

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018056929901**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Morgan Stanley & Co. LLC (Respondent)
Member Firm
CRD No. 8209

Pursuant to FINRA Rule 9216, Respondent Morgan Stanley & Co. LLC 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 in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Morgan Stanley became a registered member with FINRA in June 1970. Its registration remains in effect. The Firm is headquartered in New York, New York, maintains 37 branches, and employs roughly 4,400 registered representatives. Morgan Stanley is a multi-service broker-dealer that provides, among things, securities underwriting, distribution, and financial advisory services; sales, equities, and equity derivatives trading; and financing and market-making activities in equity and fixed income securities and related products.

OVERVIEW

Between July 2017 and March 2021, Morgan Stanley & Co. LLC violated FINRA Rules 5190 and 2010 by filing inaccurate, filing untimely, or failing to file approximately 205 required notifications to FINRA in connection with its participation in distributions of securities. Morgan Stanley & Co. LLC also violated FINRA Rules 3110 and 2010 by failing to establish and maintain a system to supervise, including written supervisory procedures, reasonably designed to achieve compliance with FINRA's Regulation M

related notification rules. Morgan Stanley & Co. LLC consents to a censure, and a fine of \$120,298 (resolved simultaneously with similar matters for a total fine of \$500,000).¹

FACTS AND VIOLATIVE CONDUCT

1. Regulation M, promulgated under the Securities Exchange Act of 1934, is the SEC's principal anti-manipulation provision that applies to securities offerings.
2. Regulation M is intended to preclude manipulative conduct by preventing persons with an interest in the outcome of an offering from influencing those offerings and from conditioning the market in order to facilitate a distribution.
3. Regulation M prohibits manipulative conduct by deeming certain conduct as unlawful. For example, subject to the exceptions set forth therein, Exchange Act Rule 101 prohibits bidding for or purchasing a covered security during the applicable restricted period.
4. FINRA Rule 5190 sets forth notice requirements that are applicable to all members participating in offerings of securities as a manager for purposes of monitoring compliance with the provisions of Regulation M. Violations of FINRA rules also violate FINRA Rule 2010.
5. Between July 2017 and March 2021 (the "review period"), Morgan Stanley, as a manager, failed to submit, submitted untimely, and/or submitted inaccurate and/or incomplete restricted period notifications and/or trading notifications with FINRA as set forth below. As a result, Morgan Stanley also failed to establish and maintain a system to supervise, including written supervisory procedures, reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.
6. As a result, Morgan Stanley violated FINRA Rules 5190, 3110, and 2010.

Regulation M Restricted Period Notifications

7. FINRA Rule 5190(c)(1)(A) requires a member acting as a manager, or in a similar capacity, of a distribution of a security that is a covered security subject to a restricted period under Regulation M to provide written notification to FINRA regarding whether a one-day or five-day restricted period applies under Rule 101 of Regulation M. The written notice must also provide the basis for such determination, including the contemplated date and time of the commencement of the restricted period, the listed security name and symbol, and identification of the distribution participants and affiliated purchasers. This is known as a Restricted Period Notification.

¹ Those matters were brought by New York Stock Exchange LLC, NYSE Arca, Inc., NYSE American LLC, NYSE National, Inc., NYSE Chicago, Inc., and The Nasdaq Stock Market LLC.

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8. FINRA Rule 5190(c)(1)(A) requires the Restricted Period Notification to be filed no later than the business day prior to the first complete trading session of the applicable restricted period, unless later notification is necessary under specific circumstances.
 9. During the review period, Morgan Stanley was a manager and required to submit Restricted Period Notifications pursuant to FINRA Rule 5190(c)(1)(A) in connection with numerous offerings subject to Regulation M.
 10. Morgan Stanley, however, submitted untimely Restricted Period Notifications in connection with 94 distributions during that time. Morgan Stanley also submitted inaccurate and/or incomplete Restricted Period Notifications in connection with 55 distributions. Those notifications, among other things, failed to identify all of the syndicate members participating in relevant offerings.
 11. By virtue of the foregoing, Morgan Stanley violated FINRA Rules 5190(c)(1)(A) and 2010.

