ 13,245**	$ 13,037
Nonaccrual loans[2]	**11,154**	10,849
Borrowings[3]	**(1,946)**	(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 June 30, 2020	At December 31, 2019
Nonaccrual loans	**$ 1,214**	$ 1,100
Nonaccrual loans 90 or more days past due	**$ 231**	$ 330

6. Derivative Instruments and Hedging Activities

Fair Values of Derivative Contracts

At June 30, 2020

$ in millions	Assets Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate	$ 1,311	$ —	$ —	$ 1,311
Foreign exchange	28	30	—	58
Total	1,339	30	—	1,369
Not designated as accounting hedges				
Interest rate	247,795	8,246	974	257,015
Credit	7,137	2,033	—	9,170
Foreign exchange	72,188	1,567	120	73,875
Equity	28,794	—	37,334	66,128
Commodity and other	14,331	—	4,417	18,748
Total	370,245	11,846	42,845	424,936
Total gross derivatives	$ 371,584	$ 11,876	$ 42,845	$ 426,305
Amounts offset				
Counterparty netting	(284,053)	(9,545)	(41,233)	(334,831)
Cash collateral netting	(50,799)	(2,024)	—	(52,823)
Total in Trading assets	$ 36,732	$ 307	$ 1,612	$ 38,651
Amounts not offset[1]				
Financial instruments collateral	(17,219)	—	—	(17,219)
Other cash collateral	(90)	(1)	—	(91)
Net amounts	$ 19,423	$ 306	$ 1,612	$ 21,341
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable				$ 3,099

$ in millions	Liabilities Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate	$ —	$ 1	$ —	$ 1
Foreign exchange	142	19	—	161
Total	142	20	—	162
Not designated as accounting hedges				
Interest rate	237,040	6,180	1,118	244,338
Credit	6,876	2,473	—	9,349
Foreign exchange	75,279	1,610	73	76,962
Equity	34,447	—	40,745	75,192
Commodity and other	10,965	—	4,525	15,490
Total	364,607	10,263	46,461	421,331
Total gross derivatives	$ 364,749	$ 10,283	$ 46,461	$ 421,493
Amounts offset				
Counterparty netting	(284,053)	(9,545)	(41,233)	(334,831)
Cash collateral netting	(47,645)	(494)	—	(48,139)
Total in Trading liabilities	$ 33,051	$ 244	$ 5,228	$ 38,523
Amounts not offset[1]				
Financial instruments collateral	(9,813)	—	(3,266)	(13,079)
Other cash collateral	(21)	(15)	—	(36)
Net amounts	$ 23,217	$ 229	$ 1,962	$ 25,408
Net amounts for which master netting or collateral agreements are not in place or may not be legally enforceable				5,259

At December 31, 2019

$ in millions	Assets 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

$ in millions	Liabilities 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 4 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 June 30, 2020

	Assets			
$ in billions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate	$ 10	$ 133	$ —	$ 143
Foreign exchange	3	1	—	4
Total	13	134	—	147
Not designated as accounting hedges				
Interest rate	4,088	6,742	543	11,373
Credit	133	95	—	228
Foreign exchange	2,814	87	11	2,912
Equity	440	—	404	844
Commodity and other	107	—	72	179
Total	7,582	6,924	1,030	15,536
Total gross derivatives	$ 7,595	$ 7,058	$ 1,030	$ 15,683

	Liabilities			
$ in billions	Bilateral OTC	Cleared OTC	Exchange-Traded	Total
Designated as accounting hedges				
Interest rate	$ —	$ 56	$ —	$ 56
Foreign exchange	9	1	—	10
Total	9	57	—	66
Not designated as accounting hedges				
Interest rate	4,150	6,571	540	11,261
Credit	141	100	—	241
Foreign exchange	2,893	87	14	2,994
Equity	441	—	525	966
Commodity and other	87	—	69	156
Total	7,712	6,758	1,148	15,618
Total gross derivatives	$ 7,721	$ 6,815	$ 1,148	$ 15,684

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 June 30,		Six Months Ended June 30,	
$ in millions	**2020**	2019	**2020**	2019
Fair value hedges—Recognized in Interest income				
Interest rate contracts	**$ (16)**	$ (14)	**$ (80)**	$ (19)
Investment Securities—AFS	**23**	14	**89**	19
Fair value hedges—Recognized in Interest expense				
Interest rate contracts	**$ 245**	$ 2,470	**$ 6,912**	$ 4,047
Deposits[1]	**46**	—	**(215)**	—
Borrowings	**(327)**	(2,494)	**(6,759)**	(4,115)
Net investment hedges—Foreign exchange contracts				
Recognized in OCI	**$ (96)**	$ (114)	**$ 314**	$ (50)
Forward points excluded from hedge effectiveness testing —Recognized in Interest income	**(8)**	42	**25**	77

Fair Value Hedges—Hedged Items

$ in millions	At June 30, 2020	At December 31, 2019
Investment Securities—AFS		
Amortized cost basis currently or previously hedged	**$ 2,131**	$ 917
Basis adjustments included in amortized cost[2]	**$ 91**	$ 14
Deposits[1]		
Carrying amount currently or previously hedged	**$ 18,296**	$ 5,435
Basis adjustments included in carrying amount[2]	**$ 208**	$ (7)
Borrowings		
Carrying amount currently or previously hedged	**$ 111,182**	$ 102,456
Basis adjustments included in carrying amount[2]	**$ 9,347**	$ 2,593

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 June 30, 2020	At December 31, 2019
Net derivative liabilities with credit risk-related contingent features	**$ 28,973**	$ 21,620
Collateral posted	**23,631**	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 June 30, 2020
One-notch downgrade	**$ 370**
Two-notch downgrade	**350**
Bilateral downgrade agreements included in the amounts above[1]	**$ 598**

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 June 30, 2020				
$ in billions	< 1	1-3	3-5	Over 5	Total
Single-name CDS					
Investment grade	**$ 13**	**$ 16**	**$ 32**	**$ 9**	**$ 70**
Non-investment grade	**8**	**10**	**17**	**2**	**37**
Total	**$ 21**	**$ 26**	**$ 49**	**$ 11**	**$ 107**
Index and basket CDS					
Investment grade	**$ 3**	**$ 12**	**$ 43**	**$ 18**	**$ 76**
Non-investment grade	**5**	**5**	**22**	**11**	**43**
Total	**$ 8**	**$ 17**	**$ 65**	**$ 29**	**$ 119**
Total CDS sold	**$ 29**	**$ 43**	**$ 114**	**$ 40**	**$ 226**
Other credit contracts	**—**	**—**	**—**	**—**	**—**
Total credit protection sold	**$ 29**	**$ 43**	**$ 114**	**$ 40**	**$ 226**
CDS protection sold with identical protection purchased					**$ 192**

	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 June 30, 2020	At December 31, 2019
Single-name CDS		
Investment grade	$ 373	$ 1,057
Non-investment grade	(1,348)	(540)
Total	$ (975)	$ 517
Index and basket CDS		
Investment grade	$ 691	$ 1,052
Non-investment grade	(3,157)	134
Total	$ (2,466)	$ 1,186
Total CDS sold	$ (3,441)	$ 1,703
Other credit contracts	(4)	(17)
Total credit protection sold	$ (3,445)	$ 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 June 30, 2020	At December 31, 2019
Single name	$ 114	$ 118
Index and basket	112	103
Tranched index and basket	17	15
Total	$ 243	$ 236

	Fair Value Asset (Liability)	
$ in millions	At June 30, 2020	At December 31, 2019
Single name	$ 791	$ (723)
Index and basket	1,986	(1,139)
Tranched index and basket	485	(450)
Total	$ 3,262	$ (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.

