BANK OF AMERICA
QUARTERLY UPDATE
MORGAN STANLY
HAS ENTERED THE CHAT

U/GFOUNTYYC

Bank of America Quarterly Update. Morgan Stanley has entered the chat

Due Diligence

Hey guys,

I've decided to put together an update regarding my Bank of America thesis (I called this shit in May). I realize that there's a lot of new people on this sub so I thought it was worth sharing a recap as well as an update as it looks like we are close to or at endgame. I have also come to the conclusion that Morgan Stanley may also be a bagholder in the Gamestop saga. I want to stress that nothing is financial advice, and I have no idea when things will turn south. Again I'm human and I do make mistakes, and if you have anything to support or refute my thesis please share so we can get this right.

At the bottom of this page, I also included a collection of my other posts. All my digging is fair game as long as you reference it properly (I'm looking at some of the trash YouTubers)

Hypothesis:

Morgan Stanley and Bank of America are both bagholders in the Gamestop Saga.

Bank Of America recap

What we already know:

1. **BofA is the main Prime Broker for Citadel & 1 of 2 for Susquehanna and will be responsible for closing said positions if they cannot close**

2. **BofA has/had a significant Put position to potentially reset FTDs**
3. **No Bank or Hedgefund has/had more GME containing ETFs than BofA**.
4. **BofA's head of client equity solutions left to join Citadel after the Jan squeeze**.
5. **~20% of BofA's locations have not reopened since last March**
6. **BofA issued a $15 billion dollar bond in April to raise cash**
7. **Several high-level executives have resigned or have planned to.**
8. **There is no new purchasing of BAC stock, only selling by their executives**
9. **In August BofA released a prospectus with the purpose to raise $123 Billion Dollars in liquid assets**
10. **The number of securities sold under agreement to repurchase greater than 90 days doubled from Q1 to Q2 and maintained its stance to Q3.**

What is new?

1) Sudden meeting with the heads of Finance and Yellen.

Yesterday November 2nd it was reported that Janet is meeting with several heads of the financial world. The timing of this is no coincidence. I can't help but think of the meeting where the heads of the banking world congregated prior to the Global Financial Crisis. Full disclosure, the financial sector is in deep trouble from the Chinese asset bubble popping, but given meme stocks, recent run-ups tied with this admission from Yellen to congress gives us a clue.

"**There are issues relating to hedge funds and the possibility of leverage there that can trigger financial runs**" - Yellen [Link]

From Wall Street's Naked Swindle by Matt Taibbi regarding the GFC

> On March 11th -around the same time that myster Nostradamus was betting $1.7 Million that Bear was about to collapse - a curious thing happened that attracted virtually no notice on Wall Street. On that day, a meeting was held at the **Federal Reserve** Bank of New York that was brokered by Fed Chief Ben Bernanke and then- NY Fed president Timothy Geithner. The luncheon included virtually everyone who was anyone on Wall Street - except for Bear Stearns.Bear, in fact, was the only major investment bank not represented at the meeting, whose list of particiants reads like a Barzini-Tattaglia meeting of the Five Families. In attendence were Jamie Dimon from JPM Chase, Lloyd Blankfein from Goldman Sachs, James Gorman from Morgan Stanley, Richard Fuld from Lehman Brothers, and John Thain, the big spending office redecorator still heading the not yet fully destroyed Merril Lynch. Also present were old Clinton hand Robert Rubin, who represented Citigroup, Stephen Schwarzman of the Blackstone Group, and several hedge fund chiefs, including Ken Griffin of Citadel Investment Group.The meeting was never annouced publicly. In fact, it was discovered only by accident, when a reported from Bloomberg filed a request under the Freedom of

Information Act and came across a mention of it in Bernanke's schedule.

2) The new 10-Q quarterly report for BofA just came out

Remaining Contractual Maturity

(Dollars in millions)	Overnight and Continuous	30 Days or Less	After 30 Days Through 90 Days	Greater than 90 Days [1]	Total
	September 30, 2021				
Securities sold under agreements to repurchase	$ 211,770	$ 142,591	$ 32,455	$ 42,678	$ 429,494
Securities loaned	43,780	87	428	5,670	49,965
Other	10,167	—	—	—	10,167
Total	$ 265,717	$ 142,678	$ 32,883	$ 48,348	$ 489,626
	December 31, 2020				
Securities sold under agreements to repurchase	$ 158,400	$ 122,448	$ 32,149	$ 22,684	$ 335,681
Securities loaned	19,140	271	1,029	2,531	22,971
Other	16,210	—	—	—	16,210
Total	$ 193,750	$ 122,719	$ 33,178	$ 25,215	$ 374,862

[1] No agreements have maturities greater than three years.

