

**BrokerCheck Report**

**MORGAN STANLEY**

CRD# 149777

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## About BrokerCheck®



BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:

- o information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
- o information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

**Thank you for using FINRA BrokerCheck.**



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at

[brokercheck.finra.org](http://brokercheck.finra.org)



For additional information about the contents of this report, please refer to the User Guidance or [www.finra.org/brokercheck](http://www.finra.org/brokercheck). It provides a glossary of terms and a list of frequently asked questions, as well as additional resources.

[For more information about FINRA, visit www.finra.org.](http://www.finra.org)



## MORGAN STANLEY

CRD# 149777

SEC# 8-68191

### Main Office Location

2000 WESTCHESTER AVENUE  
PURCHASE, NY 10577-2530  
Regulated by FINRA New York Office

### Mailing Address

100 SOUTH CHARLES STREET  
4TH FLOOR  
BALTIMORE, MD 21201

### Business Telephone Number

914-225-1000

This firm is a brokerage firm and an investment adviser firm. For more information about investment adviser firms, visit the SEC's Investment Adviser Public Disclosure website at:

<https://www.adviserinfo.sec.gov>

## Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

### Firm Profile

This firm is classified as a limited liability company.

This firm was formed in Delaware on 02/02/2009.

Its fiscal year ends in December.

### Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

### Firm Operations

**This firm is registered with:**

- the SEC
- 4 Self-Regulatory Organizations
- 53 U.S. states and territories

Is this brokerage firm currently suspended with any regulator? **No**

This firm conducts 23 types of businesses.

This firm is affiliated with financial or investment institutions.

This firm has referral or financial arrangements with other brokers or dealers.

### Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm? **Yes**

**The following types of disclosures have been reported:**

Type	Count
Regulatory Event	55
Arbitration	95



## Firm Profile

This firm is classified as a limited liability company.

This firm was formed in Delaware on 02/02/2009.

Its fiscal year ends in December.

## Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

### MORGAN STANLEY SMITH BARNEY LLC

Doing business as MORGAN STANLEY

CRD# 149777

SEC# 8-68191

### Main Office Location

2000 WESTCHESTER AVENUE  
PURCHASE, NY 10577-2530

Regulated by FINRA New York Office

### Mailing Address

100 SOUTH CHARLES STREET  
4TH FLOOR  
BALTIMORE, MD 21201

### Business Telephone Number

914-225-1000

## Other Names of this Firm

### Name

GRAYSTONE CONSULTING

### Where is it used

AK, AL, AR, AZ, CA,  
CO, CT, DC, DE, FL,  
GA, HI, IA, ID, IL, IN,  
KS, KY, LA, MA, MD,  
ME, MI, MN, MO,  
MS, MT, NC, ND, NE,  
NH, NJ, NM, NV, NY,  
OH, OK, OR, PA, PR,  
RI, SC, SD, TN, TX,  
UT, VA, VI, VT, WA,

	WI, WV, WY
MORGAN STANLEY CONSULTING GROUP	AK, AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, PR, RI, SC, SD, TN, TX, UT, VA, VI, VT, WA, WI, WV, WY
MORGAN STANLEY PRIVATE WEALTH MANAGEMENT	AK, AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, PR, RI, SC, SD, TN, TX, UT, VA, VI, VT, WA, WI, WV, WY
MORGAN STANLEY SMITH BARNEY	AK, AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, PR, RI, SC, SD, TN, TX, UT, VA, VI, VT, WA, WI, WV, WY
MORGAN STANLEY WEALTH MANAGEMENT	AK, AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, PR, RI, SC, SD, TN, TX, UT, VA, VI, VT, WA, WI, WV, WY



## Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

### Direct Owners and Executive Officers

<b>Legal Name &amp; CRD# (if any):</b>	MORGAN STANLEY DOMESTIC HOLDINGS, INC.
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity
<b>Position</b>	MEMBER
<b>Position Start Date</b>	01/2017
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	

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<b>Legal Name &amp; CRD# (if any):</b>	ADRIEN, JACQUES CARLO JR 2996942
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	PRINCIPAL FINANCIAL OFFICER
<b>Position Start Date</b>	05/2019
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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<b>Legal Name &amp; CRD# (if any):</b>	FINN, JED 5658048
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	DIRECTOR
<b>Position Start Date</b>	02/2016

## Firm Profile



### Direct Owners and Executive Officers (continued)

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** GALASSO, DAVID ANTHONY  
1926502

**Is this a domestic or foreign entity or an individual?** Individual

**Position** PRINCIPAL OPERATIONS OFFICER

**Position Start Date** 07/2019

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** GREGO, JENNIFER A  
4928947

**Is this a domestic or foreign entity or an individual?** Individual

**Position** CHIEF COMPLIANCE OFFICER

**Position Start Date** 06/2019

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** HANSEN, TIMOTHY GERARD

## Firm Profile



### Direct Owners and Executive Officers (continued)

	4956475
<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	CHIEF COMPLIANCE OFFICER (IA ONLY )
<b>Position Start Date</b>	03/2011
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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**Legal Name & CRD# (if any):** HUNEKE, BENJAMIN CORDT  
2796985

<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	DIRECTOR
<b>Position Start Date</b>	02/2016
<b>Percentage of Ownership</b>	Less than 5%
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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**Legal Name & CRD# (if any):** JANOVER, JAMES TROY  
2818307

<b>Is this a domestic or foreign entity or an individual?</b>	Individual
<b>Position</b>	DIRECTOR
<b>Position Start Date</b>	02/2016
<b>Percentage of Ownership</b>	Less than 5%





## Firm Profile

### Direct Owners and Executive Officers (continued)

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** SANTOS, STEVEN MANUEL  
1832309

**Is this a domestic or foreign entity or an individual?** Individual

**Position** DESIGNATED PRINCIPAL - TEXAS

**Position Start Date** 06/2011

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No

**Legal Name & CRD# (if any):** SAPERSTEIN, ANDREW MICHAEL  
4728253

**Is this a domestic or foreign entity or an individual?** Individual

**Position** DIRECTOR, CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

**Position Start Date** 05/2019

**Percentage of Ownership** Less than 5%

**Does this owner direct the management or policies of the firm?** Yes

**Is this a public reporting company?** No



## Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.

### Indirect Owners

<b>Legal Name &amp; CRD# (if any):</b>	MORGAN STANLEY
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity
<b>Company through which indirect ownership is established</b>	MORGAN STANLEY CAPITAL MANAGEMENT LLC
<b>Relationship to Direct Owner</b>	SHAREHOLDER
<b>Relationship Established</b>	10/2002
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	Yes

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<b>Legal Name &amp; CRD# (if any):</b>	MORGAN STANLEY CAPITAL MANAGEMENT LLC
<b>Is this a domestic or foreign entity or an individual?</b>	Domestic Entity
<b>Company through which indirect ownership is established</b>	MOGAN STANLEY DOMESTIC HOLDINGS INC.
<b>Relationship to Direct Owner</b>	SHAREHOLDER
<b>Relationship Established</b>	03/2007
<b>Percentage of Ownership</b>	75% or more
<b>Does this owner direct the management or policies of the firm?</b>	Yes
<b>Is this a public reporting company?</b>	No

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## Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.





## Firm Operations

### Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

**This firm is currently registered with the SEC, 4 SROs and 53 U.S. states and territories.**

Federal Regulator	Status	Date Effective
SEC	Approved	05/19/2009

### SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: Yes

A government securities broker or dealer only: No

This firm has ceased activity as a government securities broker or dealer: No

Self-Regulatory Organization	Status	Date Effective
FINRA	Approved	05/19/2009
NYSE American LLC	Approved	06/23/2009
Nasdaq Stock Market	Approved	06/01/2009
New York Stock Exchange	Approved	05/19/2009



## Firm Operations

### Registrations (continued)

U.S. States & Territories	Status	Date Effective
Alabama	Approved	05/19/2009
Alaska	Approved	05/20/2009
Arizona	Approved	05/19/2009
Arkansas	Approved	05/21/2009
California	Approved	05/21/2009
Colorado	Approved	05/20/2009
Connecticut	Approved	05/19/2009
Delaware	Approved	05/20/2009
District of Columbia	Approved	05/20/2009
Florida	Approved	05/20/2009
Georgia	Approved	05/20/2009
Hawaii	Approved	05/19/2009
Idaho	Approved	05/19/2009
Illinois	Approved	05/19/2009
Indiana	Approved	05/20/2009
Iowa	Approved	05/20/2009
Kansas	Approved	05/19/2009
Kentucky	Approved	05/21/2009
Louisiana	Approved	05/21/2009
Maine	Approved	05/20/2009
Maryland	Approved	05/20/2009
Massachusetts	Approved	05/22/2009
Michigan	Approved	05/21/2009
Minnesota	Approved	05/19/2009
Mississippi	Approved	05/19/2009
Missouri	Approved	05/19/2009
Montana	Approved	05/19/2009
Nebraska	Approved	04/14/2009
Nevada	Approved	05/20/2009
New Hampshire	Approved	05/22/2009
New Jersey	Approved	05/20/2009
New Mexico	Approved	05/21/2009
New York	Approved	05/19/2009

U.S. States & Territories	Status	Date Effective
North Carolina	Approved	05/20/2009
North Dakota	Approved	05/20/2009
Ohio	Approved	05/20/2009
Oklahoma	Approved	05/20/2009
Oregon	Approved	05/22/2009
Pennsylvania	Approved	05/21/2009
Puerto Rico	Approved	05/19/2009
Rhode Island	Approved	05/20/2009
South Carolina	Approved	05/20/2009
South Dakota	Approved	05/20/2009
Tennessee	Approved	05/26/2009
Texas	Approved	05/19/2009
Utah	Approved	05/19/2009
Vermont	Approved	05/21/2009
Virgin Islands	Approved	05/27/2009
Virginia	Approved	05/20/2009
Washington	Approved	05/19/2009
West Virginia	Approved	05/21/2009
Wisconsin	Approved	05/21/2009
Wyoming	Approved	05/20/2009



## Firm Operations

### Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

**This firm currently conducts 23 types of businesses.**

#### Types of Business

Exchange member engaged in exchange commission business other than floor activities
Broker or dealer making inter-dealer markets in corporation securities over-the-counter
Broker or dealer retailing corporate equity securities over-the-counter
Broker or dealer selling corporate debt securities
Underwriter or selling group participant (corporate securities other than mutual funds)
Mutual fund underwriter or sponsor
Mutual fund retailer
U S. government securities dealer
U S. government securities broker
Municipal securities dealer
Municipal securities broker
Broker or dealer selling variable life insurance or annuities
Solicitor of time deposits in a financial institution
Broker or dealer selling oil and gas interests
Put and call broker or dealer or option writer
Broker or dealer selling securities of non-profit organizations (e.g., churches, hospitals)
Investment advisory services
Non-exchange member arranging for transactions in listed securities by exchange member
Trading securities for own account
Private placements of securities
Broker or dealer selling interests in mortgages or other receivables
Broker or dealer involved in a networking, kiosk or similar arrangement with a: bank, savings bank or association, or credit union
<b>Other - APPLICANT ALSO INTENDS TO ACT AS A BROKER OR DEALER ENGAGING IN UNDERWRITING MUNICIPAL SECURITIES, REPOS AND REVERSE-REPOS, OFFERING ON-LINE TRADING/ELECTRONIC TRADING, ENGAGING IN SELLING SECURITIES FUTURES PRODUCTS, AND A BROKER OR DEALER SELLING INTERESTS IN UNREGISTERED PRIVATE INVESTMENT FUNDS. IN ADDITION, APPLICANT WILL CONDUCT</b>

RESEARCH AND SOFT DOLLAR ACTIVITIES, AND PROVIDE MERGERS AND ACQUISITION ADVISORY SERVICES.

### **Other Types of Business**

This firm does effect transactions in commodities, commodity futures, or commodity options.

This firm does engage in other non-securities business.

Non-Securities Business Description: APPLICANT ENGAGES IN OTHER NON-SECURITIES BUSINESS INCLUDING TRANSACTIONS IN FOREIGN EXCHANGE, PRECIOUS METALS, CERTIFICATES OF DEPOSIT, AND NON-SECURITIES BASED FUTURES. IN ADDITION, APPLICANT ENGAGES IN NON-CLIENT FACING HEDGING IN NON-SECURITIES PRODUCTS WHICH IS INCIDENTAL TO ITS TRADING BUSINESS.

## Firm Operations



### Clearing Arrangements

This firm does hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

### Introducing Arrangements

This firm does refer or introduce customers to other brokers and dealers.

**Name:** MORGAN STANLEY & CO. LLC  
**CRD #:** 8209  
**Business Address:** 1585 BROADWAY  
NEW YORK, NY 10036-8293  
**Effective Date:** 02/02/2009  
**Description:** APPLICANT WILL INTRODUCE CUSTOMER ACCOUNTS TO MORGAN STANLEY & CO LLC FOR CLEARANCE AND SETTLEMENT OF SECURITIES TRANSACTIONS.

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## Firm Operations

### Industry Arrangements



**This firm does have books or records maintained by a third party.**

**Name:** MORGAN STANLEY & CO. LLC  
**CRD #:** 8209  
**Business Address:** 1585 BROADWAY  
 NEW YORK, NY 10036-8293  
**Effective Date:** 02/02/2009  
**Description:** CERTAIN OF APPLICANT'S BOOKS OR RECORDS WILL BE MAINTAINED AT MORGAN STANLEY & CO LLC.

**This firm does have accounts, funds, or securities maintained by a third party.**

**Name:** MORGAN STANLEY & CO. LLC  
**CRD #:** 8209  
**Business Address:** 1585 BROADWAY  
 NEW YORK, NY 10036-8293  
**Effective Date:** 02/02/2009  
**Description:** CERTAIN OF APPLICANT'S ACCOUNTS, FUNDS OR SECURITIES WILL BE HELD OR MAINTAINED WITH MORGAN STANLEY & CO. LLC.

**This firm does have customer accounts, funds, or securities maintained by a third party.**

**Name:** MORGAN STANLEY & CO. LLC  
**CRD #:** 8209  
**Business Address:** 1585 BROADWAY  
 NEW YORK, NY 10036-8293  
**Effective Date:** 02/02/2009  
**Description:** ACCOUNTS, FUNDS OR SECURITIES OF CUSTOMERS OF THE APPLICANT WILL BE HELD BY MORGAN STANLEY & CO LLC PURSUANT TO A FULLY-DISCLOSED CLEARING AGREEMENT.

### Control Persons/Financing

**This firm does not have individuals who control its management or policies through agreement.**

**This firm does not have individuals who wholly or partly finance the firm's business.**



## Firm Operations

### Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

**This firm is, directly or indirectly:**

- in control of
  - controlled by
  - or under common control with
- the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

**MORGAN STANLEY CAPITAL PRODUCTS LLC is under common control with the firm.**

<b>CRD #:</b>	293902
<b>Business Address:</b>	1585 BROADWAY NEW YORK, NY 10036
<b>Effective Date:</b>	06/17/2009
<b>Foreign Entity:</b>	No
<b>Country:</b>	
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

**E\*TRADE CAPITAL MANAGEMENT, LLC is under common control with the firm.**

<b>CRD #:</b>	42159
<b>Business Address:</b>	671 N. GLEBE ROAD, 11TH FLOOR ARLINGTON, VA 22203
<b>Effective Date:</b>	10/02/2020
<b>Foreign Entity:</b>	No
<b>Country:</b>	
<b>Securities Activities:</b>	No
<b>Investment Advisory Activities:</b>	Yes
<b>Description:</b>	THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE

## Firm Operations



### Organization Affiliates (continued)

PARENT OF THE APPLICANT.

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#### E\*TRADE SECURITIES LLC is under common control with the firm.

**CRD #:** 29106

**Business Address:** HARBORSIDE 2, 200 HUDSON STREET  
SUITE 501  
JERSEY CITY, NJ 07311

**Effective Date:** 10/02/2020

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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#### MORGAN STANLEY EUROPE SE is under common control with the firm.

**Business Address:** JUNGHOFSTRASSE 13-15  
FRANKFURT, GERMANY 60311

**Effective Date:** 08/21/2017

**Foreign Entity:** Yes

**Country:** GERMANY

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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#### TACTICAL III SLP LP is under common control with the firm.

**Business Address:** ONE TOWER BRIDGE, 100 FRONT STREET  
SUITE 400  
WEST CONSHOHOCKEN, PA 19428

**Effective Date:** 09/20/2017

**Foreign Entity:** No

**Firm Operations****Organization Affiliates (continued)****Country:****Securities Activities:** No**Investment Advisory Activities:** Yes**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.**TACTICAL II SLP LP is under common control with the firm.****Business Address:** ONE TOWER BRIDGE, 100 FRONT STREET  
SUITE 400  
WEST CONSHOHOCKEN, PA 19428**Effective Date:** 10/26/2015**Foreign Entity:** No**Country:****Securities Activities:** No**Investment Advisory Activities:** Yes**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.**PT MORGAN STANLEY SEKURITAS INDONESIA is under common control with the firm.****Business Address:** PART OF 20/F, WORLD TRADE CENTER 2, METROPOLITAN  
COMPLEX, JL. JENDERAL SUDIRMAN KAV. 29-31, JAKARTA  
JAKARTA, INDONESIA 12920**Effective Date:** 02/02/2009**Foreign Entity:** Yes**Country:** INDONESIA**Securities Activities:** Yes**Investment Advisory Activities:** No**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.**PEREGRINE INVESTMENTS, LLC is under common control with the firm.**

**Firm Operations****Organization Affiliates (continued)**

**Business Address:** 1585 BROADWAY  
NEW YORK, NY 10036

**Effective Date:** 02/02/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MSIM FUND MANAGEMENT (IRELAND) LIMITED is under common control with the firm.**

**Business Address:** THE OBSERVATORY, 7-11, SIR JOHN ROGERSON'S QUAY  
DUBLIN , DUBLIN 2  
DUBLIN, IRELAND

**Effective Date:** 12/05/2017

**Foreign Entity:** Yes

**Country:** IRELAND

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MS CAPITAL PARTNERS ADVISER INC. is under common control with the firm.**

**CRD #:** 147521

**Business Address:** 1585 BROADWAY  
NEW YORK, NY 10036

**Effective Date:** 02/02/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

## Firm Operations



### Organization Affiliates (continued)

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

**MORGAN STANLEY REAL ESTATE INVESTMENT MANAGEMENT II, INC. is under common control with the firm.**

**Business Address:** 1585 BROADWAY  
NEW YORK, NY 10036

**Effective Date:** 02/02/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

**MORGAN STANLEY INVESTMENT MANAGEMENT (JAPAN) CO., LTD is under common control with the firm.**

**Business Address:** OTEMACHI FINANCIAL CITY SOUTH TOWER, 9-7, OTEMACHI  
1-CHOME, CHIYODA-KU, TOKYO, 100-8104  
TOKYO, JAPAN

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Country:** JAPAN

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

**MORGAN STANLEY INVESTMENT MANAGEMENT (IRELAND) LIMITED is under common control with the firm.**

**Business Address:** THE OBSERVATORY, 7-11, SIR JOHN ROGERSON'S QUAY  
DUBLIN , DUBLIN 2  
DUBLIN, IRELAND

**Firm Operations****Organization Affiliates (continued)**

**Effective Date:** 12/05/2017  
**Foreign Entity:** Yes  
**Country:** IRELAND  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY INVESTMENT MANAGEMENT (AUSTRALIA) PTY LIMITED is under common control with the firm.**

**Business Address:** LEVEL 53, 101 COLLINS STREET  
 MELBOURNE VIC 3000  
 MELBOURNE, AUSTRALIA  
**Effective Date:** 02/02/2009  
**Foreign Entity:** Yes  
**Country:** AUSTRALIA  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY INVESTMENT MANAGEMENT (ACD) LIMITED is under common control with the firm.**

**Business Address:** 25 CABOT SQUARE, CANARY WHARF  
 LONDON, UNITED KINGDOM E14 4QA  
**Effective Date:** 02/02/2009  
**Foreign Entity:** Yes  
**Country:** UNITED KINGDOM  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

## Firm Operations



### Organization Affiliates (continued)

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#### MORGAN STANLEY INDIA PRIMARY DEALER PRIVATE LIMITED is under common control with the firm.

<b>Business Address:</b>	18F, TOWER 2, ONE INDIABULLS CENTRE 841, SENAPATI MUMBAI , MAHARASHTRA, 400013 MUMBAI, INDIA
<b>Effective Date:</b>	02/02/2009
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	INDIA
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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#### MORGAN STANLEY FRANCE S.A. is under common control with the firm.

<b>Business Address:</b>	61 RUE DE MONCEAU PARIS, FRANCE 75008
<b>Effective Date:</b>	01/13/2017
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	FRANCE
<b>Securities Activities:</b>	Yes
<b>Investment Advisory Activities:</b>	No
<b>Description:</b>	THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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#### MORGAN STANLEY CAPITAL K.K. is under common control with the firm.

<b>Business Address:</b>	OTEMACHI FINANCIAL CITY SOUTH TOWER, 9-7 OTEMACHI 1-CHOME, CHIYODA-KU TOKYO, JAPAN
<b>Effective Date:</b>	02/02/2009
<b>Foreign Entity:</b>	Yes
<b>Country:</b>	JAPAN
<b>Securities Activities:</b>	No



## Firm Operations



### Organization Affiliates (continued)

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY AUSTRALIA LIMITED is under common control with the firm.**

**Business Address:** LEVEL 39, CHIFLEY TOWER, 2 CHIFLEY SQUARE  
SYDNEY NSW 2000  
SYDNEY, AUSTRALIA

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Country:** AUSTRALIA

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY ALTERNATIVE INVESTMENT PARTNERS LP is under common control with the firm.**

**Business Address:** ONE TOWER BRIDGE, 100 FRONT STREET  
SUITE 400  
WEST CONSHOCKEN, PA 19428

**Effective Date:** 02/02/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MESA WEST DSA, LLC is under common control with the firm.**

**Business Address:** 11755 WILSHIRE BLVD  
SUITE 2100  
LOS ANGELES, CA 90025

**Firm Operations****Organization Affiliates (continued)**

**Effective Date:** 03/16/2018

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**FLINT CAPITAL PARTNERS SLP LTD is under common control with the firm.**

**Business Address:** ONE TOWER BRIDGE, 100 FRONT STREET  
SUITE 400  
WEST CONSHOHOCKEN, PA 19428

**Effective Date:** 05/19/2011

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**AIP OPPORTUNISTIC SECONDARIES I SLP LP is under common control with the firm.**

**Business Address:** 1 TOWER BRIDGE, 100 NORTH FRONT STREET  
WEST CONSHOHOCKEN, PA 19428

**Effective Date:** 12/10/2015

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE

**Firm Operations****Organization Affiliates (continued)**

PARENT OF THE APPLICANT.

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**AIP CRYSTAL-SMA I SLP LP is under common control with the firm.**

**Business Address:** ONE TOWER BRIDGE, 100 FRONT STREET  
SUITE 400  
WEST CONSHOHOCKEN, PA 19428

**Effective Date:** 06/21/2018

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MESA WEST CAPITAL is under common control with the firm.**

**CRD #:** 158959

**Business Address:** 11755 WILSHIRE BLVD., SUITE 2100  
LOS ANGELES, CA 90025

**Effective Date:** 03/16/2018

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**OOO MORGAN STANLEY BANK is under common control with the firm.**

**Business Address:** 21 1-YA TVERSKAYA-YAMSKAYA  
MOSCOW, RUSSIAN FEDERATION

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Firm Operations****Organization Affiliates (continued)**

**Country:** RUSSIA

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

**MORGAN STANLEY WEALTH MANAGEMENT AUSTRALIA PTY LTD is under common control with the firm.**

**Business Address:** LEVEL 39, CHIFLEY TOWER, 2 CHIFLEY SQUARE  
SYDNEY NSW 2000, AUSTRALIA

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Country:** AUSTRALIA

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

**MORGAN STANLEY TAIWAN LIMITED is under common control with the firm.**

**Business Address:** 207 TUN HWA SOUTH ROAD, SEC. 2  
14TH & 22ND FLOORS, TAIPEI METRO  
TAIPEI, TAIWAN 106

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Country:** TAIWAN

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

**MORGAN STANLEY SAUDI ARABIA is under common control with the firm.**

**Business Address:** AL MA'ATHER STREET

**Firm Operations****Organization Affiliates (continued)**

AL RASHID TOWER, FLOOR 10  
RIYADH, SAUDI ARABIA 11586

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Country:** SAUDI ARABIA

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY MÉXICO, CASA DE BOLSA, S.A. DE C.V. is under common control with the firm.**

**Business Address:** PASEO DE LOS TAMARINDOS 90, TORRE 1, PISO 29  
PASEO DE LOS TAMARINDOS 90, TORRE 1, PISO 29  
CIUDAD DE MEXICO, MEXICO 05120

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Country:** MEXICO

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY MENKUL DEGERLER A.S. is under common control with the firm.**

**Business Address:** ESENTEPE BUYUKDERE CADDESI NO:171  
METROCITY IS MERKEZI A BLOK KAT:24  
ISTANBUL, TURKEY 34330

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Country:** TURKEY

**Securities Activities:** Yes

**Investment Advisory Activities:** No

## Firm Operations



### Organization Affiliates (continued)

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY INDIA COMPANY PRIVATE LIMITED is under common control with the firm.**

**Business Address:** 18F, TOWER 2, ONE INDIABULLS CENTRE 841  
SENAPATI BAPAT MARG  
MUMBAI, INDIA 400013

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Country:** INDIA

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD is under common control with the firm.**

**Business Address:** #16-01 CAPITAL SQUARE  
23 CHURCH STREET  
SINGAPORE, SINGAPORE 049481

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Country:** SINGAPORE

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY S.V., S.A.U. is under common control with the firm.**

**Business Address:** C/SERRANO 55  
28006  
MADRID, SPAIN

**Effective Date:** 02/02/2009

**Firm Operations****Organization Affiliates (continued)**

**Foreign Entity:** Yes

**Country:** SPAIN

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY MUFG SECURITIES CO., LTD. is under common control with the firm.**

**Business Address:** OTEMACHI FINANCIAL CITY SOUTH TOWER  
9-7, OTEMACHI 1-CHOME, CHIYODA-KU  
TOKYO, JAPAN

**Effective Date:** 05/01/2010

**Foreign Entity:** Yes

**Country:** JAPAN

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY PRIVATE EQUITY ASIA, INC. is under common control with the firm.**

**CRD #:** 134366

**Business Address:** 1585 BROADWAY  
NEW YORK, NY 10036

**Effective Date:** 06/01/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, AN ULTIMATE PARENT OF THE APPLICANT.

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**Firm Operations****Organization Affiliates (continued)**

**MORGAN STANLEY SMITH BARNEY VENTURE SERVICES LLC is under common control with the firm.**

**CRD #:** 111386

**Business Address:** 485 LEXINGTON AVENUE, 12TH FLOOR  
NEW YORK, NY 10017

**Effective Date:** 06/01/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**CONSULTING GROUP ADVISORY SERVICES LLC is under common control with the firm.**

**CRD #:** 137463

**Business Address:** 2000 WESTCHESTER AVENUE  
PURCHASE, NY 10577

**Effective Date:** 02/02/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**SBHU LIFE AGENCY INC. is controlled by the firm.**

**Business Address:** 2000 WESTCHESTER AVENUE  
PURCHASE, NY 10577

**Effective Date:** 02/02/2009

**Foreign Entity:** No

**Country:**



**Firm Operations****Organization Affiliates (continued)**

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MSRESS III MANAGER, L.L.C. is under common control with the firm.**

**CRD #:** 138602

**Business Address:** 1585 BROADWAY  
NEW YORK, NY 10036

**Effective Date:** 02/02/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MSREF V, L.L.C. is under common control with the firm.**

**CRD #:** 133373

**Business Address:** 1585 BROADWAY  
NEW YORK, NY 10036

**Effective Date:** 02/02/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MSREF REAL ESTATE ADVISOR, INC. is under common control with the firm.**

**Firm Operations****Organization Affiliates (continued)**

**Business Address:** 1585 BROADWAY  
NEW YORK, NY 10036

**Effective Date:** 02/02/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY & CO. LLC controls the firm.**

**CRD #:** 8209

**Business Address:** 1585 BROADWAY  
NEW YORK, NY 10036-8293

**Effective Date:** 02/02/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**PRIME DEALER SERVICES CORP. is controlled by the firm.**

**CRD #:** 36142

**Business Address:** 1585 BROADWAY  
NEW YORK, NY 10036-8293

**Effective Date:** 02/02/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Firm Operations****Organization Affiliates (continued)**

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MSREF IV, L.L.C. is under common control with the firm.**

**Business Address:** 1585 BROADWAY  
REAL ESTATE-37TH FLOOR  
NEW YORK, NY 10036

**Effective Date:** 02/02/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY REAL ESTATE ADVISOR, INC. is under common control with the firm.**

**Business Address:** 1585 BROADWAY  
37TH FLOOR  
NEW YORK, NY 10036

**Effective Date:** 02/02/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, AN ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY INVESTMENT MANAGEMENT LIMITED is under common control with the firm.**

**Business Address:** 24 CABOT SQUARE  
CANARY WHARF  
LONDON, ENGLAND E14 4QA

**Firm Operations****Organization Affiliates (continued)**

**Effective Date:** 02/02/2009  
**Foreign Entity:** Yes  
**Country:** ENGLAND  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, AN ULTIMATE PARENT OF THE APPLICANT.

**MORGAN STANLEY INVESTMENT MANAGEMENT INC. is under common control with the firm.**

**Business Address:** 1221 AVENUE OF THE AMERICAS  
 NEW YORK, NY 10020  
**Effective Date:** 02/02/2009  
**Foreign Entity:** No  
**Country:**  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

**MORGAN STANLEY INVESTMENT MANAGEMENT COMPANY is under common control with the firm.**

**Business Address:** 80 RAFFLES PLACE  
 UOB PLAZA 1, UNIT 4201  
 SINGAPORE, SINGAPORE 04862  
**Effective Date:** 02/02/2009  
**Foreign Entity:** Yes  
**Country:** SINGAPORE  
**Securities Activities:** No  
**Investment Advisory Activities:** Yes  
**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

**Firm Operations****Organization Affiliates (continued)****MORGAN STANLEY INFRASTRUCTURE INC. is under common control with the firm.**

**Business Address:** 1585 BROADWAY  
39TH FLOOR  
NEW YORK, NY 10036

**Effective Date:** 02/02/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** No

**Investment Advisory Activities:** Yes

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY INDIA FINANCIAL SERVICES PRIVATE LIMITED is under common control with the firm.**

**Business Address:** FORBES BUILDING  
CHARANJIT RAI MARG  
FORT MUMBAI, INDIA 400 001

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Country:** INDIA

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY DISTRIBUTION, INC. is under common control with the firm.**

**CRD #:** 30344

**Business Address:** ONE TOWER BRIDGE  
WEST CONSHOHOCKEN, PA 19426

**Effective Date:** 02/02/2008

**Foreign Entity:** No

**Country:**

## Firm Operations



### Organization Affiliates (continued)

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

#### **MORGAN STANLEY INSURANCE SERVICES INC. is under common control with the firm.**

**Business Address:** 1585 BROADWAY  
NEW YORK, NY 10036

**Effective Date:** 02/02/2009

**Foreign Entity:** No

**Country:**

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, AN ULTIMATE PARENT OF THE APPLICANT.

#### **MORGAN STANLEY HONG KONG SECURITIES LIMITED is under common control with the firm.**

**Business Address:** 30TH FLOOR, THREE EXCHANGE SQUARE  
8 CONNAUGHT PLACE  
CENTRAL HONG KONG, HONG KONG

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Country:** HONG KONG

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

#### **MORGAN STANLEY CORRETORA DE TITULOS E VALORES MOBILIARIOS S.A. is under common control with the firm.**

**Business Address:** AVENIDA BRIGADEIRO FARIA LIMA, 3600  
FLOOR 6

**Firm Operations****Organization Affiliates (continued)**

SAO PAULO-SP, BRAZIL 04538-132

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Country:** BRAZIL

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY AUSTRALIA SECURITIES LIMITED is under common control with the firm.**

**Business Address:** LEVEL 38, THE CHIFLEY TOWER  
2 CHIFLEY SQUARE  
SYDNEY, AUSTRALIA NSW 2000

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Country:** AUSTRALIA

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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**MORGAN STANLEY ASIA LIMITED is under common control with the firm.**

**Business Address:** 30TH FLOOR, THREE EXCHANGE SQUARE  
8 CONNAUGHT PLACE  
CENTRAL HONG KONG, HONG KONG

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Country:** HONG KONG

**Securities Activities:** Yes

**Investment Advisory Activities:** No

## Firm Operations



### Organization Affiliates (continued)

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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#### **MORGAN STANLEY ASIA (SINGAPORE) PTE. is under common control with the firm.**

**Business Address:** 23 CHURCH STREET  
#16-01 CAPITAL SQUARE  
SINGAPORE, SINGAPORE 049481

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Country:** SINGAPORE

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.

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#### **MORGAN STANLEY CANADA LIMITED is under common control with the firm.**

**Business Address:** 181 BAY STREET, SUITE 3700  
PO BOX 776  
TORONTO, ONTARIO, CANADA M5J 2T3

**Effective Date:** 02/02/2009

**Foreign Entity:** Yes

**Country:** CANADA

**Securities Activities:** Yes

**Investment Advisory Activities:** No

**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, AN ULTIMATE PARENT OF THE APPLICANT.

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#### **MORGAN STANLEY AIP GP LP is under common control with the firm.**

**Business Address:** ONE TOWER BRIDGE  
100 FRONT STREET - SUITE 100  
WEST CONSHOHOCKEN, PA 19428

**Effective Date:** 02/02/2009

**Foreign Entity:** No



**Firm Operations****Organization Affiliates (continued)****Country:****Securities Activities:** No**Investment Advisory Activities:** Yes**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.**MORGAN STANLEY & CO. INTERNATIONAL PLC is under common control with the firm.****Business Address:** 25 CABOT SQUARE  
CANARY WHARF, UNITED KINGDOM E14 4QA**Effective Date:** 02/02/2009**Foreign Entity:** Yes**Country:** UNITED KINGDOM**Securities Activities:** Yes**Investment Advisory Activities:** No**Description:** THIS ENTITY IS CONTROLLED BY MORGAN STANLEY, THE ULTIMATE PARENT OF THE APPLICANT.**This firm is directly or indirectly, controlled by the following:**

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union
- or foreign bank

**MORGAN STANLEY is a Bank Holding Company and controls the firm.****Business Address:** 1585 BROADWAY  
NEW YORK, NY 10036**Effective Date:** 02/02/2009**Description:** MORGAN STANLEY IS THE 100% OWNER OF MORGAN STANLEY & CO. INC. WHICH IS IN TURN THE 51% OWNER OF MORGAN STANLEY SMITH BARNEY HOLDINGS LLC WHICH IS THE 100% OWNER OF THE APPLICANT.





## Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	<b>Pending</b>	<b>Final</b>	<b>On Appeal</b>
Regulatory Event	0	55	0
Arbitration	N/A	95	N/A



## Disclosure Event Details

### What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
  - o A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
  - o Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
  - o A disclosure event may have a status of *pending*, *on appeal*, or *final*.
    - § A "pending" event involves allegations that have not been proven or formally adjudicated.
    - § An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
    - § A "final" event has been concluded and its resolution is not subject to change.
  - o A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
    - § An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
    - § A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
    - § A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

### Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

### Disclosure 1 of 55

**Reporting Source:** Regulator  
**Current Status:** Final



**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO SUPERVISE REPRESENTATIVES' RECOMMENDATIONS TO CUSTOMERS TO PURCHASE PARTICULAR SHARE CLASSES OF 529 SAVINGS PLANS. THE FINDINGS STATED THAT CERTAIN ACCOUNTS AT THE FIRM THAT ORIGINALLY HAD BEEN HELD AT ANOTHER MEMBER FIRM BEFORE ITS MERGER INTO THE FIRM WERE NOT FULLY INTEGRATED WITH THE FIRM'S ORDER ENTRY AND ACCOUNT SYSTEMS. CONSEQUENTLY, 529 PLAN PURCHASES IN THESE LEGACY ACCOUNTS WERE NOT AUTOMATICALLY COMPARED TO THE PRE-DETERMINED SHARE-CLASS SUITABILITY GUIDELINES, AND OFTEN WERE NOT SUBJECT TO ANY MANUAL COMPARISON EITHER. AS A RESULT, THE FIRM DID NOT REASONABLY SUPERVISE THOUSANDS OF 529 PLAN TRANSACTIONS IN THESE LEGACY ACCOUNTS. ALSO, WHILE THE FIRM PROHIBITED REPRESENTATIVES FROM EFFECTING 529 PLAN TRANSACTIONS WITH CERTAIN PLANS DIRECTLY, I.E., OUTSIDE OF THE FIRM'S ELECTRONIC ORDER ENTRY AND ACCOUNT SYSTEMS, THE FIRM DID NOT HAVE A SUPERVISORY SYSTEM IN PLACE TO ENFORCE THIS POLICY OR DETECT NONCOMPLIANCE. AS A RESULT, THE FIRM FAILED TO DETECT THOUSANDS OF 529 PLAN TRANSACTIONS EXECUTED DIRECTLY WITH PLANS THAT EFFECTIVELY BYPASSED THE PRE-DETERMINED SHARE-CLASS SUITABILITY GUIDELINES AND THE FIRM'S SHARE-CLASS SELECTION SUPERVISION. AS A RESULT OF THESE GAPS IN THE FIRM'S SUPERVISORY SYSTEM, OVER \$180 MILLION OF 529 PLAN SHARE PURCHASES WERE NOT SUBJECTED TO THE FIRM'S PRE-DETERMINED SHARE-CLASS SUITABILITY GUIDELINES AND WERE INCONSISTENT WITH THE SHARE-CLASS SUGGESTED BY THE FIRM'S PRE-DETERMINED SHARE-CLASS SUITABILITY GUIDELINES. THESE PURCHASES SHOULD HAVE BEEN, BUT WERE NOT, SUBJECT TO FURTHER SUPERVISORY REVIEW UNDER THE FIRM'S PROCEDURES.

**Initiated By:** FINRA  
**Date Initiated:** 12/30/2020  
**Docket/Case Number:** [2019062530701](#)  
**Principal Product Type:** Other  
**Other Product Type(s):** 529 PLANS  
**Principal Sanction(s)/Relief Sought:**  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Acceptance, Waiver & Consent(AWC)



**Resolution Date:** 12/30/2020

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Disgorgement/Restitution

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND ORDERED TO PAY RESTITUTION TO CUSTOMERS OF \$1,460,518, PLUS INTEREST.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA) ALLEGED THAT MORGAN STANLEY SMITH BARNEY LLC (THE "FIRM") FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO SUPERVISE REPRESENTATIVES' RECOMMENDATIONS TO CUSTOMERS TO PURCHASE PARTICULAR SHARE CLASSES OF 529 SAVINGS PLANS IN VIOLATION OF MSRB RULE G-27(A) AND (B). SPECIFICALLY, FINRA ALLEGED THAT THE FIRM'S SUPERVISORY SYSTEM WAS NOT REASONABLY DESIGNED TO SUPERVISE 529 SHARE-CLASS RECOMMENDATIONS EXECUTED (1) IN CERTAIN LEGACY SMITH BARNEY ACCOUNTS, OR (2) THROUGH TRANSACTIONS MADE DIRECTLY WITH PLANS.

**Initiated By:** FINANCIAL INDUSTRY REGULATORY AUTHORITY

**Date Initiated:** 12/30/2020

**Docket/Case Number:** [2019062530701](#)

**Principal Product Type:** Other

**Other Product Type(s):** 529 SAVINGS PLANS

**Principal Sanction(s)/Relief Sought:** Restitution

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)



<b>Resolution Date:</b>	12/30/2020
<b>Sanctions Ordered:</b>	Censure Disgorgement/Restitution
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO FINDINGS AND THE IMPOSITION OF A CENSURE AND PAYMENT OF RESTITUTION OF \$1,460,518 PLUS INTEREST. THE RESTITUTION WILL BE PAID IN ACCORDANCE WITH THE TERMS OF THE AWC.
<b>Firm Statement</b>	ON DECEMBER 30, 2020, THE FIRM BECAME THE SUBJECT OF A LETTER OF ACCEPTANCE, WAIVER AND CONSENT ("AWC") ISSUED BY FINRA REGARDING ALLEGATIONS THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO SUPERVISE REPRESENTATIVES' RECOMMENDATIONS TO CUSTOMERS TO PURCHASE PARTICULAR SHARE CLASSES OF 529 SAVINGS PLANS IN VIOLATION OF MSRB RULE G-27(A) AND (B). WITHOUT ADMITTING OR DENYING THE FINDINGS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO FINDINGS AND THE IMPOSITION OF A CENSURE AND PAYMENT OF RESTITUTION OF \$1,460,518 PLUS INTEREST. THE FIRM VOLUNTARILY SELF-REPORTED THE MATTER TO FINRA AS PART OF FINRA'S 529 PLAN SHARE CLASS DISCLOSURE INITIATIVE AND FINRA RECOGNIZED AND CREDITED THE FIRM'S EXTRAORDINARY COOPERATION.

## Disclosure 2 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REASONABLY SUPERVISE A REGISTERED REPRESENTATIVE WHO RECOMMENDED SHORT-TERM TRADES OF CORPORATE BONDS AND PREFERRED SECURITIES IN CUSTOMER ACCOUNTS. THE FINDINGS STATED THAT THE FIRM USED A NUMBER OF AUTOMATED ALERTS TO IDENTIFY TRADING ACTIVITY AND ACCOUNTS THAT WARRANTED FURTHER REVIEW BY A SUPERVISOR. THE REPRESENTATIVE'S TRADING IN THE CUSTOMER ACCOUNTS GENERATED NEARLY 100 ALERTS REFLECTING THAT THE TRADING IN THESE ACCOUNTS EXCEEDED THE FIRM'S THRESHOLDS FOR POTENTIALLY EXCESSIVE TURNOVER AND COST-TO-EQUITY RATIOS. IN RESPONSE TO THE ALERTS, THE FIRM FAILED TO TAKE REASONABLE STEPS TO REVIEW RED FLAGS AND UNDERSTAND THE



POTENTIAL RISKS AND REWARDS ASSOCIATED WITH THE REPRESENTATIVE'S RECOMMENDATIONS OR TO DETERMINE WHETHER THOSE RECOMMENDATIONS WERE SUITABLE. INSTEAD, THE FIRM DISCUSSED THE ALERTS WITH THE REPRESENTATIVE AND CONTACTED THE AFFECTED CUSTOMERS TO CONFIRM WHETHER THEY WERE SATISFIED WITH THE REPRESENTATIVE AND HIS RECOMMENDATIONS. LATER, THE FIRM CONDUCTED A REVIEW OF THE REPRESENTATIVE'S SECURITIES RECOMMENDATIONS, WHICH CONCLUDED THAT HIS RECOMMENDATIONS WERE GENERATING HIGH COSTS/COMMISSIONS AND THE PRODUCTS/INVESTMENT STRATEGIES WERE COSTING THE CLIENTS MORE MONEY THAN THEY ARE MAKING THE CLIENTS. IN SPITE OF THESE FINDINGS, THE FIRM DID NOT TAKE SUFFICIENT ACTION TO ADDRESS THE REPRESENTATIVE'S TRADING IN HIS CUSTOMERS' ACCOUNTS. INDEED, THE AFFECTED CUSTOMER ACCOUNTS CONTINUED TO GENERATE ALERTS FOR POTENTIALLY EXCESSIVE TURNOVER AND COST-TO-EQUITY RATIOS. ULTIMATELY, THE FIRM INSTRUCTED THE REPRESENTATIVE TO STOP SHORT-TERM TRADING IN CORPORATE BONDS AND PREFERRED SECURITIES IN ALL OF HIS CUSTOMER ACCOUNTS. NONETHELESS, THE REPRESENTATIVE RECOMMENDED A SMALL NUMBER OF SHORT-TERM TRADES IN SOME OF HIS CUSTOMERS' ACCOUNTS. COLLECTIVELY, THE REPRESENTATIVE'S TRADING IN THE AFFECTED CUSTOMER ACCOUNTS CAUSED THE CUSTOMERS TO SUFFER LOSSES OF MORE THAN \$900,000. THIS AWC REQUIRES THE FIRM TO PAY RESTITUTION TO EIGHT OF THE TEN AFFECTED CUSTOMERS, AS THE OTHER TWO AFFECTED CUSTOMERS PREVIOUSLY SETTLED WITH THE FIRM SEPARATELY.

**Initiated By:** FINRA

**Date Initiated:** 08/12/2020

**Docket/Case Number:** [2019063917801](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/12/2020





**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$175,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** PLUS INTEREST

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$175,000 AND ORDERED TO PAY \$774,574.08, PLUS INTEREST, IN RESTITUTION TO CUSTOMERS. FINES PAID IN FULL ON SEPTEMBER 1, 2020.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA) ALLEGED THAT MORGAN STANLEY SMITH BARNEY LLC (THE "FIRM") FAILED TO REASONABLY SUPERVISE A REGISTERED REPRESENTATIVE WHO RECOMMENDED SHORT-TERM TRADES OF CORPORATE BONDS AND PREFERRED SECURITIES IN THE ACCOUNTS OF TEN CUSTOMERS IN VIOLATION OF NASD RULE 3010 (FOR CONDUCT BEFORE DECEMBER 1, 2014), FINRA RULE 3110 (FOR CONDUCT ON OR AFTER DECEMBER 1, 2014) AND FINRA RULE 2010.

**Initiated By:** FINANCIAL INDUSTRY REGULATORY AUTHORITY

**Date Initiated:** 08/12/2020

**Docket/Case Number:** [2019063917801](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** RESTITUTION

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/12/2020

**Sanctions Ordered:** Censure



Monetary/Fine \$175,000.00  
 Disgorgement/Restitution

#### Other Sanctions Ordered:

#### Sanction Details:

THE FIRM PAID THE \$175,000 FINE ON SEPTEMBER 1, 2020.

#### Firm Statement

ON AUGUST 12, 2020, MORGAN STANLEY SMITH BARNEY LLC (THE FIRM) BECAME THE SUBJECT OF A LETTER OF ACCEPTANCE, WAIVER AND CONSENT ("AWC") ISSUED BY FINRA REGARDING ALLEGATIONS THAT MORGAN STANLEY SMITH BARNEY LLC (THE "FIRM") FAILED TO REASONABLY SUPERVISE A REGISTERED REPRESENTATIVE WHO RECOMMENDED SHORT-TERM TRADES OF CORPORATE BONDS AND PREFERRED SECURITIES IN THE ACCOUNTS OF TEN CUSTOMERS IN VIOLATION OF NASD RULE 3010 (FOR CONDUCT BEFORE DECEMBER 1, 2014), FINRA RULE 3110 (FOR CONDUCT ON OR AFTER DECEMBER 1, 2014) AND FINRA RULE 2010. WITHOUT ADMITTING OR DENYING THE FINDINGS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO FINDINGS AND THE IMPOSITION OF A CENSURE, FINE IN THE AMOUNT OF \$175,000 AND RESTITUTION TO CERTAIN CUSTOMERS IN THE TOTAL AMOUNT OF \$774,574.08 PLUS INTEREST.

#### Disclosure 3 of 55

#### Reporting Source:

Regulator

#### Current Status:

Final

#### Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT SUBMITTED INACCURATE BLUE SHEET RESPONSES TO SEC AND FINRA, CONTAINING INACCURATE INFORMATION ON OPTIONS TRANSACTIONS. THE FINDINGS STATED THAT FOR PURCHASE AND SALES TRANSACTIONS, THE BLUE SHEET SUBMISSION SHOWED THAT A CUSTOMER CLOSED HIS OPTIONS POSITION (THEY WERE MARKED "BUY CLOSE" AND "SELL CLOSE"), WHEN IN FACT THE TRANSACTIONS OPENED HIS OPTIONS POSITION (THEY SHOULD HAVE BEEN MARKED "BUY OPEN" AND "SELL OPEN"). THE FIRM DETERMINED THAT HUMAN ERROR HAD CAUSED THESE ERRORS, WHICH ERRORS HAD BEEN REPEATED IN ADDITIONAL BLUE SHEET SUBMISSIONS. ADDITIONALLY, SEPARATE COMPUTER CODING ISSUES CAUSED THE FIRM TO INCORRECTLY REPORT WHETHER OPTIONS TRANSACTIONS OPENED OR CLOSED POSITIONS. A CODING ERROR, RELATED TO THE FIRM'S MONEY MANAGER PROGRAMS, HAD CAUSED THE FIRM'S BLUE SHEETS TO REPORT ALL OPTIONS TRADES AS CLOSING TRADES. ANOTHER CODING ERROR OCCURRED BECAUSE THE FIRM'S ELECTRONIC BLUE SHEET SYSTEM OBTAINED TRADE DATA FROM AN



INTERNAL DATA REPOSITORY THAT SOMETIMES HAD A BLANK IN ITS SYMBOL FIELD. THIS ERROR HAD CAUSED THE FIRM'S ELECTRONIC BLUE SHEET SYSTEM SOMETIMES TO INDICATE THAT CLOSING TRANSACTIONS WERE OPENING TRANSACTIONS. BECAUSE THIS ERROR OCCURRED INTERMITTENTLY, THE NUMBER OF AFFECTED BLUE SHEET SUBMISSIONS OR TRANSACTIONS IS UNKNOWN.

**Initiated By:** FINRA

**Date Initiated:** 07/07/2020

**Docket/Case Number:** [2017052995901](#)

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 07/07/2020

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$875,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$875,000. FINES PAID IN FULL ON JULY 17, 2020.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA) ALLEGED THAT MORGAN STANLEY SMITH BARNEY LLC (THE "FIRM") SUBMITTED AT LEAST 869 INACCURATE BLUE SHEETS TO THE SECURITIES AND EXCHANGE COMMISSION AND FINRA, MISREPORTING INFORMATION ON AT LEAST 156,678 OPTIONS TRANSACTIONS IN VIOLATION OF SECTION



17(A)(1) OF THE SECURITIES EXCHANGE ACT OF 1934 (EXCHANGE ACT) AND RULES 17A-4(J) AND 17A-25 THEREUNDER, AND FINRA RULES 8211, 8213 AND 2010.

<b>Initiated By:</b>	FINANCIAL INDUSTRY REGULATORY AUTHORITY
<b>Date Initiated:</b>	07/08/2020
<b>Docket/Case Number:</b>	<a href="#">2017052995901</a>
<b>Principal Product Type:</b>	Options
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	07/08/2020
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$875,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	THE FINE WILL BE PAID IN ACCORDANCE WITH THE TERMS OF THE AWC.
<b>Firm Statement</b>	ON JULY 8, 2020, MORGAN STANLEY SMITH BARNEY LLC (THE FIRM) BECAME THE SUBJECT OF A LETTER OF ACCEPTANCE, WAIVER AND CONSENT ("AWC") ISSUED BY FINRA REGARDING ALLEGATIONS THAT FIRM SUBMITTED AT LEAST 869 INACCURATE BLUE SHEETS TO THE SECURITIES AND EXCHANGE COMMISSION AND FINRA, MISREPORTING INFORMATION ON AT LEAST 156,678 OPTIONS TRANSACTIONS IN VIOLATION OF SECTION 17(A)(1) OF THE SECURITIES EXCHANGE ACT OF 1934 (EXCHANGE ACT) AND RULES 17A-4(J) AND 17A-25 THEREUNDER, AND FINRA RULES 8211, 8213 AND 2010. WITHOUT ADMITTING OR DENYING THE FINDINGS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO FINDINGS AND THE IMPOSITION OF A CENSURE AND A FINE IN THE AMOUNT OF \$875,000.

#### Disclosure 4 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	SEC ADMIN RELEASE 34-88856; IA RELEASE 5499, MAY 12, 2020: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT



APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTION 15(B) OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AND SECTIONS 203(E) AND 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT") AGAINST MORGAN STANLEY SMITH BARNEY LLC ("MSSB" OR "RESPONDENT"). THESE PROCEEDINGS ARISE OUT OF MARKETING AND CLIENT COMMUNICATIONS RELATED TO THE SERVICES RENDERED AND COSTS INCURRED IN THE FIRM'S RETAIL WRAP FEE PROGRAMS THAT WERE MISLEADING TO CERTAIN CLIENTS, AND THE FIRM'S FAILURE TO ADOPT AND IMPLEMENT WRITTEN POLICIES AND PROCEDURES REASONABLY DESIGNED TO PREVENT VIOLATIONS OF THE ADVISERS ACT. THE FIRM IS A SPONSOR OF WRAP FEE PROGRAMS IN WHICH RETAIL CLIENTS CAN SELECT ONE OR MORE THIRD-PARTY SUB-ADVISERS ("WRAP MANAGERS") TO MAKE INVESTMENT DECISIONS IN THE CLIENTS' ACCOUNT. CLIENTS PAY THE FIRM AN ASSET-BASED "WRAP FEE" IN EXCHANGE FOR A RANGE OF SERVICES, INCLUDING INVESTMENT ADVICE AND TRADE EXECUTION THROUGH THE FIRM. THE FIRM NEGLIGENTLY PROVIDED INCOMPLETE AND INACCURATE INFORMATION REGARDING THE TRADE EXECUTION SERVICES PROVIDED BY THE FIRM AND THE TRANSACTION-BASED EXECUTION COSTS INCURRED BY CLIENTS IN WRAP FEE PROGRAM ACCOUNTS, WHICH WAS MISLEADING TO CERTAIN RETAIL CLIENTS. THIS INFORMATION WAS COMMUNICATED THROUGH VARIOUS MEANS AND INDICATED THAT THE FIRM EXECUTED MOST CLIENT TRADES AND CLIENTS DID NOT INCUR TRANSACTION-BASED CHARGES. HOWEVER, AS THE FIRM WAS AWARE, SOME WRAP MANAGERS DIRECTED MOST, AND SOMETIMES ALL, CLIENT TRADES TO THIRD-PARTY BROKER-DEALERS FOR EXECUTION, WHICH RESULTED IN CERTAIN CLIENTS PAYING TRANSACTION-BASED CHARGES THAT WERE NOT VISIBLE TO THEM. ACCORDINGLY, CERTAIN FIRM CLIENTS WERE UNAWARE THAT THEY REGULARLY PAID EXECUTION COSTS IN ADDITION TO THE FIRM'S WRAP FEE AND PAID THE FIRM A WRAP FEE THAT INCLUDED EXECUTION SERVICES RARELY, IF EVER, RENDERED BY THE FIRM. MOREOVER, ON OCCASION, WRAP MANAGERS DIRECTED TRADES TO FIRM AFFILIATED BROKER-DEALERS IN WHICH CLIENTS INCURRED TRANSACTION-BASED CHARGES IN VIOLATION OF THE FIRM'S AFFILIATE TRADING POLICIES WITHOUT DETECTION BY THE FIRM. AS A RESULT OF THE FIRM'S CONDUCT, CERTAIN FIRM CLIENTS LACKED COMPLETE AND ACCURATE INFORMATION NEEDED TO ASSESS THE VALUE OF THE SERVICES RECEIVED IN EXCHANGE FOR THE WRAP FEE PAID TO THE FIRM AND THE COSTS ASSOCIATED WITH THEIR ACCOUNTS. AS A RESULT OF ITS CONDUCT, THE FIRM WILLFULLY VIOLATED SECTIONS 206(2) AND 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION



<b>Date Initiated:</b>	05/12/2020
<b>Docket/Case Number:</b>	3-19793
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	RETAIL WRAP FEE
<b>Principal Sanction(s)/Relief Sought:</b>	Other
<b>Other Sanction(s)/Relief Sought:</b>	N/A
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	05/12/2020
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	Yes
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$5,000,000.00 Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	THE FIRM WAS CENSURED, SHALL, WITHIN 14 DAYS OF THE ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$5 MILLION TO THE SEC AND ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 206(2) AND 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7 PROMULGATED THEREUNDER.
<b>Regulator Statement</b>	IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. AS A RESULT OF ITS CONDUCT, THE FIRM WILLFULLY VIOLATED SECTIONS 206(2) AND 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER. IN DETERMINING TO ACCEPT THE OFFER, THE COMMISSION CONSIDERED CERTAIN REMEDIAL ACTS UNDERTAKEN BY THE FIRM. ACCORDINGLY, IT IS HEREBY ORDERED THAT: THE FIRM CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 206(2) AND 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7 PROMULGATED THEREUNDER, IS CENSURED, AND SHALL, WITHIN 14 DAYS OF THE ENTRY OF THE ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$5 MILLION TO THE SEC. A FAIR FUND IS CREATED FOR THE



MONETARY PENALTIES.

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	THE SEC ALLEGED THAT MORGAN STANLEY SMITH BARNEY LLC ("MSWM") WILLFULLY VIOLATED CERTAIN SECTIONS OF THE INVESTMENT ADVISERS ACT OF 1940, SPECIFICALLY SECTIONS 206(2) AND 206(4) AND RULE 206(4)-7 THEREUNDER.
<b>Initiated By:</b>	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
<b>Date Initiated:</b>	05/12/2020
<b>Docket/Case Number:</b>	3-19793
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	RETAIL WRAP FEE
<b>Principal Sanction(s)/Relief Sought:</b>	Cease and Desist
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE, CIVIL AND ADMINISTRATIVE PENALTY(IES)/FINE(S)
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	05/12/2020
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$5,000,000.00 Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	THE CIVIL PENALTY WAS PAID ON OR AROUND 05/19/2020.
<b>Firm Statement</b>	ON MAY 12, 2020, THE SEC ENTERED INTO A SETTLEMENT ORDER WITH MSWM SETTLING AN ADMINISTRATIVE ACTION WHICH RELATES TO CERTAIN INFORMATION PROVIDED IN MARKETING AND CLIENT COMMUNICATIONS TO RETAIL ADVISORY CLIENTS IN MSWM'S WRAP FEE PROGRAMS WITH THIRD-PARTY MANAGERS AND MSWM'S POLICIES AND PROCEDURES RELATED TO TRADES NOT EXECUTED AT MSWM. IN THE APPLICABLE WRAP FEE PROGRAMS, THE THIRD-PARTY MANAGER HAS THE DISCRETION TO PLACE ORDERS FOR TRADE EXECUTION ON CLIENTS' BEHALF AT A BROKER-DEALER OTHER THAN MORGAN STANLEY. MSWM PERMITS MANAGERS TO "TRADE AWAY" FROM MSWM IN THIS MANNER IN ORDER TO SEEK BEST EXECUTION FOR TRADES. THE SEC



FOUND THAT, FROM AT LEAST OCTOBER 2012 THROUGH JUNE 2017, MSWM PROVIDED INCOMPLETE AND INACCURATE INFORMATION INDICATING THAT MSWM EXECUTED MOST CLIENT TRADES AND THAT, WHILE ADDITIONAL TRANSACTION-BASED COSTS WERE POSSIBLE, CLIENTS DID NOT ACTUALLY INCUR THEM IN THE ORDINARY COURSE. THE SEC FOUND THAT THIS INFORMATION WAS MISLEADING FOR CERTAIN RETAIL CLIENTS BECAUSE SOME WRAP MANAGERS DIRECTED MOST, AND SOMETIMES ALL, CLIENT TRADES TO THIRD-PARTY BROKER-DEALERS FOR EXECUTION, WHICH RESULTED IN CERTAIN CLIENTS PAYING TRANSACTION-BASED CHARGES THAT WERE NOT VISIBLE TO THEM. THE SEC ALSO FOUND THAT, ON OCCASION, WRAP MANAGERS DIRECTED TRADES TO MSWM-AFFILIATED BROKER-DEALERS IN WHICH CLIENTS INCURRED TRANSACTION-BASED CHARGES IN VIOLATION OF MSWM'S AFFILIATE TRADING POLICIES WITHOUT DETECTION BY MSWM. THE SEC NOTED IN THE ORDER THAT IT CONSIDERED CERTAIN REMEDIAL ACTS UNDERTAKEN BY MSWM IN DETERMINING TO ACCEPT THE ORDER, INCLUDING MSWM ENHANCING ITS DISCLOSURES TO CLIENTS, IMPLEMENTING TRAINING OF FINANCIAL ADVISORS, ENHANCING RELEVANT POLICIES AND PROCEDURES, AND REFUNDING CLIENTS' TRANSACTION BASED CHARGES PAID TO MORGAN STANLEY AFFILIATES. THE SEC FOUND THAT MSWM WILLFULLY VIOLATED CERTAIN SECTIONS OF THE INVESTMENT ADVISERS ACT OF 1940, SPECIFICALLY SECTIONS 206(2) AND 206(4) AND RULE 206(4)-7 THEREUNDER. MSWM CONSENTED, WITHOUT ADMITTING OR DENYING THE FINDINGS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, TO A CENSURE; TO CEASE AND DESIST FROM COMMITTING OR CAUSING FUTURE VIOLATIONS; AND TO PAY A CIVIL PENALTY OF \$5,000,000.

## Disclosure 5 of 55

**Reporting Source:**

Regulator

**Current Status:**

Final

**Allegations:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TIMELY REPORT FIXED INCOME TRANSACTIONS, MOST OF WHICH QUALIFY AS A LARGE BLOCK TRANSACTION, TO TRACE OR RTRS. THE FINDINGS STATED THAT THE UNTIMELY REPORTS HAD SEVERAL CAUSES, INCLUDING MANUAL ERRORS BY FIRM EMPLOYEES AND UNTIMELY AMENDMENTS OR CORRECTIONS MADE TO TRACE REPORTS, AND THE IMPROPER SET-UP OF RELEVANT CUSIPS IN THE FIRM'S REPORTING SYSTEM. IN ADDITION, A CODING ERROR IN THE FIRM'S TRACE REPORTING SYSTEM CAUSED PRICES IN CERTAIN AGENCY DEBT TRANSACTIONS TO BE REPORTED TO FIVE DECIMAL POINTS INSTEAD OF THE REQUIRED SIX DECIMAL POINTS. THESE TRADE REPORTS FAILED TO





MATCH WITH COUNTER-PARTY TRADE REPORTS AND WERE REJECTED BY TRACE. THE FIRM MANUALLY CORRECTED THE REJECTED TRADE REPORTS BUT FAILED TO DO SO WITHIN THE SPECIFIED TIMEFRAME.

**Initiated By:** FINRA

**Date Initiated:** 03/25/2020

**Docket/Case Number:** [2015047758201](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 03/25/2020

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$300,000.00

**Other Sanctions Ordered:** CERTIFICATION

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$300,000 AND ORDERED TO CERTIFY THAT IT HAS REVIEWED ITS SYSTEMS, POLICIES, AND PROCEDURES, WRITTEN AND OTHERWISE, GOVERNING THE FIRM'S TRADE REPORTING OF FIXED INCOME SECURITIES WITHIN 60 DAYS AND AS OF THE DATE OF THE CERTIFICATION, THE FIRM HAS ESTABLISHED AND IMPLEMENTED SYSTEMS, POLICIES, AND PROCEDURES, WRITTEN AND OTHERWISE, GOVERNING THE TRADE REPORTING OF FIXED INCOME SECURITIES THAT ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA RULE 6730(A) AND MSRB RULE G-14.

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**Reporting Source:** Firm

**Current Status:** Final



<b>Appealed To and Date Appeal Filed:</b>	N/A
<b>Allegations:</b>	FINRA ALLEGED THAT MSSB VIOLATED FINRA RULES 6730 AND 2010 AND MSRB RULE G-14.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	03/25/2020
<b>Docket/Case Number:</b>	<a href="#">2015047758201</a>
<b>Principal Product Type:</b>	Debt - Corporate
<b>Other Product Type(s):</b>	DEBT - CORPORATE, AGENCY, SECURITIZED AND DEBT - MUNICIPAL
<b>Principal Sanction(s)/Relief Sought:</b>	Censure
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE, FINE AND WRITTEN CERTIFICATION
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	03/25/2020
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$300,000.00
<b>Other Sanctions Ordered:</b>	WRITTEN CERTIFICATION.
<b>Sanction Details:</b>	N/A
<b>Firm Statement</b>	ON MARCH 25, 2020, THE FIRM AND FINRA ENTERED INTO AN AWC IN CONNECTION WITH ALLEGATIONS THAT THE FIRM FAILED TO TIMELY REPORT CERTAIN FIXED INCOME TRANSACTIONS TO THE TRACE OR THE REAL-TIME REPORTING SYSTEM ("RTRS") BETWEEN JULY 1, 2015 AND DECEMBER 31, 2018. WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO A CENSURE AND THE IMPOSITION OF A FINE IN THE AMOUNT OF \$300,000. ADDITIONALLY, THE FIRM AGREED TO PROVIDE A WRITTEN CERTIFICATION THAT THE FIRM HAS REVIEWED ITS SYSTEMS, POLICIES AND PROCEDURES GOVERNING THE FIRM'S TRADE REPORTING OF FIXED INCOME SECURITIES AND, AS OF THE DATE OF THE CERTIFICATION, THOSE SYSTEMS, POLICIES AND PROCEDURES ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA RULE 6730(A) AND MSRB RULE G-14.

## Disclosure 6 of 55

**Reporting Source:** Regulator



<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, AND FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO ITS UNIFORM GIFTS TO MINORS ACT AND/OR THE UNIFORM TRANSFERS TO MINORS ACT (UTMA) ACCOUNTS. THE FIRM DID NOT ESTABLISH REASONABLE SYSTEMS OR PROCEDURES RELATED TO THE CUSTODIANS' OBLIGATION TO TIMELY TRANSFER CONTROL OVER THE CUSTODIAL PROPERTY TO THE BENEFICIARY. AS A RESULT, UTMA ACCOUNT CUSTODIANS AUTHORIZED TRANSACTIONS IN AT LEAST 53,384 UTMA ACCOUNTS HELD AT THE FIRM IN WHICH THE BENEFICIARIES HAD REACHED THE AGE OF MAJORITY (OR TERMINATION).
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	12/26/2019
<b>Docket/Case Number:</b>	<a href="#">2018060038701</a>
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	UNIFORM GIFTS TO MINORS ACT AND/OR THE UNIFORM TRANSFERS TO MINORS ACT (UTMA) ACCOUNTS
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	12/26/2019
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$300,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKING
<b>Sanction Details:</b>	THE FIRM WAS CENSURED, FINED \$300,000, ORDERED TO CERTIFY TO FINRA THAT IT HAS COMPLETED A REVIEW OF ITS POLICIES, SYSTEMS AND PROCEDURES REGARDING THE SUPERVISION OF CUSTODIAL AND



GUARDIANSHIP ACCOUNTS WHERE THE BENEFICIARY IS A MINOR AND WHICH TERMINATE UPON AGE OF MAJORITY PURSUANT TO STATE STATUTE OR A COURT ORDER. THE FIRM MUST ALSO CERTIFY TO FINRA THAT ITS POLICIES, SYSTEMS, AND PROCEDURES ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS, AND FINRA RULES. FINE PAID IN FULL ON 1/13/2020.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, AND FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO ITS UNIFORM GIFTS TO MINORS ACT AND/OR THE UNIFORM TRANSFERS TO MINORS ACT (UTMA) ACCOUNTS. SPECIFICALLY, THE FIRM DID NOT ESTABLISH REASONABLE SYSTEMS OR PROCEDURES RELATED TO THE CUSTODIANS' OBLIGATION TO TIMELY TRANSFER CONTROL OVER THE CUSTODIAL PROPERTY TO THE BENEFICIARY.

**Initiated By:** FINRA

**Date Initiated:** 12/26/2019

**Docket/Case Number:** [2018060038701](#)

**Principal Product Type:** Other

**Other Product Type(s):** UNIFORM GIFTS TO MINORS ACT AND/OR THE UNIFORM TRANSFERS TO MINORS ACT (UTMA) ACCOUNTS.

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/26/2019

**Sanctions Ordered:** Censure  
Monetary/Fine \$300,000.00

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** THE FINE OF \$300,000 WAS PAID ON JANUARY 10, 2020.

**Firm Statement** ON DECEMBER 26, 2019, WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO A CENSURE, A FINE OF \$300,000, AND

TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, AND FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO ITS UNIFORM GIFTS TO MINORS ACT AND/OR THE UNIFORM TRANSFERS TO MINORS ACT (UTMA) ACCOUNTS. THE FIRM MUST ALSO CERTIFY TO FINRA THAT IS HAS COMPLETED A REVIEW OF ITS POLICIES, SYSTEMS AND PROCEDURES REGARDING THE SUPERVISION OF CUSTODIAL AND GUARDIANSHIP ACCOUNTS WHERE THE BENEFICIARY IS A MINOR AND WHICH TERMINATE UPON AGE OF MAJORITY PURSUANT TO STATE STATUTE OR A COURT ORDER, AND MUST CERTIFY THAT SUCH POLICIES, SYSTEMS, AND PROCEDURES ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS, AND FINRA RULES.

#### Disclosure 7 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	MORGAN STANLEY FAILED TO SUPERVISE ITS AGENT, JUSTIN AMARAL (CRD NO. 4440980), WHO ENGAGED IN EXCESSIVE TRADING IN CUSTOMER ACCOUNTS.
<b>Initiated By:</b>	MASSACHUSETTS SECURITIES DIVISION
<b>Date Initiated:</b>	10/29/2019
<b>Docket/Case Number:</b>	E-2016-0041
<b>URL for Regulatory Action:</b>	<a href="http://sec.state.ma.us/sct/current/sctmorganstanley/msd-mssb-consent-order-e-2016-0041.pdf">HTTP://SEC.STATE.MA.US/SCT/CURRENT/SCTMORGANSTANLEY/MSD-MSSB-CONSENT-ORDER-E-2016-0041.PDF</a>
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Restitution
<b>Other Sanction(s)/Relief Sought:</b>	CEASE AND DESIST, CENSURE, FINE
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	10/29/2019



**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$200,000.00  
Disgorgement/Restitution  
Cease and Desist/Injunction

**Other Sanctions Ordered:** MORGAN STANLEY SHALL PROVIDE RESTITUTION TO MASSACHUSETTS INVESTORS IN THE AMOUNT OF \$182,000.