7. Investment Securities

AFS and HTM Securities

$ in millions	At June 30, 2020 Amortized Cost[1]	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS securities				
U.S. government and agency securities:				
U.S. Treasury securities	**$ 47,754**	**$ 1,264**	**$ —**	**$ 49,018**
U.S. agency securities[2]	**25,803**	**755**	**18**	**26,540**
Total U.S. government and agency securities	**73,557**	**2,019**	**18**	**75,558**
Corporate and other debt:				
Agency CMBS	**4,712**	**359**	**1**	**5,070**
Corporate bonds	**1,777**	**46**	**2**	**1,821**
State and municipal securities	**1,650**	**75**	**22**	**1,703**
FFELP student loan ABS[3]	**1,493**	**—**	**68**	**1,425**
Total corporate and other debt	**9,632**	**480**	**93**	**10,019**
Total AFS securities	**83,189**	**2,499**	**111**	**85,577**
HTM securities				
U.S. government and agency securities:				
U.S. Treasury securities	**29,654**	**2,236**	**—**	**31,890**
U.S. agency securities[2]	**16,576**	**619**	**1**	**17,194**
Total U.S. government and agency securities	**46,230**	**2,855**	**1**	**49,084**
Corporate and other debt:				
Non-agency CMBS	**813**	**33**	**2**	**844**
Total HTM securities	**47,043**	**2,888**	**3**	**49,928**
Total investment securities	**$ 130,232**	**$ 5,387**	**$ 114**	**$ 135,505**

$ 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 June 30, 2020 Less than 12 Months Fair Value	Less than 12 Months Gross Unrealized Losses	12 Months or Longer Fair Value	12 Months or Longer Gross Unrealized Losses	Total Fair Value	Total Gross Unrealized Losses
AFS securities						
U.S. government and agency securities:						
U.S. agency securities	**$ 653**	**$ 2**	**$ 3,524**	**$ 16**	**$ 4,177**	**$ 18**
Corporate and other debt:						
Agency CMBS	**27**	**—**	**207**	**1**	**234**	**1**
Corporate bonds	**246**	**1**	**40**	**1**	**286**	**2**
State and municipal securities	**569**	**22**	**—**	**—**	**569**	**22**
FFELP student loan ABS	**345**	**10**	**1,080**	**58**	**1,425**	**68**
Total corporate and other debt	**1,187**	**33**	**1,327**	**60**	**2,514**	**93**
Total AFS securities	**$ 1,840**	**$ 35**	**$ 4,851**	**$ 76**	**$ 6,691**	**$ 111**

$ in millions	At December 31, 2019 Less than 12 Months Fair Value	Less than 12 Months Gross Unrealized Losses	12 Months or Longer Fair Value	12 Months or Longer Gross Unrealized Losses	Total Fair Value	Total Gross Unrealized Losses
AFS securities						
U.S. government and agency securities:						
U.S. Treasury securities	$ 4,793	$ 28	$ 7,904	$ 83	$ 12,697	$ 111
U.S. agency securities	2,641	20	7,697	80	10,338	100
Total U.S. government and agency securities	7,434	48	15,601	163	23,035	211
Corporate and other debt:						
Agency CMBS	2,294	26	681	31	2,975	57
Corporate bonds	194	1	44	—	238	1
FFELP student loan ABS	91	—	1,165	28	1,256	28
Total corporate and other debt	2,579	27	1,890	59	4,469	86
Total AFS securities	$ 10,013	$ 75	$ 17,491	$ 222	$ 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 June 30, 2020, the HTM securities net carrying amount reflects an ACL of $28 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 June 30, 2020, and December 31, 2019, Non-Agency CMBS HTM securities were all on accrual status and were predominantly investment grade.

See Note 14 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

$ in millions	At June 30, 2020 Amortized Cost[1]	Fair Value	Annualized Average Yield
AFS securities			
U.S. government and agency securities:			
U.S. Treasury securities:			
Due within 1 year	$ 15,167	$ 15,243	0.9%
After 1 year through 5 years	29,674	30,645	1.4%
After 5 years through 10 years	2,913	3,130	1.6%
Total	47,754	49,018	
U.S. agency securities:			
Due within 1 year	225	225	0.8%
After 1 year through 5 years	66	67	1.4%
After 5 years through 10 years	1,204	1,239	1.8%
After 10 years	24,308	25,009	2.1%
Total	25,803	26,540	
Total U.S. government and agency securities	73,557	75,558	1.6%
Corporate and other debt:			
Agency CMBS:			
After 1 year through 5 years	589	602	1.8%
After 5 years through 10 years	3,269	3,584	2.5%
After 10 years	854	884	2.0%
Total	4,712	5,070	
Corporate bonds:			
Due within 1 year	169	171	2.4%
After 1 year through 5 years	1,322	1,359	2.6%
After 5 years through 10 years	286	291	2.9%
Total	1,777	1,821	
State and municipal securities:			
After 1 year through 5 years	3	3	3.6%
After 5 years through 10 years	152	160	2.6%
After 10 Years	1,495	1,540	2.7%
Total	1,650	1,703	
FFELP student loan ABS:			
After 1 year through 5 years	95	88	0.8%
After 5 years through 10 years	299	278	0.8%
After 10 years	1,099	1,059	1.2%
Total	1,493	1,425	
Total corporate and other debt	9,632	10,019	2.3%
Total AFS securities	83,189	85,577	1.6%

$ in millions	At June 30, 2020 Amortized Cost[1]	Fair Value	Annualized Average Yield
HTM securities			
U.S. government and agency securities:			
U.S. Treasury securities:			
Due within 1 year	$ 3,437	$ 3,477	2.7%
After 1 year through 5 years	17,414	18,370	2.0%
After 5 years through 10 years	7,720	8,692	2.2%
After 10 years	1,083	1,351	2.5%
Total	29,654	31,890	
U.S. agency securities:			
After 5 years through 10 years	93	96	2.0%
After 10 years	16,483	17,098	2.4%
Total	16,576	17,194	
Total U.S. government and agency securities	46,230	49,084	2.2%
Corporate and other debt:			
Non-agency CMBS:			
Due within 1 year	114	114	4.7%
After 1 year through 5 years	90	90	3.6%
After 5 years through 10 years	572	600	3.8%
After 10 years	37	40	4.4%
Total corporate and other debt	813	844	3.9%
Total HTM securities	47,043	49,928	2.3%
Total investment securities	$ 130,232	$ 135,505	1.9%