BofA's short position has not changed since their last 10-Q report. Like some of us, they have elected to hold

Updated Balance Sheet

Consolidated Balance Sheet

(Dollars in millions)	September 30 2021	December 31 2020
Assets		
Cash and due from banks	$ 28,689	$ 36,430
Interest-bearing deposits with the Federal Reserve, non-U.S. central banks and other banks	251,165	344,033
Cash and cash equivalents	279,854	380,463
Time deposits placed and other short-term investments	6,518	6,546
Federal funds sold and securities borrowed or purchased under agreements to resell (includes **$154,137** and $108,856 measured at fair value)	261,934	304,058
Trading account assets (includes **$121,259** and $91,510 pledged as collateral)	288,566	198,854
Derivative assets	40,829	47,179
Debt securities:		
Carried at fair value	285,377	246,601
Held-to-maturity, at cost (fair value – **$678,333** and $448,180)	683,240	438,249
Total debt securities	968,617	684,850
Loans and leases (includes **$7,566** and $6,681 measured at fair value)	927,736	927,861
Allowance for loan and lease losses	(13,155)	(18,802)
Loans and leases, net of allowance	914,581	909,059
Premises and equipment, net	10,684	11,000
Goodwill	69,023	68,951
Loans held-for-sale (includes **$3,982** and $1,585 measured at fair value)	9,415	9,243
Customer and other receivables	74,998	64,221
Other assets (includes **$11,031** and $15,718 measured at fair value)	160,427	135,203
Total assets	$ 3,085,446	$ 2,819,627
Liabilities		
Deposits in U.S. offices:		
Noninterest-bearing	$ 753,107	$ 650,674
Interest-bearing (includes **$542** and $481 measured at fair value)	1,108,490	1,038,341
Deposits in non-U.S. offices:		
Noninterest-bearing	25,336	17,698
Interest-bearing	77,871	88,767
Total deposits	1,964,804	1,795,480
Federal funds purchased and securities loaned or sold under agreements to repurchase (includes **$155,151** and $135,391 measured at fair value)	207,428	170,323
Trading account liabilities	112,217	71,320
Derivative liabilities	38,062	45,526
Short-term borrowings (includes **$4,128** and $5,874 measured at fair value)	20,278	19,321
Accrued expenses and other liabilities (includes **$10,261** and $16,311 measured at fair value and **$1,538** and $1,878 of reserve for unfunded lending commitments)	191,572	181,799
Long-term debt (includes **$28,696** and $32,200 measured at fair value)	278,621	262,934
Total liabilities	2,812,982	2,546,703

BofA's Trading account liabilities has increased by 57% since Dec 31st, 2020

Increased loans to Asset Managers

Table 34 Commercial Credit Exposure by Industry [1]

(Dollars in millions)	Commercial Utilized June 30 2021	Commercial Utilized December 31 2020	Total Commercial Committed [2] June 30 2021	Total Commercial Committed [2] December 31 2020
Asset managers and funds	$ 78,769	$ 67,360	$ 118,559	$ 100,296
Real estate [3]	66,707	68,967	92,913	91,730

Add caption

Table 34 Commercial Credit Exposure by Industry [1]

(Dollars in millions)	Commercial Utilized September 30 2021	Commercial Utilized December 31 2020	Total Commercial Committed [2] September 30 2021	Total Commercial Committed [2] December 31 2020
Asset managers & funds	$ 84,420	$ 67,360	$ 132,205	$ 100,296
Real estate [3]	67,925	68,967	94,462	91,730

Industry Concentrations

Table 34 presents commercial committed and utilized credit exposure by industry. For information on net notional credit protection purchased to hedge funded and unfunded exposures for which we elected the fair value option, as well as certain other credit exposures, see Commercial Portfolio Credit Risk Management – Risk Mitigation.