**Sanction Details:** RESTITUTION: \$182,000  
FINE: \$200,000

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE COMMONWEALTH OF MASSACHUSETTS, SECURITIES DIVISION ALLEGED THAT THE FIRM FAILED TO SUPERVISE A FINANCIAL ADVISOR WHO ENGAGED IN EXCESSIVE TRADING IN THE ACCOUNTS OF FOUR MASSACHUSETTS INVESTORS.

**Initiated By:** COMMONWEALTH OF MASSACHUSETTS, SECURITIES DIVISION

**Date Initiated:** 10/29/2019

**Docket/Case Number:** E-2016-0041

**Principal Product Type:** Equity Listed (Common & Preferred Stock)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 10/29/2019

**Sanctions Ordered:** Censure  
Monetary/Fine \$200,000.00  
Disgorgement/Restitution  
Cease and Desist/Injunction



## Other Sanctions Ordered:

### Sanction Details:

THE FIRM WAS ALSO ORDERED TO MAKE OFFERS OF RESTITUTION TOTALING \$182,500 TO FOUR INVESTORS. THE ADMINISTRATIVE PENALTY WAS PAID ON NOVEMBER 8, 2019. OFFERS OF RESTITUTION ARE FORTHCOMING.

### Firm Statement

ON OCTOBER 29, 2019, MORGAN STANLEY SMITH BARNEY LLC (FIRM) AND THE COMMONWEALTH OF MASSACHUSETTS SECURITIES DIVISION ENTERED INTO A CONSENT ORDER IN CONNECTION WITH ALLEGATIONS THAT, FROM JANUARY 1, 2010 THROUGH MAY 1, 2014, THE FIRM FAILED TO SUPERVISE A FINANCIAL ADVISOR WHO ENGAGED IN EXCESSIVE TRADING IN FOUR INVESTORS' ACCOUNTS. WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO THE IMPOSITION OF AN ADMINISTRATIVE FINE OF \$200,000, AND AGREED TO MAKE OFFERS OF RESTITUTION TOTALING \$182,500 TO FOUR MASSACHUSETTS INVESTORS.

## Disclosure 8 of 55

### Reporting Source:

Regulator

### Current Status:

Final

### Allegations:

SEC ADMIN RELEASES 33-10726, 34-87483, IA 40-5408 / NOVEMBER 7, 2019: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE PROCEEDINGS BE INSTITUTED AGAINST MORGAN STANLEY SMITH BARNEY LLC ("MSSB" OR "RESPONDENT"). ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT IN CONNECTION WITH INVESTMENT RECOMMENDATIONS TO CERTAIN RETIREMENT PLAN AND CHARITABLE ORGANIZATION BROKERAGE CUSTOMERS ("ELIGIBLE CUSTOMERS"), MSSB REPRESENTED THAT, IN THE PROCESS OF SELECTING THE MOST ECONOMICAL SHARE CLASS, IT USED "SHARE CLASS LIMITS AND OTHER TOOLS," INCLUDING A SHARE CLASS SELECTION CALCULATOR, DESIGNED TO PROVIDE CUSTOMERS WITH THE LEAST COSTLY MUTUAL FUND SHARE CLASS. WHILE MSSB DID HAVE A SHARE CLASS SELECTION CALCULATOR FOR THIS PURPOSE, THERE WERE THREE ISSUES: (1) THE SHARE CLASS CALCULATOR HAD TWO OPERATING ERRORS THAT CAUSED IT NOT TO PROVIDE THE MOST BENEFICIAL SHARE CLASS TO ELIGIBLE CUSTOMERS IN TWO SPECIFIC CIRCUMSTANCES; (2) FROM JULY 2009 TO MID-2012, MSSB DID NOT USE THE SHARE CLASS CALCULATOR FOR CERTAIN LEGACY RETIREMENT PLAN BROKERAGE CUSTOMERS AND OTHER TOOLS EMPLOYED DID NOT CONSISTENTLY PROVIDE THE MOST BENEFICIAL SHARE CLASS TO ELIGIBLE CUSTOMERS; AND (3) MSSB FAILED TO CODE THE SHARE CLASS



CALCULATOR TO PROVIDE THE LOWEST SHARE CLASS AVAILABLE TO CHARITABLE ORGANIZATIONS ELIGIBLE FOR SALES CHARGE WAIVERS AND DID NOT OTHERWISE HAVE A MECHANISM FOR DOING SO. AS A RESULT, MSSB RECOMMENDED AND SOLD THESE ELIGIBLE CUSTOMERS MORE EXPENSIVE SHARE CLASSES WHEN LESS EXPENSIVE SHARE CLASSES WERE AVAILABLE, CONTRARY TO MSSB'S REPRESENTATIONS TO THOSE ELIGIBLE CUSTOMERS. MSSB'S RECOMMENDATIONS NEGATIVELY IMPACTED THE OVERALL RETURN ON THE ELIGIBLE CUSTOMERS' INVESTMENTS. IN ADDITION, MSSB RECEIVED GREATER COMPENSATION FROM THE ELIGIBLE CUSTOMERS' PURCHASES WHEN SELECTING THE MORE EXPENSIVE SHARE CLASS. MSSB HAS PROVIDED REMEDIATION TO IMPACTED CUSTOMERS.

UNDER THE CIRCUMSTANCES, MSSB WILLFULLY VIOLATED SECTIONS 17(A)(2) AND 17(A)(3) OF THE SECURITIES ACT. BECAUSE OF THESE VIOLATIONS, CERTAIN ELIGIBLE CUSTOMERS INCURRED UPFRONT SALES CHARGES, CONTINGENT DEFERRED SALES CHARGES (CDSCS), AND HIGHER ONGOING FEES AND EXPENSES, AND MSSB RECEIVED ADDITIONAL REVENUE.

FROM JULY 2009 ONWARD, ELIGIBLE CUSTOMERS PAID A TOTAL OF \$12,252,833 IN UPFRONT SALES CHARGES, CDSCS, AND HIGHER ONGOING FEES AND EXPENSES FROM PURCHASES OF MUTUAL FUND SHARE CLASSES FOR WHICH THEY DID NOT RECEIVE AN APPLICABLE SALES CHARGE WAIVER OR DID NOT OTHERWISE RECEIVE THE MOST COST-EFFECTIVE SHARE CLASS FOR WHICH THEY WERE ELIGIBLE THAT WAS AVAILABLE ON MSSB'S PLATFORM DURING THE RELEVANT PERIOD. MSSB HAS ISSUED PAYMENTS OF THIS AMOUNT (INCLUDING \$1,576,749 IN INTEREST) TO ELIGIBLE CUSTOMERS.

IN 2008, MORGAN STANLEY DEVELOPED AND IMPLEMENTED AN AUTOMATED MUTUAL FUND SHARE CLASS SELECTION SYSTEM (THE "MFSCI"), WHICH WAS INCORPORATED INTO MORGAN STANLEY'S (AND LATER MSSB'S) ORDER ENTRY SYSTEM. MSSB'S FAILURE TO DISCOVER AND CORRECT THE MFSCI'S FLAWS RENDERED MISLEADING ITS REPRESENTATIONS THAT IT USED "SHARE CLASS LIMITS AND OTHER TOOLS" IN THE PROCESS OF SELECTING THE "MOST ECONOMICAL" SHARE CLASS, AND, BEGINNING IN JANUARY 2015, THAT ITS SHARE CLASS CALCULATOR WAS "DESIGNED TO PROVIDE CUSTOMERS WITH THE LEAST COSTLY SHARE CLASS OPTION." (CONTINUE IN THE COMMENTS SECTION)

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**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
**Date Initiated:** 11/07/2019  
**Docket/Case Number:** 3-19599  
**Principal Product Type:** Mutual Fund(s)



**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 11/07/2019

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** Yes

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,500,000.00  
Disgorgement/Restitution  
Cease and Desist/Injunction

**Other Sanctions Ordered:** PREJUDGMENT INTEREST

**Sanction Details:** RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 17(A)(2) AND 17(A)(3) OF THE SECURITIES ACT, IS CENSURED, SHALL, WITHIN 30 DAYS OF THE ENTRY OF THE ORDER, PAY DISGORGEMENT OF \$42,389.41, PREJUDGMENT INTEREST OF \$3,369.58, AND PAY A CIVIL MONEY PENALTY OF \$1,500,000.

**Regulator Statement** (CONTINUE FROM THE ALLEGATIONS SECTION) - MSSB HAS COMPLETED FULL REMEDIATION OF APPROXIMATELY 99% OF THE OVERCHARGES TO THOSE CUSTOMERS, BY CREDITING THE ACCOUNTS OF CURRENT CUSTOMERS AND MAILING REIMBURSEMENT CHECKS OR OTHERWISE DIRECTING PAYMENTS AS INSTRUCTED BY FORMER CUSTOMERS. DESPITE REASONABLE EFFORTS, MSSB IS UNABLE TO LOCATE AND/OR CONTACT 226 FORMER MSSB ACCOUNT HOLDERS, REPRESENTING \$45,758.99 IN REMEDIATION PROCEEDS. MSSB HAS ALSO CORRECTED THE FLAWS IN THE MFSCI SYSTEM. THE TOTAL REMEDIATION FOR TRANSACTIONS IN WHICH ELIGIBLE CUSTOMERS SHOULD HAVE RECEIVED A NO-LOAD CLASS R SHARE WAS APPROXIMATELY \$5,840,069, AND THE TOTAL REMEDIATION FOR TRANSACTIONS IN WHICH ELIGIBLE CUSTOMERS SHOULD HAVE RECEIVED A LOAD-WAIVED CLASS A SHARE WAS APPROXIMATELY \$7,989,513. MSSB'S REIMBURSEMENT PAYMENTS INCLUDE A TOTAL OF \$7,558,409 RELATING TO TRANSACTIONS DURING THE APPLICABLE STATUTORY LIMITATIONS PERIOD, (THE APPLICABLE LIMITATIONS PERIOD FOR DISGORGEMENT IN THE MATTER RUNS FROM



AUGUST 16, 2012, TO THE PRESENT), AND A TOTAL OF \$6,271,173 BEFORE THAT PERIOD. MSSB ALSO OFFERED CONVERSION TO ALL ELIGIBLE CUSTOMERS HOLDING SHARE CLASSES WITH HIGHER ONGOING FEES AND EXPENSES TO THE SHARE CLASSES WITH THE LOWEST EXPENSES FOR WHICH THEY ARE ELIGIBLE, AT NO COST TO THE CUSTOMERS.

RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE OFFER) WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN THE RESPONDENT'S OFFER. ACCORDINGLY, IT IS HEREBY ORDERED THAT RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 17(A)(2) AND 17(A)(3) OF THE SECURITIES ACT, IS CENSURED, SHALL, WITHIN 30 DAYS OF THE ENTRY OF THE ORDER, PAY DISGORGEMENT OF \$42,389.41, PREJUDGMENT INTEREST OF \$3,369.58, AND PAY A CIVIL MONEY PENALTY OF \$1,500,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE SEC FOUND THAT FROM AT LEAST JULY 2009 THROUGH DECEMBER 2016, THE FIRM, IN CONNECTION WITH INVESTMENT RECOMMENDATIONS TO CERTAIN RETIREMENT PLAN AND CHARITABLE ORGANIZATION BROKERAGE CUSTOMERS ("ELIGIBLE CUSTOMERS"), RECOMMENDED AND SOLD THE ELIGIBLE CUSTOMERS MORE EXPENSIVE SHARE CLASSES WHEN LESS EXPENSIVE SHARE CLASSES WERE AVAILABLE, CONTRARY TO THE FIRM'S REPRESENTATIONS TO THE ELIGIBLE CUSTOMERS, DUE TO THREE ISSUES WITH ITS SHARE CLASS SELECTION CALCULATOR. THE SEC FOUND THAT, IN RELATION TO THE FOREGOING, THE FIRM WILLFULLY VIOLATED SECTIONS 17(A)(2) AND 17(A)(3) OF THE SECURITIES ACT OF 1933.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 11/07/2019

**Docket/Case Number:** 3-19599

**Principal Product Type:** Mutual Fund(s)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Cease and Desist



<b>Other Sanction(s)/Relief Sought:</b>	CENSURE, CIVIL AND ADMINISTRATIVE, PENALTY(IES)/FINE(S), DISGORGEMENT, OTHER - PREJUDGMENT INTEREST
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	11/07/2019
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$1,500,000.00 Disgorgement/Restitution Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	PREJUDGMENT INTEREST
<b>Sanction Details:</b>	THE FIRM CONSENTED, WITHOUT ADMITTING OR DENYING THE FINDINGS, TO A CENSURE, TO CEASE AND DESIST FROM COMMITTING OR CAUSING FUTURE VIOLATIONS, TO PAY A CIVIL PENALTY OF \$1,500,000 AND TO PAY DISGORGEMENT OF \$42,389.41 AND PREJUDGMENT INTEREST OF \$3,369.58. THE CIVIL PENALTY, DISGORGEMENT AND PREJUDGMENT INTEREST WAS PAID ON OR AROUND NOVEMBER 19, 2019.
<b>Firm Statement</b>	THE FIRM HAS COMPLETED FULL REMEDIATION OF APPROXIMATELY 99% OF THE OVERCHARGES TO CUSTOMERS, BY CREDITING THE ACCOUNTS OF CURRENT CUSTOMERS AND MAILING REIMBURSEMENT CHECKS OR OTHERWISE DIRECTING PAYMENTS AS INSTRUCTED BY FORMER CUSTOMERS. DESPITE REASONABLE EFFORTS, THE FIRM IS UNABLE TO LOCATE AND/OR CONTACT 226 FORMER ACCOUNT HOLDERS, REPRESENTING \$45,758.99 IN REMEDIATION PROCEEDS. THE FIRM HAS ALSO CORRECTED THE FLAWS WITH ITS SHARE CLASS SELECTION CALCULATOR.

## Disclosure 9 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	SEC ADMIN RELEASE 34-86988, IA RELEASE 5354 / SEPTEMBER 17, 2019: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE INSTITUTED AGAINST MORGAN STANLEY SMITH BARNEY, LLC ("MSSB" OR "RESPONDENT"). ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THIS MATTER INVOLVES VIOLATIONS OF MUNICIPAL SECURITIES RULEMAKING BOARD ("MSRB") RULES BY MSSB. BETWEEN JUNE 2013 AND DECEMBER 2017, MSSB RECOMMENDED 135 "SWAP" TRANSACTIONS TO ITS RETAIL CUSTOMERS IN WHICH THE CUSTOMER SOLD ONE MUNICIPAL BOND WHILE ALSO PURCHASING



ANOTHER BOND THAT WAS NEARLY IDENTICAL TO THE BOND SOLD OR THAT OTHERWISE APPEARED TO PROVIDE NO APPARENT ECONOMIC BENEFIT TO THE CUSTOMER. WHILE MSSB'S POLICIES AND PROCEDURES REQUIRED ITS EMPLOYEES TO DETERMINE THAT EACH BOND SWAP WAS SUITABLE PRIOR TO RECOMMENDING THE TRANSACTION TO THE CUSTOMER, THERE WAS NO EVIDENCE THAT SUCH DETERMINATION WAS MADE OR REVIEWED WITH RESPECT TO ANY OF THESE SWAPS. IN 69 INSTANCES, MSSB RECOMMENDED AND EXECUTED SWAP TRANSACTIONS WHERE THE MUNICIPAL BONDS BEING BOUGHT AND SOLD WERE NEARLY IDENTICAL. THE YIELD ON THE BONDS PURCHASED WAS, IN MOST INSTANCES, LOWER THAN THE YIELD ON THE BONDS SOLD. IN THOSE INSTANCES IN WHICH THE YIELD WAS NOT LOWER, IT WAS EITHER THE SAME OR ONLY SLIGHTLY HIGHER - MEANING THAT THE COSTS INCURRED TO EFFECTUATE THE TRANSACTIONS NEGATED ANY PICK UP IN YIELD. AS A RESULT, BASED ON THE BONDS' FEATURES, IT DOES NOT APPEAR THAT MSSB HAD A REASONABLE BASIS TO BELIEVE THAT THE RECOMMENDED SWAPS WERE SUITABLE. MSSB RECEIVED COMMISSIONS AND FEES TOTALING \$178,621.63 IN CONNECTION WITH THESE 69 TRANSACTIONS. IN 66 INSTANCES, MSSB RECOMMENDED AND EXECUTED SWAP TRANSACTIONS WHERE THE ISSUERS WERE DIFFERENT, BUT THE BONDS BEING BOUGHT AND SOLD SHARED FEATURES. BASED ON THE BONDS' FEATURES, IT DOES NOT APPEAR THAT MSSB HAD A REASONABLE BASIS TO BELIEVE THAT THE RECOMMENDED SWAPS WERE SUITABLE. MSSB RECEIVED COMMISSIONS AND FEES TOTALING \$163,520.32 IN CONNECTION WITH THESE 66 TRANSACTIONS. AT THE TIME THE TRANSACTIONS WERE RECOMMENDED OR EXECUTED, MSSB DID NOT DOCUMENT INFORMATION ABOUT ITS CUSTOMERS THAT INDICATED THAT ANY OF THE 135 SWAPS WERE SUITABLE FOR THESE PARTICULAR CUSTOMERS. MSSB HAS PAID REMUNERATION TO CUSTOMERS IN THE AMOUNT OF \$394,556.85, WHICH INCLUDES INTEREST ACCRUED SINCE THE RELEVANT TRANSACTION DATES. AS A RESULT, MSSB WILLFULLY VIOLATED MSRB RULES G-8, G-17, G-19, AND G-27 AND SECTION 15(B)(C)(1) OF THE EXCHANGE ACT.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 09/17/2019

**Docket/Case Number:** 3-19467

**Principal Product Type:** Debt - Municipal

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Cease and Desist



**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 09/17/2019

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** Yes

**Sanctions Ordered:** Censure  
Monetary/Fine \$225,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** RESPONDENT IS TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 15B(C)(1) OF THE EXCHANGE ACT AND MSRB RULES G-8, G-17, G-19, AND G-27, AND IS CENSURED. RESPONDENT SHALL, WITHIN TEN (10) DAYS OF THE ISSUANCE OF THIS ORDER, PAY A CIVIL MONETARY PENALTY FOR \$225,000.

**Regulator Statement** RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE OFFER) WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN THE RESPONDENT'S OFFER. ACCORDINGLY, IT IS HEREBY ORDERED THAT RESPONDENT IS TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 15B(C)(1) OF THE EXCHANGE ACT AND MSRB RULES G-8, G-17, G-19, AND G-27, AND IS CENSURED. RESPONDENT SHALL, WITHIN TEN (10) DAYS OF THE ISSUANCE OF THIS ORDER, PAY A CIVIL MONETARY PENALTY FOR \$225,000, OF WHICH \$112,500.00 SHALL BE TRANSFERRED TO THE MUNICIPAL SECURITIES RULEMAKING BOARD IN ACCORDANCE WITH SECTION 15B(C)(9)(A) OF THE EXCHANGE ACT, AND OF WHICH THE REMAINING \$112,500.00 SHALL BE TRANSFERRED TO THE GENERAL FUND OF THE UNITED STATES TREASURY, SUBJECT TO EXCHANGE ACT SECTION 21F(G)(3).

**Reporting Source:** Firm

**Current Status:** Final



<b>Allegations:</b>	THE SECURITIES AND EXCHANGE COMMISSION (SEC) ALLEGED THAT THE FIRM RECOMMENDED 135 'SWAP' TRANSACTIONS TO ITS RETAIL CUSTOMERS THAT APPEARED TO PROVIDE NO ECONOMIC BENEFIT TO THE CUSTOMER. THE SEC ALLEGED THAT THE FIRM WILLFULLY VIOLATED MSRB RULES G-8, G-17, G-19 AND G-27 AND SECTION 15(B)(C)(1) OF THE SECURITIES EXCHANGE ACT OF 1934 (EXCHANGE ACT).
<b>Initiated By:</b>	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
<b>Date Initiated:</b>	09/17/2019
<b>Docket/Case Number:</b>	3-19467
<b>Principal Product Type:</b>	Debt - Municipal
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CEASE AND DESIST, CENSURE
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	09/17/2019
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$225,000.00 Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO A CENSURE, TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 15B(C)(1) OF THE EXCHANGE ACT AND MSRB RULES G-8, G-17, G-19 AND G-27, AND TO PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$225,000.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO A CENSURE, TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 15B(C)(1) OF THE EXCHANGE ACT AND MSRB RULES G-8, G-17, G-19 AND G-27, AND TO PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$225,000.

#### Disclosure 10 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final



<b>Allegations:</b>	UNLICENSED BRANCHES
<b>Initiated By:</b>	NEVADA
<b>Date Initiated:</b>	04/26/2018
<b>Docket/Case Number:</b>	C115-024
<b>URL for Regulatory Action:</b>	
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	04/26/2018
<b>Sanctions Ordered:</b>	Monetary/Fine \$12,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	RESPONDENT ORDERED TO PAY THE NEVADA SECRETARY OF STATE A CIVIL PENALTY IN THE AMOUNT OF \$12,000.00, AND \$1,000.00 FOR THE DIVISION'S INSPECTION OF RECORDS FEE.
<b>Regulator Statement</b>	RESPONDENT VIOLATED NRS 90.360(2) AND NAC 90.392 BY MAINTAINING BRANCH OFFICE LOCATIONS IN THE STATE OF NEVADA WITHOUT OBTAINING A LICENSE FROM THE DIVISION.
<hr style="border-top: 1px dashed #00AEEF;"/>	
<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	NON-REGISTRATION AS BRANCH OFFICES UNDER NEVADA LAW OF PERSONAL RESIDENCES OF ASSOCIATED PERSONS IN NEVADA USED AS ALTERNATIVE WORK LOCATIONS IN COMPLIANCE WITH FINRA RULES
<b>Initiated By:</b>	STATE OF NEVADA, OFFICE OF THE SECRETARY OF STATE, SECURITIES DIVISION
<b>Date Initiated:</b>	04/16/2019
<b>Docket/Case Number:</b>	C115-024
<b>Principal Product Type:</b>	No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 04/16/2019

**Sanctions Ordered:** Monetary/Fine \$12,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** \$12,000 CIVIL PENALTY PAID ON 4/26/2018

**Firm Statement**

APPLICANT ENTERED INTO AN ADMINISTRATIVE CONSENT ORDER EFFECTIVE AS OF APRIL 16, 2019, WHICH PROVIDED THAT APPLICANT "WILL CEASE FROM VIOLATING THE [NEVADA UNIFORM SECURITIES] ACT, AND THE REGULATIONS ADOPTED THEREUNDER, AND WILL COMPLY WITH SAID ACT AND REGULATIONS IN THE FUTURE;" APPLICANT "SHALL OBTAIN A BRANCH OFFICE LICENSE FOR ALL PLACES OF BUSINESS IN THE STATE OF NEVADA FROM WHICH ONE OR MORE SALES REPRESENTATIVES TRANSACT BUSINESS IN ACCORDANCE WITH NRS 90.360(2) AND NAC 90.392;" AND APPLICANT WILL PAY "A CIVIL PENALTY IN THE AMOUNT OF TWELVE THOUSAND DOLLARS AND NO CENTS (\$12,000.00)."

**Disclosure 11 of 55**

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH AND IMPLEMENT ANTI-MONEY LAUNDERING (AML) POLICIES AND PROCEDURES THAT WERE REASONABLY EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS. THE FINDINGS STATED THAT THE FIRM FAILED TO CONDUCT REASONABLE SURVEILLANCE OF WIRE AND FOREIGN CURRENCY TRANSFERS. SEVERAL OF THE SYSTEMS THAT THE FIRM USED TO SEND AND RECEIVE WIRE TRANSFER INFORMATION WERE IMPACTED BY SIGNIFICANT DESIGN LIMITATIONS AND PROGRAMING FLAWS, WHICH AFFECTED THE TRANSMISSION OF CERTAIN TRANSACTION RELATED INFORMATION TO THE FIRM'S AUTOMATED TRANSACTION MONITORING SYSTEM. AS A CONSEQUENCE, THE FIRM FAILED TO SURVEIL WIRE AND FOREIGN





CURRENCY TRANSFERS, INCLUDING TRANSFERS TO AND FROM COUNTRIES KNOWN FOR HAVING HIGH MONEY LAUNDERING RISK. THE FIRM ALSO FAILED TO DEVOTE SUFFICIENT RESOURCES TO REVIEW ALERTS GENERATED BY ITS AUTOMATED AML SYSTEM, AND AS A RESULT, ITS AML ANALYSTS OFTEN CLOSED ALERTS WITHOUT SUFFICIENTLY CONDUCTING OR DOCUMENTING THEIR INVESTIGATIONS OF THE POTENTIALLY SUSPICIOUS WIRE TRANSFERS THAT GENERATED THE ALERTS. THE FIRM'S AML DEPARTMENT FAILED TO REASONABLY MONITOR CUSTOMERS' DEPOSITS AND TRADES OF LOW PRICED SECURITIES (PENNY STOCK) FOR POTENTIAL AML ISSUES, INCLUDING INSIDER TRADING AND MARKET MANIPULATIONS. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH SECTION 5 OF THE SECURITIES ACT OF 1933 (SECTION 5) AND APPLICABLE RULES AND REGULATIONS. SPECIFICALLY, THE FIRM DIVIDED RESPONSIBILITY FOR VETTING ITS CUSTOMERS' DEPOSITS AND SALES OF PENNY STOCK AMONG ITS BRANCH MANAGEMENT, COMPLIANCE DEPARTMENT AND EXECUTIVE FINANCIAL SERVICES (EFS) DEPARTMENT WITHOUT REASONABLE COORDINATION AMONG THEM. NONE OF THESE GROUPS, ALONE OR TOGETHER, CONDUCTED A SEARCHING INQUIRY TO DETERMINE WHETHER PENNY STOCK DEPOSITED AT THE FIRM WAS ELIGIBLE FOR IMMEDIATE RESALE TO THE PUBLIC. INSTEAD, THE FIRM UNDULY RELIED ON CUSTOMERS' SELF-CERTIFICATIONS AND ISSUERS' COUNSEL'S REPRESENTATIONS THAT THE STOCK WAS FREELY TRADEABLE. ADDITIONALLY, THE GROUPS FAILED TO CONSISTENTLY COMMUNICATE WITH EACH OTHER, EVEN WHEN ONE DETERMINED THAT A CUSTOMER MIGHT OWN RESTRICTED SECURITIES. AS A RESULT, THE FIRM FAILED TO REASONABLY EVALUATE THE CUSTOMERS' PENNY STOCK TRANSACTIONS FOR RED FLAGS INDICATIVE OF POTENTIAL SECTION 5 VIOLATIONS. THE FINDINGS ALSO INCLUDED THE FIRM HAD IN PLACE BUT FAILED TO IMPLEMENT ITS POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT AND ITS IMPLEMENTING REGULATIONS BY FAILING TO CONDUCT RISK BASED REVIEWS OF THE CORRESPONDENT ACCOUNTS OF CERTAIN FOREIGN FINANCIAL INSTITUTIONS (FFIS).

**Initiated By:** FINRA  
**Date Initiated:** 12/26/2018  
**Docket/Case Number:** [2014041196601](#)  
**Principal Product Type:** Penny Stock(s)  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:**



**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/26/2018

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$10,000,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$10,000,000. FINES PAID IN FULL ON JANUARY 7, 2019.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT MSSB VIOLATED FINRA RULES 3310(A) AND 2010 AND NASD RULE 3010(A).

**Initiated By:** FINRA

**Date Initiated:** 12/26/2018

**Docket/Case Number:** [2014041196601](#)

**Principal Product Type:** Penny Stock(s)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Censure

**Other Sanction(s)/Relief Sought:** FINE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/26/2018

**Sanctions Ordered:** Censure  
Monetary/Fine \$10,000,000.00

**Other Sanctions Ordered:****Sanction Details:**

THE FINE WAS PAID ON 1/7/2019.

**Firm Statement**

ON DECEMBER 26, 2018, THE FIRM AND FINRA ENTERED INTO AN AWC IN CONNECTION WITH ALLEGATIONS THAT THE FIRM FAILED TO: (1) DEVELOP AND IMPLEMENT AN ANTI-MONEY LAUNDERING (AML) PROGRAM THAT WAS REASONABLY DESIGNED TO ACHIEVE AND MONITOR THE FIRM'S COMPLIANCE WITH THE REQUIREMENTS OF THE BANK SECRECY ACT (BSA) AND ITS IMPLEMENTING REGULATIONS, INCLUDING THE FAILURE TO ESTABLISH AND IMPLEMENT POLICIES AND PROCEDURES THAT WERE REASONABLY DESIGNED TO DETECT AND CAUSE THE REPORTING OF POTENTIALLY SUSPICIOUS ACTIVITY IN CERTAIN RESPECTS; (2) ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH SECTION 5 OF THE SECURITIES ACT OF 1933 (SECURITIES ACT) AND APPLICABLE RULES AND REGULATIONS; AND (3) IMPLEMENT ITS POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BSA AND ITS IMPLEMENTING REGULATIONS BY FAILING TO CONDUCT RISK-BASED REVIEWS OF THE CORRESPONDENT ACCOUNTS OF CERTAIN FOREIGN FINANCIAL INSTITUTIONS, AS REQUIRED BY THE BSA AND ITS IMPLEMENTING REGULATIONS AND THE FIRM'S POLICIES AND PROCEDURES. WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE ENTRY OF FINDINGS, THE IMPOSITION OF A FINE IN THE AMOUNT OF \$10,000,000 AND A CENSURE.

**Disclosure 12 of 55**

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** THE BUREAU DETERMINED THAT A FORMER REGISTERED REPRESENTATIVE OF MORGAN STANLEY, JUSTIN AMARAL, ENGAGED IN SEVERAL VIOLATIONS OF NEW HAMPSHIRE SECURITIES LAWS INCLUDING EXCESSIVE TRADING AND UNSUITABLE SWITCHING OF ANNUITIES. ADDITIONALLY, THE BUREAU DETERMINED THAT MORAN STANLEY AND/OR ITS PREDECESSOR FIRMS FAILED TO REASONABLY SUPERVISE FORMER REGISTERED REPRESENTATIVE JUSTIN AMARAL.

**Initiated By:** NEW HAMPSHIRE BUREAU OF SECURITIES REGULATION

**Date Initiated:** 10/16/2015

**Docket/Case Number:** C-2015000021

**URL for Regulatory Action:** [HTTP://SOS.NH.GOV/ENFORCEACT.ASPX](http://SOS.NH.GOV/ENFORCEACT.ASPX)

**Principal Product Type:** Mutual Fund(s)



<b>Other Product Type(s):</b>	IPO CLOSED-END FUNDS AND ANNUITIES
<b>Principal Sanction(s)/Relief Sought:</b>	Restitution
<b>Other Sanction(s)/Relief Sought:</b>	ADMINISTRATIVE FINES
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	11/27/2018
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Monetary/Fine \$983,284.96 Disgorgement/Restitution
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	MORGAN STANLEY PAID: RESTITUTION TO INVESTOR #1 AND INVESTOR #2, COLLECTIVELY, IN THE AMOUNT OF \$187702.91; RESTITUTION TO INVESTOR #3 IN THE AMOUNT OF \$295582.05; AN ADMINISTRATIVE FINE IN THE AMOUNT OF \$450000.00; AND COSTS TO THE BUREAU IN THE AMOUNT OF \$50000.00. IN TOTAL, MORGAN STANLEY PAID 983284.96.
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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	THE STATE OF NEW HAMPSHIRE DEPARTMENT OF STATE, BUREAU OF SECURITIES DIVISION ALLEGED THAT THE FIRM FAILED TO SUPERVISE A FINANCIAL ADVISOR WHO ENGAGED IN EXCESSIVE TRADING AND UNSUITABLE SWITCHING OF ANNUITIES IN THE ACCOUNTS OF THREE INVESTORS.
<b>Initiated By:</b>	STATE OF NEW HAMPSHIRE DEPARTMENT OF STATE, BUREAU OF SECURITIES DIVISION
<b>Date Initiated:</b>	11/27/2018
<b>Docket/Case Number:</b>	C-2015-000021
<b>Principal Product Type:</b>	Equity Listed (Common & Preferred Stock)
<b>Other Product Type(s):</b>	MUTUAL FUNDS, ANNUITIES



<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	11/27/2018
<b>Sanctions Ordered:</b>	Monetary/Fine \$450,000.00 Disgorgement/Restitution
<b>Other Sanctions Ordered:</b>	\$50,000 IN COSTS
<b>Sanction Details:</b>	THE FIRM WAS ORDERED TO PAY \$450,000 IN FINES, \$50,000 IN COSTS, AND \$483,284.96 IN RESTITUTION. THE FIRM MADE PAYMENT OF THE FINE, COSTS, AND RESTITUTION ON DECEMBER 17, 2018.
<b>Firm Statement</b>	ON NOVEMBER 27, 2018, MORGAN STANLEY SMITH BARNEY LLC (FIRM) AND THE STATE OF NEW HAMPSHIRE DEPARTMENT OF STATE, BUREAU OF SECURITIES DIVISION ENTERED INTO A CONSENT AGREEMENT IN CONNECTION WITH ALLEGATIONS THAT, FROM MAY 1, 2007 THROUGH MAY 1, 2014, THE FIRM FAILED TO SUPERVISE A FINANCIAL ADVISOR WHO ENGAGED IN EXCESSIVE TRADING, AND UNSUITABLE SWITCHING OF ANNUITIES IN THREE INVESTORS' ACCOUNTS. WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO THE IMPOSITION OF AN ADMINISTRATIVE FINE OF \$450,000, AND \$50,000 IN COSTS, AND TO PAYMENT \$187,702.91 AND \$295,582.05 AS RESTITUTION TO THREE INVESTORS.

