

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130387454-01**

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", "respondent" 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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

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

RELEVANT DISCIPLINARY HISTORY

On August 6, 2013, FINRA accepted an AWC in connection with Matter No. 20110261072 in which the firm was censured and fined a total of \$37,500, which included a fine of \$10,000 for violations of FINRA Rule 6760, during the period of July 1, 2011 through March 31, 2012.

SUMMARY

In connection with Matter No. 20130387454, the Trade Reporting and Compliance Engine ("TRACE") Corporate Bonds Team of the Department of Market Regulation reviewed the firm's compliance with TRACE reporting requirements for the period April 1, 2013 through September 30, 2013 (the "review period" for this matter).

In connection with Matter No. 20140400493, the TRACE Agency/Securitized Products Team of the Department of Market Regulation reviewed the firm's compliance with TRACE reporting requirements during the period of July 1, 2013 through December 31, 2013 (the "review period" for this matter).

FACTS AND VIOLATIVE CONDUCT

Matter No. 20130387454

1. During the review period, the firm, as managing underwriter, failed to report to FINRA 103 new issue offerings in TRACE-eligible Corporate Debt Securities according to the time frames set forth in FINRA Rule 6760(c). These 103 offerings constituted 17.9 % of the 576 new issue offerings in TRACE-eligible Corporate Debt Securities that MSCO reported to FINRA during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6760(c).

Matter No. 20140400493

2. During the review period, the firm, as managing underwriter, failed to report to FINRA 85 new issue offerings in TRACE-eligible Securitized Products according to the time frames set forth in FINRA Rule 6760(c). These 85 offerings constituted 22.67% of the 375 new issue offerings in TRACE-eligible Securitized Products that MSCO reported to FINRA during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6760(c).

Matter Nos. 20130387454 and 20140400493

3. During the above-referenced review periods, the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning FINRA Rule 6760. The conduct described in this paragraph constitutes a violation of NASD Rule 3010 and FINRA Rule 2010.

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

A censure and a fine of \$25,000 (consisting of a fine of \$20,000 for the violations of FINRA Rule 6760(c) and a fine of \$5,000 for the violation of NASD Rule 3010 and FINRA Rule 2010).

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

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent 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, respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, 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.

Respondent 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

Respondent 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 Respondent; 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;**

- 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.

Respondent
Morgan Stanley & Co. LLC

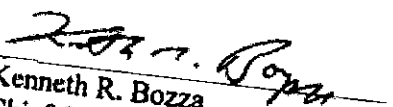
Name: S. Anthony Taggart
Title: Executive Director

Counsel for Respondent

Accepted by FINRA:

3/25/16
Date

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


Kenneth R. Bozza
Chief Counsel, Legal Section
FINRA Department of Market Regulation