Our commercial credit exposure is diversified across a broad range of industries. Total commercial committed exposure increased $53.5 billion, or five percent, during the nine months ended September 30, 2021 to $1.1 trillion. The increase in commercial committed exposure was concentrated in Asset managers and funds, Finance companies, Capital goods and Individuals and trusts industry sectors. Increases were partially offset by decreased exposure to the Government and public education and Automobiles and components industry sectors.

For information on industry limits, see Commercial Portfolio Credit Risk Management – Industry Concentrations in the MD&A of the Corporation's 2020 Annual Report on Form 10-K.

Asset managers and funds, our largest industry concentration with committed exposure of $132.2 billion, increased $31.9 billion, or 32 percent, during the nine months ended September 30, 2021, which was primarily driven by secured investment grade exposures.

Real estate, our second largest industry concentration with committed exposure of $94.5 billion, increased $2.7 billion, or three percent, during the nine months ended September 30, 2021. For more information on the commercial real estate and related portfolios, see Commercial Portfolio Credit Risk Management – Commercial Real Estate on page 37.

Capital goods, our third largest industry concentration with committed exposure of $87.0 billion, increased $6.2 billion, or eight percent, during the nine months ended September 30, 2021 with the growth largely occurring in building products, machinery and trading companies and distributors.

Given the widespread impact of the pandemic on the U.S. and global economy, a number of industries have been and may continue to be adversely impacted. We continue to monitor all industries, particularly higher risk industries that are experiencing or could experience a more significant impact to their financial condition. For more information on the pandemic, see Executive Summary – Recent Developments – COVID-19 Pandemic on page 3.

In the last quarter, the increase in loans to Asset managers and funds increased by 7%, and it is up 32% so far this year. Those who don't know the largest borrower of credit from Bank of America are asset managers. Although I haven't been able to find a concrete source ex-hedge fund manager Marc Cohodes has stated that Bank of American's biggest customer is Citadel Securities. Link here (timestamp: 32:55). Months ago I found in Citadel's 2020 Annual report that most of the options clearing and financing activities are with BofA.

Credit Risk

Credit risk is the risk of losses due to the failure of a counterparty to perform according to the terms of a contract. Since the Company does not clear all of its own securities transactions, it has established accounts with other financial institutions for this purpose. This can, and often does, result in a concentration of credit risk with one or more of these institutions. A substantial portion of the Company's options, clearing and financing activities are with a Bank of America Merrill Lynch subsidiary ("BAML"). These positions are recorded at fair value under securities owned on the statement of financial condition. This results in a concentration of operational and credit risks with BAML. Such risk, however, is partially mitigated by the obligation of certain of these financial institutions to maintain minimum net capital and to segregate customers' funds and financial instruments from the financial institution's own holdings. The Company actively reviews and attempts to manage exposures to various financial institutions in an attempt to mitigate these risks. The Company also attempts to minimize this credit risk by carrying minimal excess collateral above any specific collateral requirement determined in accordance with the contractual terms between the Company and the relevant financial institution.

Caption from Citadel's Annual Report (first posted in my DD "Bank of America and the Citadel connection" in May)

3) What do you do when things are looking bad....?

You buy insurance.

Currently, Bank of America has increased its position in Credit default swaps. They now are adding more protection in case of defaults than they are currently selling. You don't increase your positions in credit default swap for no reason. BofA wants insurance for when shit hits the fan.

Dollar amounts in thousands	(Column A) Sold Protection		(Column B) Purchased Protection		
7. Credit derivatives:					7.
a. Notional amounts:					7.a.
1. Credit default swaps	RCFDC968	166,443,000	RCFDC969	180,289,000	7.a.1.
2. Total return swaps	RCFDC970	17,613,000	RCFDC971	10,079,000	7.a.2.
3. Credit options	RCFDC972	32,014,000	RCFDC973	35,670,000	7.a.3.
4. Other credit derivatives	RCFDC974	0	RCFDC975	0	7.a.4.
b. Gross fair values:					7.b.
1. Gross positive fair value	RCFDC219	3,060,000	RCFDC221	853,000	7.b.1.
2. Gross negative fair value	RCFDC220	1,210,000	RCFDC222	3,285,000	7.b.2.

4) Bank of America issued more bonds last month

BofA Joins Morgan Stanley With Post-Earnings Bond Sale

Jack Pitcher, Bloomberg News

https://www.bnnbloomberg.ca/bofa-joins-morgan-stanley-with-post-earnings-bond-sale-1.1666833

(Bloomberg) -- Bank of America Corp. is tapping the U.S. investment-grade bond market Friday with a self-led deal, joining Morgan Stanley in issuing new debt following a better-than-expected earnings report.