#### Disclosure 13 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	SEC ADMIN RELEASE 34-83571, IA RELEASE 40-4953 / JUNE 29, 2018: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTION 15(B) OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AND SECTIONS 203(E) AND 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT") AGAINST MORGAN STANLEY SMITH BARNEY LLC ("MSSB" OR "RESPONDENT"). THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE OUT OF MSSB'S FAILURE TO ADOPT POLICIES AND PROCEDURES REASONABLY



DESIGNED TO PREVENT MSSB PERSONNEL FROM MISUSING AND MISAPPROPRIATING FUNDS IN CLIENT ACCOUNTS. FROM AT LEAST 2009 TO THE PRESENT, MSSB PERMITTED ITS INVESTMENT ADVISER REPRESENTATIVES AND REGISTERED REPRESENTATIVES, WHICH MSSB REFERRED TO AS FINANCIAL ADVISORS ("FAS"), TO INITIATE THIRD-PARTY DISBURSEMENTS FROM CLIENT ACCOUNTS OF OUTGOING WIRE TRANSFERS AND JOURNALS OF UP TO \$100,000 PER DAY PER ACCOUNT BASED ON THE FA'S ATTESTATION ON AN INTERNAL ELECTRONIC FORM THAT THE FA HAD RECEIVED A VERBAL REQUEST FROM THE CLIENT BY PHONE OR IN-PERSON AND PROVIDING CERTAIN DETAILS ABOUT THE REQUEST. WHILE MSSB POLICIES PROVIDED FOR CERTAIN REVIEWS PRIOR TO ISSUING THE DISBURSEMENTS, SUCH REVIEWS WERE NOT REASONABLY DESIGNED TO DETECT OR PREVENT AN FA MAKING FALSE ATTESTATIONS ABOUT HAVING RECEIVED A VERBAL CLIENT REQUEST TO TRANSFER FUNDS TO A THIRD-PARTY FOR THE FA'S BENEFIT. MSSB'S INSUFFICIENT POLICIES AND PROCEDURES CONTRIBUTED TO ITS FAILURE TO DETECT OR PREVENT AN FA FROM MISAPPROPRIATING FUNDS FROM CLIENT ACCOUNTS OVER A PERIOD OF NEARLY A YEAR. FROM DECEMBER 2015 UNTIL NOVEMBER 2016, BARRY F. CONNELL ("CONNELL"), WHILE EMPLOYED AS AN FA, INITIATED OVER \$7 MILLION IN UNAUTHORIZED TRANSACTIONS OUT OF THE ACCOUNTS OF FOUR OF HIS ADVISORY CLIENTS BY MAKING FALSE ATTESTATIONS ON APPROXIMATELY 90 INTERNAL ELECTRONIC FORMS TO INITIATE THIRD-PARTY TRANSFERS BETWEEN CERTAIN CLIENT ACCOUNTS AND THIRD-PARTY WIRES FROM CLIENT ACCOUNTS FOR HIS BENEFIT, AS WELL AS BY HIS UNAUTHORIZED USE OF APPROXIMATELY 20 CLIENT ACCOUNT CHECKS. THROUGH THESE UNAUTHORIZED TRANSACTIONS, CONNELL MISAPPROPRIATED OVER \$5 MILLION FROM THE CLIENT ACCOUNTS TO FUND HIS LAVISH LIFESTYLE. MSSB DID NOT DETECT THAT ANY OF THESE TRANSACTIONS WERE UNAUTHORIZED FOR NEARLY A YEAR UNTIL THE DEFRAUDED CLIENTS CONTACTED MSSB WITH QUESTIONS ABOUT THEIR ACCOUNTS. ACCORDINGLY, MSSB ALSO FAILED REASONABLY TO SUPERVISE CONNELL.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 06/29/2018

**Docket/Case Number:** 3-18566

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other



<b>Other Sanction(s)/Relief Sought:</b>	N/A
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	06/29/2018
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	Yes
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$3,600,000.00 Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	UNDERTAKINGS
<b>Sanction Details:</b>	MSSB IS CENSURED AND ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER. MSSB SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$3,600,000 TO THE SECURITIES AND EXCHANGE COMMISSION. MSSB IS ALSO ORDERED TO COMPLY WITH CERTAIN UNDERTAKINGS.
<b>Regulator Statement</b>	RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. MSSB WILLFULLY VIOLATED SECTION 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER. MSSB FAILED REASONABLY TO SUPERVISE AN INDIVIDUAL, WITHIN THE MEANING OF SECTION 203(E)(6) OF THE ADVISERS ACT, WITH A VIEW TO PREVENTING VIOLATIONS OF SECTIONS 206(1) AND 206(2) OF THE ADVISERS ACT. IT IS ORDERED THAT MSSB IS CENSURED AND SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER. MSSB SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$3,600,000 TO THE SECURITIES AND EXCHANGE COMMISSION. MSSB IS ALSO ORDERED TO COMPLY WITH CERTAIN UNDERTAKINGS.
<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final



**Allegations:** THE SEC ALLEGED THAT MSWM WILLFULLY VIOLATED CERTAIN SECTIONS OF THE INVESTMENT ADVISERS ACT OF 1940, SPECIFICALLY SECTION 206(4) AND RULE 206(4)-7 THEREUNDER, AS WELL AS SECTION 203(E)(6).

**Initiated By:** U.S. SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 06/29/2018

**Docket/Case Number:** FILE NO. 3-18566

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:** CENSURE, CIVIL PENALTY, UNDERTAKING

**Resolution:** Order

**Resolution Date:** 06/29/2018

**Sanctions Ordered:** Censure  
Monetary/Fine \$3,600,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:** UNDERTAKINGS

**Sanction Details:** THE CIVIL PENALTY WAS PAID ON JULY 17, 2018.

**Firm Statement** ON JUNE 29, 2018, THE SEC ENTERED INTO A SETTLEMENT ORDER WITH MSWM SETTLING AN ADMINISTRATIVE ACTION WHICH RELATES TO MISAPPROPRIATION OF CLIENT FUNDS IN FOUR RELATED ACCOUNTS BY A SINGLE FORMER MSWM FINANCIAL ADVISOR ("FA"). THE SEC FOUND THAT MSWM FAILED TO ADOPT AND IMPLEMENT POLICIES AND PROCEDURES OR SYSTEMS REASONABLY DESIGNED TO PREVENT PERSONNEL FROM MISAPPROPRIATING ASSETS IN CLIENT ACCOUNTS. THE SEC SPECIFICALLY FOUND THAT, OVER THE COURSE OF ELEVEN MONTHS, THE FA INITIATED UNAUTHORIZED TRANSACTIONS IN THE FOUR RELATED CLIENT ACCOUNTS IN ORDER TO MISAPPROPRIATE CLIENT FUNDS. THE SEC FOUND THAT WHILE MSWM POLICIES PROVIDED FOR CERTAIN REVIEWS PRIOR TO ISSUING DISBURSEMENTS, SUCH REVIEWS WERE NOT REASONABLY DESIGNED TO PREVENT FAS FROM MISAPPROPRIATING CLIENT FUNDS. UPON BEING INFORMED OF THE ISSUE BY REPRESENTATIVES OF THE FA'S AFFECTED CLIENTS, MSWM PROMPTLY CONDUCTED AN INTERNAL INVESTIGATION, TERMINATED THE FA, AND REPORTED THE FRAUD TO LAW ENFORCEMENT AGENCIES. MSWM ALSO FULLY REPAID THE AFFECTED CLIENTS, MADE SIGNIFICANT ENHANCEMENTS TO ITS POLICIES, PROCEDURES AND SYSTEMS





("ENHANCED MSWM POLICIES") AND HIRED ADDITIONAL FRAUD OPERATIONS PERSONNEL. THE SEC FOUND THAT MSWM WILLFULLY VIOLATED SECTION 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER. THE SEC ALSO FOUND THAT MSWM FAILED TO SUPERVISE THE FA PURSUANT TO ITS OBLIGATIONS UNDER SECTION 203(E)(6) OF THE ADVISERS ACT. MSWM CONSENTED, WITHOUT ADMITTING OR DENYING THE FINDINGS, TO A CENSURE; TO CEASE AND DESIST FROM COMMITTING OR CAUSING FUTURE VIOLATIONS; TO CERTAIN UNDERTAKINGS, INCLUDING CERTIFICATIONS RELATED TO THE IMPLEMENTATION AND ADEQUACY OF THE ENHANCED MSWM POLICIES AND TO PAY A CIVIL PENALTY OF \$3,600,000.

#### Disclosure 14 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT DID NOT SEND APPROXIMATELY FOUR MILLION MARGIN DISCLOSURES AS REQUIRED UNDER FINRA RULE 2264(B) DURING 2012, 2013 AND 2014. THE FINDINGS STATED THAT FINRA RULE 2264(B) PROVIDES THAT, NOT LESS THAN ONCE A CALENDAR YEAR, A MEMBER DELIVER IN PAPER OR ELECTRONIC FORM CERTAIN MARGIN DISCLOSURES SPECIFIED IN THE RULE TO ALL NON-INSTITUTIONAL CUSTOMERS WITH MARGIN ACCOUNTS. THESE DISCLOSURES ALERT CUSTOMERS TO RISKS AND PROCEDURES RELATING TO TRADING SECURITIES ON MARGIN. FROM 2012 THROUGH 2014, THE FIRM HAD A PROCESS IN PLACE TO COMPLY WITH ITS OBLIGATIONS UNDER FINRA RULE 2264(B) THAT RELIED ON VARIOUS INDIVIDUALS AND GROUPS PROVIDING REQUIRED DISCLOSURES FOR INCLUSION IN MAILINGS TO CUSTOMERS. PRIOR TO 2015, THE FIRM DID NOT FORMALLY DESIGNATE ANY ONE PERSON OR GROUP TO ENSURE THAT REQUIRED YEARLY MARGIN DISCLOSURE STATEMENTS UNDER RULE 2264(B) WERE INCLUDED IN MAILINGS TO CUSTOMERS WITH MARGIN ACCOUNTS.

**Initiated By:** FINRA

**Date Initiated:** 11/17/2017

**Docket/Case Number:** [2016049857301](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**



**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 11/17/2017

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$150,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$150,000. FINES PAID IN FULL ON NOVEMBER 28, 2017.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT THE FIRM DID NOT SEND CERTAIN MARGIN DISCLOSURES TO CLIENTS AS REQUIRED UNDER FINRA RULE 2264(B) DURING 2012, 2013 AND 2014 IN VIOLATION OF FINRA RULES 2010 AND 2264(B).

**Initiated By:** FINRA

**Date Initiated:** 11/17/2017

**Docket/Case Number:** [2016049857301](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 11/17/2017



**Sanctions Ordered:** Censure  
Monetary/Fine \$150,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FINE OF \$150,000 WAS PAID ON NOVEMBER 29, 2017.

**Firm Statement** ON NOVEMBER 17, 2017, MORGAN STANLEY SMITH BARNEY LLC WAS ASSESSED A FINE OF \$150,000 BY FINRA IN CONNECTION WITH ALLEGATIONS THAT THE FIRM DID NOT SEND CERTAIN MARGIN DISCLOSURES TO CLIENTS AS REQUIRED UNDER FINRA RULE 2264(B) DURING 2012, 2013 AND 2014 IN VIOLATION OF FINRA RULES 2010 AND 2264(B).

### Disclosure 15 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES (WSPS) REASONABLY DESIGNED TO DETECT AND PREVENT UNSUITABLE SHORT-TERM TRADING OF UNIT INVESTMENT TRUSTS (UITs). THE FINDINGS STATED THAT THE FIRM EXECUTED MORE THAN \$33.4 BILLION IN UIT TRANSACTIONS GENERATING MORE THAN \$650 MILLION IN SALES CREDITS AND COMMISSIONS. THE \$33.4 BILLION IN UIT TRANSACTIONS INCLUDED MORE THAN \$5.2 BILLION IN UIT TRANSACTIONS INVOLVING "EARLY ROLLOVERS," DEFINED BY THE FIRM AS UITs ROLLED OVER MORE THAN 100 DAYS BEFORE MATURITY. THE FIRM FAILED TO ADEQUATELY SUPERVISE REPRESENTATIVES' SALES OF UITs IN SEVERAL RESPECTS. FIRST, ALTHOUGH THE FIRM'S COMPLIANCE PROCEDURES NOTED THAT "UITs ARE INTENDED TO BE LONG-TERM INVESTMENTS," THE FIRM'S PROCEDURES OFFERED INSUFFICIENT GUIDANCE TO SUPERVISORS REGARDING HOW THEY SHOULD MONITOR AND REVIEW UIT TRANSACTIONS TO DETECT UNSUITABLE SHORT-TERM TRADING OF UITs, INCLUDING SHORT-TERM ROLLOVERS. ALSO, THE FIRM CONDUCTED NO TRAINING FOR REGISTERED REPRESENTATIVES SPECIFIC TO UITs. THE FINDINGS ALSO STATED THAT, THE FIRM HAD AN INADEQUATE SYSTEM TO DETECT POTENTIALLY UNSUITABLE SHORT-TERM UIT ROLLOVERS. THE FIRM'S ORDER ENTRY SYSTEM ALERTED SUPERVISORS TO SHORT-TERM UIT "SWITCHES," WHICH THE FIRM'S PROCEDURES DEFINED AS THE PURCHASE OF A UIT WITHIN 60 DAYS OF THE SALE OF EITHER AN OPEN-END MUTUAL FUND OR UIT. WHEN SUCH A SWITCH WAS IDENTIFIED, THE FIRM REQUIRED THAT THE REPRESENTATIVE PROVIDE A JUSTIFICATION



FOR THE SWITCH, AND A SUPERVISOR REVIEW AND APPROVE THE TRANSACTION PRIOR TO ITS EXECUTION. IF THE SUPERVISOR APPROVED THE TRANSACTION, THE FIRM INSERTED ADDITIONAL DISCLOSURE LANGUAGE ON THE TRADE CONFIRMATION NOTIFYING THE CUSTOMER THAT THE SWITCH COULD RESULT IN NEW SALES CHARGES. FURTHER, CERTAIN UIT SWITCH TRANSACTIONS APPEARED ON THE FIRM'S MULTI-PRODUCT SWITCH REPORT, A SURVEILLANCE REPORT THE FIRM ISSUED TO SUPERVISORS AS A TOOL TO ASSIST WITH THE SUPERVISION OF SUCH TRANSACTIONS. THE FINDINGS ALSO INCLUDED THAT, THE FIRM EXCLUDED UIT ROLLOVERS FROM THE DEFINITION OF A "SWITCH" IN ITS POLICIES AND PROCEDURES. AS A RESULT, IF A REPRESENTATIVE SELECTED "ROLLOVER" AS THE JUSTIFICATION FOR A UIT SWITCH IN THE FIRM'S ORDER ENTRY SYSTEM, UIT ROLLOVERS WERE NOT ROUTED TO SUPERVISORS FOR REVIEW AND APPROVAL PRIOR TO EXECUTION. IN ADDITION, THE FIRM DID NOT INCLUDE DISCLOSURE LANGUAGE ON TRADE CONFIRMATIONS FOR UIT ROLLOVERS. ALSO, BECAUSE THE FIRM EXCLUDED UIT ROLLOVERS FROM THE DEFINITION OF A "SWITCH," UIT ROLLOVERS THAT OTHERWISE WOULD HAVE APPEARED ON THE FIRM'S MULTI-PRODUCT SWITCH REPORT WERE OMITTED FROM THE REPORT. THEREFORE, THE FIRM HAD NO AUTOMATED MECHANISM TO DETECT SHORT-TERM UIT ROLLOVERS. FINRA FOUND THAT HUNDREDS OF FIRM REPRESENTATIVES EXECUTED SHORT-TERM UIT ROLLOVERS IN THOUSANDS OF CUSTOMER ACCOUNTS. IN JUNE 2015, THE FIRM MODIFIED ITS POLICIES AND PROCEDURES TO INCLUDE UIT ROLLOVERS IN THE SWITCH DEFINITION, THEREBY MAKING UIT ROLLOVERS EXECUTED MORE THAN 100 DAYS PRIOR TO MATURITY SUBJECT TO THE FIRM'S SUPERVISORY REVIEW AND APPROVAL PROCESS.

**Initiated By:** FINRA

**Date Initiated:** 09/25/2017

**Docket/Case Number:** [2016048805501](#)

**Principal Product Type:** Unit Investment Trust(s)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 09/25/2017



<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$3,250,000.00 Disgorgement/Restitution
<b>Other Sanctions Ordered:</b>	INTEREST
<b>Sanction Details:</b>	THE FIRM WAS CENSURED, FINED \$3,250,000, AND ORDERED TO PAY RESTITUTION TO 3,020 CUSTOMER ACCOUNTS IN THE AMOUNT OF \$9,786,964.88, PLUS INTEREST. FINES PAID IN FULL ON OCTOBER 13, 2017.
<b>Regulator Statement</b>	IN RESOLVING THIS MATTER, FINRA HAS RECOGNIZED THE FIRM'S COOPERATION IN HAVING: (1) INITIATED, PRIOR TO INTERVENTION BY A REGULATOR, A FIRM-WIDE INVESTIGATION TO IDENTIFY THE SCOPE OF POTENTIALLY UNSUITABLE SHORT-TERM UIT ROLLOVERS, WHICH INVESTIGATION INCLUDED, AMONG OTHER THINGS, THE INTERVIEW OF MORE THAN 65 FIRM PERSONNEL AND THE RETENTION OF AN OUTSIDE CONSULTANT TO CONDUCT A STATISTICAL ANALYSIS OF UIT ROLLOVERS AT THE FIRM; (2) IDENTIFIED CUSTOMERS HARMED BY POTENTIALLY UNSUITABLE SHORT-TERM UIT ROLLOVERS AND ESTABLISHED A PLAN TO PROVIDE REMEDIATION TO THOSE CUSTOMERS; AND (3) PROVIDED SUBSTANTIAL ASSISTANCE TO FINRA IN ITS INVESTIGATION.

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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT VIOLATED NASD RULE 3010 AND FINRA RULES 3110 AND 2010 BY FAILING TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES (WSPS) REASONABLY DESIGNED TO DETECT AND PREVENT POTENTIALLY UNSUITABLE SHORT-TERM TRADING OF UNIT INVESTMENT TRUSTS (UITs), INCLUDING THAT THE FIRM FAILED TO ADEQUATELY SUPERVISE REPRESENTATIVES' SALES OF UITs BY PROVIDING INSUFFICIENT GUIDANCE TO SUPERVISORS REGARDING HOW THEY SHOULD MONITOR AND REVIEW UIT TRANSACTIONS TO DETECT UNSUITABLE SHORT-TERM TRADING OF UITs, INCLUDING SHORT-TERM ROLLOVERS. THE FIRM ALSO FAILED TO CONDUCT TRAINING FOR REGISTERED REPRESENTATIVES SPECIFIC TO UITs DURING THE RELEVANT PERIOD AND HAD AN INADEQUATE SYSTEM, INCLUDING NO



AUTOMATED MECHANISM, TO DETECT POTENTIALLY UNSUITABLE SHORT-TERM UIT ROLLOVERS. IN JUNE 2015, THE FIRM MODIFIED ITS POLICIES AND PROCEDURES TO INCLUDE UIT ROLLOVERS IN THE SWITCH DEFINITION, THEREBY MAKING UIT ROLLOVERS EXECUTED MORE THAN 100 DAYS PRIOR TO MATURITY SUBJECT TO THE FIRM'S SUPERVISORY REVIEW AND APPROVAL PROCESS.

**Initiated By:** FINRA

**Date Initiated:** 09/25/2017

**Docket/Case Number:** [2016048805501](#)

**Principal Product Type:** Unit Investment Trust(s)

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE AND RESTITUTION

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 09/25/2017

**Sanctions Ordered:** Censure  
Monetary/Fine \$3,250,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:**

**Sanction Details:** THE FINE OF \$3,250,000.00 WAS PAID ON OCTOBER 13, 2017. RESTITUTION TO BE PAID WITHIN 120 DAYS.

**Firm Statement** IN RESOLVING THIS MATTER, FINRA HAS RECOGNIZED THE FIRM'S COOPERATION IN HAVING: (1) INITIATED, PRIOR TO INTERVENTION BY A REGULATOR, A FIRM-WIDE INVESTIGATION TO IDENTIFY THE SCOPE OF POTENTIALLY UNSUITABLE SHORT-TERM UIT ROLLOVERS; (2) IDENTIFIED CUSTOMERS HARMED BY POTENTIALLY UNSUITABLE SHORT-TERM UIT ROLLOVERS AND ESTABLISHED A PLAN TO PROVIDED REMEDIATION TO THOSE CUSTOMERS; AND 3) PROVIDED SUBSTANTIAL ASSISTANCE TO FINRA IN ITS INVESTIGATION.

#### Disclosure 16 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED



TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT ROUTINELY FAILED TO SHOW THE CORRECT ORDER RECEIPT TIME AND/OR EXECUTION ON BROKERAGE ORDER MEMORANDUM FOR TRADES IN NATIONAL MARKET SYSTEM (NMS) STOCK EXECUTED THROUGH THE FIRM'S "VERBAL TRADE" PROCESS BY ITS PREFERRED SECURITIES TRADING DESK. THE FINDINGS STATED THAT THE FIRM ROUTINELY FAILED TO REPORT THE CORRECT EXECUTION TIME TO THE FINRA TRADE REPORTING FACILITY (TRF) FOR TRADES IN NMS STOCKS EXECUTED THROUGH THE FIRM'S "VERBAL TRADE" PROCESS BY ITS PREFERRED SECURITIES TRADING DESK. IN ADDITION, THE FIRM FAILED TO TRANSMIT SUCH TRADES TO THE TRF WITHIN THE TIME REQUIRED BY FINRA RULE 7230A. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR FINRA RULES, CONCERNING RECORDATION OF ORDER RECEIPT TIME AND EXECUTION TIME, TRADE REPORTING, AND BEST EXECUTION REQUIREMENTS AS THEY PERTAIN TO NMS PREFERRED SECURITIES. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO CONTEMPORANEOUSLY OR PARTIALLY EXECUTE CUSTOMER ORDERS IN OTC SECURITIES AFTER IT TRADED EACH SUBJECT SECURITY FOR ITS OWN MARKET-MAKING ACCOUNT AT A PRICE THAT WOULD HAVE SATISFIED EACH CUSTOMER'S LIMIT ORDER. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR FINRA RULES, CONCERNING FINRA RULE 5320 (TRADING AHEAD) AS IT PERTAINS TO EXECUTED AND UNEXECUTED ORDERS IN OTC PREFERRED SECURITIES. THE FINDINGS ALSO INCLUDED THAT IN TRANSACTIONS FOR OR WITH A CUSTOMER IN PREFERRED SECURITIES, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR FINRA RULES, CONCERNING BEST EXECUTION REQUIREMENTS AS THEY PERTAIN TO NEW ISSUE NON-CONVERTIBLE PREFERRED OTC SECURITIES. FINRA FOUND THAT THE FIRM FAILED TO EXECUTE ORDERS IN PREFERRED SECURITIES FULLY AND PROMPTLY, AND IN SOME OF THOSE INSTANCES, FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS.

**Initiated By:** FINRA



**Date Initiated:** 08/22/2017

**Docket/Case Number:** [2012034714701](#)

**Principal Product Type:** Other

**Other Product Type(s):** EXCHANGE-TRADED PREFERRED SECURITIES / OVER-THE-COUNTER ("OTC") SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/22/2017

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$500,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** FINRA HAS NOT IMPOSED UNDERTAKINGS IN THIS MATTER BECAUSE THE FIRM HAS ADDRESSED THE SUPERVISORY AND TRAINING DEFICIENCIES IDENTIFIED BY FINRA DURING ITS REVIEWS.

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$500,000, AND ORDERED TO PAY THE TOTAL AMOUNT OF \$103,219.25, PLUS INTEREST, IN RESTITUTION TO INVESTORS. FINES PAID IN FULL ON SEPTEMBER 12, 2017.

**Regulator Statement** FINRA CASE NO. 20120347147 (INCLUDES 20120352216, 20140434333 AND 20150465578)

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT THE FIRM FAILED TO TRANSMIT TRADES TO THE TRF WITHIN THE TIME LIMIT REQUIRED BY FINRA RULE 7230A.

**Initiated By:** FINRA

**Date Initiated:** 08/22/2017





**Docket/Case Number:** [2012034714701](#)

**Principal Product Type:** Other

**Other Product Type(s):** EXCHANGE-TRADED PREFERRED SECURITIES / OVER-THE-COUNTER ("OTC") SECURITIES

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE AND RESTITUTION

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/22/2017

**Sanctions Ordered:** Censure  
Monetary/Fine \$500,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:**

**Sanction Details:** THE FINE OF \$500,000 WAS PAID ON SEPTEMBER 12, 2017. RESTITUTION TO BE PAID WITHIN 120 DAYS.

**Firm Statement**

ON AUGUST 22, 2017, WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT ROUTINELY FAILED TO SHOW THE CORRECT TIME OF ORDER RECEIPT AND/OR EXECUTION ON THE MEMORANDUM OF BROKERAGE ORDERS FOR TRADES IN NATIONAL MARKET SYSTEM (NMS) STOCK EXECUTED THROUGH THE FIRM'S TRADE PROCESS BY ITS PREFERRED SECURITIES TRADING DESK. THE FINDINGS STATED THAT THE FIRM ROUTINELY FAILED TO REPORT THE CORRECT TIME OF EXECUTION TO THE FINRA TRADE REPORTING FACILITY (TRF) FOR TRADES IN NMS STOCKS EXECUTED THROUGH THE FIRM'S TRADE PROCESS BY ITS PREFERRED SECURITIES TRADING DESK. IN ADDITION, THE FIRM FAILED TO TRANSMIT SUCH TRADES TO THE TRF WITHIN THE TIME REQUIRED BY FINRA RULE 7230A.

THE FINDINGS ALSO STATED THAT IN 1,851 INSTANCES, THE FIRM FAILED TO CONTEMPORANEOUSLY OR PARTIALLY EXECUTE 683 CUSTOMER ORDERS IN 66 OVER-THE-COUNTER (OTC) SECURITIES AFTER IT TRADED EACH SUBJECT SECURITY FOR ITS OWN MARKET-MAKING ACCOUNT AT A PRICE THAT WOULD HAVE SATISFIED EACH CUSTOMER'S LIMIT ORDER. IN 74 TRANSACTIONS FOR OR WITH A CUSTOMER IN PREFERRED SECURITIES, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING



MARKET CONDITIONS. FINRA FOUND THAT IN 100 INSTANCES, THE FIRM FAILED TO EXECUTE ORDERS IN PREFERRED SECURITIES FULLY AND PROMPTLY, AND IN 23 OF THOSE SAME INSTANCES, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS.

THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR THE RULES OF FINRA, CONCERNING: (I) RECORDATION OF ORDER RECEIPT TIME AND EXECUTION TIME, TRADE REPORTING, AND BEST EXECUTION REQUIREMENTS AS THEY PERTAIN TO NMS PREFERRED SECURITIES; (II) FINRA RULE 5320 (TRADING AHEAD) AS IT PERTAINS TO EXECUTED AND UNEXECUTED ORDERS IN OTC PREFERRED SECURITIES; AND (III) BEST EXECUTION REQUIREMENTS AS THEY PERTAIN TO NEW ISSUE NON-CONVERTIBLE PREFERRED OTC SECURITIES.

THE FIRM AGREED TO A CENSURE AND TO A FINE OF \$500,000 (COMPRISED OF \$105,000 FOR RECORDKEEPING AND TRADE REPORTING VIOLATIONS, \$160,000 FOR TRADING AHEAD VIOLATIONS, \$10,000 FOR BEST EXECUTION VIOLATIONS, \$25,000 FOR MARKET ORDER TIMELINESS VIOLATIONS, AND \$200,000 FOR SUPERVISION VIOLATIONS), AND AGREED TO PAY RESTITUTION OF \$103,219.25, PLUS INTEREST.

## Disclosure 17 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IN 14 PAIRS OF TRANSACTIONS AND IN 13 MUNICIPAL BOND TRANSACTIONS, THE FIRM PURCHASED MUNICIPAL SECURITIES FOR ITS OWN ACCOUNT FROM A CUSTOMER, OR SOLD MUNICIPAL SECURITIES FOR ITS OWN ACCOUNT TO A CUSTOMER, AT AN AGGREGATE PRICE (INCLUDING ANY MARKUP OR MARKDOWN) THAT WAS NOT FAIR AND REASONABLE, TAKING INTO CONSIDERATION ALL RELEVANT FACTORS, INCLUDING THE BEST JUDGMENT OF THE BROKER, DEALER OR MUNICIPAL SECURITIES DEALER AS TO THE FAIR MARKET VALUE OF THE SECURITIES AT THE TIME OF THE TRANSACTION AND OF ANY SECURITIES EXCHANGED OR TRADED IN CONNECTION WITH THE TRANSACTION, THE EXPENSE INVOLVED IN EFFECTING THE TRANSACTION, THE FACT THAT THE BROKER, DEALER, OR MUNICIPAL SECURITIES DEALER IS ENTITLED TO A PROFIT, AND THE



TOTAL AMOUNT OF THE TRANSACTION. THE FINDINGS STATED THAT IN SIX MUNICIPAL BOND TRANSACTIONS, THE FIRM PURCHASED MUNICIPAL SECURITIES FOR ITS OWN ACCOUNT FROM A CUSTOMER AT AN AGGREGATE PRICE (INCLUDING ANY MARKUP OR MARKDOWN) THAT WAS NOT FAIR AND REASONABLE, TAKING INTO CONSIDERATION ALL RELEVANT FACTORS, INCLUDING THE BEST JUDGMENT OF THE BROKER, DEALER OR MUNICIPAL SECURITIES DEALER AS TO THE FAIR MARKET VALUE OF THE SECURITIES AT THE TIME OF THE TRANSACTION AND OF ANY SECURITIES EXCHANGED OR TRADED IN CONNECTION WITH THE TRANSACTION, THE EXPENSE INVOLVED IN EFFECTING THE TRANSACTION, THE FACT THAT THE BROKER, DEALER, OR MUNICIPAL SECURITIES DEALER IS ENTITLED TO A PROFIT, AND THE TOTAL, AMOUNT OF THE TRANSACTION. THE FINDINGS ALSO STATED THAT IN TWO MUNICIPAL BOND TRANSACTIONS, THE FIRM PURCHASED OR SOLD MUNICIPAL SECURITIES AS AGENT FOR A CUSTOMER FOR A COMMISSION OR SERVICE CHARGE THAT WAS IN EXCESS OF A FAIR AND REASONABLE AMOUNT, TAKING INTO CONSIDERATION ALL RELEVANT FACTORS, INCLUDING THE AVAILABILITY OF THE SECURITIES INVOLVED IN THE TRANSACTION, THE EXPENSE OF EXECUTING OR FILLING THE CUSTOMER'S ORDER, THE VALUE OF THE SERVICES RENDERED BY THE BROKER, DEALER OR MUNICIPAL SECURITIES DEALER, AND THE AMOUNT OF ANY OTHER COMPENSATION RECEIVED OR TO BE RECEIVED BY THE BROKER, DEALER, OR MUNICIPAL SECURITIES DEALER IN CONNECTION WITH THE TRANSACTION.

**Initiated By:** FINRA

**Date Initiated:** 02/15/2017

**Docket/Case Number:** [2014040289101](#)

**Principal Product Type:** Debt - Municipal

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 02/15/2017



**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$115,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** INTEREST

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$115,000 AND ORDERED TO PAY RESTITUTION TO INVESTORS IN THE TOTAL AMOUNT OF \$55,284.28, PLUS INTEREST. FINE PAID IN FULL ON FEBRUARY 24, 2017.

**Regulator Statement** THE TOTAL AMOUNT OF RESTITUTION ARISING FROM THE VIOLATIONS IS \$57,159.52. HOWEVER, THE FIRM ALREADY HAS PAID RESTITUTION TO ADDRESS SOME OF THE VIOLATIONS. THE REMAINING AMOUNT TO BE PAID IS \$55,284.28.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT THE FIRM VIOLATED MSRB RULES G-17, G-30(A) AND G-30(B) BY PURCHASING OR SELLING CERTAIN MUNICIPAL SECURITIES FOR ITS OWN ACCOUNT TO A CUSTOMER AT A PRICE THAT WAS NOT FAIR AND REASONABLE, OR INCLUDING A COMMISSION OR SERVICE CHARGE THAT WAS IN EXCESS OF A FAIR AND REASONABLE AMOUNT.

**Initiated By:** FINRA

**Date Initiated:** 02/15/2017

**Docket/Case Number:** 20140402891-01

**Principal Product Type:** Debt - Municipal

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE, DISGORGEMENT/RESTITUTION

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 02/15/2017



<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$115,000.00 Disgorgement/Restitution
<b>Other Sanctions Ordered:</b>	DISGORGEMENT/RESTITUTION AMOUNT: \$57,159.52
<b>Sanction Details:</b>	THE \$115,000 PENALTY WAS PAID ON FEBRUARY 24, 2017.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, ON FEBRUARY 15, 2017, MORGAN STANLEY SMITH BARNEY LLC (FIRM) AND FINRA ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER, AND CONSENT (AWC) TO SETTLE ALLEGATIONS THAT THE FIRM VIOLATED MSRB RULES G-17, G-30(A) AND G-30(B) BY PURCHASING OR SELLING CERTAIN MUNICIPAL SECURITIES FOR ITS OWN ACCOUNT TO A CUSTOMER AT A PRICE THAT WAS NOT FAIR AND REASONABLE, OR INCLUDING A COMMISSION OR SERVICE CHARGE THAT WAS IN EXCESS OF A FAIR AND REASONABLE AMOUNT. WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO ENTRY OF FINDINGS AND THE IMPOSITION OF A CENSURE AND FINE OF \$115,000, AS WELL AS AGREEING TO PAY RESTITUTION OF \$57,159.52.