1. Amounts are net of any ACL.

Gross Realized Gains (Losses) on Sales of AFS Securities

$ in millions	Three Months Ended June 30, 2020	2019	Six Months Ended June 30, 2020	2019
Gross realized gains	$ 16	$ 53	$ 65	$ 72
Gross realized (losses)	(6)	—	(14)	(9)
Total[1]	$ 10	$ 53	$ 51	$ 63

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

8. Collateralized Transactions

Offsetting of Certain Collateralized Transactions

	At June 30, 2020				
$ in millions	Gross Amounts	Amounts Offset	Net Amounts Presented	Amounts Not Offset[1]	Net Amounts
Assets					
Securities purchased under agreements to resell	**$243,285**	**$(146,673)**	**$ 96,612**	**$ (94,255)**	**$ 2,357**
Securities borrowed	**115,709**	**(8,875)**	**106,834**	**(102,237)**	**4,597**
Liabilities					
Securities sold under agreements to repurchase	**$197,521**	**$(146,673)**	**$ 50,848**	**$ (45,881)**	**$ 4,967**
Securities loaned	**19,368**	**(8,875)**	**10,493**	**(10,040)**	**453**
Net amounts for which master netting agreements are not in place or may not be legally enforceable					
Securities purchased under agreements to resell					**$ 1,653**
Securities borrowed					**1,520**
Securities sold under agreements to repurchase					**3,994**
Securities loaned					**238**

	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 6.

Gross Secured Financing Balances by Remaining Contractual Maturity

	At June 30, 2020				
$ in millions	Overnight and Open	Less than 30 Days	30-90 Days	Over 90 Days	Total
Securities sold under agreements to repurchase	**$ 88,303**	**$ 49,496**	**$27,807**	**$ 31,915**	**$197,521**
Securities loaned	**11,254**	**335**	**2,438**	**5,341**	**19,368**
Total included in the offsetting disclosure	**$ 99,557**	**$ 49,831**	**$30,245**	**$ 37,256**	**$216,889**
Trading liabilities—Obligation to return securities received as collateral	**21,311**	**—**	**—**	**—**	**21,311**
Total	**$ 120,868**	**$ 49,831**	**$30,245**	**$ 37,256**	**$238,200**

	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 June 30, 2020	At December 31, 2019
Securities sold under agreements to repurchase		
U.S. Treasury and agency securities	**$ 72,901**	$ 68,895
State and municipal securities	**546**	905
Other sovereign government obligations	**91,141**	109,414
ABS	**2,548**	2,218
Corporate and other debt	**4,928**	6,066
Corporate equities	**24,368**	25,563
Other	**1,089**	458
Total	**$ 197,521**	$ 213,519
Securities loaned		
Other sovereign government obligations	**$ 9,440**	$ 3,026
Corporate equities	**9,482**	8,422
Other	**446**	39
Total	**$ 19,368**	$ 11,487
Total included in the offsetting disclosure	**$ 216,889**	$ 225,006
Trading liabilities—Obligation to return securities received as collateral		
Corporate equities	**$ 21,251**	$ 23,873
Other	**60**	4
Total	**$ 21,311**	$ 23,877
Total	**$ 238,200**	$ 248,883

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

$ in millions	At June 30, 2020	At December 31, 2019
Trading assets	$ 37,171	$ 41,201
Loans, before ACL	—	750
Total	**$ 37,171**	$ 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 June 30, 2020	At December 31, 2019
Collateral received with right to sell or repledge	$ 641,888	$ 679,280
Collateral that was sold or repledged[1]	488,024	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 June 30, 2020	At December 31, 2019
Segregated securities[1]	30,017	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 June 30, 2020	At December 31, 2019
Customer receivables representing margin loans	$ 33,469	$ 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.

The Firm has additional secured liabilities. For a further discussion of other secured financings, see Note 12.

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

As of June 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 primarily secured by loans which are, in turn, collateralized by various assets including residential real estate, commercial real estate, corporate and financial 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 June 30, 2020 Loans Held for Investment	Loans Held for Sale	Total Loans
Corporate	$ 9,974	$ 9,360	$ 19,334
Secured lending facilities	24,733	3,779	28,512
Commercial real estate	7,207	1,337	8,544
Residential real estate	32,193	11	32,204
Securities-based lending and Other loans	54,181	64	54,245
Total loans, before ACL	128,288	14,551	142,839
ACL	(866)		(866)
Total loans, net	$ 127,422	$ 14,551	$ 141,973
Fixed rate loans, net			$ 28,944
Floating or adjustable rate loans, net			113,029
Loans to non-U.S. borrowers, net			23,165

$ 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, before ACL	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 in the current period; prior period balances have been revised to conform with current period presentation.

Loans Held for Investment before Allowance by Origination Year

$ in millions	At June 30, 2020 Corporate Investment Grade	Non-Investment Grade	Total
Revolving Loans	$ 2,253	$ 5,695	$ 7,948
2020	701	166	867
2019	304	159	463
2018	277	—	277
2017	—	67	67
2016	115	—	115
Prior	122	115	237
Total	$ 3,772	$ 6,202	$ 9,974

$ in millions	At June 30, 2020 Secured lending facilities Investment Grade	Non-Investment Grade	Total
Revolving Loans	$ 3,692	$ 14,423	$ 18,115
2020	49	174	223
2019	278	1,868	2,146
2018	1,181	1,338	2,519
2017	245	515	760
2016	—	479	479
Prior	—	491	491
Total	$ 5,445	$ 19,288	$ 24,733

$ in millions	At June 30, 2020 Commercial real estate Investment Grade	Non-Investment Grade	Total
Revolving Loans	$ 5	$ —	$ 5
2020	17	573	590
2019	529	2,365	2,894
2018	432	1,237	1,669
2017	108	860	968
2016	235	443	678
Prior	10	393	403
Total	$ 1,336	$ 5,871	$ 7,207

	At June 30, 2020 Residential real estate					
	by FICO Scores			by LTV Ratio		
$ in millions	≥ 740	680-739	≤ 679	≤ 80%	> 80%	Total
Revolving Loans	$ 95	$ 40	$ 5	$ 140	$ —	$ 140
2020	3,973	799	66	4,602	236	4,838
2019	6,032	1,353	177	7,058	504	7,562
2018	2,579	723	86	3,119	269	3,388
2017	3,052	781	112	3,660	285	3,945
2016	3,725	1,011	149	4,561	324	4,885
Prior	5,241	1,862	332	6,621	814	7,435
Total	$ 24,697	$ 6,569	$ 927	$ 29,761	$ 2,432	$ 32,193

	At June 30, 2020			
		Other[2]		
$ in millions	Securities-based lending[1]	Investment Grade	Non-Investment Grade	Total
Revolving Loans	$ 42,967	$ 3,936	$ 740	$ 47,643
2020	—	472	424	896
2019	17	1,216	615	1,848
2018	232	232	547	1,011
2017	—	692	118	810
2016	—	551	146	697
Prior	16	1,069	191	1,276
Total	$ 43,232	$ 8,168	$ 2,781	$ 54,181