The bank is selling 11-year fixed-to-floating-rate notes with initial price discussions in the area of 1.15 percentage points above Treasuries, according to a person familiar with the matter. The proceeds are earmarked for general corporate purposes.

BofA on Thursday beat analysts' estimates as fees climbed at the company's dealmaking unit, boosted by a record-breaking period for mergers and acquisitions.

Blowout results from the big U.S. banks may spur even more bond issuance from the financial sector, which is eyeing still-attractive borrowing costs that could get worse should rates keep rising. Benchmark 10-year Treasury yields reached the highest since mid-year this week. The bond deal comes as risk premiums in corporate debt remain low, increasing the appeal to issuers.

Morgan Stanley on Thursday took advantage of favorable sales conditions to price $5 billion of debt in a deal that performed well and priced at a level tighter than initially discussed.

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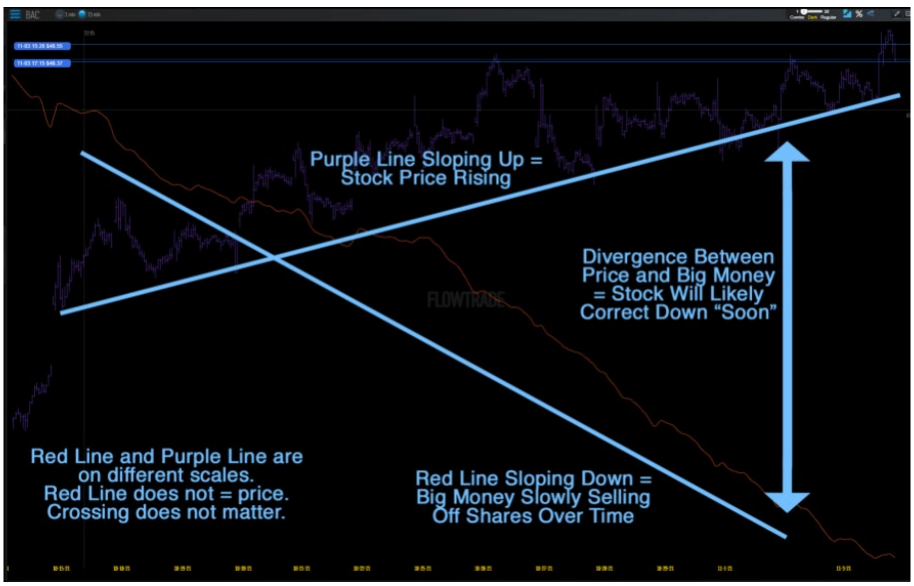


Red line = darkpool order flow. Slope down = selling. Notably, while the stock price has been going up slightly

Morgan Stanley:

I believe Morgan Stanley is in a world of hurt too

I have been digging into whom might also be in a world of hurt more the better part of this year. For the longest time, I thought Goldman Sachs might be in trouble for their Gamestop position. I'm still pretty confident that may be the case, but for the purpose of this post, I want to focus on Morgan Stanley.

1) What are they buying?

Now before I go into clues that might point towards Morgan Stanley I ask the following question...

Q) What do you do when you owe a ton of Gamestop?

A) The answer is you buy a lot of Gamestop.

Morgan Stanley Purchases 334,683 Shares of GameStop Corp. (NYSE:GME)

Posted by Wayne Rhoads on Nov 3rd, 2021

Morgan Stanley increased its position in shares of GameStop Corp. (NYSE:GME) by 210.3% in the 2nd quarter, according to the company in its most recent 13F filing with the Securities & Exchange Commission. The institutional investor owned 493,850 shares of the company's stock after acquiring an additional 334,683 shares during the quarter. Morgan Stanley's holdings in GameStop were worth $105,753,000 as of its most recent SEC filing.

Morgan Stanley likely loaded up on Gamestop while the price is still "manageable" as a hedge for the shares they have to replace.

Morgan Stanley has purchased a large position in Gamestop. This is likely due to the fact it's a hell of a lot cheaper to purchase stock now rather than when they might be forced to buy it later.