## Disclosure 18 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	<p>SEC IA RELEASE 4649/FEBRUARY 14, 2017: THE SECURITIES AND EXCHANGE COMMISSION (COMMISSION) DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTIONS 203(E) AND 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940 (ADVISERS ACT) AGAINST MORGAN STANLEY SMITH BARNEY, LLC. FROM MID-2010 TO MID-2015, MORGAN STANLEY SMITH BARNEY, LLC (MSSB) SOLICITED ADVISORY CLIENTS WITH OVER 600 NON-DISCRETIONARY ADVISORY ACCOUNTS TO PURCHASE SINGLE-INVERSE EXCHANGE-TRADED FUNDS (ETFs), WITHOUT IMPLEMENTING MSSB'S WRITTEN COMPLIANCE POLICIES AND PROCEDURES, WHICH WERE DESIGNED TO PREVENT VIOLATIONS OF THE OF THE ADVISERS ACT, INCLUDING ITS ANTIFRAUD PROVISIONS.</p> <p>MSSB'S COMPLIANCE POLICIES AND PROCEDURES, WHICH WERE ADOPTED IN MARCH 2010, HAD TWO KEY REQUIREMENTS BEFORE ADVISORY CLIENTS WITH NON-DISCRETIONARY ACCOUNTS PURCHASED SINGLE-INVERSE ETFs: (1) EACH CLIENT WAS TO SIGN A CLIENT DISCLOSURE NOTICE, WHICH EXPLAINED CERTAIN RISKS ASSOCIATED WITH INVESTING IN THESE SECURITIES AND THE CLIENT DISCLOSURE</p>



NOTICE WAS TO BE MAINTAINED; AND (2) A MSSB SUPERVISOR WAS TO CONDUCT RISK REVIEWS TO EVALUATE THE SUITABILITY OF THESE INVESTMENTS FOR THAT ADVISORY CLIENT. FOR ABOUT 44% OF THE APPROXIMATELY 1,400 NON-DISCRETIONARY ADVISORY ACCOUNTS THAT PURCHASED SINGLE-INVERSE ETFS ON A SOLICITED BASIS, A CLIENT DISCLOSURE NOTICE WAS NOT SIGNED BY THE CLIENT PRIOR TO THE PURCHASE OF SINGLE-INVERSE ETFS. IN ADDITION, FOR CLIENTS WHOSE PURCHASES OF A SINGLE-INVERSE ETF WERE EXECUTED WITHOUT OBTAINING A SIGNED CLIENT DISCLOSURE NOTICE, THE RISK REVIEWS WERE EITHER DEFICIENT OR NOT CONDUCTED. MSSB ALSO FAILED TO IMPLEMENT OTHER OF ITS COMPLIANCE POLICIES AND PROCEDURES FOR NON-DISCRETIONARY ADVISORY CLIENTS INVESTING IN THESE SECURITIES, INCLUDING THAT THE POSITIONS BE MONITORED ON AN ONGOING BASIS, THAT THE PURCHASE OF SINGLE-INVERSE ETFS BE A HEDGE, AND THAT FINANCIAL ADVISORS COMPLETE SINGLE-INVERSE ETF TRAINING. MANY OF MSSB'S NON-DISCRETIONARY ADVISORY CLIENTS HELD THE SECURITIES FOR MONTHS OR YEARS, DESPITE THE FACT THAT THE CLIENT DISCLOSURE NOTICE STATED THAT SINGLE-INVERSE ETFS ARE TYPICALLY UNSUITABLE FOR INVESTORS WHO PLAN TO HOLD THEM FOR LONGER THAN ONE TRADING SESSION UNLESS USED AS PART OF A TRADING OR HEDGING STRATEGY. MSSB SOLICITED SOME OF THESE CLIENTS TO PURCHASE SINGLE-INVERSE ETFS IN RETIREMENT ACCOUNTS WITH LONG-TERM TIME HORIZONS. MANY OF THE CLIENTS EXPERIENCED LOSSES ASSOCIATED WITH THEIR INVESTMENTS IN THE SINGLE-INVERSE ETFS. MSSB KNEW THE SOLICITATION OF THESE SECURITIES WAS A CONCERN FOR REGULATORS. IN 2010, MSSB ADOPTED COMPLIANCE POLICIES AND PROCEDURES FOR NON-TRADITIONAL ETFS TO MEET INVESTMENT ADVISOR AND BROKER-DEALER REQUIREMENTS. NEVERTHELESS, MSSB WAS AWARE OF WEAKNESSES AND DEFICIENCIES IN THE IMPLEMENTATION OF ITS COMPLIANCE POLICIES AND PROCEDURES. FOR EXAMPLE, A 2010 EXAM CONDUCTED BY THE SEC'S OFFICE OF COMPLIANCE INSPECTIONS AND EXAMINATIONS (OCIE) IDENTIFIED WEAKNESSES WITH MSSB'S DOCUMENTATION OF RISK REVIEWS AND ITS MONITORING OF THE HEDGING REQUIREMENT, YET MSSB FAILED TO TAKE SUFFICIENT CORRECTIVE MEASURES. MSSB'S INTERNAL TESTING FROM 2012 TO 2014 ALSO SHOWED COMPLIANCE DEFICIENCIES WITH NON-DISCRETIONARY ADVISORY ACCOUNTS IN AT LEAST 12 OFFICES. IN ADDITION, AN MSSB 2013 INTERNAL AUDIT REPORT NOTED INADEQUATE MONITORING OF MSSB'S IMPLEMENTATION OF ITS SINGLE-INVERSE ETF POLICY. ACCORDINGLY, MSSB FAILED TO ADEQUATELY IMPLEMENT ITS COMPLIANCE POLICIES AND PROCEDURES, WHICH WERE DESIGNED TO PREVENT UNSUITABLE RECOMMENDATIONS OF SINGLE-INVERSE ETFS FOR ADVISORY CLIENTS WITH NON-DISCRETIONARY ADVISORY ACCOUNTS. MSSB'S FAILURE TO ADEQUATELY IMPLEMENT ITS COMPLIANCE POLICIES AND PROCEDURES WAS A



WILLFUL VIOLATION OF SECTION 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 02/14/2017

**Docket/Case Number:** 3-17845

**Principal Product Type:** Other

**Other Product Type(s):** SINGLE-INVERSE EXCHANGE-TRADED FUNDS

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 02/15/2017

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$8,000,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, MSSB HAS SUBMITTED AN OFFER OF SETTLEMENT THAT THE COMMISSION HAS DETERMINED TO ACCEPT. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN MSSB'S OFFER. ACCORDINGLY, PURSUANT TO SECTIONS 203(E) AND 203(K) OF THE ADVISERS ACT, IT IS HEREBY ORDERED THAT: MSSB IS CENSURED AND SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7 PROMULGATED THEREUNDER. MSSB SHALL, WITHIN 15 DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$8 MILLION TO THE COMMISSION FOR TRANSFER TO THE GENERAL FUND OF THE UNITED STATES TREASURY.



<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	BETWEEN EARLY 2010, AND MID-2015, MSSB FAILED TO ADEQUATELY IMPLEMENT ITS INTERNAL POLICIES APPLICABLE TO SOLICITED INVESTMENTS IN EIGHT SINGLE INVERSE ETFS IN SOME NON-DISCRETIONARY ADVISORY ACCOUNTS, WHICH THE SEC ALLEGED VIOLATED THE INVESTMENT ADVISERS ACT, SECTION 206(4) AND RULE 206(4)-7.
<b>Initiated By:</b>	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
<b>Date Initiated:</b>	02/14/2017
<b>Docket/Case Number:</b>	3-17845
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	EXCHANGE TRADED FUNDS
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penal(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE, CEASE AND DESIST ORDER
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	02/14/2017
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$8,000,000.00 Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	THE FINE OF \$8,000,000 WAS PAID ON FEBRUARY 24, 2017.
<b>Firm Statement</b>	ON FEBRUARY 14, 2017, THE SEC INSTITUTED AN ORDER TO SETTLE AN ADMINISTRATIVE ACTION WITH MORGAN STANLEY SMITH BARNEY LLC CONCERNING THE IMPLEMENTATION OF INTERNAL POLICIES APPLICABLE TO SOLICITED INVESTMENTS IN EIGHT SINGLE INVERSE ETFS (SIETFS) IN SOME NON-DISCRETIONARY ADVISORY ACCOUNTS FROM EARLY 2010 THROUGH MID- 2015 THAT THE SEC ALLEGED CONSTITUTED A VIOLATION OF THE INVESTMENT ADVISERS ACT, SECTION 206(4) AND RULE 206(4)-7. THE ORDER INCLUDED A CENSURE, CEASE AND DESIST, AND FINE AS DESCRIBED ABOVE.





**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SEC ADMIN RELEASE 33-10290, JANUARY 24, 2017: THE SEC DEEMS IT APPROPRIATE THAT CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AGAINST MORGAN STANLEY SMITH BARNEY LLC (THE "FIRM"). IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, THE FIRM HAS SUBMITTED AN OFFER OF SETTLEMENT WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. SOLELY FOR THE PURPOSE OF THESE PROCEEDINGS AND ANY OTHER PROCEEDINGS BROUGHT BY OR ON BEHALF OF THE COMMISSION, OR TO WHICH THE COMMISSION IS A PARTY, AND WITHOUT ADMITTING OR DENYING THE FINDINGS HEREIN, EXCEPT AS TO THE COMMISSION'S JURISDICTION OVER IT AND THE SUBJECT MATTER OF THESE PROCEEDINGS, WHICH ARE ADMITTED, RESPONDENT CONSENTS TO THE ENTRY OF THIS ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER. ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THIS PROCEEDING RELATES TO A FOREIGN EXCHANGE TRADING PROGRAM DEVELOPED BY A COMPANY (THE "COMPANY") THAT WAS SOLD THROUGH CERTAIN FIRM FINANCIAL ADVISORS BETWEEN AUGUST 2010 AND JULY 2011. FIFTEEN INVESTORS (THE "RELEVANT INVESTORS")-EACH OF WHOM ALSO HAD A PRE-EXISTING RELATIONSHIP WITH ONE OF THREE FIRM FINANCIAL ADVISORS AS A BROKERAGE CUSTOMER, ADVISORY CLIENT, OR BOTH-INVESTED IN THE TRADING PROGRAM FOLLOWING PITCHES THAT WERE BASED ON THE TRADING PROGRAM'S PAST PERFORMANCE AND RISK METRICS. THE PITCHES WERE MADE ORALLY AND USED WRITTEN MATERIALS PREPARED BY THE COMPANY. THE WRITTEN MATERIALS, HOWEVER, WERE RENDERED MATERIALLY MISLEADING BECAUSE THEY FAILED TO ADEQUATELY DISCLOSE THAT THE RELEVANT INVESTORS COULD BE PLACED INTO THE PROGRAM USING SUBSTANTIALLY MORE LEVERAGE THAN WAS DISCLOSED AND THAT MARK-UPS WOULD BE CHARGED ON EACH TRADE. THE ORAL PRESENTATIONS MADE TO THE RELEVANT INVESTORS CONTAINED THESE SAME OMISSIONS. WHEN THE COMPANY TRADING MODELS BEGAN GENERATING LOSSES, THE RELEVANT INVESTORS SUFFERED LOSSES THAT WERE INCREASED BY THE AMOUNT OF LEVERAGE USED AND THE UNDISCLOSED MARK-UPS. AS A RESULT OF THIS CONDUCT, THE FIRM VIOLATED SECTION 17(A)(2) OF THE SECURITIES ACT.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 01/24/2017



**Docket/Case Number:** 3-17809

**Principal Product Type:** Other

**Other Product Type(s):** FOREIGN EXCHANGE TRADING PROGRAM

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 01/24/2017

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** Yes

**Sanctions Ordered:** Monetary/Fine \$2,250,000.00  
Disgorgement/Restitution  
Cease and Desist/Injunction

**Other Sanctions Ordered:** PREJUDGMENT INTEREST

**Sanction Details:** THE FIRM SHALL CEASE AND DESIST AND SHALL PAY DISGORGEMENT OF \$624,458.27, PREJUDGMENT INTEREST OF \$89,277.34, AND A CIVIL MONEY PENALTY IN THE AMOUNT OF \$2,250,000.

**Regulator Statement** IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE TO IMPOSE THE SANCTIONS AGREED TO IN THE FIRM'S OFFER. ACCORDINGLY, IT IS HEREBY ORDERED THAT PURSUANT TO SECTION 8A OF THE SECURITIES ACT, RESPONDENT CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 17(A)(2) OF THE SECURITIES ACT; AND SHALL, WITHIN 21 DAYS OF THE ENTRY OF THIS ORDER, PAY DISGORGEMENT OF \$624,458.27, PREJUDGMENT INTEREST OF \$89,277.34, AND A CIVIL MONEY PENALTY IN THE AMOUNT OF \$2,250,000 TO THE SEC.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FROM AUGUST 2010 TO JULY 2011, CITIGROUP GLOBAL MARKETS, INC. DEVELOPED A FOREIGN EXCHANGE TRADING PROGRAM, KNOWN AS CITIFX ALPHA; CITIGROUP GLOBAL MARKETS, INC. PROVIDED WRITTEN



MATERIALS AND ORAL PRESENTATIONS THAT WERE RENDERED MATERIALLY MISLEADING AND FAILED TO ADEQUATELY DISCLOSE TO THE 15 RELEVANT INVESTORS THAT THEY COULD BE PLACED INTO A PROGRAM USING LEVERAGE AND THAT MARK-UPS WOULD BE CHARGED ON EACH TRADE. MSSB FINANCIAL ADVISORS DID NOT QUESTION THE MATERIALS PROVIDED BY CITIGROUP GLOBAL MARKETS, INC.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 01/24/2017

**Docket/Case Number:** 3-17809

**Principal Product Type:** Other

**Other Product Type(s):** FOREIGN EXCHANGE

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:**

**Resolution:** Decision

**Resolution Date:** 01/24/2017

**Sanctions Ordered:** Monetary/Fine \$2,250,000.00  
Disgorgement/Restitution  
Cease and Desist/Injunction

**Other Sanctions Ordered:** DISGORGEMENT - \$624,458.27  
PREJUDGMENT INTEREST - \$89,277.34

**Sanction Details:** THE CIVIL MONETARY PENALTY, DISGORGEMENT AND INTEREST WERE PAID ON FEBRUARY 3, 2017 TOTALING \$2,963,735.61.

**Firm Statement** ON JANUARY 24, 2017, THE U.S. SECURITIES AND EXCHANGE COMMISSION ISSUED AN ORDER INSTITUTING CEASE AND DESIST PROCEEDINGS AND IMPOSING THE FOLLOWING SANCTIONS: DISGORGEMENT OF \$624,458.27, PREJUDGMENT INTEREST OF \$89,277.34 AND CIVIL MONEY PENALTY OF \$2,250,000 IN CONNECTION WITH THE ABOVE ALLEGATIONS.

#### Disclosure 20 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** SEC ADMIN RELEASE 34-79794, IA RELEASE 4607 / JANUARY 13, 2017: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC



ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED AGAINST MORGAN STANLEY SMITH BARNEY, LLC ("MSSB" OR "RESPONDENT"). ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE OUT OF ERRORS BY MSSB IN ADVISORY CLIENT FEE BILLING, CUSTODY EXAMINATION VIOLATIONS, AND BOOKS AND RECORDS VIOLATIONS UNDER THE ADVISERS ACT. MSSB IS A DUALLY REGISTERED INVESTMENT ADVISER AND BROKER-DEALER. IT WAS FORMED PURSUANT TO A COMBINATION OF THE ADVISORY BUSINESSES OF THE GLOBAL WEALTH MANAGEMENT GROUP, A BUSINESS SEGMENT OF MORGAN STANLEY & CO. ("MORGAN STANLEY"), AND THE SMITH BARNEY DIVISION ("CITI SMITH BARNEY") OF CITIGROUP GLOBAL MARKETS, INC. ("CGMI"), A SUBSIDIARY OF CITIGROUP INC. BETWEEN APPROXIMATELY 2002 AND 2016, MSSB AND ITS PREDECESSOR MORGAN STANLEY INADVERTENTLY OVERCHARGED MORE THAN 149,000 ADVISORY CLIENT ACCOUNTS A TOTAL OF \$16,169,215 IN ADVISORY FEES DUE PRIMARILY TO CODING AND OTHER ERRORS IN ITS BILLING SYSTEMS AND PROCESSES. THERE ARE 36 DIFFERENT CATEGORIES OF ERRORS RESULTING IN OVERCHARGES. SIX OF THE ERROR CATEGORIES, WHICH ACCOUNT FOR 58 PERCENT OF THE FEES OVERBILLED, ORIGINATED WITH CITI SMITH BARNEY AND 30 ORIGINATED WITH MORGAN STANLEY OR MSSB. MSSB ALSO VIOLATED THE CUSTODY RULE UNDER THE ADVISERS ACT AS IT RELATES TO THE ANNUAL SURPRISE CUSTODY EXAMINATION. FURTHER, MSSB VIOLATED THE BOOKS AND RECORDS PROVISIONS OF THE ADVISERS ACT AND RULES THEREUNDER WITH RESPECT TO MAINTENANCE OF CLIENT CONTRACTS. FINALLY, MSSB FAILED TO ADOPT AND IMPLEMENT REASONABLY DESIGNED COMPLIANCE POLICIES AND PROCEDURES TO PREVENT THESE VIOLATIONS OF THE ADVISERS ACT.

GENERALLY, MSSB INADVERTENTLY OVERCHARGED FEES TO LEGACY CITI SMITH BARNEY ADVISORY ACCOUNTS. FROM 2009 THROUGH 2015, FOR 15,152 ADVISORY CLIENT ACCOUNTS, MSSB INADVERTENTLY CHARGED ADVISORY FEES IN EXCESS OF WHAT HAD BEEN DISCLOSED TO, AND AGREED BY, ITS LEGACY CITI SMITH BARNEY CLIENTS. MSSB RECEIVED A TOTAL OF \$9,437,750 IN EXCESS FEES AS A RESULT OF THESE BILLING ERRORS. MSSB HAS REIMBURSED THIS AMOUNT, IN ADDITION TO \$1,164,513 IN INTEREST, TO AFFECTED CLIENTS. ALSO, MSSB INADVERTENTLY OVERCHARGED FEES TO LEGACY MORGAN STANLEY AND MSSB ADVISORY ACCOUNTS. FROM 2002 TO 2009 AND FROM 2009 TO 2016, FOR 134,240 CLIENT ACCOUNTS, MORGAN STANLEY AND MSSB, RESPECTIVELY, INADVERTENTLY CHARGED FEES IN EXCESS OF WHAT WAS DISCLOSED TO, AND AGREED BY THEIR CLIENTS, AS A RESULT OF 30 FEE BILLING ISSUES THAT CARRIED OVER FROM MORGAN STANLEY OR ORIGINATED WITH MSSB ("MSSB ORIGINATING FEE ISSUES"). MSSB RECEIVED A TOTAL OF \$6,731,465 IN EXCESS FEES AS A RESULT OF THESE BILLING ERRORS. MSSB HAS REIMBURSED THIS AMOUNT ALONG WITH AN



ADDITIONAL \$889,528 IN PERFORMANCE REBATES FOR THE IAR RESEARCH ISSUE, PLUS \$417,622 IN INTEREST, TO AFFECTED CLIENTS. AS A RESULT OF THE CONDUCT DESCRIBED ABOVE, MSSB WILLFULLY VIOLATED SECTION 206(2) OF THE ADVISERS ACT, WILLFULLY VIOLATED SECTION 206(4) OF THE ADVISERS ACT AND RULE 206(4)-2 THEREUNDER, WILLFULLY VIOLATED SECTION 206(4) OF THE ADVISERS ACT AND RULE 206(4)-7 THEREUNDER AND WILLFULLY VIOLATED SECTION 204(A) OF THE ADVISERS ACT AND RULES 204-2(A)(10) AND 204-2(E)(1) THEREUNDER.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 01/13/2017

**Docket/Case Number:** 3-17773

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 01/13/2017

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** Yes

**Sanctions Ordered:** Censure  
Monetary/Fine \$13,000,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:** UNDERTAKINGS

**Sanction Details:** RESPONDENT MSSB SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 204(A), 206(2) AND 206(4) OF THE ADVISERS ACT AND RULES 204-2(A)(10), 204-2(E)(1), 206(4)-2 AND 206(4)-7 PROMULGATED THEREUNDER, IS CENSURED, AND PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$13,000,000. RESPONDENT MSSB SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.

**Regulator Statement** IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE OFFER)



WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN THE RESPONDENT'S OFFER.

ACCORDINGLY, IT IS HEREBY ORDERED THAT RESPONDENT MSSB SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 204(A), 206(2) AND 206(4) OF THE ADVISERS ACT AND RULES 204-2(A)(10), 204-2(E)(1), 206(4)-2 AND 206(4)-7 PROMULGATED THEREUNDER, IS CENSURED, AND WITHIN TEN (10) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$13,000,000. RESPONDENT MSSB SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.

<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	THE SEC FOUND THAT FROM 2009 THROUGH 2015, MSSB INADVERTENTLY CHARGED ADVISORY FEES IN EXCESS OF WHAT HAD BEEN DISCLOSED TO, AND AGREED TO BY, ITS LEGACY CGM CLIENTS, AND, FROM 2002 TO 2009 AND FROM 2009 TO 2016, MS&CO. AND MSSB, RESPECTIVELY, INADVERTENTLY CHARGED FEES IN EXCESS OF WHAT WAS DISCLOSED TO AND AGREED TO BY THEIR CLIENTS. THE SEC ALSO FOUND THAT MSSB FAILED TO COMPLY WITH REQUIREMENTS REGARDING ANNUAL SURPRISE CUSTODY EXAMINATIONS FOR THE YEARS 2011 AND 2012, DID NOT MAINTAIN CERTAIN CLIENT CONTRACTS, AND FAILED TO ADOPT AND IMPLEMENT WRITTEN COMPLIANCE POLICIES AND PROCEDURES REASONABLY DESIGNED TO PREVENT VIOLATIONS OF THE INVESTMENT ADVISERS ACT OF 1940 (THE "ADVISERS ACT"). THE SEC FOUND THAT MSSB WILLFULLY VIOLATED SECTIONS 204(A), 206(2) AND 206(4) OF THE INVESTMENT ADVISERS ACT OF 1940 AND RULES 204-2(A)(10), 204-2(E)(1), 206(4)-2 AND 206(4)-7 THEREUNDER.
<b>Initiated By:</b>	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
<b>Date Initiated:</b>	01/13/2017
<b>Docket/Case Number:</b>	3-17773
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Cease and Desist



<b>Other Sanction(s)/Relief Sought:</b>	CENSURE, CIVIL PENALTY AND UNDERTAKINGS
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	01/13/2017
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$13,000,000.00 Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	UNDERTAKINGS
<b>Sanction Details:</b>	MSSB CONSENTED, WITHOUT ADMITTING OR DENYING THE FINDINGS, TO A CENSURE; TO CEASE AND DESIST FROM COMMITTING OR CAUSING FUTURE VIOLATIONS; TO CERTAIN UNDERTAKINGS RELATED TO FEE BILLING, BOOKS AND RECORDS AND CLIENT NOTICES; AND TO PAY A CIVIL PENALTY OF \$13,000,000. THE CIVIL PENALTY WAS PAID ON JANUARY 19, 2017.
<b>Firm Statement</b>	IN DETERMINING TO ACCEPT THE OFFER RESULTING IN THE JANUARY 13, 2017 ORDER, THE SEC CONSIDERED THE REMEDIAL EFFORTS PROMPTLY UNDERTAKEN BY MSSB.

#### Disclosure 21 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO DELIVER TO CUSTOMERS APPROXIMATELY 2.1 MILLION PROSPECTUSES AND FAILED TO IMPLEMENT A REASONABLE SUPERVISORY SYSTEM ENSURING DELIVERY OF PROSPECTUSES. THE FINDINGS STATED THAT THE FIRM MADE REQUIRED PROSPECTUSES AVAILABLE TO CUSTOMERS THROUGH AN ONLINE PLATFORM IF THE CUSTOMER ELECTED TO RECEIVE PAPERLESS TRANSACTION CONFIRMATIONS VIA ONLINE DELIVERY. AFTER DEPLOYMENT OF A SYSTEM UPDATE TO CHANGE VARIOUS FEATURES OF THE ONLINE PLATFORM IN NOVEMBER 2013, THE FIRM DID NOT TEST A HYPERLINK TO THE PROSPECTUS TO ENSURE THAT THEY REMAINED AVAILABLE TO ONLINE CUSTOMERS. AS A RESULT OF THE SYSTEM UPDATE, THE HYPERLINK WAS NOT PLACED ON THE ONLINE TRANSACTION CONFIRMATION DURING A NINE MONTH PERIOD. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO DELIVER INVESTMENT OBJECTIVE CHANGE LETTERS IF INVESTMENT OBJECTIVE CHANGES WERE NOT APPROVED ON THE SAME DAY REQUESTED AND FAILED TO IMPLEMENT A REASONABLE SUPERVISORY SYSTEM TO ENSURE THEIR



DELIVERY. THE FIRM EMPLOYED AN AUTOMATED SYSTEM TO ENSURE THAT INVESTMENT OBJECTIVE CHANGE LETTERS WERE DELIVERED. DURING THE FOURTH QUARTER OF 2013, THE FIRM MADE A SYSTEM CHANGE THAT RESULTED IN FAILURES IN DELIVERING INVESTMENT OBJECTIVE CHANGE LETTERS UNDER CERTAIN CIRCUMSTANCES. DUE TO A CODING ERROR IN THE SYSTEM CHANGE, WHEN A SUPERVISOR APPROVED AN INVESTMENT OBJECTIVE CHANGE ON A DAY OTHER THAN THE SAME DAY THE FINANCIAL ADVISOR ENTERED THE CHANGE FOR THE CUSTOMER'S ACCOUNT, THE SYSTEM DID NOT GENERATE AND SEND A CONFIRMATION LETTER. AS A RESULT, THE FIRM'S SYSTEM FAILED TO GENERATE AND SEND APPROXIMATELY 23,500 INVESTMENT OBJECTIVE CHANGE LETTERS TO CUSTOMERS. IN MOST CASES, THE FIRM REFLECTED INVESTMENT OBJECTIVES ON CUSTOMERS' MONTHLY ACCOUNT STATEMENTS. FOR CUSTOMERS THAT OPTED NOT TO RECEIVE MONTHLY ACCOUNT STATEMENTS, THE INVESTMENT OBJECTIVE CHANGES WERE NOT CONFIRMED TO CUSTOMERS IN A TIMELY MANNER. SEPARATELY, IF AN INVESTMENT OBJECTIVE CHANGE WAS ENTERED BUT NOT APPROVED WITHIN 29 DAYS, THE SYSTEM AUTOMATICALLY REJECTED THE PROPOSED CHANGE. IN SUCH CIRCUMSTANCE, A CUSTOMER'S INVESTMENT OBJECTIVE WOULD NOT BE CHANGED AND NO INVESTMENT CHANGE CONFIRMATION LETTER WAS SENT. WHERE THE PROPOSED CHANGE WAS AUTOMATICALLY REJECTED, THE FIRM DID NOT HAVE AN ADEQUATE NOTIFICATION SYSTEM THAT BROUGHT THE AUTO REJECTED CHANGE TO A SUPERVISOR'S OR FINANCIAL ADVISOR'S ATTENTION FOR REVIEW AND ACTION TO DETERMINE IF THE CHANGE WAS REJECTED IN ERROR. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO SEND INVESTMENT OBJECTIVE CHANGE LETTERS AS A RESULT OF A CODING ERROR RELATED TO ACCOUNT NUMBER CHANGES. IN THE PERIOD BETWEEN AT LEAST JUNE 2012 AND JUNE 2016, THE FIRM FAILED TO SEND AT LEAST 4,000 LETTERS TO CUSTOMERS CONFIRMING CHANGES IN THEIR INVESTMENT OBJECTIVES WITHIN 30 DAYS OF THE CHANGE. DUE TO THE SYSTEM CODING ERROR, THE FIRM SYSTEM INCORRECTLY VIEWED ACCOUNTS UNDERGOING ACCOUNT NUMBER CHANGES AS CLOSED AND THUS SUPPRESSED THE TRANSMITTAL OF THE INVESTMENT OBJECTIVE CHANGE LETTERS. WHILE THE FIRM'S SYSTEMS CONTAINED THE UPDATED INFORMATION, IT DID NOT CONFIRM INVESTMENT OBJECTIVE CHANGES THROUGH THE CONFIRMATION LETTERS IT OTHERWISE WOULD HAVE SENT. AS A RESULT, THE FIRM FAILED TO ENSURE THAT IT MET ITS OBLIGATIONS TO CONFIRM INVESTMENT OBJECTIVE CHANGES. BY REASON OF THE FOREGOING, THE FIRM FAILED TO REASONABLY ENFORCE ITS SUPERVISORY SYSTEM AND, AS A RESULT, FAILED TO SEND AND RETAIN THE REQUIRED INVESTMENT OBJECTIVE CHANGE LETTERS.

**Initiated By:** FINRA





<b>Date Initiated:</b>	12/01/2016
<b>Docket/Case Number:</b>	<a href="#">2014042651801</a>
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Other
<b>Other Sanction(s)/Relief Sought:</b>	N/A
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	12/01/2016
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$1,500,000.00
<b>Other Sanctions Ordered:</b>	IN RESOLVING THIS MATTER, FINRA HAS RECOGNIZED THE FIRM'S EXTRAORDINARY COOPERATION IN HAVING (1) INITIATED, PRIOR TO DETECTION OR INTERVENTION BY A REGULATOR, AN INVESTIGATION TO IDENTIFY THE SCOPE AND EXTENT OF ITS PROSPECTUS DELIVERY AND RELATED SUPERVISORY FAILURES; (2) MADE A RESCISSION OFFER TO THOUSANDS OF CUSTOMERS WHO DID NOT RECEIVE PROSPECTUSES VIA THE HYPERLINK AND FULFILLED QUALIFYING OFFERS; (3) RETAINED AN OUTSIDE CONSULTANT TO CONDUCT A COMPREHENSIVE REVIEW OF THE FIRM'S RESCISSION OFFERS AND PROSPECTUS DELIVERY FULFILLMENT SYSTEM AND (4) PROVIDED SUBSTANTIAL ASSISTANCE TO FINRA IN ITS INVESTIGATION. THE FIRM'S REMEDIAL STEPS RESULTED IN A REDUCED FINE WITH RESPECT TO THE PROSPECTUS DELIVERY-RELATED VIOLATIONS.
<b>Sanction Details:</b>	THE FIRM WAS CENSURED AND FINED \$1,500,000. FINES PAID IN FULL ON 12/16/16.
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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	FINRA ALLEGED THAT MORGAN STANLEY SMITH BARNEY LLC



EXPERIENCED UNRELATED TECHNICAL ISSUES THAT TEMPORARILY DISABLED CERTAIN PROSPECTUS HYPERLINKS ON THE MS ONLINE WEBSITE, AND PREVENTED CERTAIN CLIENT PROFILE CONFIRMATION LETTERS FROM BEING GENERATED. THE SETTLEMENT RECOGNIZED MORGAN STANLEY'S EXTRAORDINARY COOPERATION IN IDENTIFYING AND QUICKLY RESOLVING THE PROSPECTUS ISSUE, AND FURTHER RECOGNIZED THAT PROSPECTUSES WERE AVAILABLE ELSEWHERE ON MS ONLINE, AND CLIENT PROFILE INFORMATION CONTINUED TO BE REFLECTED ON CUSTOMER ACCOUNT STATEMENTS.

**Initiated By:** FINRA

**Date Initiated:** 12/01/2016

**Docket/Case Number:** [2014042651801](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/01/2016

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,500,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$1,500,000.

**Firm Statement**

ON DECEMBER 1, 2016, MORGAN STANLEY SMITH BARNEY LLC AND FINRA ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER, AND CONSENT (AWC) IN CONNECTION WITH ALLEGATIONS THAT, THE FIRM EXPERIENCED UNRELATED TECHNICAL ISSUES THAT TEMPORARILY DISABLED CERTAIN PROSPECTUS HYPERLINKS ON THE MS ONLINE WEBSITE, AND PREVENTED CERTAIN CLIENT PROFILE CONFIRMATION LETTERS FROM BEING GENERATED. WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO ENTRY OF FINDINGS AND THE IMPOSITION OF A CENSURE AND FINE OF \$1,500,000. THE FINE WAS PAID ON 12/15/2016.



**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IN THREE INSTANCES, THE FIRM HAD A FAIL-TO-DELIVER POSITION AT A REGISTERED CLEARING AGENCY IN AN EQUITY SECURITY THAT RESULTED FROM A LONG SALE, AND DID NOT CLOSE OUT THE FAIL-TO-DELIVER POSITION BY PURCHASING OR BORROWING SECURITIES OF LIKE KIND AND QUANTITY WITHIN THE TIME FRAME PRESCRIBED BY SEC RULE 204(A)(1). THE FINDINGS STATED THAT IN EIGHT INSTANCES, THE FIRM HAD A FAIL-TO-DELIVER POSITION AT A REGISTERED CLEARING AGENCY IN AN EQUITY SECURITY THAT THE SELLER WAS DEEMED-TO-OWN PURSUANT TO § 242.200 AND INTENDED TO DELIVER ONCE ALL RESTRICTIONS ON DELIVERY HAD BEEN REMOVED, AND DID NOT CLOSE OUT THE FAIL-TO-DELIVER POSITION BY PURCHASING OR BORROWING SECURITIES OF LIKE KIND AND QUANTITY WITHIN THE TIME FRAME PRESCRIBED BY SEC RULE 204(A)(2) OF REGULATION SHO. THE FIRM ALSO EXECUTED 16 SALE ORDERS AND FAILED TO PROPERLY MARK THE ORDERS AS SHORT.

**Initiated By:** FINRA

**Date Initiated:** 11/17/2016

**Docket/Case Number:** [2013037025101](#)

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED EQUITY SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 11/17/2016

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$30,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$30,000. FINES PAID IN FULL ON 12/9/16.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IN THREE INSTANCES, THE FIRM HAD A FAIL-TO-DELIVER POSITION AT A REGISTERED CLEARING AGENCY IN AN EQUITY SECURITY THAT RESULTED FROM A LONG SALE, AND DID NOT CLOSE OUT THE FAIL-TO-DELIVER POSITION BY PURCHASING OR BORROWING SECURITIES OF LIKE KIND AND QUANTITY WITHIN THE TIME FRAME PRESCRIBED BY SEC RULE 204(A)(1). THE FINDINGS STATED THAT IN EIGHT INSTANCES, THE FIRM HAD A FAIL-TO DELIVER POSITION AT A REGISTERED CLEARING AGENCY IN AN EQUITY SECURITY THAT THE SELLER WAS DEEMED-TO-OWN PURSUANT TO § 242.200 AND INTENDED TO DELIVER ONCE ALL RESTRICTIONS ON DELIVERY HAD BEEN REMOVED, AND DID NOT CLOSE OUT THE FAIL-TO-DELIVER POSITION BY PURCHASING OR BORROWING SECURITIES OF LIKE KIND AND QUANTITY WITHIN THE TIME FRAME PRESCRIBED BY SEC RULE 204(A)(2) OF REGULATION SHO. THE FIRM ALSO EXECUTED 16 SALE ORDERS AND FAILED TO PROPERLY MARK THE ORDERS AS SHORT.

**Initiated By:** FINRA

**Date Initiated:** 05/31/2013

**Docket/Case Number:** [2013037025101](#)

**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED EQUITY SECURITIES

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 11/17/2016

**Sanctions Ordered:** Censure



Monetary/Fine \$30,000.00

### Other Sanctions Ordered:

#### Sanction Details:

THE FIRM WAS CENSURED AND FINED \$30,000. THE FINE WAS PAID DECEMBER 9, 2016.

#### Firm Statement

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IN THREE INSTANCES, THE FIRM HAD A FAIL-TO-DELIVER POSITION AT A REGISTERED CLEARING AGENCY IN AN EQUITY SECURITY THAT RESULTED FROM A LONG SALE, AND DID NOT CLOSE OUT THE FAIL-TO-DELIVER POSITION BY PURCHASING OR BORROWING SECURITIES OF LIKE KIND AND QUANTITY WITHIN THE TIME FRAME PRESCRIBED BY SEC RULE 204(A)(1). THE FINDINGS STATED THAT IN EIGHT INSTANCES, THE FIRM HAD A FAIL-TO DELIVER POSITION AT A REGISTERED CLEARING AGENCY IN AN EQUITY SECURITY THAT THE SELLER WAS DEEMED-TO-OWN PURSUANT TO § 242.200 AND INTENDED TO DELIVER ONCE ALL RESTRICTIONS ON DELIVERY HAD BEEN REMOVED, AND DID NOT CLOSE OUT THE FAIL-TO-DELIVER POSITION BY PURCHASING OR BORROWING SECURITIES OF LIKE KIND AND QUANTITY WITHIN THE TIME FRAME PRESCRIBED BY SEC RULE 204(A)(2) OF REGULATION SHO. THE FIRM ALSO EXECUTED 16 SALE ORDERS AND FAILED TO PROPERLY MARK THE ORDERS AS SHORT.

### Disclosure 23 of 55

#### Reporting Source:

Regulator

#### Current Status:

Final

#### Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT MORGAN STANLEY SMITH BARNEY LLC ("MSSB", THE "FIRM" OR "RESPONDENT"), IN OVER 13 MILLION INSTANCES, REPORTED POSITION TO THE LARGE OPTIONS POSITIONS REPORT SYSTEM (LOPR) WITHOUT THE REQUISITE IN-CONCERT IDENTIFICATION DUE TO THE DUPLICATION OF TWO REQUIRED DATA FIELDS (REFERENCE ID AND REGISTRATION ID) FOR IN-CONCERT SUBMISSIONS.