1. Securities-based loans are subject to collateral maintenance provisions, and at June 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

$ in millions	At June 30, 2020 Current	Past Due[1]	Total
Corporate	$ 9,974	$ —	$ 9,974
Secured lending facilities	24,733	—	24,733
Commercial real estate	7,207	—	7,207
Residential real estate	31,289	904	32,193
Securities-based lending and Other loans	54,181	—	54,181
Total	$ 127,384	$ 904	$ 128,288

1. The majority of the amounts are less than 90 days past due as of June 30, 2020.

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 June 30, 2020	At December 31, 2019
Loans, before ACL	$ 138	$ 92
Lending commitments	24	32
ACL on Loans and Lending commitments	44	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)	—	—	—	—	(33)
Recovery	—	—	—	—	2	2
Net (charge-offs) recoveries	(33)	—	—	—	2	(31)
Provision (release)[1]	298	63	155	13	9	538
Other	1	—	(38)	—	38	1
June 30, 2020	$ 379	$ 122	$ 226	$ 59	$ 80	$ 866

$ 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]	26	8	(3)	4	(1)	34
Other	(5)	(1)	—	—	—	(6)
June 30, 2019	$ 83	$ 67	$ 64	$ 23	$ 28	$ 265

1. The provision for loan losses was $246 million in the current quarter and $7 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]	73	26	7	(1)	3	108
Other	(2)	—	(4)	—	4	(2)
June 30, 2020	$ 231	$ 42	$ 11	$ 1	$ 12	$ 297

$ 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]	10	7	2	—	1	20
Other	(1)	—	—	—	(1)	(2)
June 30, 2019	$ 187	$ 23	$ 5	$ —	$ 6	$ 221

CRE—Commercial real estate
SBL—Securities-based lending

1. The provision (release) for lending commitments was $(7) million in the current quarter and $11 million in the prior year quarter.

The aggregate allowance for loans and lending commitments increased in the current year period, principally reflecting a provision for credit losses within the Institutional Securities business segment primarily resulting from the economic impact of COVID-19. This provision was the result of higher actual and expected future downgrades, revisions to our forecasts reflecting expected future market and macroeconomic conditions and an increase in funded balances. The base scenario used in our ACL models as of June 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, includes a continued sharp drop in U.S. GDP in the current quarter, a U.S. recession, and a recovery supported by fiscal stimulus and monetary policy measures in the U.S. and around the world beginning in the second half of 2020. 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 4 for further information regarding Loans and lending commitments held at fair value. See Note 13 for details of current commitments to lend in the future.

Employee Loans

$ in millions		At June 30, 2020		At December 31, 2019
Currently employed by the Firm[1]	$	2,850		N/A
No longer employed by the Firm[2]		147		N/A
Balance	$	2,997	$	2,980
ACL[3]		(172)		(61)
Balance, net	$	2,825	$	2,919
Remaining repayment term, weighted average in years		5.0		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 June 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.

10. Other Assets—Equity Method Investments

Equity Method Investments

$ in millions		At June 30, 2020		At December 31, 2019
Investments	$	2,254	$	2,363

	Three Months Ended June 30,				Six Months Ended June 30,			
$ in millions		2020		2019		2020		2019
Income (loss)[1]	$	(63)	$	(16)	$	(34)	$	(26)

1. The current quarter and current year period include 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 4 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 June 30,				Six Months Ended June 30,			
$ in millions		2020		2019		2020		2019
Income (loss) from investment in MUMSS	$	(1)	$	6	$	31	$	9

The Firm and Mitsubishi UFJ Financial Group, Inc. ("MUFG") formed a joint venture in Japan comprising their respective investment banking and securities businesses by forming two joint venture companies, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. ("MUMSS") and Morgan Stanley MUFG Securities Co., Ltd. ("MSMS") (the "Joint Venture"). The Firm owns a 40% economic interest in the Joint Venture and MUFG owns the other 60%.

The Firm's 40% voting interest in MUMSS is accounted for under the equity method within the Institutional Securities business segment, and is included in the equity method investment balances above. The Firm consolidates MSMS into the Institutional Securities business segment, based on its 51% voting interest.

The Firm engages in transactions in the ordinary course of business with MUFG and its affiliates, for example investment banking, financial advisory, sales and trading, derivatives, investment management, lending, securitization and other financial services transactions. Such transactions are on substantially the same terms as those that would be available to unrelated third parties for comparable transactions.

11. Deposits

Deposits

$ in millions		At June 30, 2020		At December 31, 2019
Savings and demand deposits	$	**195,586**	$	149,465
Time deposits		**41,263**		40,891
Total	$	**236,849**	$	190,356
Deposits subject to FDIC insurance	$	**174,085**	$	149,966
Time deposits that equal or exceed the FDIC insurance limit	$	**18**	$	12

Time Deposit Maturities

$ in millions		At June 30, 2020
2020	$	**10,342**
2021		**17,361**
2022		**4,990**
2023		**4,164**
2024		**2,764**
Thereafter		**1,642**
Total	$	**41,263**

12. Borrowings and Other Secured Financings

Borrowings

$ in millions		At June 30, 2020		At December 31, 2019
Original maturities of one year or less	$	**3,226**	$	2,567
Original maturities greater than one year				
Senior	$	**191,044**	$	179,519
Subordinated		**11,194**		10,541
Total	$	**202,238**	$	190,060
Total borrowings	$	**205,464**	$	192,627
Weighted average stated maturity, in years[1]		**7.5**		6.9

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

Other Secured Financings

$ in millions		At June 30, 2020		At December 31, 2019
Original maturities:				
One year or less	$	**7,256**	$	7,103
Greater than one year		**5,342**		6,480
Transfers of assets accounted for as secured financings		**1,064**		1,115
Total	$	**13,662**	$	14,698

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 14 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.

13. Commitments, Guarantees and Contingencies

Commitments

	Years to Maturity at June 30, 2020				
$ in millions	Less than 1	1-3	3-5	Over 5	Total
Lending:					
Corporate	$ 17,450	$28,792	$38,624	$ 1,029	$ 85,895
Secured lending facilities	5,645	2,956	1,697	194	10,492
Commercial and Residential real estate	132	267	43	260	702
Securities-based lending and Other	11,944	2,902	526	380	15,752
Forward-starting secured financing receivables	83,464	223	—	—	83,687
Central counterparty[1]	300	—	—	12,336	12,636
Investment activities	1,039	245	53	282	1,619
Letters of credit and other financial guarantees	177	2	—	2	181
Total	$120,151	$35,387	$40,943	$14,483	$210,964
Lending commitments participated to third parties					$ 8,126
Forward-starting secured financing receivables settled within three business days					$ 68,742

