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Morgan Stanley Agrees to Pay $225 Million to Settle NCUA's Claims

Most Recent Settlement Resolves Cases in New York and Kansas Federal Courts

ALEXANDRIA, Va. (Dec. 10, 2015) – The National Credit Union Administration today announced a settlement with Morgan Stanley for $225 million to resolve claims arising from losses related to corporate credit unions' purchases of faulty residential mortgage-backed securities.

"NCUA continues to pursue recoveries on behalf of the corporate credit unions against the financial firms we maintain contributed to the corporates' losses," NCUA Board Chairman Debbie Matz said. "These actions fulfill our statutory obligation to act in order to minimize costs to the credit union system resulting from the crisis. They also promote accountability and ensure consumers remain protected."

NCUA Associate General Counsel John Ianno recognized the U.S. Justice Department's involvement in the litigation.

"We appreciate the efforts of the Department of Justice, with whom we have worked closely in achieving this favorable resolution," Ianno said.

The settlement covers claims asserted in 2013 by the NCUA Board on behalf of U.S. Central Federal Credit Union, Western Corporate Federal Credit Union, Members United Corporate Federal Credit Union and Southwest Corporate Federal Credit Union. NCUA will dismiss pending suits against Morgan Stanley in federal district courts in New York and Kansas. Morgan Stanley does not admit fault in the settlement.

Net proceeds from this settlement and others are used to pay claims against the failed corporate credit unions, including those of the Temporary Corporate Credit Union Stabilization Fund. Stabilization Fund recoveries reduce borrowings from the U.S. Treasury and eliminate the need for assessments to federally insured credit unions.

NCUA was the first federal regulatory agency for depository institutions to recover losses from investments in these securities on behalf of failed financial institutions.

NCUA continues to pursue litigation in federal courts in New York, Kansas and California against financial firms, including RBS, Goldman Sachs, UBS and Credit Suisse, based on the sale of faulty securities that caused the collapse of five corporate credit unions. The agency, on behalf of the failed corporates, has other litigation pending against securities firms alleging violations of state and federal anti-trust law by manipulation of interest rates through the London Interbank Offer Rate system. NCUA also has pending suits against financial firms alleging their failure to perform their duties as trustees of residential mortgage-backed securities trusts.

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"Protecting credit unions and the consumers who own them through effective regulation"