THE FINDINGS STATED THAT UNBEKNOWNST TO THE FIRM, THE DUPLICATED DATA HAD CAUSED REJECTIONS OF CERTAIN OF ITS IN-CONCERT REPORTS. MSSB'S FAILURE TO REVIEW AND RE-SUBMIT THE REJECTED IN-CONCERT SUBMISSIONS TO THE OPTIONS CLEARING CORPORATION (OCC) CAUSED POSITIONS REPORTED TO NOT BE IDENTIFIED AS ACTING IN-CONCERT. THE FIRM FAILED TO ACCURATELY



OR COMPLETELY REPORT POSITIONS TO THE LOPR AS FOLLOWS: (I) IN OVER 500,000 INSTANCES, MSSB REPORTED POSITIONS FOR DOMESTIC AND FOREIGN ACCOUNTS TO THE LOPR WITHOUT TAX IDENTIFICATION NUMBERS ("TINS") OR SOCIAL SECURITY NUMBERS ("SSNS"), INCLUDING APPROXIMATELY 100,000 DOMESTIC ACCOUNTS; (II) IN OVER 38 MILLION INSTANCES, MSSB REPORTED POSITIONS TO THE LOPR IN THE WRONG ACCOUNT TYPE, IN THAT THE FIRM REPORTED "CUSTOMER" POSITIONS WITH AN INACCURATE ACCOUNT TYPE OF "FIRM"; (III) IN OVER 36,000 INSTANCES, MSSB REPORTED POSITIONS TO THE LOPR WITH ACCOUNT NAMES EXTENDING INTO THE ADDRESS FIELD, WITH INCOMPLETE ADDRESS FIELDS, OR WITH STREET ADDRESSES THAT INCLUDED ADDITIONAL INFORMATION; AND (IV) IN OVER 500,000 INSTANCES, MSSB REPORTED POSITIONS TO THE LOPR WITHOUT A ZIP CODE. IN A SIGNIFICANT BUT UNQUANTIFIED NUMBER OF INSTANCES, MSSB ALSO FAILED TO REPORT, OR ACCURATELY REPORT, REPORTABLE OPTIONS POSITIONS TO THE LOPR AS FOLLOWS: MSSB FAILED TO CAPTURE FOR IN-CONCERT REPORTING CERTAIN JOINT AND PARTNERSHIP ACCOUNTS, ACCOUNTS WITH A STATUS OF CLOSED OR "SWUNG" (CLIENT ACCOUNT TRANSFERRED TO NEW ACCOUNT NUMBER), CERTAIN FOREIGN ACCOUNTS, CERTAIN FINANCIAL ADVISOR AND PORTFOLIO MANAGER ACCOUNTS, AND ACCOUNTS WITH THIRD-PARTY TRADING AUTHORITY OVER NON-DISCRETIONARY ACCOUNTS; MSSB FAILED TO INCLUDE FLEX OPTIONS IN ITS LOPR AGGREGATION; MSSB FAILED TO INCLUDE OPTIONS MARKED AS INACTIVE IN ITS LOPR POSITION FILE; AND MSSB INCORRECTLY POPULATED THE EFFECTIVE DATE OF OPTIONS POSITIONS WITH THE SUBMISSION DATE RATHER THAN THE TRADE DATE.

THE FINDINGS ALSO STATED THAT MSSB FAILED TO HAVE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S OPTION REPORTING RULES. MSSB ALSO LACKED ADEQUATE WRITTEN SUPERVISORY PROCEDURES REQUIRING REVIEWS TO ENSURE THAT ITS SUBMISSIONS TO THE LOPR WERE COMPLETE AND ACCURATE.

**Initiated By:** NYSE MKT LLC  
**Date Initiated:** 09/20/2016  
**Docket/Case Number:** 2015044100802  
**Principal Product Type:** Options  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:**



**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/17/2016

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,650,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$1,650,000. PURSUANT TO NYSE MKT RULE 9310(A)(1)(B), THIS AWC BECAME FINAL ON OCTOBER 17, 2016.

**Regulator Statement** IN RESOLVING THIS MATTER, FINRA HAS TAKEN INTO CONSIDERATION THE FOLLOWING: (I) THE FIRM'S SELF-REPORTING OF THESE LOPR VIOLATIONS AND THE FIRM'S ENSUING COOPERATION THROUGHOUT FINRA'S INVESTIGATION; AND (II) THE SUBSEQUENT REMEDIAL MEASURES IMPLEMENTED BY THE FIRM, INCLUDING SYSTEM AND SURVEILLANCE ENHANCEMENTS.  
THE FIRM WAS CENSURED AND A TOTAL FINE OF \$2,200,000, OF WHICH \$1,650,000 SHALL BE PAID TO NYSE MKT.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** NYSE MKT LLC (EXCHANGE) ALLEGED THAT THE FIRM VIOLATED EXCHANGE RULE 906(A).NY BY REPORTING NUMEROUS OPTIONS POSITIONS TO THE LARGE OPTIONS POSITIONS REPORT SYSTEM (LOPR): A) WITHOUT THE REQUISITE IN-CONCERT IDENTIFICATION; B) WITHOUT TAX IDENTIFICATION NUMBERS OR SOCIAL SECURITY NUMBERS; C) IN THE WRONG ACCOUNT TYPE, IN THAT THE FIRM REPORTED "CUSTOMER" POSITIONS WITH AN INACCURATE ACCOUNT TYPE OF "FIRM"; D) WITH ACCOUNT NAMES EXTENDING INTO THE ADDRESS FIELD, WITH INCOMPLETE ADDRESS FIELDS, OR WITH STREET ADDRESSES THAT INCLUDED ADDITIONAL INFORMATION; AND E) WITHOUT A ZIP CODE. IN ADDITION, THE EXCHANGE ALLEGED THAT IN CONNECTION WITH REPORTING NUMEROUS OPTIONS POSITIONS TO LOPR, THE FIRM VIOLATED EXCHANGE RULE 906(A).NY BY FAILING TO: A) CAPTURE FOR IN-



CONCERT REPORTING CERTAIN JOINT AND PARTNERSHIP ACCOUNTS, ACCOUNTS WITH A STATUS OF CLOSED OR "SWUNG" (CLIENT ACCOUNT TRANSFERRED TO NEW ACCOUNT NUMBER), CERTAIN FOREIGN ACCOUNTS, CERTAIN FINANCIAL ADVISOR AND PORTFOLIO MANAGER ACCOUNTS, AND ACCOUNTS WITH THIRD-PARTY TRADING AUTHORITY OVER NON-DISCRETIONARY ACCOUNTS; B) INCLUDE FLEX OPTIONS IN ITS LOPR AGGREGATION; C) INCLUDE OPTIONS MARKED AS INACTIVE IN ITS LOPR POSITION FILE; AND D) CORRECTLY POPULATE THE EFFECTIVE DATE OF OPTIONS POSITIONS WITH THE SUBMISSION DATE RATHER THAN THE TRADE DATE. THE EXCHANGE ALSO ALLEGED THAT THE FIRM VIOLATED EXCHANGE RULE 320.NY BY FAILING TO HAVE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S OPTION REPORTING RULES AND BY LACKING ADEQUATE WRITTEN SUPERVISORY PROCEDURES REQUIRING REVIEWS TO ENSURE THAT ITS SUBMISSIONS TO THE LOPR WERE COMPLETE AND ACCURATE.

**Initiated By:** NYSE MKT LLC

**Date Initiated:** 10/17/2016

**Docket/Case Number:** 20150441008-02

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/17/2016

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,650,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS FINED AN AGGREGATE OF \$2,200,000, OF WHICH \$1,650,000 WAS PAID TO NYSE MKT LLC ON NOVEMBER 1, 2016 AND THE BALANCE WAS PAID TO FINRA PURSUANT AN EQUIVALENT SETTLEMENT AGREEMENT ENTERED CONCURRENTLY BETWEEN THE FIRM AND FINRA.

**Firm Statement** ON OCTOBER 17, 2016, MORGAN STANLEY SMITH BARNEY LLC (FIRM) AND NYSE MKT LLC (EXCHANGE) ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER, AND CONSENT (AWC) TO SETTLE ALLEGATIONS THAT THE FIRM





VIOLATED EXCHANGE RULE 906(A).NY BY REPORTING NUMEROUS OPTIONS POSITIONS TO THE LARGE OPTIONS POSITIONS REPORT SYSTEM (LOPR): A) WITHOUT THE REQUISITE IN-CONCERT IDENTIFICATION; B) WITHOUT TAX IDENTIFICATION NUMBERS OR SOCIAL SECURITY NUMBERS; C) IN THE WRONG ACCOUNT TYPE, IN THAT THE FIRM REPORTED "CUSTOMER" POSITIONS WITH AN INACCURATE ACCOUNT TYPE OF "FIRM"; D) WITH ACCOUNT NAMES EXTENDING INTO THE ADDRESS FIELD, WITH INCOMPLETE ADDRESS FIELDS, OR WITH STREET ADDRESSES THAT INCLUDED ADDITIONAL INFORMATION; AND E) WITHOUT A ZIP CODE. IN ADDITION, THE EXCHANGE ALLEGED THAT IN CONNECTION WITH REPORTING NUMEROUS OPTIONS POSITIONS TO LOPR, THE FIRM VIOLATED EXCHANGE RULE 906(A).NY BY FAILING TO: A) CAPTURE FOR IN-CONCERT REPORTING CERTAIN JOINT AND PARTNERSHIP ACCOUNTS, ACCOUNTS WITH A STATUS OF CLOSED OR "SWUNG" (CLIENT ACCOUNT TRANSFERRED TO NEW ACCOUNT NUMBER), CERTAIN FOREIGN ACCOUNTS, CERTAIN FINANCIAL ADVISOR AND PORTFOLIO MANAGER ACCOUNTS, AND ACCOUNTS WITH THIRD-PARTY TRADING AUTHORITY OVER NON-DISCRETIONARY ACCOUNTS; B) INCLUDE FLEX OPTIONS IN ITS LOPR AGGREGATION; C) INCLUDE OPTIONS MARKED AS INACTIVE IN ITS LOPR POSITION FILE; AND D) CORRECTLY POPULATE THE EFFECTIVE DATE OF OPTIONS POSITIONS WITH THE SUBMISSION DATE RATHER THAN THE TRADE DATE. THE EXCHANGE ALSO ALLEGED THAT THE FIRM VIOLATED EXCHANGE RULE 320.NY BY FAILING TO HAVE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGE'S OPTION REPORTING RULES AND BY LACKING ADEQUATE WRITTEN SUPERVISORY PROCEDURES REQUIRING REVIEWS TO ENSURE THAT ITS SUBMISSIONS TO THE LOPR WERE COMPLETE AND ACCURATE. WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO ENTRY OF FINDINGS AND THE IMPOSITION OF A CENSURE AND FINE OF \$2,200,000, OF WHICH \$1,650,000 WAS PAID TO THE EXCHANGE AND THE BALANCE WAS PAID TO FINRA PURSUANT TO AN EQUIVALENT SETTLEMENT AGREEMENT ENTERED CONCURRENTLY BETWEEN THE FIRM AND FINRA.

#### Disclosure 24 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT REPORTED POSITIONS TO THE LARGE OPTIONS POSITIONS REPORT SYSTEM (LOPR)



WITHOUT THE REQUISITE IN-CONCERT IDENTIFICATION DUE TO THE DUPLICATION OF TWO REQUIRED DATA FIELDS (REFERENCE ID AND REGISTRATION ID) FOR IN-CONCERT SUBMISSIONS. UNBEKNOWNST TO THE FIRM, THE DUPLICATED DATA HAD CAUSED REJECTIONS OF CERTAIN OF ITS IN-CONCERT REPORTS, AND THE FIRM'S FAILURE TO REVIEW AND RE-SUBMIT THE REJECTED IN-CONCERT SUBMISSIONS TO THE OPTIONS CLEARING CORPORATION (OCC) CAUSED POSITIONS REPORTED TO NOT BE IDENTIFIED AS ACTING IN-CONCERT. THE FINDINGS STATED THAT THE FIRM FAILED TO ACCURATELY OR COMPLETELY REPORT POSITIONS TO THE LOPR AS FOLLOWS: THE FIRM REPORTED POSITIONS FOR DOMESTIC AND FOREIGN ACCOUNTS TO THE LOPR WITHOUT TAX IDENTIFICATION NUMBERS (TINS) OR SOCIAL SECURITY NUMBERS (SSNS), INCLUDING DOMESTIC ACCOUNTS; THE FIRM REPORTED POSITIONS TO THE LOPR IN THE WRONG ACCOUNT TYPE, IN THAT THE FIRM REPORTED "CUSTOMER" POSITIONS WITH AN INACCURATE ACCOUNT TYPE OF "FIRM"; THE FIRM REPORTED POSITIONS TO THE LOPR WITH ACCOUNT NAMES EXTENDING INTO THE ADDRESS FIELD, WITH INCOMPLETE ADDRESS FIELDS, OR WITH STREET ADDRESSES THAT INCLUDED ADDITIONAL INFORMATION; AND THE FIRM REPORTED POSITIONS TO THE LOPR WITHOUT A ZIP CODE. THE FINDINGS ALSO STATED THAT THE FIRM ALSO FAILED TO REPORT, OR ACCURATELY REPORT, REPORTABLE OPTIONS POSITIONS TO THE LOPR AS FOLLOWS: THE FIRM FAILED TO CAPTURE FOR IN-CONCERT REPORTING CERTAIN JOINT AND PARTNERSHIP ACCOUNTS, ACCOUNTS WITH A STATUS OF CLOSED OR "SWUNG" (CLIENT ACCOUNT TRANSFERRED TO NEW ACCOUNT NUMBER), CERTAIN FOREIGN ACCOUNTS, CERTAIN FINANCIAL ADVISOR AND PORTFOLIO MANAGER ACCOUNTS, AND ACCOUNTS WITH THIRD-PARTY TRADING AUTHORITY OVER NON-DISCRETIONARY ACCOUNTS; THE FIRM FAILED TO INCLUDE FLEX OPTIONS IN ITS LOPR AGGREGATION; THE FIRM FAILED TO INCLUDE OPTIONS MARKED AS INACTIVE IN ITS LOPR POSITION FILE; AND THE FIRM INCORRECTLY POPULATED THE EFFECTIVE DATE OF OPTIONS POSITIONS WITH THE SUBMISSION DATE RATHER THAN THE TRADE DATE. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO MAINTAIN AN ADEQUATE SYSTEM OF SUPERVISION, INCLUDING SYSTEMS OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES GOVERNING THE REPORTING OF POSITIONS TO THE LOPR. FINRA FOUND THAT THE FIRM ALSO LACKED ADEQUATE WRITTEN SUPERVISORY PROCEDURES REQUIRING REVIEWS TO DETERMINE THAT ITS LOPR SUBMISSIONS WERE ACCURATE.

**Initiated By:** FINRA  
**Date Initiated:** 10/17/2016  
**Docket/Case Number:** [2015044100801](#)  
**Principal Product Type:** Other



**Other Product Type(s):** UNSPECIFIED SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/17/2016

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$2,200,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$2,200,000, OF WHICH \$550,000 SHALL BE PAID TO FINRA. THE BALANCE OF THE FINE WILL BE PAID TO NYSE MKT LLC PURSUANT TO A SEPARATE SETTLEMENT AGREEMENT. FINES PAID IN FULL ON NOVEMBER 7, 2016.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT THE FIRM VIOLATED FINRA RULES 2360(B)(5) AND 2010 BY REPORTING NUMEROUS OPTIONS POSITIONS TO THE LARGE OPTIONS POSITIONS REPORT SYSTEM (LOPR): A) WITHOUT THE REQUISITE IN-CONCERT IDENTIFICATION; B) WITHOUT TAX IDENTIFICATION NUMBERS OR SOCIAL SECURITY NUMBERS; C) IN THE WRONG ACCOUNT TYPE, IN THAT THE FIRM REPORTED "CUSTOMER" POSITIONS WITH AN INACCURATE ACCOUNT TYPE OF "FIRM"; D) WITH ACCOUNT NAMES EXTENDING INTO THE ADDRESS FIELD, WITH INCOMPLETE ADDRESS FIELDS, OR WITH STREET ADDRESSES THAT INCLUDED ADDITIONAL INFORMATION; AND E) WITHOUT A ZIP CODE. IN ADDITION, FINRA ALLEGED THAT IN CONNECTION WITH REPORTING NUMEROUS OPTIONS POSITIONS TO THE LOPR, THE FIRM VIOLATED FINRA RULES 2360(B)(5) AND 2010 BY FAILING TO: A) CAPTURE FOR IN-CONCERT REPORTING CERTAIN JOINT AND PARTNERSHIP ACCOUNTS, ACCOUNTS WITH A STATUS OF CLOSED OR "SWUNG" (CLIENT ACCOUNT TRANSFERRED TO NEW ACCOUNT NUMBER), CERTAIN FOREIGN



ACCOUNTS, CERTAIN FINANCIAL ADVISOR AND PORTFOLIO MANAGER ACCOUNTS, AND ACCOUNTS WITH THIRD-PARTY TRADING AUTHORITY OVER NON-DISCRETIONARY ACCOUNTS; B) INCLUDE FLEX OPTIONS IN ITS LOPR AGGREGATION; C) INCLUDE OPTIONS MARKED AS INACTIVE IN ITS LOPR POSITION FILE; AND D) CORRECTLY POPULATE THE EFFECTIVE DATE OF OPTIONS POSITIONS WITH THE SUBMISSION DATE RATHER THAN THE TRADE DATE. FINRA ALSO ALLEGED THAT THE FIRM VIOLATED NASD RULE 3010 AND FINRA RULES 3110 AND 2010 BY FAILING TO HAVE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH OPTION REPORTING RULES AND BY LACKING ADEQUATE WRITTEN SUPERVISORY PROCEDURES REQUIRING REVIEWS TO ENSURE THAT ITS SUBMISSIONS TO THE LOPR WERE COMPLETE AND ACCURATE.

**Initiated By:** FINRA

**Date Initiated:** 10/17/2016

**Docket/Case Number:** 20150441008-01

**Principal Product Type:** Options

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/17/2016

**Sanctions Ordered:** Censure  
Monetary/Fine \$2,200,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS FINED AN AGGREGATE OF \$2,200,000, OF WHICH \$1,650,000 WAS PAID TO NYSE MKT LLC ON NOVEMBER 1, 2016 AND THE BALANCE WAS PAID TO FINRA PURSUANT AN EQUIVALENT SETTLEMENT AGREEMENT ENTERED CONCURRENTLY BETWEEN THE FIRM AND FINRA.

**Firm Statement** ON OCTOBER 17, 2016, MORGAN STANLEY SMITH BARNEY LLC (FIRM) AND FINRA ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER, AND CONSENT (AWC) TO SETTLE ALLEGATIONS THAT THE FIRM VIOLATED FINRA RULES 2360(B)(5) AND 2010 BY REPORTING NUMEROUS OPTIONS POSITIONS TO THE LARGE OPTIONS POSITIONS REPORT SYSTEM (LOPR): A) WITHOUT THE REQUISITE IN-CONCERT IDENTIFICATION; B) WITHOUT TAX



IDENTIFICATION NUMBERS OR SOCIAL SECURITY NUMBERS; C) IN THE WRONG ACCOUNT TYPE, IN THAT THE FIRM REPORTED "CUSTOMER" POSITIONS WITH AN INACCURATE ACCOUNT TYPE OF "FIRM"; D) WITH ACCOUNT NAMES EXTENDING INTO THE ADDRESS FIELD, WITH INCOMPLETE ADDRESS FIELDS, OR WITH STREET ADDRESSES THAT INCLUDED ADDITIONAL INFORMATION; AND E) WITHOUT A ZIP CODE. IN ADDITION, FINRA ALLEGED THAT IN CONNECTION WITH REPORTING NUMEROUS OPTIONS POSITIONS TO THE LOPR, THE FIRM VIOLATED FINRA RULES 2360(B)(5) AND 2010 BY FAILING TO: A) CAPTURE FOR IN-CONCERT REPORTING CERTAIN JOINT AND PARTNERSHIP ACCOUNTS, ACCOUNTS WITH A STATUS OF CLOSED OR "SWUNG" (CLIENT ACCOUNT TRANSFERRED TO NEW ACCOUNT NUMBER), CERTAIN FOREIGN ACCOUNTS, CERTAIN FINANCIAL ADVISOR AND PORTFOLIO MANAGER ACCOUNTS, AND ACCOUNTS WITH THIRD-PARTY TRADING AUTHORITY OVER NON-DISCRETIONARY ACCOUNTS; B) INCLUDE FLEX OPTIONS IN ITS LOPR AGGREGATION; C) INCLUDE OPTIONS MARKED AS INACTIVE IN ITS LOPR POSITION FILE; AND D) CORRECTLY POPULATE THE EFFECTIVE DATE OF OPTIONS POSITIONS WITH THE SUBMISSION DATE RATHER THAN THE TRADE DATE. FINRA ALSO ALLEGED THAT THE FIRM VIOLATED NASD RULE 3010 AND FINRA RULES 3110 AND 2010 BY FAILING TO HAVE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE OPTION REPORTING RULES AND BY LACKING ADEQUATE WRITTEN SUPERVISORY PROCEDURES REQUIRING REVIEWS TO ENSURE THAT ITS SUBMISSIONS TO THE LOPR WERE COMPLETE AND ACCURATE. WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO ENTRY OF FINDINGS AND THE IMPOSITION OF A CENSURE AND FINE OF \$2,200,000, OF WHICH \$550,000 WAS PAID TO FINRA AND THE BALANCE WAS PAID TO NYSE MKT LLC PURSUANT TO AN EQUIVALENT SETTLEMENT AGREEMENT ENTERED CONCURRENTLY BETWEEN THE FIRM AND NYSE MKT LLC.

#### Disclosure 25 of 55

**Reporting Source:**

Regulator

**Current Status:**

Final

**Allegations:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REPORT SECURITIZED PRODUCT (SP) TRANSACTIONS WITHIN THE TIME REQUIRED TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE). THE FINDINGS STATED THAT THE FIRM FAILED TO REPORT TRANSACTIONS IN AGENCY DEBT SECURITIES WITHIN THE TIME REQUIRED TO TRACE. THE FINDINGS ALSO STATED THAT THE FIRM FAILED



TO REPORT TO TRACE LARGE BLOCK TRANSACTIONS IN TRACE-ELIGIBLE CORPORATE DEBT SECURITIES WITHIN 15 MINUTES OF THE TIME OF EXECUTION.

**Initiated By:** FINRA

**Date Initiated:** 10/17/2016

**Docket/Case Number:** [2014043135901](#)

**Principal Product Type:** Debt - Corporate

**Other Product Type(s):** UNSPECIFIED SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/17/2016

**Sanctions Ordered:** Censure  
Monetary/Fine \$102,500.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$102,500.  
FINES PAID IN FULL ON NOVEMBER 15, 2016.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT THE FIRM SUBMITTED LATE TRADE REPORTS FOR CERTAIN TRACE-ELIGIBLE SECURITIES FROM 3Q14 THROUGH 1Q2015.

**Initiated By:** FINRA

**Date Initiated:** 10/17/2016

**Docket/Case Number:** [2014043135901](#)

**Principal Product Type:** Debt - Corporate

**Other Product Type(s):** SECURITIZED PRODUCTS, DEBT (AGENCY)

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)


**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/17/2016

**Sanctions Ordered:** Censure  
Monetary/Fine \$102,500.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FINE OF \$102,500 WAS PAID ON NOVEMBER 4, 2016.

**Firm Statement** ON OCTOBER 17, 2016, FINRA AND MORGAN STANLEY SMITH BARNEY, LLC ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER AND CONSENT ("AWC") TO SETTLE ALLEGATIONS THAT THE FIRM: (1) VIOLATED FINRA RULES 2010 AND 6730(A) BY FAILING TO TIMELY FILE REPORTS TO TRACE, FOR CERTAIN TRACE-ELIGIBLE SECURITIES FROM 3Q14 THROUGH 1Q2015; (2). WITHOUT DENYING OR ADMITTING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OR LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO THE ENTRY OF FINDINGS, THE IMPOSITION OF A CENSURE AND A FINE OF \$102,500.

**Disclosure 26 of 55**

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** IN 2014 AND 2015, MORGAN STANLEY ENGAGED IN DISHONEST AND UNETHICAL CONDUCT IN CONNECTION WITH SALES CONTESTS DESIGNED TO PUSH BANKING & LENDING PRODUCTS ON MORGAN STANLEY'S WEALTH MANAGEMENT CLIENTS. THE SALES CONTESTS, WHICH RAN FOR APPROXIMATELY SIXTEEN MONTHS IN MORGAN STANLEY'S METROWEST-RI COMPLEX, INCENTIVIZED MORGAN STANLEY FINANCIAL ADVISORS TO INCREASE THEIR BANKING & LENDING PRODUCTION. MORGAN STANLEY FINANCIAL ADVISORS FAILED TO DISCLOSE THE ADDITIONAL INCENTIVE OFFERED UNDER THE SALES CONTESTS TO THEIR CLIENTS. ALTHOUGH THE SALES CONTESTS RAN IN VIOLATION OF MORGAN STANLEY'S INTERNAL PROHIBITION AGAINST SALES CONTESTS, MORGAN STANLEY FAILED TO TERMINATE THE SALES CONTESTS IMMEDIATELY AFTER COMPLIANCE AND RISK BECAME AWARE OF THEIR EXISTENCE IN DECEMBER 2014.

**Initiated By:** MASSACHUSETTS SECURITIES DIVISION

**Date Initiated:** 10/03/2016

**Docket/Case Number:** E-2016-0055



<b>URL for Regulatory Action:</b>	HTTP://WWW.SEC.STATE.MA.US/SCT/CURRENT/SCTMORGAN/MORGANIDX.HTM
<b>Principal Product Type:</b>	Banking Products (Other than CD(s))
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Cease and Desist
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE, ADMINISTRATIVE FINE, EQUITABLE CUSTOMER RELIEF
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	04/07/2017
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$1,000,000.00
<b>Other Sanctions Ordered:</b>	WITHIN 120 DAYS OF THE ORDER, MORGAN STANLEY WILL CERTIFY THAT IT HAS CONDUCTED A REVIEW OF ITS POLICIES AND PROCEDURES RELATED TO SALES CONTESTS, AND WILL IDENTIFY THE CHANGES OR ENHANCEMENTS THAT HAVE BEEN, OR WILL BE MADE, AS A RESULT OF ITS REVIEW.
<b>Sanction Details:</b>	MORGAN STANLEY ORDERED TO PAY A \$1,000,000 CIVIL PENALTY
<b>Regulator Statement</b>	THE ENFORCEMENT SECTION OF THE MASSACHUSETTS SECURITIES DIVISION FILED AN ADMINISTRATIVE COMPLAINT IN THIS MATTER ON OCTOBER 3, 2016. THIS MATTER WAS RESOLVED THROUGH THE ENTRY OF A CONSENT ORDER ON APRIL 7, 2017.
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<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	THE MASSACHUSETTS SECURITIES DIVISION ALLEGED THAT MORGAN STANLEY SMITH BARNEY LLC ENGAGED IN DISHONEST AND UNETHICAL CONDUCT IN CONNECTION WITH AN EFFORT WITHIN THE METROWEST-RI COMPLEX TO MAKE LENDING PRODUCTS AVAILABLE TO ELIGIBLE CUSTOMERS. THE MASSACHUSETTS SECURITIES DIVISION ALSO ALLEGED THAT THIS EFFORT CONSTITUTED A SALES CONTEST IN





CONTRAVENTION OF MORGAN STANLEY SMITH BARNEY LLC INTERNAL POLICY, AND THAT THE FIRM FAILED TO TERMINATE THE EFFORT IMMEDIATELY AFTER IT BECAME AWARE OF IT.

**Initiated By:** MASSACHUSETTS SECURITIES DIVISION

**Date Initiated:** 10/03/2016

**Docket/Case Number:** E-2016-0055

**Principal Product Type:** Banking Products (Other than CD(s))

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:** CENSURE, ADMINISTRATIVE FINE AND EQUITABLE RELIEF

**Resolution:** Settled

**Resolution Date:** 04/07/2017

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,000,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FINE OF \$1,000,000 WAS PAID ON APRIL 20, 2017.

**Firm Statement**

ON APRIL 7, 2017, MORGAN STANLEY SMITH BARNEY LLC (FIRM) AND THE MASSACHUSETTS SECURITIES DIVISION ENTERED INTO A CONSENT ORDER IN CONNECTION WITH ALLEGATIONS THAT, FROM SEPTEMBER 1, 2013 THROUGH APRIL 30, 2015, THE FIRM FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AN EQUITABLE PRINCIPLES OF TRADE, AND FAILED REASONABLY TO SUPERVISE, IN CONNECTION WITH AN EFFORT WITHIN THE METROWEST-RI COMPLEX TO MAKE LENDING PRODUCTS AVAILABLE TO ELIGIBLE CUSTOMERS. WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO ENTRY OF FINDINGS AND THE IMPOSITION OF A CENSURE AND FINE OF \$1,000,000.

**Disclosure 27 of 55**

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE STATE OF MS ALLEGED THE FIRM FAILED TO REASONABLY SUPERVISE CERTAIN OF ITS AGENTS IN THE RIDGELAND, MISSISSIPPI



BRANCH SO AS TO PREVENT AND DETECT VIOLATIONS. IN ADDITION, THEY ALLEGED THE FIRM FAILED IN SOME INSTANCES TO ENFORCE SUPERVISORY PROCEDURES TO COMPLY WITH THE REQUIREMENTS TO PREVENT AND DETECT VIOLATIONS BY CERTAIN OF ITS AGENTS IN THE RIDGELAND, MISSISSIPPI BRANCH.

**Initiated By:** MISSISSIPPI SECRETARY OF STATE, SECURITIES DIVISION

**Date Initiated:** 08/09/2016

**Docket/Case Number:** LS-12-0454

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CEASE & DESIST; REIMBURSE COSTS; RESTITUTION

**Resolution:** Consent

**Resolution Date:** 08/09/2016

**Sanctions Ordered:** Monetary/Fine \$100,000.00  
Disgorgement/Restitution  
Cease and Desist/Injunction

**Other Sanctions Ordered:** RESTITUTION: \$4,243,815.28

**Sanction Details:** THE FIRM AGREED TO PAY A \$100,000.00 PENALTY, \$400,000.00 REIMBURSEMENT TO THE DIVISION FOR COSTS AND EXPENSES AND \$4,243,815.28 RESTITUTION TO BE CREDITED TO A CUSTOMER FUND. THE PENALTY AND EXPENSES TOTALING \$500,000.00 WAS PAID ON SEPTEMBER 6, 2016. THE RESTITUTION WAS PAID ON SEPTEMBER 9, 2016.

**Firm Statement** ON AUGUST 9, 2016, WITHOUT ADMITTING OR DENYING THE FINDINGS OF FACT OR CONCLUSIONS OF LAW, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REASONABLY SUPERVISE CERTAIN OF ITS AGENTS IN THE RIDGELAND, MISSISSIPPI BRANCH SO AS TO PREVENT AND DETECT VIOLATIONS. IN ADDITION, THE FIRM FAILED IN SOME INSTANCES TO ENFORCE SUPERVISORY PROCEDURES TO COMPLY WITH THE REQUIREMENTS TO PREVENT AND DETECT VIOLATIONS BY CERTAIN OF ITS AGENTS IN THE RIDGELAND, MISSISSIPPI BRANCH.



**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ADEQUATELY SUPERVISE BY FOLLOWING FIRM POLICIES AND PROCEDURES TO DETECT AND CAUSE THE REPORTING OF POTENTIALLY SUSPICIOUS TRANSACTIONS. THE FINDINGS STATED THAT SPECIFICALLY, A CLIENT OF THE FIRM, AT ITS BRANCH IN ASHEVILLE, NORTH CAROLINA, WAS ABLE TO KITE CHECKS BETWEEN HIS FINANCIAL MANAGEMENT ACCOUNT MAINTAINED AT THE BRANCH AND A SEPARATE BANK ACCOUNT MAINTAINED AT A LOCAL BANK, IN FURTHERANCE OF A FRAUDULENT "PONZI" SCHEME, DESPITE HIS ACTIVITY RAISING RED FLAGS IDENTIFIED IN FIRM POLICIES AND PROCEDURES AS BEING INDICATIVE OF POTENTIALLY SUSPICIOUS ACTIVITY. THE FINDINGS ALSO STATED THAT THE CLIENT REPRESENTED TO THE FIRM THAT HIS BUSINESS MODEL WAS TO FACILITATE "LIKE KIND" REAL ESTATE EXCHANGES PURSUANT TO SECTION 1031 OF THE INTERNAL REVENUE CODE. THE CLIENT ALSO PARTICIPATED IN REAL ESTATE INVESTMENTS AND OTHER INVESTMENTS WITH HIS INVESTORS. HOWEVER, IN FACT, THE CLIENT DID NOT INVEST THE MONEY AS REPRESENTED TO HIS INVESTORS. INSTEAD, THE CLIENT HAD BEEN ENGAGED IN A FRAUDULENT "PONZI" SCHEME THAT HE KEPT AFLOAT IN PART BY MOVING MONEY BETWEEN THE FIRM'S ACCOUNT AND THE LOCAL BANK'S ACCOUNT. FROM 2001 TO 2008, THE FIRM'S ACCOUNT HAD ABOUT \$10.7 MILLION IN TOTAL DEPOSITS AND ABOUT \$10.2 MILLION IN TOTAL WITHDRAWALS. BY CONTRAST, IN 2009 AND 2010, THE FIRM'S ACCOUNT HAD ABOUT \$429 MILLION IN TOTAL DEPOSITS AND ABOUT \$424 MILLION IN TOTAL WITHDRAWALS. FURTHER, DURING THIS PERIOD OF INCREASED DEPOSIT AND WITHDRAWAL ACTIVITY, THE FIRM'S ACCOUNT HAD ALMOST NO SECURITIES TRANSACTIONS. INSTEAD, THE ACCOUNT WAS USED ALMOST EXCLUSIVELY TO TRANSFER FUNDS BETWEEN THE FIRM'S ACCOUNT AND THE LOCAL BANK'S ACCOUNT. IN FACT, THE CLIENT WAS KITING CHECKS. THE CLIENT WOULD DEPOSIT CHECKS FROM THE BANK'S ACCOUNT INTO THE FIRM'S ACCOUNT AND, ALMOST IMMEDIATELY, WRITE A CHECK FROM THE FIRM'S ACCOUNT BACK TO THE BANK'S ACCOUNT. THE FIRM PERMITTED THE CLIENT TO WRITE CHECKS AGAINST UN-CLEARED FUNDS. THE FINDINGS ALSO INCLUDED THAT THE ACTIVITY IN THE FIRM'S ACCOUNT TRIGGERED RED FLAGS INDICATIVE OF POTENTIALLY SUSPICIOUS ACTIVITY THAT WERE, APPROPRIATELY, IDENTIFIED IN ITS WRITTEN AML POLICIES AND PROCEDURES THAT ARE ISSUED TO FIRM EMPLOYEES. IN ADDITION, BETWEEN FEBRUARY 2009 AND DECEMBER 2010, THE FIRM'S ELECTRONIC ALERT SYSTEM GENERATED ALERTS AS A RESULT OF THE RAPID MOVEMENT OF FUNDS THROUGH THE FIRM'S ACCOUNT. AS A RESULT OF THESE ALERTS, THE FIRM REVIEWED THE CLIENT RELATIONSHIP IN LATE 2009 AND MET WITH



THE CLIENT IN EARLY 2010. THE ASHEVILLE BRANCH RECEIVED WHAT IT BELIEVED WAS A PLAUSIBLE BUSINESS EXPLANATION FOR THE ACTIVITY. HOWEVER, THE ALERTS AND THE RED FLAGS INDICATIVE OF POTENTIALLY SUSPICIOUS ACTIVITY CONTINUED UNTIL DECEMBER 2010. IN AUGUST 2010, AS A RESULT OF THESE ALERTS, BRANCH AND COMPLEX MANAGEMENT AGAIN REVIEWED THE ACTIVITY IN THE CLIENT'S ACCOUNT WITH THE FIRM. AS A RESULT OF THIS REVIEW, IN NOVEMBER 2010 THE FIRM CONCLUDED THAT IT WOULD NO LONGER PAY THE CLIENT'S CHECKS ON UN-CLEARED FUNDS AND ADVISED THE CLIENT. THE CLIENT'S PONZI SCHEME THEN COLLAPSED WHEN HE BOUNCED SEVERAL CHECKS.