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 June 30, 2020				
$ in millions	Less than 1	1-3	3-5	Over 5	Total
Credit derivatives	$ 29,339	$ 42,620	$113,770	$ 39,648	$ 225,377
Other credit contracts	—	—	—	102	102
Non-credit derivatives	1,460,683	1,210,765	403,879	782,142	3,857,469
Standby letters of credit and other financial guarantees issued[1]	1,155	2,243	847	4,131	8,376
Market value guarantees	97	31	—	—	128
Liquidity facilities	4,243	—	—	—	4,243
Whole loan sales guarantees	—	—	3	23,188	23,191
Securitization representations and warranties	—	—	—	67,773	67,773
General partner guarantees	59	154	12	114	339
Client clearing guarantees	4	—	—	—	4

$ in millions	Carrying Amount Asset (Liability)
Credit derivatives[2]	$ (3,441)
Other credit contracts	(4)
Non-credit derivatives[2]	(103,176)
Standby letters of credit and other financial guarantees issued[1]	113
Market value guarantees	—
Liquidity facilities	5
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 June 30, 2020, the carrying amount of standby letters of credit and other financial guarantees issued includes an allowance for credit losses of $78 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 6.
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 June 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"). 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 July 8, 2013, U.S. Bank National Association, in its capacity as trustee, filed a complaint against the Firm styled *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.*, 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 $650 million, breached various representations and warranties. The complaint seeks, among other relief, specific performance of the loan breach remedy procedures in the transaction documents, unspecified damages and interest. On November 24, 2014, the court granted in part and denied in part the Firm's motion to dismiss the complaint. On April 4, 2019, the court denied the Firm's motion to renew its motion to dismiss. Based on currently available information, the Firm believes that it could incur a loss in this action of up to approximately $240 million, the total original unpaid balance of the mortgage loans for which the Firm received repurchase demands that it 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.

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 $139 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.

14. Variable Interest Entities and Securitization Activities

Consolidated VIE Assets and Liabilities by Type of Activity

	At June 30, 2020		At December 31, 2019	
$ in millions	VIE Assets	VIE Liabilities	VIE Assets	VIE Liabilities
OSF	**$ 718**	**$ 392**	$ 696	$ 391
MABS[1]	**411**	**107**	265	4
Other[2]	**884**	**41**	987	66
Total	**$ 2,013**	**$ 540**	$ 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 June 30, 2020	At December 31, 2019
Assets		
Cash and cash equivalents	$ 315	$ 488
Trading assets at fair value	1,251	943
Customer and other receivables	13	18
Intangible assets	104	111
Other assets	330	388
Total	$ 2,013	$ 1,948
Liabilities		
Other secured financings	$ 493	$ 422
Other liabilities and accrued expenses	47	39
Total	$ 540	$ 461
Noncontrolling interests	$ 238	$ 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

	At June 30, 2020				
$ in millions	MABS[1]	CDO	MTOB	OSF	Other[2]
VIE assets (UPB)	$ 136,083	$ 2,661	$ 6,391	$ 2,198	$ 45,504
Maximum exposure to loss[3]					
Debt and equity interests	$ 17,721	$ 240	$ 25	$ 1,039	$ 9,800
Derivative and other contracts	—	—	4,243	—	3,320
Commitments, guarantees and other	664	—	—	—	195
Total	$ 18,385	$ 240	$ 4,268	$ 1,039	$ 13,315
Carrying value of variable interests—Assets					
Debt and equity interests	$ 17,721	$ 240	$ 25	$ 1,038	$ 9,800
Derivative and other contracts	—	—	5	—	589
Total	$ 17,721	$ 240	$ 30	$ 1,038	$ 10,389
Additional VIE assets owned[4]					$ 11,954
Carrying value of variable interests—Liabilities					
Derivative and other contracts	$ —	$ —	$ —	$ —	$ 168

	At December 31, 2019				
$ in millions	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 4). 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 7).

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

	At June 30, 2020		At December 31, 2019	
$ in millions	UPB	Debt and Equity Interests	UPB	Debt and Equity Interests
Residential mortgages	**$ 20,347**	**$ 3,227**	$ 30,353	$ 3,993
Commercial mortgages	**57,628**	**3,946**	53,892	3,881
U.S. agency collateralized mortgage obligations	**53,220**	**8,832**	36,366	6,365
Other consumer or commercial loans	**4,888**	**1,716**	4,992	2,075
Total	**$ 136,083**	**$ 17,721**	$ 125,603	$ 16,314

Transferred Assets with Continuing Involvement[1]

	At June 30, 2020			
$ in millions	RML	CML	U.S. Agency CMO	CLN and Other[2]
SPE assets (UPB)[3]	**$ 8,583**	**$ 81,567**	**$ 15,677**	**$ 9,131**
Retained interests				
Investment grade	**$ 46**	**$ 816**	**$ 1,427**	**$ —**
Non-investment grade	**15**	**224**	**—**	**88**
Total	**$ 61**	**$ 1,040**	**$ 1,427**	**$ 88**
Interests purchased in the secondary market				
Investment grade	**$ 1**	**$ 169**	**$ 43**	**$ —**
Non-investment grade	**31**	**59**	**—**	**—**
Total	**$ 32**	**$ 228**	**$ 43**	**$ —**
Derivative assets	**$ —**	**$ —**	**$ —**	**$ 529**
Derivative liabilities	**—**	**—**	**—**	**150**

	At December 31, 2019			
$ in millions	RML	CML	U.S. Agency CMO	CLN and Other[2]
SPE assets (UPB)[3]	$ 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 June 30, 2020		
$ in millions	Level 2	Level 3	Total
Retained interests			
Investment grade	**$ 1,441**	**$ 32**	**$ 1,473**
Non-investment grade	**6**	**78**	**84**
Total	**$ 1,447**	**$ 110**	**$ 1,557**
Interests purchased in the secondary market			
Investment grade	**$ 208**	**$ 5**	**$ 213**
Non-investment grade	**45**	**45**	**90**
Total	**$ 253**	**$ 50**	**$ 303**
Derivative assets	**$ 523**	**$ 6**	**$ 529**
Derivative liabilities	**150**	**—**	**150**

	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. The Transferred Assets with Continuing Involvement tables include transactions with SPEs in which the Firm, acting as principal, transferred financial assets with continuing involvement and received sales treatment.
2. Amounts include CLO transactions managed by unrelated third parties.
3. Amounts include assets transferred by unrelated transferors.

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 4 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 June 30,		Six Months Ended June 30,	
$ in millions	**2020**	2019	**2020**	2019
New transactions[1]	**$ 9,189**	$ 7,513	**$ 17,660**	$ 12,246
Retained interests	**1,136**	635	**5,224**	3,522
Sales of corporate loans to CLO SPEs[1, 2]	**73**	—	**139**	—

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 13).

Assets Sold with Retained Exposure

$ in millions	At June 30, 2020	At December 31, 2019
Gross cash proceeds from sale of assets[1]	$ 30,190	$ 38,661
Fair value		
Assets sold	$ 30,821	$ 39,137
Derivative assets recognized in the balance sheets	775	647
Derivative liabilities recognized in the balance sheets	138	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.

