

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20100216421-01**

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: Morgan Stanley & Co. LLC, Respondent
Broker-Dealer
CRD No. 8209

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Morgan Stanley & Co. LLC ("MSCO" or the "Firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The Firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

The Firm became a member of FINRA on June 5, 1970, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The Firm has no relevant disciplinary history.

SUMMARY

In Matter No. 20100216421, the Department of Market Regulation's Options Regulation Staff (the "Staff") conducted a review of the Firm's options positions required to be reported in the Large Option Positions Report ("LOPR") during the period of October 1, 2009 through December 31, 2009 for compliance with the rules and regulations relating to position limits and reporting of options positions.

In Matter No. 20100235654, Staff conducted a review of the Firm's options positions required to be reported in the LOPR during the period of January 1, 2010 through June

30, 2011 ("review period 2") for compliance with the rules and regulations relating to position limits and reporting of options positions.

FACTS AND VIOLATIVE CONDUCT

20100216421

1. On thirty-four non-consecutive days between November 20, 2009 and January 12, 2010, one of the Firm's customers exceeded the option position limit on the bullish side of the market in foreign underlying security Panasonic Corporation ("6752"). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(3).
2. On eighty-four consecutive days between September 9, 2009 and January 8, 2010, one of the Firm's customers exceeded the option position limit on the bearish side of the market in foreign underlying security Royal Dutch Shell PLC A Shares ("ROYDUH"). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(3).
3. On sixty-eight consecutive days between September 14, 2009 and December 18, 2009, one of the Firm's customers exceeded the option position limit on the bearish side of the market in foreign underlying security Standard Charter ("STCBF"). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(3).
4. On twenty-one consecutive days between December 14, 2009 and January 14, 2010, one of the Firm's customers exceeded the option position limit on the bullish side of the market in foreign underlying security Aluminum Corporation of China Ltd - CHALCO ("HK2600"). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(3).
5. Furthermore, during the period between September 9, 2009 and December 10, 2009, the Firm failed to report or accurately report approximately 1,350 options positions in conventional options relating to five securities to the LOPR. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(5).

20100235654

6. On thirteen consecutive days between January 12, 2010 and January 29, 2010, one of the Firm's customers exceeded the option position limit on both the bearish and bullish sides of the market in foreign underlying security BOC Hong Kong Holdings Ltd ("HK2388"). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(3).
7. On sixteen consecutive days between January 7, 2010 and January 29, 2010, one of the Firm's customers exceeded the option position limit on the bullish side of the

market in foreign underlying security Nokia Corporation ("NOKIAE"). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(3).

8. Additionally, during the period between January 12, 2010 and May 9, 2011, the Firm failed to report or accurately report approximately 2,100 options positions in conventional options to the LOPR, substantially all of which related to one security. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(5).
9. Furthermore, during the period between January 2010 and December 2010, the Firm failed to attach accurate in-concert designations to at least sixteen separate accounts held by individuals or entities acting in-concert that required aggregation. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2360(b)(5).

B. The Firm also consents to the imposition of the following sanctions:

A censure, and a fine of \$95,000 (\$60,000 for position limit violations and \$35,000 for options reporting violations)

The Firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) is due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The Firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to

the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the Firm specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The Firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The Firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; and
- C. If accepted:
 - 1. This AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Firm;
 - 2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about the Firm's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. The Firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The Firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in

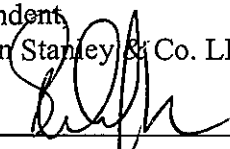
litigation or other legal proceedings in which FINRA is not a party.

- D. The Firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

May 15, 2013
Date

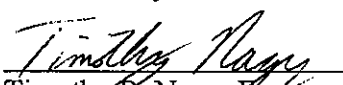
Respondent
Morgan Stanley & Co. LLC

By: 

Name: S. Anthony Taggart

Title: Executive Director

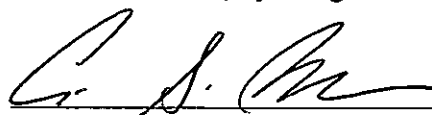
Reviewed by:


Timothy B. Nagy, Esq.
Sidley Austin LLP
1501 K Street, NW
Washington, DC 20005
202.736.8054
Counsel for Respondent

Accepted by FINRA:

6/13/2013
Date

Signed on behalf of the
Director of ODA, by delegated authority


Eric S. Brown
Chief Counsel
Department of Market Regulation