**Initiated By:** FINRA

**Date Initiated:** 06/22/2016

**Docket/Case Number:** [2011029749101](#)

**Principal Product Type:** Other

**Other Product Type(s):** KITE CHECKS FRAUDULENT "PONZI" SCHEME

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/22/2016

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$200,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$200,000. FINE PAID IN FULL JULY 13, 2016.

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**Reporting Source:** Firm

**Current Status:** Final



<b>Allegations:</b>	FINRA ALLEGED THAT BETWEEN 2009 AND 2010 MSSB FAILED TO ADEQUATELY SUPERVISE BY FOLLOWING FIRM POLICIES AND PROCEDURES TO DETECT AND CAUSE THE REPORTING OF POTENTIALLY SUSPICIOUS TRANSACTIONS.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	06/22/2016
<b>Docket/Case Number:</b>	<a href="#">2011029749101</a>
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	CHECK KITING
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	06/22/2016
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$200,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	THE FINE OF \$200,000 WAS PAID ON 7/11/2016.
<b>Firm Statement</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, MORGAN STANLEY SMITH BARNEY (MSSB) ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER AND CONSENT TO SETTLE ALLEGATIONS THAT MSSB VIOLATED NASD CONDUCT RULE 3011(A) (FOR CONDUCT ON OR BEFORE DECEMBER 31, 2009) AND FINRA RULES 3310(A) (FOR CONDUCT AFTER JANUARY 1, 2010) RELATING TO THE ASHEVILLE, NORTH CAROLINA BRANCH OFFICE'S FAILURE TO ADEQUATELY SUPERVISE THE CHECKING ACTIVITIES OF A CLIENT TO DETECT SUSPICIOUS CHECKING ACTIVITY.

#### Disclosure 29 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	SEC ADMIN RELEASE 34-78021, IA RELEASE 40-4415, JUNE 8, 2016: THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND



HEREBY ARE, INSTITUTED PURSUANT TO SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 (THE "EXCHANGE ACT"), AND SECTIONS 203(E) AND 203(K) OF THE INVESTMENT ADVISERS ACT OF 1940 (THE "ADVISERS ACT"), AGAINST MORGAN STANLEY SMITH BARNEY LLC ("MSSB" OR "RESPONDENT").

THE PROCEEDING ARISES OUT OF MSSB'S FAILURE TO ADOPT WRITTEN POLICIES AND PROCEDURES REASONABLY DESIGNED TO PROTECT CUSTOMER RECORDS AND INFORMATION, IN VIOLATION OF RULE 30(A) OF REGULATION S-P (17 C.F.R. § 248.30(A)) (THE "SAFEGUARDS RULE"). FROM AT LEAST AUGUST 2001 THROUGH DECEMBER 2014, MSSB STORED SENSITIVE PERSONALLY IDENTIFIABLE INFORMATION ("PII") OF INDIVIDUALS TO WHOM MSSB PROVIDED BROKERAGE AND INVESTMENT ADVISORY SERVICES (REFERRED TO HEREIN AS "CUSTOMERS") ON TWO OF THE FIRM'S APPLICATIONS: THE BUSINESS INFORMATION SYSTEM ("BIS") PORTAL AND THE FIXED INCOME DIVISION SELECT ("FID SELECT") PORTAL (COLLECTIVELY, "THE PORTALS"). AN MSSB EMPLOYEE, MISAPPROPRIATED DATA REGARDING APPROXIMATELY 730,000 CUSTOMER ACCOUNTS, ASSOCIATED WITH APPROXIMATELY 330,000 DIFFERENT HOUSEHOLDS, BY ACCESSING THE PORTALS BETWEEN 2011 AND 2014. THE MISAPPROPRIATED DATA INCLUDED PII, SUCH AS CUSTOMERS' FULL NAMES, PHONE NUMBERS, STREET ADDRESSES, ACCOUNT NUMBERS, ACCOUNT BALANCES AND SECURITIES HOLDINGS. BETWEEN APPROXIMATELY DECEMBER 15, 2014 AND FEBRUARY 3, 2015, PORTIONS OF THIS STOLEN DATA WERE POSTED TO AT LEAST THREE INTERNET SITES ALONG WITH AN OFFER TO SELL A LARGER QUANTITY OF STOLEN DATA IN EXCHANGE FOR PAYMENT IN SPEEDCOINS, A DIGITAL CURRENCY. MSSB DISCOVERED THE DATA BREACH THROUGH ONE OF ITS ROUTINE INTERNET SWEEPS ON DECEMBER 27, 2014. AFTER COMPARING CERTAIN DATA REPORTS GENERATED BY THE EMPLOYEE TO THE INFORMATION POSTED ON THE INTERNET, MSSB IDENTIFIED THE EMPLOYEE AS THE LIKELY SOURCE OF THE DATA BREACH. ON DECEMBER 29 AND 30, 2014, MSSB INTERVIEWED THE EMPLOYEE, WHO ACKNOWLEDGED THAT HE HAD ACCESSED AND DOWNLOADED CONFIDENTIAL CUSTOMER DATA TO HIS OWN DATA STORAGE DEVICE (HEREAFTER, "PERSONAL SERVER"). THE EMPLOYEE DENIED POSTING ANY OF THE DATA ON THE INTERNET. SUBSEQUENT FORENSIC ANALYSIS OF THE EMPLOYEE'S PERSONAL SERVER REVEALED THAT A THIRD PARTY LIKELY HACKED INTO THE PERSONAL SERVER AND COPIED THE CONFIDENTIAL CUSTOMER DATA THAT THE EMPLOYEE HAD DOWNLOADED FROM THE PORTALS.

THE SAFEGUARDS RULE, WHICH THE COMMISSION ADOPTED IN 2000 AND AMENDED IN 2005, REQUIRES, AMONG OTHERS, EVERY BROKER-DEALER AND INVESTMENT ADVISER REGISTERED WITH THE COMMISSION TO ADOPT WRITTEN POLICIES AND PROCEDURES REASONABLY DESIGNED TO: (1) INSURE THE SECURITY AND CONFIDENTIALITY OF CUSTOMER



RECORDS AND INFORMATION; (2) PROTECT AGAINST ANY ANTICIPATED THREATS OR HAZARDS TO THE SECURITY OR INTEGRITY OF CUSTOMER RECORDS AND INFORMATION; AND (3) PROTECT AGAINST UNAUTHORIZED ACCESS TO OR USE OF CUSTOMER RECORDS OR INFORMATION THAT COULD RESULT IN SUBSTANTIAL HARM OR INCONVENIENCE TO ANY CUSTOMER. MSSB VIOLATED THE SAFEGUARDS RULE BECAUSE ITS POLICIES AND PROCEDURES WERE NOT REASONABLY DESIGNED TO MEET THESE OBJECTIVES BY FAILING TO INCLUDE, FOR EXAMPLE: REASONABLY DESIGNED AND OPERATING AUTHORIZATION MODULES FOR THE PORTALS THAT RESTRICTED EMPLOYEE ACCESS TO ONLY THE CONFIDENTIAL CUSTOMER DATA AS TO WHICH SUCH EMPLOYEES HAD A LEGITIMATE BUSINESS NEED; AUDITING AND/OR TESTING OF THE EFFECTIVENESS OF SUCH AUTHORIZATION MODULES; AND MONITORING AND ANALYSIS OF EMPLOYEE ACCESS TO AND USE OF THE PORTALS. MSSB WILLFULLY VIOLATED RULE 30(A) OF REGULATION S-P (17 C.F.R. § 248.30(A)), WHICH REQUIRES EVERY BROKER-DEALER AND INVESTMENT ADVISER REGISTERED WITH THE COMMISSION TO ADOPT WRITTEN POLICIES AND PROCEDURES THAT ARE REASONABLY DESIGNED TO SAFEGUARD CUSTOMER RECORDS AND INFORMATION.

**Initiated By:** UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:** 06/08/2016

**Docket/Case Number:** 3-17280

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 06/08/2016

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,000,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:****Sanction Details:**

RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER"), WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. MSSB WILLFULLY VIOLATED RULE 30(A) OF REGULATION S-P. IT IS ORDERED THAT MSSB CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF RULE 30(A) OF REGULATION S-P (17 C.F.R. § 248.30(A)). MSSB IS CENSURED AND SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$1,000,000.

**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

THE SEC FOUND THAT MORGAN STANLEY SMITH BARNEY ("MSSB") WILLFULLY VIOLATED RULE 30(A) OF REGULATION S-P (17 C. F. R. § 248.30(A)) (THE "SAFEGUARDS RULE"). IN PARTICULAR, THE SEC FOUND THAT, PRIOR TO DECEMBER 2014, ALTHOUGH MSSB HAD ADOPTED WRITTEN POLICIES AND PROCEDURES RELATING TO THE PROTECTION OF CUSTOMER RECORDS AND INFORMATION, THOSE POLICIES AND PROCEDURES WERE NOT REASONABLY DESIGNED TO SAFEGUARD ITS CUSTOMERS' PERSONALLY IDENTIFIABLE INFORMATION AS REQUIRED BY THE SAFEGUARDS RULE AND THEREFORE FAILED TO PREVENT A MSSB EMPLOYEE, WHO WAS SUBSEQUENTLY TERMINATED, FROM MISAPPROPRIATING CUSTOMER ACCOUNT INFORMATION.

**Initiated By:**

U.S. SECURITIES AND EXCHANGE COMMISSION

**Date Initiated:**

06/08/2016

**Docket/Case Number:**

3-17280

**Principal Product Type:**

No Product

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:**

Cease and Desist

**Other Sanction(s)/Relief Sought:**

CENSURE, CIVIL PENALTY

**Resolution:**

Order

**Resolution Date:**

06/08/2016

**Sanctions Ordered:**

Censure  
Monetary/Fine \$1,000,000.00





Cease and Desist/Injunction

**Other Sanctions Ordered:****Sanction Details:**

MSSB CONSENTED, WITHOUT ADMITTING OR DENYING THE FINDINGS, TO A CENSURE, TO CEASE AND DESIST FROM COMMITTING OR CAUSING FUTURE VIOLATIONS, AND TO PAY A CIVIL PENALTY OF \$1,000,000. THE CIVIL PENALTY WAS PAID ON JUNE 16, 2016.

**Firm Statement**

IN DETERMINING TO ACCEPT THE OFFER RESULTING IN THE ORDER, THE SEC CONSIDERED THE REMEDIAL EFFORTS PROMPTLY UNDERTAKEN BY MSSB AND MSSB'S COOPERATION AFFORDED TO THE SEC STAFF.

**Disclosure 30 of 55****Reporting Source:**

Regulator

**Current Status:**

Final

**Allegations:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT ACCEPTED MARKET ORDERS TO PURCHASE SHARES IN NEW ISSUES PRIOR TO THE COMMENCEMENT OF TRADING IN THE SECONDARY MARKET FOR THOSE NEW ISSUES.

**Initiated By:**

FINRA

**Date Initiated:**

02/29/2016

**Docket/Case Number:**[2013037921701](#)**Principal Product Type:**

Other

**Other Product Type(s):**

UNSPECIFIED SECURITIES

**Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:**

Acceptance, Waiver &amp; Consent(AWC)

**Resolution Date:**

02/29/2016

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?**

No



**Sanctions Ordered:** Censure  
Monetary/Fine \$7,500.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$7,500.  
FINE PAID IN FULL ON MARCH 23, 2016.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT THE FIRM ACCEPTED 30 MARKET ORDERS TO PURCHASE SHARES IN 22 NEW ISSUES PRIOR TO THE COMMENCEMENT OF TRADING IN THE SECONDARY MARKET FOR THOSE NEW ISSUES.

**Initiated By:** FINRA

**Date Initiated:** 02/27/2016

**Docket/Case Number:** 20130379217

**Principal Product Type:** Other

**Other Product Type(s):** INITIAL PUBLIC OFFERINGS OF EQUITY SECURITIES

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 02/27/2016

**Sanctions Ordered:** Censure  
Monetary/Fine \$7,500.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FINE OF \$7,500 WAS PAID ON MARCH 23, 2016.

**Firm Statement** ON FEBRUARY 27, 2016, FINRA AND MORGAN STANLEY SMITH BARNEY, LLC ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER AND CONSENT ("AWC") TO SETTLE ALLEGATIONS THAT THE FIRM ACCEPTED 30 MARKET ORDERS TO PURCHASE SHARES IN 22 NEW ISSUES PRIOR TO THE COMMENCEMENT OF TRADING IN THE SECONDARY MARKET FOR THOSE NEW ISSUES. DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OR LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO THE ENTRY OF FINDINGS, THE IMPOSITION OF A



CENSURE AND A FINE OF \$7,500.

### Disclosure 31 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO EXECUTE ORDERS FULLY AND PROMPTLY AND FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS. THE FINDINGS STATED THAT THE FIRM, WHEN IT ACTED AS PRINCIPAL FOR ITS OWN ACCOUNT, FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER THE CORRECT REPORTED TRADE PRICE. THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR FINRA RULES, CONCERNING THE HANDLING AND EXECUTION OF CUSTOMER MARKET ORDERS AND THE ACCURACY OF CERTAIN FORM LANGUAGE PRINTED ON THE BACK OF THE FIRM'S CUSTOMER CONFIRMATIONS.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	02/25/2016
<b>Docket/Case Number:</b>	<a href="#">2012034142201</a>
<b>Principal Product Type:</b>	Other
<b>Other Product Type(s):</b>	UNSPECIFIED SECURITIES
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	02/25/2016



<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$125,000.00 Disgorgement/Restitution
<b>Other Sanctions Ordered:</b>	UNDERTAKING: REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES; INTEREST
<b>Sanction Details:</b>	THE FIRM WAS CENSURED, FINED \$125,000, ORDERED TO PAY \$2,056.51, PLUS INTEREST, IN RESTITUTION TO INVESTORS AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.
<hr/>	
<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	FINRA ALLEGED THAT THE FIRM FAILED TO EXECUTE ORDERS FULLY AND PROMPTLY FROM 2011 TO 2013, FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS. FINRA ALSO ALLEGED THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATION IN ALL INSTANCES DISCLOSING TO ITS CUSTOMERS THE CORRECT TRADE PRICE.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	02/25/2016
<b>Docket/Case Number:</b>	20120341422-01
<b>Principal Product Type:</b>	Equity Listed (Common & Preferred Stock)
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE AND RESTITUTION
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	02/25/2016



**Sanctions Ordered:** Censure  
 Monetary/Fine \$125,000.00  
 Disgorgement/Restitution

**Other Sanctions Ordered:**

**Sanction Details:** THE FINE OF \$125,000 WAS PAID ON MARCH 21, 2016. RESTITUTION TO BE PAID WITHIN 120 DAYS.

**Firm Statement** ON FEBRUARY 25, 2016, WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO EXECUTE ORDERS FULLY AND PROMPTLY AND FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS. THE FINDINGS STATED THAT THE FIRM, WHEN IT ACTED AS PRINCIPAL FOR ITS OWN ACCOUNT, FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER THE CORRECT REPORTED TRADE PRICE. THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR FINRA RULES, CONCERNING THE HANDLING AND EXECUTION OF CUSTOMER MARKET ORDERS AND THE ACCURACY OF CERTAIN FORM LANGUAGE PRINTED ON THE BACK OF THE FIRM'S CUSTOMER CONFIRMATIONS. THE FIRM AGREED TO PAY A FINE OF \$125,000, TO PAY RESTITUTION OF \$2056.51 AND TO AMEND ITS WRITTEN SUPERVISORY PROCEDURES.

## Disclosure 32 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TRANSMIT 170,869 REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS) ON 377 BUSINESS DAYS. THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND FINRA RULES, CONCERNING OATS REPORTING.

**Initiated By:** FINRA

**Date Initiated:** 12/16/2015

**Docket/Case Number:** [2014041399601](#)



**Principal Product Type:** Other

**Other Product Type(s):** UNSPECIFIED SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 12/16/2015

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$20,000.00

**Other Sanctions Ordered:** UNDERTAKING: REQUIRED TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$20,000 AND UNDERTAKES TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES. FINE PAID IN FULL JANUARY 6, 2016.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA'S DEPARTMENT OF MARKET REGULATION (THE STAFF) ALLEGED THAT FOR THE PERIOD OF JANUARY 1, 2013 THROUGH JUNE 30, 2014, THE FIRM FAILED TO TRANSMIT 170,869 REPORTABLE ORDER EVENTS TO OATS ON 377 BUSINESS DAYS AND THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND FINRA RULES, CONCERNING OATS. THE STAFF ALLEGED VIOLATIONS OF FINRA RULES 7450 AND 2010 AND NASD RULE 3010.

**Initiated By:** FINRA

**Date Initiated:** 12/16/2015

**Docket/Case Number:** 20140413996-01



<b>Principal Product Type:</b>	Debt - Corporate
<b>Other Product Type(s):</b>	AGENCY DEBT
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	12/16/2015
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$20,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES.
<b>Sanction Details:</b>	THE FINE OF \$20,000 WAS PAID ON OR ABOUT JANUARY 6, 2016.
<b>Firm Statement</b>	ON DECEMBER 16, 2015, FINRA AND MORGAN STANLEY SMITH BARNEY LLC ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER, AND CONSENT (AWC) TO SETTLE ALLEGATIONS RELATED TO TRADE REPORTING. SPECIFICALLY, THE STAFF CONDUCTED A REVIEW OF THE FIRM'S COMPLIANCE WITH OATS REPORTING REQUIREMENTS AND RELATED SUPERVISION. AS A RESULT, THE STAFF ALLEGED THAT DURING THE PERIOD OF JANUARY 1, 2013 THROUGH JUNE 30, 2014, THE FIRM FAILED TO TRANSMIT 170,869 REPORTABLE ORDER EVENTS TO OATS ON 377 BUSINESS DAYS. THE STAFF ALSO ALLEGED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND FINRA RULES, CONCERNING OATS. WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM ACCEPTED AND CONSENTED TO THE ENTRY OF FINDINGS THAT THE ABOVE VIOLATED FINRA RULES 7450 AND 2010 AND NASD RULE 3010. THE FIRM ALSO AGREED TO (1) PAY A FINE IN THE AMOUNT OF \$20,000 AND (2) REVISE ITS WRITTEN POLICIES AND PROCEDURES REGARDING OATS.

#### Disclosure 33 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT PERMITTED SEVEN QUARTERLY STOCK DIVIDEND INCOME CHECKS TOTALING



\$2,716.60, RECEIVED FROM AN ISSUER AND PAYABLE TO A THIRD PARTY, TO BE DEPOSITED INTO THE PERSONAL BROKERAGE ACCOUNT OF A REGISTERED REPRESENTATIVE. THE FINDINGS STATED THAT THE FIRM APPROVED THE DEPOSIT OF THESE CHECKS INTO THE REPRESENTATIVE'S ACCOUNT WITHOUT OBTAINING A LETTER OF AUTHORIZATION FROM THE THIRD PARTY PAYEE, WHICH WAS REQUIRED BY THE FIRM'S WRITTEN PROCEDURES.

**Initiated By:** FINRA

**Date Initiated:** 08/14/2015

**Docket/Case Number:** [2011030674102](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/14/2015

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$25,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$25,000. FINE PAID IN FULL ON SEPTEMBER 3, 2015.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** BETWEEN JULY 3, 2009, AND JANUARY 4, 2011, MSSB APPROVED THE DEPOSIT OF THIRD-PARTY CHECKS TOTALING \$2,716.60 INTO THE BROKERAGE ACCOUNT OF A FORMER REGISTERED REPRESENTATIVE WITHOUT OBTAINING A LETTER OF AUTHORIZATION FROM THE THIRD-





PARTY PAYEE AS REQUIRED BY THE FIRM'S WRITTEN PROCEDURES, WHICH FINRA ALLEGED VIOLATED NASD RULE 3010(B) AND FINRA RULE 2010.

**Initiated By:** FINRA

**Date Initiated:** 08/14/2015

**Docket/Case Number:** [2011030674102](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/14/2015

**Sanctions Ordered:** Censure  
Monetary/Fine \$25,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE \$25,000 FINE WAS PAID ON SEPTEMBER 2, 2015.

**Firm Statement** ON AUGUST 14, 2015, FINRA ACCEPTED MORGAN STANLEY SMITH BARNEY'S LETTER OF ACCEPTANCE, WAIVER AND CONSENT IN CONNECTION WITH FINRA'S ALLEGATIONS THAT ALLOWING THE DEPOSIT OF THIRD-PARTY CHECKS WITHOUT AUTHORIZATION FROM THE THIRD-PARTY VIOLATED NASD RULE 3010(B) AND FINRA RULE 2010. THE FIRM PAID THE \$25,000 FINE ON SEPTEMBER 2, 2015 AND HAS BEEN CENSURED.

#### Disclosure 34 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE REASONABLE SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES REGARDING OUTGOING WIRE TRANSFERS AND BRANCH CHECK DISBURSEMENTS FROM CUSTOMER ACCOUNTS. THE FINDINGS STATED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES THAT WERE REASONABLY DESIGNED TO



REVIEW AND MONITOR THE TRANSMITTALS OF FUNDS FROM CUSTOMER ACCOUNTS TO THIRD-PARTY ACCOUNTS AND OUTSIDE ENTITIES. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES THAT WERE REASONABLY DESIGNED TO REVIEW THE CODING AND ACCEPTANCE OF MONEY ORDERS RECEIVED FOR DEPOSIT INTO CUSTOMER ACCOUNTS. SPECIFICALLY, THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE REASONABLE SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES REGARDING ITS THIRD-PARTY SERVICE PROVIDER'S CODING AND ACCEPTANCE OF MONEY ORDERS WHICH WERE DEPOSITED INTO CUSTOMER ACCOUNTS. AS A RESULT, THREE OF THE FIRM'S REGISTERED REPRESENTATIVES IN TWO DIFFERENT BRANCH OFFICES WERE ABLE TO CONVERT, COLLECTIVELY, \$494,400 FROM THIRTEEN CUSTOMERS OF THE FIRM THROUGH FRAUDULENT WIRE TRANSFERS AND BRANCH CHECKS SENT FROM THE CUSTOMERS' ACCOUNTS TO THIRD-PARTY ACCOUNTS. DURING THIS PERIOD, THE FIRM HAD NO SUPERVISORY SYSTEMS OR WRITTEN PROCEDURES TO DETECT AND MONITOR THE DISBURSEMENT OF FUNDS FROM UNRELATED CUSTOMERS' ACCOUNTS TO A COMMON THIRD-PARTY ACCOUNT. FOR EXAMPLE, THE FIRM'S SYSTEMS DID NOT INCLUDE ANY EXCEPTION REPORTS THAT WOULD HAVE IDENTIFIED MULTIPLE CUSTOMER WIRE TRANSFERS GOING TO THE SAME THIRD-PARTY ACCOUNT. ALSO, THE FIRM'S SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES DID NOT ADDRESS THE COMPARING OF CUSTOMERS' SIGNATURES ON OUTGOING WIRE TRANSFER REQUEST FORMS WITH SIGNATURES ON FILE. HOWEVER, THEREAFTER, THE FIRM IMPLEMENTED PROCEDURES REQUIRING SUPERVISORS TO COMPARE AND AUTHENTICATE CUSTOMER SIGNATURES ON CERTAIN OUTGOING WIRE TRANSFER REQUEST FORMS FOR WIRE TRANSFER REQUESTS GREATER THAN \$100,000. AFTER DISCOVERING THE MISCONDUCT, THE FIRM REPAID THE AFFECTED CUSTOMERS. ALSO, THE FIRM IMPLEMENTED A REPORT TO DETECT WIRE TRANSFERS FROM UNRELATED CUSTOMER ACCOUNTS TO A COMMON THIRD-PARTY ACCOUNT. THE FIRM TERMINATED THE REPRESENTATIVES AND THEY WERE BARRED BY FINRA.

**Initiated By:** FINRA  
**Date Initiated:** 06/19/2015  
**Docket/Case Number:** [2011025479301](#)  
**Principal Product Type:** No Product  
**Other Product Type(s):**  
**Principal Sanction(s)/Relief Sought:**


**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/19/2015

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$650,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$650,000.  
FINED PAID IN FULL ON JUNE 23, 2015.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT FROM AT LEAST JUNE 2009 - NOVEMBER 2014, MSSB FAILED TO ESTABLISH, MAINTAIN AND ENFORCE REASONABLE SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES REGARDING OUTGOING WIRE TRANSFERS AND BRANCH CHECK DISBURSEMENTS FROM CUSTOMER ACCOUNTS. FINRA ALSO ALLEGED THAT FROM AT LEAST JUNE 2009 - SEPTEMBER 2011, MSSB FAILED TO ESTABLISH, MAINTAIN AND ENFORCE REASONABLE SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES REGARDING ITS THIRD-PARTY SERVICE PROVIDER'S CODING OF MONEY ORDERS WHICH WERE DEPOSITED INTO CUSTOMER ACCOUNTS.

**Initiated By:** FINRA

**Date Initiated:** 06/22/2015

**Docket/Case Number:** [2011025479301](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)



<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	06/22/2015
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$650,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	THE FINE OF \$650,000 WAS PAID ON JUNE 23, 2015.
<b>Firm Statement</b>	<p>ON JUNE 22, 2015, FINRA &amp; MSSB ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER AND CONSENT (AWC) TO SETTLE ALLEGATIONS THAT MSSB FAILED TO ESTABLISH, MAINTAIN AND ENFORCE REASONABLE SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES REGARDING OUTGOING WIRE TRANSFERS &amp; BRANCH CHECK DISBURSEMENTS FROM CUSTOMER ACCOUNTS. THE FINDINGS STATE THAT MSSB'S SYSTEMS AND WRITTEN PROCEDURES WERE NOT REASONABLY DESIGNED TO REVIEW AND MONITOR THE TRANSMITTALS OF FUNDS FROM CUSTOMER ACCOUNTS TO THIRD-PARTY ACCOUNTS AND OUTSIDE ENTITIES. THE AWC ALSO SETTLED ALLEGATIONS THAT MSSB FAILED TO ESTABLISH, MAINTAIN AND ENFORCE REASONABLE SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES REGARDING ITS THIRD-PARTY SERVICE PROVIDER'S CODING AND ACCEPTANCE OF MONEY ORDERS WHICH WERE DEPOSITED INTO CUSTOMER ACCOUNTS. THE FINDINGS STATE THAT, AS A RESULT, THREE OF THE FIRM'S REGISTERED REPRESENTATIVES IN TWO DIFFERENT BRANCH OFFICES WERE ABLE TO CONVERT, COLLECTIVELY, \$494,000 FROM THIRTEEN CUSTOMERS THROUGH FRAUDULENT WIRE TRANSFERS AND BRANCH CHECKS SENT FROM THE CUSTOMERS' ACCOUNTS TO THIRD-PARTY ACCOUNTS. AFTER DISCOVERING THE MISCONDUCT, MSSB REPAID THE AFFECTED CUSTOMERS AND TERMINATED THE REPRESENTATIVES. THE FINDINGS NOTE THAT, THEREAFTER, MSSB IMPLEMENTED ADDITIONAL PROCEDURES INCLUDING A REPORT TO DETECT WIRE TRANSFERS FROM UNRELATED CUSTOMER ACCOUNTS TO A COMMON THIRD-PARTY ACCOUNT. WITHOUT ADMITTING OR DENYING THE FINDINGS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, MSSB ACCEPTED AND CONSENTED TO THE ENTRY OF FINDINGS AND THE IMPOSITION OF A CENSURE AND FINE OF \$650,000.</p>

#### Disclosure 35 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final



**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IN SEVEN PAIRS OF TRANSACTIONS, THE FIRM SOLD MUNICIPAL SECURITIES FOR ITS OWN ACCOUNT TO A CUSTOMER AT AN AGGREGATE PRICE (INCLUDING ANY MARKUP) THAT WAS NOT FAIR AND REASONABLE, TAKING INTO CONSIDERATION ALL RELEVANT FACTORS, INCLUDING THE BEST JUDGMENT OF THE BROKER, DEALER OR MUNICIPAL SECURITIES DEALER AS TO THE FAIR MARKET VALUE OF THE SECURITIES AT THE TIME OF THE TRANSACTION AND OF ANY SECURITIES EXCHANGED OR TRADED IN CONNECTION WITH THE TRANSACTION, THE EXPENSE INVOLVED IN EFFECTING THE TRANSACTION, THE FACT THAT THE BROKER, DEALER, OR MUNICIPAL SECURITIES DEALER IS ENTITLED TO A PROFIT, AND THE TOTAL AMOUNT OF THE TRANSACTION.

**Initiated By:** FINRA

**Date Initiated:** 06/09/2015

**Docket/Case Number:** [2012033446701](#)

**Principal Product Type:** Debt - Municipal

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/09/2015

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$12,500.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** INTEREST

**Sanction Details:** THE FIRM WAS CENSURED, FINED \$12,500 AND ORDERED TO PAY \$2,641.16, PLUS INTEREST, IN RESTITUTION TO INVESTORS. FINE PAID IN FULL ON JUNE 30, 2015.



<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	FINRA ALLEGED THAT THE FIRM'S PRICING WITH RESPECT TO SEVEN MUNICIPAL BOND TRANSACTIONS DURING THE SECOND QUARTER OF 2012 WERE VIOLATIVE OF MSRB RULES G-17 AND G-30(A).
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	06/09/2015
<b>Docket/Case Number:</b>	<a href="#">2012033446701</a>
<b>Principal Product Type:</b>	Debt - Municipal
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE, RESTITUTION
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	06/09/2015
<b>Sanctions Ordered:</b>	Monetary/Fine \$12,500.00 Disgorgement/Restitution
<b>Other Sanctions Ordered:</b>	DISGORGEMENT/RESTITUTION: \$2,641.16 PLUS INTEREST.
<b>Sanction Details:</b>	THE FINE OF \$12,500 WAS PAID ON JUNE 29, 2015. THE FIRM IS IN THE PROCESS OF COMPLETING ITS RESTITUTION AND INTEREST PAYMENTS.
<b>Firm Statement</b>	ON JUNE 9, 2015, MORGAN STANLEY SMITH BARNEY AND FINRA ENTERED INTO A LETTER OF ACCEPTANCE WAIVER AND CONSENT (AWC) TO SETTLE ALLEGATIONS THAT THE FIRM'S PRICING WITH RESPECT TO SEVEN MUNICIPAL BOND TRANSACTIONS DURING THE SECOND QUARTER OF 2012 WERE VIOLATIVE OF MSRB RULES G-17 AND G-30(A). WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO ENTRY OF FINDINGS AND THE IMPOSITION OF A CENSURE AND FINE OF \$12,500 WITH RESTITUTION OF \$2,642.16, PLUS INTEREST.

#### Disclosure 36 of 55

**Reporting Source:** Regulator



**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM EXECUTED LONG SALE TRANSACTIONS IN NMS SECURITIES AND REPORTED EACH OF THESE TRANSACTIONS TO FINRA WITH A SHORT EXEMPT MODIFIER IN RELIANCE UPON PROVISIONS SET FORTH IN SEC REGULATION SHO RULE 201(D), WHEN SUCH PROVISIONS WERE NOT APPLICABLE. THE FIRM EXECUTED SHORT SALE TRANSACTIONS IN OTC EQUITY SECURITIES AND INCORRECTLY REPORTED EACH OF THESE TRANSACTIONS TO FINRA WITH A SHORT EXEMPT MODIFIER. THE FINDINGS STATED THAT THE FIRM EXECUTED SHORT SALE ORDERS AND IMPROPERLY MARKED THE ORDERS AS SHORT EXEMPT. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ENSURE THAT ORDERS MARKED AS SHORT EXEMPT COMPLIED WITH THE PROVISIONS OF SEC RULE 201(C) OF REGULATION SHO. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO REPORT THE CORRECT TIME OF TRADE EXECUTION TO THE REAL-TIME TRANSACTION REPORTING SYSTEM (RTRS) IN REPORTS OF TRANSACTIONS IN MUNICIPAL SECURITIES AND FAILED TO SHOW THE CORRECT TIME OF TRADE EXECUTION ON THE MEMORANDUM. THE FIRM ALSO FAILED TO REPORT INFORMATION ABOUT SOME OF THESE SAME TRANSACTIONS WITHIN 15 MINUTES OF TIME OF TRADE TO AN RTRS PORTAL. FINRA FOUND THAT THE FIRM FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) THE CORRECT TIME OF TRADE EXECUTION FOR TRANSACTIONS IN TRACE-ELIGIBLE SECURITIZED PRODUCTS AND FAILED TO SHOW THE CORRECT TIME OF TRADE EXECUTION ON THE MEMORANDUM FOR THESE SAME BROKERAGE ORDERS. IN ADDITION, FINRA DETERMINED THAT THE FIRM FAILED TO REPORT TO TRACE TRANSACTIONS IN TRACE-ELIGIBLE AGENCY BONDS WITHIN 15 MINUTES OF THE TIME OF EXECUTION. MOREOVER, FINRA FOUND THAT THE FIRM FAILED TO REPORT THE CORRECT MARKET IDENTIFIER FOR S1 AND P1 TRANSACTIONS INVOLVING AGENCY BONDS. FURTHERMORE, FINRA FOUND THAT THE FIRM FAILED TO REPORT TO TRACE LARGE BLOCK S1 TRANSACTIONS IN CORPORATE AND AGENCY BONDS WITHIN 15 MINUTES OF THE TIME OF EXECUTION. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO REPORT TO TRACE TRANSACTIONS IN TRACE-ELIGIBLE SECURITIZED PRODUCTS WITHIN THE TIME REQUIRED BY FINRA RULE 6730.