15. 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 June 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 June 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 June 30, 2020		
$ in millions	Required Ratio[1]	Amount	Ratio
Risk-based capital			
Common Equity Tier 1 capital	10.0%	$ 68,712	16.1%
Tier 1 capital	11.5%	77,398	18.1%
Total capital	13.5%	87,048	20.4%
Total RWA		427,034	
Leverage-based capital			
Tier 1 leverage	4.0%	$ 77,398	8.1%
Adjusted average assets[2]		952,655	
SLR[3]	5.0%	77,398	7.3%
Supplementary leverage exposure[3,4]		1,062,137	

	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	
Leverage-based capital			
Tier 1 leverage	4.0%	$ 73,443	8.3%
Adjusted average assets[2]		889,195	
SLR	5.0%	73,443	6.4%
Supplementary leverage exposure[4]		1,155,177	

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 June 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 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 June 30, 2020 and December 31, 2019, the U.S. Bank Subsidiaries' risk-based capital ratios are based on the Standardized Approach rules. At June 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 June 30, 2020			
$ in millions	Well-Capitalized Requirement	Required Ratio[1]	Amount	Ratio
Risk-based capital				
Common Equity Tier 1 capital	**6.5%**	**7.0%**	**$ 17,228**	**18.9%**
Tier 1 capital	**8.0%**	**8.5%**	**17,228**	**18.9%**
Total capital	**10.0%**	**10.5%**	**17,844**	**19.6%**
Leverage-based capital				
Tier 1 leverage	**5.0%**	**4.0%**	**$ 17,228**	**10.1%**
SLR	**6.0%**	**3.0%**	**17,228**	**8.1%**

	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 June 30, 2020			
$ in millions	Well-Capitalized Requirement	Required Ratio[1]	Amount	Ratio
Risk-based capital				
Common Equity Tier 1 capital	**6.5%**	**7.0%**	**$ 8,232**	**21.9%**
Tier 1 capital	**8.0%**	**8.5%**	**8,232**	**21.9%**
Total capital	**10.0%**	**10.5%**	**8,317**	**22.2%**
Leverage-based capital				
Tier 1 leverage	**5.0%**	**4.0%**	**$ 8,232**	**7.9%**
SLR	**6.0%**	**3.0%**	**8,232**	**7.6%**

	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 June 30, 2020	At December 31, 2019
Net capital	**$ 13,606**	$ 13,708
Excess net capital	**9,411**	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 June 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 June 30, 2020	At December 31, 2019
Net capital	$ 3,031	$ 3,387
Excess net capital	2,860	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.

16. Total Equity

Preferred Stock

$ in millions, except per share data	Shares Outstanding At June 30, 2020	Liquidation Preference per Share	Carrying Value At June 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 15).

Common Shares Outstanding for Basic and Diluted EPS

in millions	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Weighted average common shares outstanding, basic	1,541	1,634	1,548	1,646
Effect of dilutive Stock options, RSUs and PSUs	16	21	17	20
Weighted average common shares outstanding and common stock equivalents, diluted	1,557	1,655	1,565	1,666
Weighted average antidilutive common stock equivalents (excluded from the computation of diluted EPS)	8	—	10	3

Share Repurchases

$ in millions	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Repurchases of common stock under the Firm's Share Repurchase Program	$ —	$ 1,180	$ 1,347	$ 2,360

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 will be restricted in making share repurchases during the third 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 June 30, 2020 Per Share[1]	Three Months Ended June 30, 2020 Total	Three Months Ended June 30, 2019 Per Share[1]	Three Months Ended June 30, 2019 Total
Preferred Stock Series				
A	$ 253	$ 11	$ 253	$ 11
C	25	13	25	13
E	445	15	445	15
F	430	15	430	15
G[2]	—	—	414	8
H[3]	305	16	681	35
I	398	16	398	16
J[4]	694	42	694	42
K	366	15	366	15
L	305	6	—	—
Total Preferred stock		$ 149		$ 170
Common stock	0.35	$ 550	$ 0.30	$ 504

$ in millions, except per share data	Six Months Ended June 30, 2020		Six Months Ended June 30, 2019	
	Per Share[1]	Total	Per Share[1]	Total
Preferred Stock Series				
A	**$ 506**	**$ 22**	$ 503	$ 22
C	**50**	**26**	50	26
E	**891**	**30**	891	30
F	**859**	**29**	859	30
G[2]	**—**	**—**	828	16
H[3]	**649**	**34**	681	35
I	**797**	**32**	797	32
J[4]	**694**	**42**	694	42
K	**731**	**30**	731	30
L	**609**	**12**	—	—
Total Preferred stock		**$ 257**		$ 263
Common stock	**0.70**	**$ 1,111**	$ 0.60	$ 1,017

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 2019 Form 10-K.
3. Series H was payable semiannually until July 15, 2019, and is now payable quarterly.
4. Series J is payable semiannually until July 15, 2020, and then quarterly thereafter.

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

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

$ in millions	Six Months Ended June 30, 2019
Leases	$ 63

Accumulated Other Comprehensive Income (Loss)[1]

$ in millions	CTA	AFS Securities	Pension, Postretirement and Other	DVA	Total
March 31, 2020	$ (1,038)	$ 1,532	$ (619)	$ 2,220	$ 2,095
OCI during the period	**21**	**295**	**(1)**	**(2,409)**	**(2,094)**
June 30, 2020	**$ (1,017)**	**$ 1,827**	**$ (620)**	**$ (189)**	**$ 1**
March 31, 2019	$ (901)	$ (501)	$ (577)	$ (494)	$ (2,473)
OCI during the period	36	609	3	(226)	422
June 30, 2019	$ (865)	$ 108	$ (574)	$ (720)	$ (2,051)
December 31, 2019	$ (897)	$ 207	$ (644)	$ (1,454)	$ (2,788)
OCI during the period	**(120)**	**1,620**	**24**	**1,265**	**2,789**
June 30, 2020	**$ (1,017)**	**$ 1,827**	**$ (620)**	**$ (189)**	**$ 1**
December 31, 2018	$ (889)	$ (930)	$ (578)	$ 105	$ (2,292)
OCI during the period	24	1,038	4	(825)	241
June 30, 2019	$ (865)	$ 108	$ (574)	$ (720)	$ (2,051)

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

Components of Period Changes in OCI

$ in millions	Pre-tax Gain (Loss)	Income Tax Benefit (Provision)	After-tax Gain (Loss)	Non-controlling Interests	Net
	Three Months Ended June 30, 2020				
CTA					
OCI activity	**$ 5**	**$ 19**	**$ 24**	**$ —**	**$ 24**
Reclassified to earnings	**(3)**	**—**	**(3)**	**—**	**(3)**
Net OCI	**$ 2**	**$ 19**	**$ 21**	**$ —**	**$ 21**
Change in net unrealized gains (losses) on AFS securities					
OCI activity	**$ 395**	**$ (93)**	**$ 302**	**$ —**	**$ 302**
Reclassified to earnings	**(10)**	**3**	**(7)**	**—**	**(7)**
Net OCI	**$ 385**	**$ (90)**	**$ 295**	**$ —**	**$ 295**
Pension, postretirement and other					
OCI activity	**$ (4)**	**$ (1)**	**$ (5)**	**$ —**	**$ (5)**
Reclassified to earnings	**5**	**(1)**	**4**	**—**	**4**
Net OCI	**$ 1**	**$ (2)**	**$ (1)**	**$ —**	**$ (1)**
Change in net DVA					
OCI activity	**$ (3,301)**	**$ 805**	**$ (2,496)**	**$ (87)**	**$ (2,409)**
Reclassified to earnings	**1**	**(1)**	**—**	**—**	**—**
Net OCI	**$ (3,300)**	**$ 804**	**$ (2,496)**	**$ (87)**	**$ (2,409)**