Regulation M Trading Notifications

12. FINRA Rule 5190(c)(1)(B) requires members acting as a manager, or in a similar capacity, of a distribution of a security to provide written notification to FINRA regarding the pricing of the distribution, the security name and symbol, the type of security, the number of shares offered, the offering price, the last sale before the distribution, the pricing basis, the SEC effective date and time, the trade date, the restricted period, and identification of the distribution participants and affiliated purchasers. This is known as a Trading Notification.
13. Unless later notification is necessary under specific circumstances, FINRA Rule 5190(c)(1)(B) requires a member organization to submit the Trading Notification no later than the close of business the next business day following the pricing of the distribution.
14. FINRA Rule 5190(d) requires members acting as a manager, or in a similar capacity, of a distribution of a security that is considered “actively traded” under Exchange Act Rule 101 to provide a Trading Notification reflecting the member’s determination that no restricted period applies under Rule 101 and the basis for that determination. Members must submit the Trading Notification no later than the close of business the next business day following the pricing of the distribution, unless later notification is necessary under specific circumstances.
15. During the review period, Morgan Stanley, as a manager, was required to file Trading Notifications for numerous distributions of securities pursuant to FINRA Rule 5190(c)(1)(B) and Rule 5190(d).
16. Morgan Stanley, however, submitted untimely Trading Notifications in connection with 31 distributions during that time. Morgan Stanley also submitted inaccurate and/or incomplete Trading Notifications in connection with 25 distributions. Those

notifications, among other things, failed to identify all of the syndicate members participating in relevant offerings.

17. By virtue of the foregoing, Morgan Stanley violated FINRA Rule 5190(c)(1)(B), Rule 5190(d), and Rule 2010.

Supervision

18. FINRA Rule 3110(a) provides that each member organization “shall establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.”
19. FINRA Rule 3110(b)(1) provides that each member “shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.”
20. Between approximately July 2017 and December 2020, the Firm’s system for supervising compliance with the notification requirements of Regulation M was not reasonably designed to achieve compliance with certain applicable securities laws and regulations, and with certain applicable Exchange rules, as specified herein. Specifically, the firm’s system was not reasonably designed to verify the accuracy of certain elements of Regulation M filings. For example, the Firm failed to conduct an independent review to verify the accuracy of the identities of syndicate members listed in certain filings or to ensure that certain filings were updated when members were added to a distribution.
21. By virtue of the foregoing, Morgan Stanley violated FINRA Rules 3110 and 2010.
22. Morgan Stanley took several steps to correct the above-referenced issues, including enhancing its supervisory systems and procedures regarding compliance with Regulation M and Rule 5190.

- B. Respondent also consents to the imposition of the following sanctions:

Censure and fine in the amount of \$120,298 (resolved simultaneously with similar matters for a total fine of \$500,000).²

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

² Those matters were brought by New York Stock Exchange LLC, NYSE Arca, Inc., NYSE American LLC, NYSE National, Inc., NYSE Chicago, Inc., and The Nasdaq Stock Market LLC.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 it;
- 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 its acceptance or rejection.

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

[REDACTED]

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 Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
4. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

September 28, 2022

Date

Samantha Schreiber

Morgan Stanley & Co. LLC
Respondent

Print Name: Samantha Schreiber

Title: Authorized Signatory, Co-Head US Litigation

Reviewed by:

Elizabeth Vicens

Elizabeth Vicens
Cleary Gottlieb Steen & Hamilton LLP
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New York, NY, 10006
(212) 225-2524
Counsel for Respondent

Accepted by FINRA:

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



September 28, 2022

Date

Manuel Yanez
Senior Counsel
FINRA
Department of Enforcement
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