2) The spring bond sale

In April Morgan Stanley was one of the banks that sold a significant amount of bonds. 6 Billion to be exact. [Link]

> When treasury yields dipped last week, Bank of America, JPMorgan Chase and Goldman Sachs sold off bonds following the banks' quarterly earnings reports. Morgan Stanley followed its peers to sell approximately $6 billion in bonds, sources close to the matter revealed to Bloomberg on Monday.

3) Morgans Quarterly Report

In Morgan Stanley's latest 10-Q you can see that their securities sold with the agreement to repurchase have grown 22.5% in 2021.

Liabilities				
Deposits (includes **$2,010** and $3,521 at fair value)	$	**329,041**	$	310,782
Trading liabilities at fair value		**169,959**		157,631
Securities sold under agreements to repurchase (includes **$928** and $1,115 at fair value)		**61,987**		50,587
Securities loaned		**11,133**		7,731
Other secured financings (includes **$5,614** and $11,701 at fair value)		**10,272**		15,863
Customer and other payables		**240,319**		227,437
Other liabilities and accrued expenses		**30,884**		25,603
Borrowings (includes **$75,752** and $73,701 at fair value)		**229,762**		217,079
Total liabilities		**1,083,357**		1,012,713

4) Melvin Capital's Custodians

Below is documentation regarding whom are the custodians of Melvin Capital. Let me be clear JPM, and Bank One are also custodians but those carry a fraction of the assets under management. I theorize that a significant amount of Melvin's credit risk is with Goldman & Morgan Stanley.

SECTION 5.K.(3) Custodians for Separately Managed Accounts

Complete a separate Schedule D Section 5.K.(3) for each custodian that holds ten percent or more of your aggregate separately managed account regulatory assets under management.

(a) Legal name of custodian:
GOLDMAN SACHS & CO. LLC

(b) Primary business name of custodian:
GOLDMAN SACHS & CO. LLC

(c) The location(s) of the custodian's office(s) responsible for *custody* of the assets :

City:	State:	Country:
NEW YORK	New York	United States

(d) Is the custodian a *related person* of your firm? Yes ○ No ◉

(e) If the custodian is a broker-dealer, provide its SEC registration number (if any)
8 - 129

(f) If the custodian is not a broker-dealer, or is a broker-dealer but does not have an SEC registration number, provide its *legal entity identifier* (if any)

(g) What amount of your regulatory assets under management attributable to separately managed accounts is held at the custodian?
$ 1,673,792,950

(a) Legal name of custodian:
MORGAN STANLEY & CO. LLC

(b) Primary business name of custodian:
MORGAN STANLEY & CO. LLC

(c) The location(s) of the custodian's office(s) responsible for *custody* of the assets :

City:	State:	Country:
NEW YORK	New York	United States

(d) Is the custodian a *related person* of your firm? Yes ○ No ◉

(e) If the custodian is a broker-dealer, provide its SEC registration number (if any)
8 - 15869

(f) If the custodian is not a broker-dealer, or is a broker-dealer but does not have an SEC registration number, provide its *legal entity identifier* (if any)

(g) What amount of your regulatory assets under management attributable to separately managed accounts is held at the custodian?
$ 1,626,252,501

5) Gary's Schedu

For those who are interested in what's going on, it's worth looking at where Gary is looking. I suggest those who are curious to take a look at the chair of the SEC's schedule. You can find it here. [link]

When we take a look at Gary's schedule we can assume that GS and MS are likely tied to each other in this situation. These meetings are back to back with Gary likely asking each entity what the fuck is going on with your bank and do you have a handle of what happened with Melvin.