$ in millions	Pre-tax Gain (Loss)	Income Tax Benefit (Provision)	After-tax Gain (Loss)	Non-controlling Interests	Net
	Three Months Ended June 30, 2019				
CTA					
OCI activity	$ 32	$ 33	$ 65	$ 29	$ 36
Reclassified to earnings	—	—	—	—	—
Net OCI	$ 32	$ 33	$ 65	$ 29	$ 36
Change in net unrealized gains (losses) on AFS securities					
OCI activity	$ 849	$ (200)	$ 649	$ —	$ 649
Reclassified to earnings	(53)	13	(40)	—	(40)
Net OCI	$ 796	$ (187)	$ 609	$ —	$ 609
Pension, postretirement and other					
OCI activity	$ —	$ —	$ —	$ —	$ —
Reclassified to earnings	3	—	3	—	3
Net OCI	$ 3	$ —	$ 3	$ —	$ 3
Change in net DVA					
OCI activity	$ (330)	$ 82	$ (248)	$ (20)	$ (228)
Reclassified to earnings	3	(1)	2	—	2
Net OCI	$ (327)	$ 81	$ (246)	$ (20)	$ (226)

$ in millions	Six Months Ended June 30, 2020 Pre-tax Gain (Loss)	Income Tax Benefit (Provision)	After-tax Gain (Loss)	Non-controlling Interests	Net
CTA					
OCI activity	**$ (15)**	**$ (93)**	**$ (108)**	**$ 9**	**$ (117)**
Reclassified to earnings	**(3)**	**—**	**(3)**	**—**	**(3)**
Net OCI	**$ (18)**	**$ (93)**	**$ (111)**	**$ 9**	**$ (120)**
Change in net unrealized gains (losses) on AFS securities					
OCI activity	**$ 2,168**	**$ (509)**	**$ 1,659**	**$ —**	**$ 1,659**
Reclassified to earnings	**(51)**	**12**	**(39)**	**—**	**(39)**
Net OCI	**$ 2,117**	**$ (497)**	**$ 1,620**	**$ —**	**$ 1,620**
Pension, postretirement and other					
OCI activity	**$ 21**	**$ (5)**	**$ 16**	**$ —**	**$ 16**
Reclassified to earnings	**10**	**(2)**	**8**	**—**	**8**
Net OCI	**$ 31**	**$ (7)**	**$ 24**	**$ —**	**$ 24**
Change in net DVA					
OCI activity	**$ 1,714**	**$ (411)**	**$ 1,303**	**$ 42**	**$ 1,261**
Reclassified to earnings	**6**	**(2)**	**4**	**—**	**4**
Net OCI	**$ 1,720**	**$ (413)**	**$ 1,307**	**$ 42**	**$ 1,265**

$ in millions	Six Months Ended June 30, 2019 Pre-tax Gain (Loss)	Income Tax Benefit (Provision)	After-tax Gain (Loss)	Non-controlling Interests	Net
CTA					
OCI activity	$ 28	$ 15	$ 43	$ 19	$ 24
Reclassified to earnings	—	—	—	—	—
Net OCI	$ 28	$ 15	$ 43	$ 19	$ 24
Change in net unrealized gains (losses) on AFS securities					
OCI activity	$ 1,419	$ (333)	$ 1,086	$ —	$ 1,086
Reclassified to earnings	(63)	15	(48)	—	(48)
Net OCI	$ 1,356	$ (318)	$ 1,038	$ —	$ 1,038
Pension, postretirement and other					
OCI activity	$ —	$ (1)	$ (1)	$ —	$ (1)
Reclassified to earnings	6	(1)	5	—	5
Net OCI	$ 6	$ (2)	$ 4	$ —	$ 4
Change in net DVA					
OCI activity	$ (1,154)	$ 283	$ (871)	$ (41)	$ (830)
Reclassified to earnings	7	(2)	5	—	5
Net OCI	$ (1,147)	$ 281	$ (866)	$ (41)	$ (825)

17. Interest Income and Interest Expense

$ in millions	Three Months Ended June 30, 2020	2019	Six Months Ended June 30, 2020	2019
Interest income				
Investment securities	**$ 629**	$ 509	**$ 1,074**	$ 984
Loans	**1,050**	1,196	**2,204**	2,391
Securities purchased under agreements to resell and Securities borrowed[1]	**(141)**	1,047	**257**	1,994
Trading assets, net of Trading liabilities	**616**	747	**1,365**	1,460
Customer receivables and Other[2]	**204**	1,007	**961**	1,967
Total interest income	**$ 2,358**	$ 4,506	**$ 5,861**	$ 8,796
Interest expense				
Deposits	**$ 220**	$ 493	**$ 626**	$ 955
Borrowings	**823**	1,342	**1,820**	2,722
Securities sold under agreements to repurchase and Securities loaned[3]	**209**	735	**718**	1,335
Customer payables and Other[4]	**(494)**	907	**(259)**	1,741
Total interest expense	**$ 758**	$ 3,477	**$ 2,905**	$ 6,753
Net interest	**$ 1,600**	$ 1,029	**$ 2,956**	$ 2,043

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 June 30, 2020	At December 31, 2019
Customer and other receivables	**$ 1,986**	$ 1,661
Customer and other payables	**2,558**	2,223

18. 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 June 30,		Six Months Ended June 30,	
$ in millions	**2020**	2019	**2020**	2019
Recurring[1]	**$ 5**	$ (20)	**$ (94)**	$ (127)
Intermittent	**134**	—	**103**	(101)

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

The current quarter and current year period included intermittent net discrete tax costs principally associated with the remeasurement of reserves and interest related to a foreign tax matter.