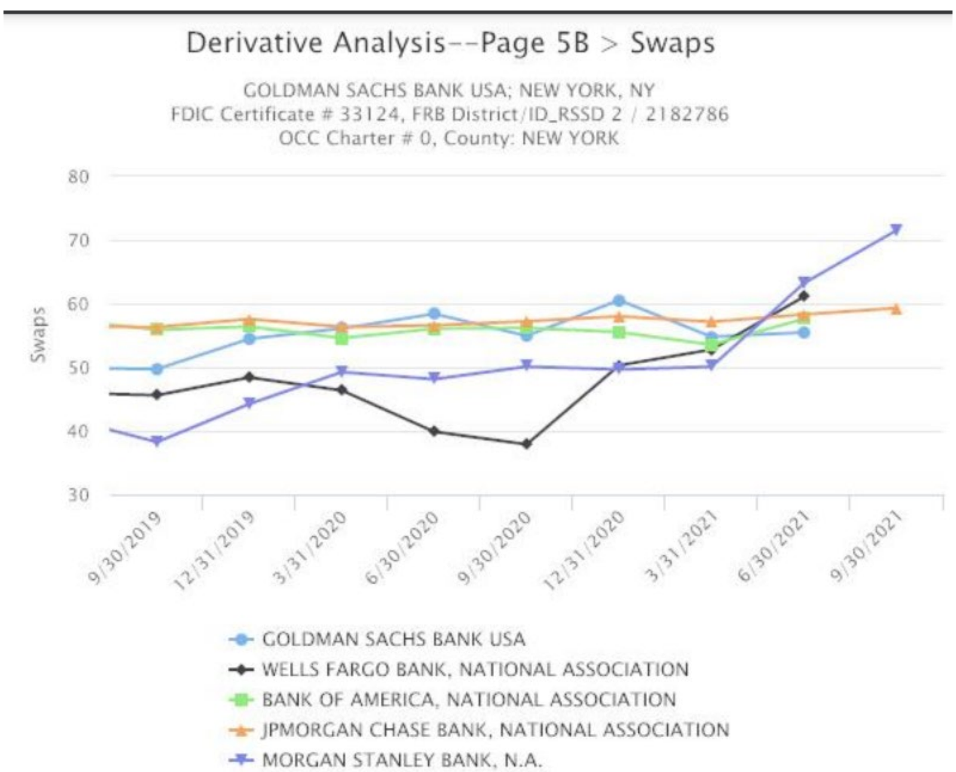
10:00 am	Meeting with James Gorman, Chairman and Chief Executive Officer, Morgan Stanley
10:30 am	Meeting with David Solomon, Chief Executive Officer, Goldman Sachs

I believe Morgan Stanley likely realized that their situation is fucked/are caught and probably should work with Gary. They have a meeting with Gary again 6 days later with all their big guns. You don't bring your legal & compliance heads unless you need to.

11:30 am	Meeting with Morgan Stanley: Eric Grossman, Chief Legal Officer; Raja Akram, Deputy Chief Financial Officer; Celine Suarez, Managing Director and Head of Corporate Sustainability and Reporting; Clark Anderson, Managing Director; Jacqueline LiCalzi, Managing Director and Global Head of Regulatory Relations: Martin Cohen, General Counsel of Company Law, Corporate Secretary and Managing Director; Sean Wright, Executive Director of Global Sustainable Finance; Matthew Slovik, Head of Global Sustainable Finance

I thought it might be useful to gather the Chair of the CFTC's schedule, but after several months of waiting on my FOIA request, I don't believe they ever want that to be released. They also haven't updated their external meetings page since April 16th.

6) Swap swaps swa



7) The junk pumpers keep on pumping

I thought I should also include these for fun. Part of me wants to create a ETF in the future that is the inverse of Cramer & Motley Fool. At the very least its would be a better use of capital than the 4 streaming services I pay for and don't use.

Jim Cramer: I'll Put My Money With 'Boring but Lucrative' Any Day

Let's look at that recent downgrade of 'dull' Morgan Stanley and see why exciting is best left for the stadiums and amusement parks -- and not stocks.

By JIM CRAMER Sep 29, 2021 | 01:28 PM EDT

The Motley Fool

Morgan Stanley Offers Further Proof that its Investment Banking Efforts Are Paying Off

This article represents the opinion of the writer, who may disagree with the "official" recommendation position of a Motley Fool premium...

1 week ago

Conclusion: I think I'm almost kicking a dead horse when it comes to BofA, but I think there is significant evidence pointing to Morgan Stanley as a potential bagholder as well. If there is indeed the need for a bailout/bail-in please be cautious with these entities. Again nothing I say is financial advice, and please do your own due diligence.

-Cheers Gfountyyc out

Past work/Previous DD

[The Complete Bank of America Gamestop DD]

[The Bank of America and Gamestop DD update. Swimming in Puts, ETFs, and the new NSFR rules]

[Bank of America Is Short GME And Is Positioned For A Potential Bankruptcy]

[Goldman Is A Swaps/Futures Counterparty; Theory Why We Didn't See Volume This Cycle]

[Popcorn stock Delayed Memestock Endgame With Their June Share Offering]