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

19. Segment, Geographic and Revenue Information

Selected Financial Information by Business Segment

	Three Months Ended June 30, 2020				
$ in millions	IS	WM	IM	I/E	Total
Investment banking	**$ 2,051**	**$ 110**	**$ —**	**$ (19)**	**$ 2,142**
Trading	**4,152**	**492**	**22**	**17**	**4,683**
Investments	**36**	**8**	**231**	**—**	**275**
Commissions and fees[1]	**717**	**473**	**—**	**(88)**	**1,102**
Asset management[1]	**115**	**2,507**	**684**	**(41)**	**3,265**
Other	**337**	**60**	**(47)**	**(3)**	**347**
Total non-interest revenues	**7,408**	**3,650**	**890**	**(134)**	**11,814**
Interest income	**1,300**	**1,210**	**7**	**(159)**	**2,358**
Interest expense	**731**	**180**	**11**	**(164)**	**758**
Net interest	**569**	**1,030**	**(4)**	**5**	**1,600**
Net revenues	**$ 7,977**	**$ 4,680**	**$ 886**	**$ (129)**	**$ 13,414**
Income before provision for income taxes	**$ 2,993**	**$ 1,142**	**$ 216**	**$ 4**	**$ 4,355**
Provision for income taxes	**790**	**289**	**39**	**1**	**1,119**
Net income	**2,203**	**853**	**177**	**3**	**3,236**
Net income applicable to noncontrolling interests	**17**	**—**	**23**	**—**	**40**
Net income applicable to Morgan Stanley	**$ 2,186**	**$ 853**	**$ 154**	**$ 3**	**$ 3,196**

	Three Months Ended June 30, 2019				
$ in millions	IS	WM	IM	I/E	Total
Investment banking	$ 1,472	$ 138	$ (1)	$ (19)	$ 1,590
Trading	2,558	162	(1)	13	2,732
Investments	194	—	247	—	441
Commissions and fees[1]	625	428	—	(74)	979
Asset management[1]	103	2,544	612	(39)	3,220
Other	143	120	(9)	(1)	253
Total non-interest revenues	5,095	3,392	848	(120)	9,215
Interest income	3,289	1,348	6	(137)	4,506
Interest expense	3,271	332	15	(141)	3,477
Net interest	18	1,016	(9)	4	1,029
Net revenues	$ 5,113	$ 4,408	$ 839	$ (116)	$ 10,244
Income before provision for income taxes	$ 1,463	$ 1,243	$ 199	$ (2)	$ 2,903
Provision for income taxes	324	290	44	(1)	657
Net income	1,139	953	155	(1)	2,246
Net income applicable to noncontrolling interests	18	—	27	—	45
Net income applicable to Morgan Stanley	$ 1,121	$ 953	$ 128	$ (1)	$ 2,201

	Six Months Ended June 30, 2020				
$ in millions	IS	WM	IM	I/E	Total
Investment banking	**$ 3,195**	**$ 268**	**$ —**	**$ (50)**	**$ 3,413**
Trading	**7,568**	**145**	**(15)**	**41**	**7,739**
Investments	**11**	**8**	**294**	**—**	**313**
Commissions and fees[1]	**1,591**	**1,061**	**—**	**(190)**	**2,462**
Asset management[1]	**228**	**5,187**	**1,349**	**(82)**	**6,682**
Other	**(742)**	**122**	**(40)**	**(4)**	**(664)**
Total non-interest revenues	**11,851**	**6,791**	**1,588**	**(285)**	**19,945**
Interest income	**3,723**	**2,403**	**15**	**(280)**	**5,861**
Interest expense	**2,692**	**477**	**25**	**(289)**	**2,905**
Net interest	**1,031**	**1,926**	**(10)**	**9**	**2,956**
Net revenues	**$12,882**	**$ 8,717**	**$1,578**	**$ (276)**	**$22,901**
Income before provision for income taxes	**$ 3,943**	**$ 2,197**	**$ 359**	**$ 2**	**$ 6,501**
Provision for income taxes	**941**	**480**	**64**	**—**	**1,485**
Net income	**3,002**	**1,717**	**295**	**2**	**5,016**
Net income applicable to noncontrolling interests	**59**	**—**	**63**	**—**	**122**
Net income applicable to Morgan Stanley	**$ 2,943**	**$ 1,717**	**$ 232**	**$ 2**	**$ 4,894**

	Six Months Ended June 30, 2019				
$ in millions	IS	WM	IM	I/E	Total
Investment banking	$ 2,623	$ 247	$ (1)	$ (37)	$ 2,832
Trading	5,688	464	(4)	25	6,173
Investments	275	1	438	—	714
Commissions and fees[1]	1,246	834	—	(135)	1,945
Asset management[1]	210	4,905	1,229	(75)	6,269
Other	365	200	(6)	(5)	554
Total non-interest revenues	10,407	6,651	1,656	(227)	18,487
Interest income	6,345	2,761	10	(320)	8,796
Interest expense	6,443	615	23	(328)	6,753
Net interest	(98)	2,146	(13)	8	2,043
Net revenues	$10,309	$ 8,797	$1,643	$ (219)	$20,530
Income before provision for income taxes	$ 3,058	$ 2,431	$ 373	$ (4)	$ 5,858
Provision for income taxes	514	554	77	(1)	1,144
Net income	2,544	1,877	296	(3)	4,714
Net income applicable to noncontrolling interests	52	—	32	—	84
Net income applicable to Morgan Stanley	$ 2,492	$ 1,877	$ 264	$ (3)	$ 4,630

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 June 30,		Six Months Ended June 30,	
$ in millions	**2020**	2019	**2020**	2019
Institutional Securities Advisory	**$ 462**	$ 506	**$ 824**	$ 912
Institutional Securities Underwriting	**1,589**	966	**2,371**	1,711
Firm Investment banking revenues from contracts with customers	**92%**	90%	**91%**	90%

Trading Revenues by Product Type

	Three Months Ended June 30,		Six Months Ended June 30,	
$ in millions	**2020**	2019	**2020**	2019
Interest rate	**$ 1,008**	$ 604	**$ 2,082**	$ 1,389
Foreign exchange	**127**	73	**465**	314
Equity security and index[1]	**1,943**	1,478	**3,016**	2,929
Commodity and other	**603**	264	**868**	686
Credit	**1,002**	313	**1,308**	855
Total	**$ 4,683**	$ 2,732	**$ 7,739**	$ 6,173

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 June 30, 2020**	At December 31, 2019
Net cumulative unrealized performance-based fees at risk of reversing	**$ 730**	$ 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 13 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

	Three Months Ended June 30,		Six Months Ended June 30,	
$ in millions	**2020**	2019	**2020**	2019
Fee waivers	**$ 22**	$ 10	**$ 33**	$ 21

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

	Three Months Ended June 30,		Six Months Ended June 30,	
$ in millions	**2020**	2019	**2020**	2019
Americas	**$ 9,765**	$ 7,526	**$ 16,411**	$ 14,847
EMEA	**2,049**	1,576	**3,197**	3,278
Asia	**1,600**	1,142	**3,293**	2,405
Total	**$ 13,414**	$ 10,244	**$ 22,901**	$ 20,530

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

	Three Months Ended June 30,		Six Months Ended June 30,	
$ in millions	**2020**	2019	**2020**	2019
Non-interest revenues	**$ 680**	$ 725	**$ 1,242**	$ 1,344

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 June 30, 2020**	At December 31, 2019
Customer and other receivables	**$ 3,009**	$ 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 June 30, 2020**	At December 31, 2019
Institutional Securities	**$ 727,137**	$ 691,201
Wealth Management	**241,651**	197,682
Investment Management	**6,575**	6,546
Total[1]	**$ 975,363**	$ 895,429

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

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