**Initiated By:** FINRA

**Date Initiated:** 05/13/2015

**Docket/Case Number:** [2011028182701](#)



**Principal Product Type:** Other  
**Other Product Type(s):** UNSPECIFIED SECURITIES  
**Principal Sanction(s)/Relief Sought:**  
**Other Sanction(s)/Relief Sought:**  
**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 05/13/2015  
**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No  
**Sanctions Ordered:** Censure  
 Monetary/Fine \$225,000.00  
**Other Sanctions Ordered:** UNDERTAKING  
**Sanction Details:** THE FIRM WAS CENSURED, FINED \$225,000, AND UNDERTAKES TO REVISE ITS WSPS TO ADDRESS THE DEFICIENCIES DESCRIBED IN THE AWC. FINE PAID IN FULL IN 5/26/2015

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**Reporting Source:** Firm  
**Current Status:** Final  
**Allegations:** FINRA ALLEGED THAT THE FIRM SUBMITTED LATE, INCOMPLETE AND/OR INACCURATE TRADE REPORTS FOR CERTAIN TRACE-ELIGIBLE SECURITIES FROM 1Q12 THROUGH 3Q2014 AND TO THE RTRS SYSTEM DURING 1Q13. FINRA ALSO ALLEGED THAT THE FIRM INCORRECTLY REPORTED CERTAIN SHORT SALE TRANSACTIONS WITH A SHORT EXEMPT MODIFIER FROM 1Q11 THROUGH 2Q12.  
**Initiated By:** FINRA  
**Date Initiated:** 05/13/2015  
**Docket/Case Number:** 20110281827  
**Principal Product Type:** Debt - Municipal  
**Other Product Type(s):** DEBT (AGENCY, SECURITIZED PRODUCTS, CORPORATE), EQUITY LISTED AND EQUITY OTC





<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE AND A MANDATORY REVISION OF THE FIRM'S WRITTEN SUPERVISORY PROCEDURES TO ENSURE COMPLIANCE WITH SEC RULE 201(C).
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	05/13/2015
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$225,000.00
<b>Other Sanctions Ordered:</b>	MANDATORY REVISION OF THE FIRM'S WRITTEN SUPERVISORY PROCEDURES TO ENSURE COMPLIANCE WITH SEC RULE 201(C).
<b>Sanction Details:</b>	FINE WAS PAID ON 05/21/2015.
<b>Firm Statement</b>	ON MAY 13, 2015, FINRA AND MORGAN STANLEY SMITH BARNEY, LLC ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER AND CONSENT ("AWC") TO SETTLE ALLEGATIONS THAT THE FIRM: (1) VIOLATED FINRA RULES 2010, 4511, 6730 AND SEC RULE 17A-3 BY SUBMITTING LATE, INCOMPLETE AND/OR INACCURATE REPORTS FOR CERTAIN TRACE-ELIGIBLE SECURITIES FROM 1Q12 THROUGH 3Q2014; (2) VIOLATED MSRB RULE G-14 AND G-8 BY SUBMITTING INACCURATE AND/OR LATE TRADE REPORTS TO THE RTRS SYSTEM FOR CERTAIN TRANSACTIONS DURING 1Q13. DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OR LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO THE ENTRY OF FINDINGS, THE IMPOSITION OF A CENSURE AND A FINE OF \$225,000, AND AGREED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES ("WSPS") TO ENSURE COMPLIANCE WITH SEC RULE 201(C); AND (3) VIOLATED FINRA RULES 6182, 6624, SEC RULE 200(G) BY INCORRECTLY REPORTING CERTAIN SHORT SALE TRANSACTIONS WITH A SHORT EXEMPT MODIFIER AND, WITH RESPECT TO THE SHORT SALE TRANSACTIONS ONLY, FAILING TO MAINTAIN WSPS REASONABLY DESIGNED TO ENSURE THAT ORDERS MARKED AS SHORT EXEMPT COMPLIED WITH SEC RULE 201(C).

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<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO HAVE ADEQUATE SUPERVISORY PROCEDURES TO ADDRESS SHORT POSITIONS IN TAX-EXEMPT MUNICIPAL BONDS THAT RESULTED PRIMARILY

FROM TRADING ERRORS AT THE FIRM'S RETAIL BRANCHES. AS A RESULT OF THESE SUPERVISORY FAILURES, THE FIRM INACCURATELY REPRESENTED TO AT LEAST 1,500 CUSTOMERS THAT AT LEAST \$880,000 IN INTEREST THAT THE FIRM PAID TO THOSE CUSTOMERS WAS EXEMPT FROM TAXATION. IN FACT, THE FIRM DID NOT HOLD THE BONDS ON BEHALF OF THE CUSTOMERS AND THE INTEREST THAT THE CUSTOMERS RECEIVED WAS PAID BY THE FIRM AND THUS TAXABLE AS ORDINARY INCOME. THIS RESULTED IN THE UNDERPAYMENT OF AT LEAST \$358,000 IN FEDERAL INCOME TAXES. AT ONE POINT, THE FIRM RECOGNIZED THAT SHORT POSITIONS WERE NOT BEING COVERED IN A TIMELY FASHION. HOWEVER, THE FIRM DID NOT PROVIDE ADEQUATE GUIDANCE OR OVERSIGHT ON HOW AND WHEN THE MUNICIPAL SHORT POSITIONS SHOULD BE COVERED. THIS DEFICIENCY WAS MAGNIFIED BECAUSE OF THE DIFFICULTY OF COVERING THESE POSITIONS IN LIGHT OF THE MARKET STRUCTURE AND ILLIQUIDITY OF MUNICIPAL BONDS. THUS, THE FIRM OFTEN DID NOT COVER MUNICIPAL SHORT POSITIONS FOR A MONTH OR MORE, AND SOME OF THE SHORT POSITIONS WERE NOT COVERED FOR YEARS. THE FINDINGS STATED THAT THE FIRM FAILED TO REASONABLY SUPERVISE, IMPLEMENT ADEQUATE WRITTEN PROCEDURES, OR MAINTAIN A SUPERVISORY SYSTEM THAT WAS REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH MSRB RULES WHEN THE FIRM MAINTAINED SHORT POSITIONS IN MUNICIPAL SECURITIES AND PAID TAXABLE SUBSTITUTE INTEREST TO ITS CUSTOMERS. AS A RESULT, THE FIRM MISCHARACTERIZED AT LEAST \$880,000 IN INTEREST THAT THE FIRM HAD PAID TO ITS CUSTOMERS AS EXEMPT FROM TAXATION. THE FINDINGS ALSO STATED THAT THE FIRM MISSTATED TO AT LEAST 1,500 CUSTOMERS THAT THE INTEREST THE CUSTOMERS WERE RECEIVING WAS TAX EXEMPT, AND ALSO FAILED TO DISCLOSE THAT THE INTEREST THEY WERE RECEIVING WAS NOT ENTITLED TO TAX EXEMPT STATUS. THE FINDINGS ALSO INCLUDED THAT THE FIRM SENT ACCOUNT STATEMENTS TO APPROXIMATELY 1,500 CUSTOMERS THAT INACCURATELY STATED THAT THE CUSTOMERS WERE RECEIVING TAX-EXEMPT INCOME AND THEREBY FAILED AS A MUNICIPAL DEALER TO MAKE AND KEEP CURRENT CERTAIN BOOKS AND RECORDS, INCLUDING ACCOUNT STATEMENTS THAT THEY CHOOSE TO SEND TO THEIR CUSTOMERS.

**Initiated By:** FINRA  
**Date Initiated:** 04/01/2015  
**Docket/Case Number:** [2013038306401](#)  
**Principal Product Type:** Debt - Municipal  
**Other Product Type(s):**



**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 04/01/2015

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$675,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED, AND FINED \$675,000, OF WHICH \$124,406.93 WAS IMPOSED JOINTLY AND SEVERALLY. FINE PAID IN FULL ON 5/7/2015.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT BETWEEN JULY 2009 THROUGH DECEMBER 2013 MSSB AND MS&CO. FAILED TO HAVE ADEQUATE SUPERVISORY PROCEDURES TO ADDRESS SHORT POSITIONS IN TAX-EXEMPT MUNICIPAL BONDS IN VIOLATION OF MSRB RULES G-8, G-17 AND G-27.

**Initiated By:** FINRA

**Date Initiated:** 04/01/2015

**Docket/Case Number:** [2013038306401](#)

**Principal Product Type:** Debt - Municipal

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)



<b>Resolution Date:</b>	04/01/2015
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$675,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	THE FINE OF \$675,000, OF WHICH \$124,406.93 WAS IMPOSED JOINTLY AND SEVERALLY WITH MS&CO., WAS PAID ON APRIL 17, 2015.
<b>Firm Statement</b>	ON APRIL 1, 2015, FINRA, MORGAN STANLEY SMITH BARNEY, LLC (MSSB) AND MORGAN STANLEY & CO, LLC (MS&CO.) ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER AND CONSENT (AWC) TO SETTLE ALLEGATIONS THAT MSSB AND MS&CO. FAILED TO HAVE ADEQUATE SUPERVISORY PROCEDURES TO ADDRESS SHORT POSITIONS IN TAX-EXEMPT MUNICIPAL BONDS THAT RESULTED PRIMARILY FROM TRADING ERRORS AT THE FIRM'S RETAIL BRANCHES IN VIOLATION OF MSRB RULES G-8, G-17 AND G-27. THERE WERE FINDINGS IN THE AWC THAT THE FIRM INACCURATELY REPRESENTED TO AT LEAST 1,500 CUSTOMERS THAT AT LEAST \$880,000 IN INTEREST THAT THE FIRM PAID TO THOSE CUSTOMERS WAS EXEMPT FROM TAXATION. SINCE THE FIRM DID NOT HOLD THE BONDS ON BEHALF OF THE CUSTOMERS, THE INTEREST THAT THE CUSTOMERS RECEIVED WAS PAID BY MORGAN STANLEY AND, THUS, TAXABLE AS ORDINARY INCOME. WITHOUT ADMITTING OR DENYING THE FINDINGS, AND WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO THE ENTRY OF FINDINGS AND THE IMPOSITION OF A CENSURE AND A FINE OF \$675,000, OF WHICH \$124,406.93 WAS IMPOSED JOINTLY AND SEVERALLY WITH MS&CO.

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<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM, DURING TWO CALENDAR QUARTERS, DID NOT ISSUE GLOBAL STOCK PLAN SERVICES GROUP (GSPS) QUARTERLY STATEMENTS TO NUMEROUS GSPS PLAN PARTICIPANTS WHO HAD ENGAGED IN SECURITIES TRANSACTIONS, AND, THE FIRM FAILED TO ISSUE CONFIRMATIONS FOR CERTAIN GSPS TRANSACTIONS. THE FINDINGS STATED THAT WHEN THE FIRM DID ISSUE GSPS ACCOUNT STATEMENTS AND CONFIRMATIONS, THEY FAILED TO DISCLOSE REQUIRED INFORMATION INCLUDING WHETHER THE FIRM ACTED IN AN AGENCY OR PRINCIPAL CAPACITY, AND THE MARKET VALUE OF THE SECURITIES SO AS TO PROVIDE THE DOLLAR AMOUNT OF THE OPENING AND CLOSING ACCOUNT BALANCES. THE FINDINGS ALSO STATED THAT THE FIRM ISSUED DEFICIENT OPTION



CONFIRMATIONS, WHICH WERE ISSUED THROUGH THE FIRM'S PORTFOLIO MANAGEMENT (PM) PROGRAM AND TWO OF THE FIRM'S EXCEPTION TRADE PROCESSING SYSTEMS, THAT LACKED INFORMATION ABOUT WHETHER TRANSACTIONS WERE OPENING OR CLOSING TRANSACTIONS. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE A SUPERVISORY SYSTEM AND WRITTEN PROCEDURES TO ACHIEVE COMPLIANCE WITH APPLICABLE CUSTOMER ACCOUNT STATEMENT AND TRANSACTION CONFIRMATION RULE REQUIREMENTS. THOSE SUPERVISORY FAILURES ALLOWED THE FIRM'S VIOLATIONS TO CONTINUE UNCHECKED THROUGHOUT THE RELEVANT PERIOD AND THESE DEFICIENCIES AFFECTED MILLIONS OF CUSTOMERS AND TRANSACTIONS.

**Initiated By:** FINRA

**Date Initiated:** 10/16/2014

**Docket/Case Number:** [2012031184001](#)

**Principal Product Type:** Options

**Other Product Type(s):** STOCK PLAN

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/16/2014

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$800,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$800,000.  
FINE PAID IN FULL ON NOVEMBER 3, 2014.

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**Reporting Source:** Firm



<b>Current Status:</b>	Final
<b>Allegations:</b>	FINRA ALLEGED THAT THE FIRM VIOLATED SEC RULE 10B-10, NASD CONDUCT RULES 2230 AND 2340(A), FINRA RULE 2232 AND INCORPORATED NYSE RULE 409 BY FAILING TO: A) ISSUE ACCOUNT STATEMENTS AND CONFIRMATIONS FOR CERTAIN CUSTOMER ACCOUNTS AND TRANSACTIONS, B) APPROPRIATELY DISCLOSE CERTAIN REQUIRED INFORMATION ON ACCOUNT STATEMENTS AND CONFIRMATIONS FOR CERTAIN CUSTOMER ACCOUNTS AND TRANSACTIONS, AND C) ESTABLISH, MAINTAIN AND ENFORCE A REASONABLE SUPERVISORY SYSTEM AND WRITTEN PROCEDURES TO ACHIEVE COMPLIANCE WITH APPLICABLE CUSTOMER ACCOUNT STATEMENT AND TRANSACTION CONFIRMATION RULE REQUIREMENTS.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	10/16/2014
<b>Docket/Case Number:</b>	<a href="#">2012031184001</a>
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	10/16/2014
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$800,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	THE FINE OF \$800,000 TO BE PAID FORTH WITH.
<b>Firm Statement</b>	ON OCTOBER 16, 2014, FINRA AND MORGAN STANLEY SMITH BARNEY LLC (FIRM) ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER, AND CONSENT (AWC) TO SETTLE ALLEGATIONS THAT THE FIRM VIOLATED SEC RULE 10B-10, NASD CONDUCT RULES 2230 AND 2340(A), FINRA RULE 2232 AND INCORPORATED NYSE RULE 409 BY FAILING TO: A) ISSUE ACCOUNT STATEMENTS AND CONFIRMATIONS FOR CERTAIN CUSTOMER ACCOUNTS AND TRANSACTIONS, B) APPROPRIATELY DISCLOSE CERTAIN REQUIRED INFORMATION ON ACCOUNT STATEMENTS AND CONFIRMATIONS FOR CERTAIN CUSTOMER ACCOUNTS AND TRANSACTIONS, AND C) ESTABLISH, MAINTAIN AND ENFORCE A REASONABLE SUPERVISORY SYSTEM AND



WRITTEN PROCEDURES TO ACHIEVE COMPLIANCE WITH APPLICABLE CUSTOMER ACCOUNT STATEMENT AND TRANSACTION CONFIRMATION RULE REQUIREMENTS. WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO ENTRY OF FINDINGS AND THE IMPOSITION OF A CENSURE AND A FINE OF \$800,000.

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<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	<p>THE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT A PUBLIC ADMINISTRATIVE PROCEEDING BE, AND HEREBY IS, INSTITUTED TO DETERMINE WHETHER THE FIRM ENGAGED IN THE VIOLATIONS SET FORTH HEREIN AND TO DETERMINE WHETHER ANY ORDER SHOULD BE ISSUED IMPOSING REMEDIAL SANCTIONS. BETWEEN APRIL AND NOVEMBER 2010, THE FIRM FAILED TO DILIGENTLY SUPERVISE ITS OFFICERS', EMPLOYEES', AND AGENTS' OPENING AND HANDLING OF ACCOUNTS HELD AT THE FIRM IN THE NAME OF A FAMILY OF COMPANIES, IN VIOLATION OF REGULATION 166.3. IN PARTICULAR, THE FIRM'S OFFICERS, EMPLOYEES, AND AGENTS FAILED TO DILIGENTLY SUPERVISE BY FAILING TO SUFFICIENTLY "KNOW ITS CUSTOMER" PRIOR TO OPENING ACCOUNTS, WHICH IT WAS LATER REVEALED WERE USED BY THE OWNER OF THE COMPANIES IN A MULTIMILLION DOLLAR PONZI SCHEME, AND BY FAILING TO ADEQUATELY MONITOR AND ENFORCE TRADING LIMITS APPLICABLE TO THOSE ACCOUNTS. DURING THE RELEVANT PERIOD, THE COMPANIES' ACCOUNTS GENERATED \$16,351.86 FOR THE FIRM IN GROSS COMMISSIONS AND FEES. FURTHER, THE FIRM FAILED TO RESPOND TIMELY AND ACCURATELY TO A DIVISION OF ENFORCEMENT REQUEST FOR PRODUCTION OF ACCOUNT RECORDS. IN ADDITION, THE FIRM FAILED TO MAINTAIN ADEQUATE RECORDS REGARDING THE DAILY TRADING LIMIT APPLICABLE TO ONE OF THE COMPANIES' ACCOUNTS. TOGETHER THESE INCIDENTS CONSTITUTE VIOLATIONS OF SECTION 4G(A) OF THE COMMODITY EXCHANGE ACT AND REGULATIONS 1.31 (A) AND 1.35(A).</p>
<b>Initiated By:</b>	COMMODITY FUTURES TRADING COMMISSION
<b>Date Initiated:</b>	09/15/2014
<b>Docket/Case Number:</b>	14-25
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief</b>	

**Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Order**Resolution Date:** 09/15/2014**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No**Sanctions Ordered:** Monetary/Fine \$280,000.00  
Disgorgement/Restitution  
Cease and Desist/Injunction**Other Sanctions Ordered:** UNDERTAKINGS**Sanction Details:**

IN ANTICIPATION OF THE INSTITUTION OF AN ADMINISTRATIVE PROCEEDING, THE FIRM HAS SUBMITTED AN OFFER OF SETTLEMENT WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. WITHOUT ADMITTING OR DENYING ANY OF THE FINDINGS AND CONCLUSIONS HEREIN, THE FIRM ACKNOWLEDGES SERVICE OF THIS ORDER INSTITUTING PROCEEDINGS PURSUANT TO SECTIONS 6(C) AND 6(D) OF THE COMMODITY EXCHANGE ACT, MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS. ACCORDINGLY, IT IS HEREBY ORDERED THAT: THE FIRM SHALL CEASE AND DESIST FROM VIOLATING REGULATION 166.3, SECTION 4G(A) OF THE COMMODITY EXCHANGE ACT, AND REGULATIONS 1.31(A) AND 1.35(A) AND SHALL PAY A CIVIL MONETARY PENALTY OF \$280,000. THE FIRM AND ITS SUCCESSORS AND ASSIGNS SHALL COMPLY WITH THE FOLLOWING CONDITIONS AND UNDERTAKINGS SET FORTH IN THE OFFER: THE FIRM SHALL PAY DISGORGEMENT IN THE AMOUNT OF \$16,351.86 AND THE FIRM AGREES THAT NEITHER IT NOR ANY OF ITS AGENTS OR EMPLOYEES UNDER ITS AUTHORITY OR CONTROL SHALL TAKE ANY ACTION OR MAKE ANY PUBLIC STATEMENT DENYING, DIRECTLY OR INDIRECTLY, ANY FINDINGS OR CONCLUSIONS IN THE ORDER, OR CREATING, OR TENDING TO CREATE, THE IMPRESSION THAT THE ORDER IS WITHOUT A FACTUAL BASIS; PROVIDED, HOWEVER, THAT NOTHING IN THIS PROVISION SHALL AFFECT THE FIRM'S: (1) TESTIMONIAL OBLIGATIONS; OR (2) RIGHT TO TAKE LEGAL POSITIONS IN OTHER PROCEEDINGS TO WHICH THE COMMISSION IS NOT A PARTY. THE FIRM SHALL UNDERTAKE ALL STEPS NECESSARY TO ENSURE THAT ALL OF ITS AGENTS AND EMPLOYEES UNDER ITS AUTHORITY AND/ OR CONTROL UNDERSTAND AND COMPLY WITH THIS AGREEMENT.





**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE COMMODITY FUTURES TRADING COMMISSION (CFTC) ALLEGED THAT THE FIRM FAILED TO: (1) DILIGENTLY SUPERVISE ITS EMPLOYEES IN THE HANDLING OF ACCOUNTS IN THE NAME OF A FAMILY OF COMPANIES BY FAILING TO FOLLOW ITS OWN DUE DILIGENCE PROCEDURES IN ONBOARDING THE ACCOUNTS FROM A HIGH RISK JURISDICTION; (2) FAILED TO PROPERLY ENFORCE ITS OWN TRADING LIMITS ASSIGNED TO THE SUBJECT ACCOUNTS, WHICH RESULTED IN INITIAL MARGIN REQUIREMENTS THAT FAR EXCEEDED THE APPLICABLE CREDIT TRADING LIMIT, (3) FAILED TO RESPOND TIMELY AND ACCURATELY TO A CFTC REQUEST FOR PRODUCTION OF ACCOUNT RECORDS, AND (4) FAILED TO MAINTAIN ADEQUATE RECORDS REGARDING THE CREDIT TRADING LIMIT APPLICABLE TO THE SUBJECT ACCOUNTS.

**Initiated By:** COMMODITY FUTURES TRADING COMMISSION

**Date Initiated:** 09/15/2014

**Docket/Case Number:** 14-25

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** DISGORGEMENT OF COMMISSIONS; CEASE & DESIST ORDER; UNDERTAKINGS

**Resolution:** Order

**Resolution Date:** 09/15/2014

**Sanctions Ordered:** Monetary/Fine \$280,000.00  
Disgorgement/Restitution  
Cease and Desist/Injunction

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** THE CIVIL MONETARY PENALTY AND DISGORGEMENT TOTALING \$296,351.86 WAS PAID ON SEPTEMBER 24, 2014. THE FIRM ALSO AGREED TO UNDERTAKINGS RELATED TO REVIEW AND EVALUATION OF THE FIRM'S RECORD KEEPING PROCESSES, AND PUBLIC STATEMENTS.

**Firm Statement** ON SEPTEMBER 15, 2014, THE U.S. COMMODITY FUTURES TRADING COMMISSION (CFTC) ISSUED AN ORDER FILING AND SETTLING CHARGES



IN CONNECTION WITH ALLEGATIONS THAT MORGAN STANLEY SMITH BARNEY, LLC (FIRM) FAILED TO (1) DILIGENTLY SUPERVISE ITS EMPLOYEES IN THE HANDLING OF ACCOUNTS IN THE NAME OF A FAMILY OF COMPANIES BY FAILING TO FOLLOW ITS OWN DUE DILIGENCE PROCEDURES IN ONBOARDING THE ACCOUNTS FROM A HIGH RISK JURISDICTION; (2) FAILED TO PROPERLY ENFORCE ITS OWN TRADING LIMITS ASSIGNED TO THE SUBJECT ACCOUNTS, WHICH RESULTED IN INITIAL MARGIN REQUIREMENTS THAT FAR EXCEEDED THE APPLICABLE CREDIT TRADING LIMIT, (3) FAILED TO RESPOND TIMELY AND ACCURATELY TO A CFTC REQUEST FOR PRODUCTION OF ACCOUNT RECORDS, AND (4) FAILED TO MAINTAIN ADEQUATE RECORDS REGARDING THE CREDIT TRADING LIMIT APPLICABLE TO THE SUBJECT ACCOUNTS. WITHOUT ADMITTING OR DENYING THE FINDINGS OR CONCLUSIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO THE ENTRY OF FINDINGS, THE IMPOSITION OF A CEASE AND DESIST ORDER, A CIVIL MONETARY PENALTY OF \$280,000, DISGORGEMENT OF COMMISSIONS OF \$16,351.86 AND UNDERTAKINGS RELATED TO REVIEW AND EVALUATION OF THE FIRM'S RECORD KEEPING PROCESSES, AND PUBLIC STATEMENTS.

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**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM FAILED TO ENFORCE ITS WRITTEN PROCEDURES, RESULTING IN A WIDESPREAD FAILURE TO CREATE OR MAINTAIN CERTAIN REQUIRED DOCUMENTS (I.E., CERTIFICATIONS FROM RETIRED REPRESENTATIVES, INITIAL AND ANNUAL LETTERS TO CLIENTS). THE FINDINGS STATED THAT THE FIRM PAID, UNDER ITS FORMER FINANCIAL ADVISOR PROGRAM (FFAP) AND PREDECESSOR PROGRAMS, MORE THAN \$100 MILLION IN COMMISSIONS TO FORMER REGISTERED REPRESENTATIVES WHO HAD RETIRED. AT THE TIME OF THESE PAYMENTS, MANY OF THE INDIVIDUALS WERE NOT REGISTERED OR ASSOCIATED WITH A REGISTERED FIRM. THE PAYMENTS WERE MADE UNDER A PROGRAM THAT ALLOWED PAYMENTS TO UNREGISTERED, RETIRED REPRESENTATIVES IN COMPLIANCE WITH A NO-ACTION LETTER ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION IN NOVEMBER 2008. THE LETTER INDICATED THAT THE SEC WOULD NOT RECOMMEND AN ENFORCEMENT ACTION UNDER SECTION 15(A) OF THE EXCHANGE ACT AGAINST A FIRM OR A RETIRED REPRESENTATIVE RELATING TO CONTINUING THE PAYMENT OF COMMISSIONS TO A RETIRED REPRESENTATIVE SO LONG AS THE FIRM, THE RETIRED REPRESENTATIVE, AND THE RECEIVING REPRESENTATIVE



(I.E., THE INDIVIDUAL WHO WOULD CONTINUE TO SERVICE THE ACCOUNTS AFTER THE RETIRED REPRESENTATIVE LEFT THE FIRM) MET CERTAIN CONDITIONS BEFORE AND DURING THE PAYMENT OF CONTINUING COMMISSIONS TO THE RETIRED REPRESENTATIVE. THE FIRM'S FAILURE TO ENFORCE ITS OWN PROCEDURES - AND ITS FAILURE TO DETECT PROMPTLY ITS NON-COMPLIANCE - LED TO THE WIDESPREAD FAILURE TO COMPLY WITH IMPORTANT REQUIREMENTS SET FORTH IN THE SEC'S ISSUED 2008 NO-ACTION LETTER. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO CREATE OR MAINTAIN THE REQUIRED RETIRED REPRESENTATIVE CERTIFICATIONS OR CUSTOMER LETTERS FOR A SIGNIFICANT PROPORTION OF THE RETIRED REPRESENTATIVES TO WHOM IT PAID CONTINUING COMMISSIONS. THE CERTIFICATIONS AND LETTERS THAT THE FIRM FAILED TO CREATE OR MAINTAIN WERE NECESSARY TO COMPLY WITH THE TERMS OF THE 2008 NO-ACTION LETTER. THEY ALSO WERE NECESSARY TO PERMIT THE FIRM TO DETECT WHETHER THE RETIRED REPRESENTATIVES WERE ACTING AS UNREGISTERED BROKERS IN VIOLATION OF, AMONG OTHER THINGS, SECTION 15(A)(1) OF THE EXCHANGE ACT. AS A RESULT OF THE FIRM'S FAILURE TO ENFORCE ITS PROCEDURES, IT PAID THE COMMISSIONS TO THE RETIRED REPRESENTATIVES, MANY OF WHOM WERE NOT REGISTERED, WITHOUT ADHERING TO THE TERMS OF THE NO-ACTION LETTER. THE FIRM DID NOT HAVE AN EFFECTIVE MECHANISM TO DETERMINE WHETHER THOSE PAYMENTS WERE BEING MADE IN COMPLIANCE WITH SECTION 15(A) OF THE EXCHANGE ACT AND NASD RULE 2420.

**Initiated By:** FINRA

**Date Initiated:** 07/03/2014

**Docket/Case Number:** [2011029683301](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 07/03/2014



<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$1,000,000.00
<b>Other Sanctions Ordered:</b>	UNDERTAKINGS: REQUIRED TO REVIEW AND REVISED ITS SYSTEMS AND WRITTEN PROCEDURES USED TO SUPERVISE ITS FORMER FINANCIAL ADVISOR PROGRAM (FFAP) OR SIMILAR PROGRAM INVOLVING THE PAYMENT OF COMMISSIONS TO RETIRED REPRESENTATIVES.  ALSO, REQUIRED TO, WITHIN 120 DAYS AFTER THE ISSUANCE OF THE AWC, CERTIFY THAT THE FIRM HAS CONDUCTED THE REVIEW.
<b>Sanction Details:</b>	SEE ABOVE
<b>Regulator Statement</b>	FINE PAID IN FULL ON JULY 21, 2014.
<hr/>	
<b>Reporting Source:</b>	Firm
<b>Current Status:</b>	Final
<b>Allegations:</b>	FINRA ALLEGED THAT, BETWEEN JUNE 1, 2009 AND DECEMBER 31, 2011, THE FIRM PAID MORE THAN \$100 MILLION IN COMMISSIONS TO ABOUT 780 RETIRED REGISTERED REPRESENTATIVES UNDER ITS FORMER FINANCIAL ADVISOR PROGRAM (FFAP) AND PREDECESSOR PROGRAMS THAT ALLOWED PAYMENTS TO UNREGISTERED, RETIRED REPRESENTATIVES IN COMPLIANCE WITH THE REQUIREMENTS OF A NO-ACTION LETTER ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION IN NOVEMBER 2008 AND THAT THE FIRM FAILED TO CREATE OR MAINTAIN CERTAIN DOCUMENTATION REQUIRED BY THE 2008 NO-ACTION LETTER FOR A SIGNIFICANT PROPORTION OF THE RETIRED REPRESENTATIVES TO WHOM IT PAID CONTINUING COMMISSIONS. FINRA FURTHER ALLEGED THAT BY FAILING TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN PROCEDURES TO SUPERVISE THE PAYMENT OF CONTINUING COMMISSIONS TO RETIRED REPRESENTATIVES THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH SECTION 15(A) OF THE EXCHANGE ACT AND NASD RULE 2420, AND BY FAILING TO DETECT WIDESPREAD NON-COMPLIANCE WITH ITS EXISTING PROCEDURES FOR THE CREATION AND MAINTENANCE OF CERTAIN DOCUMENTATION REQUIRED BY THE 2008 NO-ACTION LETTER, MSSB VIOLATED NASD RULE 3010 AND FINRA RULE 2010.



<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	07/03/2014
<b>Docket/Case Number:</b>	<a href="#">2011029683301</a>
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	07/03/2014
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$1,000,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	THE FINE OF \$1,000,000 WILL BE PAID ON OR BEFORE AUGUST 15, 2014.
<b>Firm Statement</b>	ON JULY 3, 2014, FINRA AND MORGAN STANLEY SMITH BARNEY LLC ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER & CONSENT (AWC) TO SETTLE FINRA'S ALLEGATIONS THAT, BY FAILING TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES TO SUPERVISE THE PAYMENT OF CONTINUING COMMISSIONS TO RETIRED REPRESENTATIVES THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH SECTION 15(A) OF THE EXCHANGE ACT AND NASD RULE 2420, AND BY FAILING TO DETECT WIDESPREAD NON-COMPLIANCE WITH ITS EXISTING PROCEDURES FOR THE CREATION AND MAINTENANCE OF CERTAIN DOCUMENTATION REQUIRED BY THE SEC'S 2008 NO-ACTION LETTER, THE FIRM VIOLATED NASD RULE 3010 AND FINRA RULE 2010. WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM AGREED TO ENTER INTO THE AWC AND PAY A FINE OF \$1,000,000.

#### Disclosure 41 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	ON JUNE 9, 2014, THE BANKING COMMISSIONER ENTERED A CONSENT ORDER (DOCKET NO. CO-14-8023-S) WITH RESPECT TO MORGAN STANLEY SMITH BARNEY LLC, A CONNECTICUT-REGISTERED BROKER-DEALER. THE



CONSENT ORDER ALLEGED THAT THE FIRM FAILED TO ESTABLISH, ENFORCE AND MAINTAIN AN ADEQUATE SUPERVISORY SYSTEM, PARTICULARLY WITH RESPECT TO SUPERVISOR ACCESS TO EMPLOYEE E-MAIL, THE OUTSOURCING OF EXTERNAL E-MAIL SURVEILLANCE TO THIRD PARTY CONTRACTORS, INCLUDING A THIRD PARTY CONTRACTOR IN CHENNAI INDIA; AND ENSURING THAT INDIVIDUALS WHO SUPERVISED THE INDIA THIRD PARTY CONTRACTOR PERSONNEL PERFORMING THE OUTSOURCED WORK HELD LICENSES REQUIRED BY FINRA. IN ADDITION, THE CONSENT ORDER ALLEGED THAT THE FIRM 1) FAILED TO MAINTAIN ITS RECORDS IN A FORM READILY ACCESSIBLE TO THE COMMISSIONER AND FAILED TO MAKE THOSE RECORDS READILY AVAILABLE TO AGENCY STAFF DURING AN EXAMINATION IN CONTRAVENTION OF SECTIONS 36B-14(A)(3) AND 36B-14(D) OF THE CONNECTICUT UNIFORM SECURITIES ACT AND SECTION 36B-31-14F OF THE REGULATIONS THEREUNDER; AND 2) FAILED TO KEEP CERTAIN COMPLIANCE RECORDS TRUE, ACCURATE AND CURRENT IN CONTRAVENTION OF SECTION 36B-31-14A(A) OF THE REGULATIONS.

**Initiated By:** CONNECTICUT

**Date Initiated:** 06/09/2014

**Docket/Case Number:** CO-14-8023-S

**URL for Regulatory Action:**

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 06/09/2014

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$5,000,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:** THE CONSENT ORDER FINED MORGAN STANLEY SMITH BARNEY LLC \$5 MILLION AND DIRECTED THE FIRM TO CEASE AND DESIST FROM



REGULATORY VIOLATIONS. IN ADDITION, THE CONSENT ORDER REQUIRED THAT THE FIRM 1) COMPLETE A TARGETED SUPERVISORY AND QUALITY CONTROL REVIEW WITHIN SIX MONTHS AND ENSURE THAT SUPERVISORY PERSONNEL INVOLVED IN E-MAIL SURVEILLANCE MAINTAIN ALL SECURITIES LICENSES REQUIRED BY FINRA; 2) WITHIN TWELVE MONTHS, IMPLEMENT A SYSTEM TO ENSURE THAT BRANCH SUPERVISORY PERSONNEL HAVE DIRECT ACCESS TO E-MAILED COMMUNICATIONS SENT OR RECEIVED BY SPECIFIED EMPLOYEES DURING THE PREVIOUS 120 DAYS; 3) WITHIN TWELVE MONTHS, IMPLEMENT PROCEDURES TO ENSURE THAT REQUIRED BOOKS AND RECORDS WOULD BE OPEN TO INSPECTION BY, AND READILY ACCESSIBLE TO, AGENCY STAFF; 4) WITHIN TWELVE MONTHS CONDUCT TRAINING WITHIN THE FIRM'S LEGAL DEPARTMENT TO MORE EFFICIENTLY ADDRESS THE TREATMENT OF LEGALLY PRIVILEGED DOCUMENTS; AND 5) WITHIN TWELVE MONTHS, IMPLEMENT A SEPARATE QUARTERLY QUALITY CONTROL PROCEDURE MEASURING THE EFFECTIVENESS OF SELECTING EXTERNAL E-MAILS FOR REVIEW.

**Sanction Details:** SEE RESPONSE TO ITEM 13.B.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE CONNECTICUT BANKING COMMISSIONER ALLEGED THAT FROM JANUARY 1, 2012 - JUNE 9, 2014, MSSB VIOLATED SECTIONS 36B-14(A)(3) AND 36B-14(D) OF THE ACT AND SECTION 36B-31-14F OF THE REGULATIONS RELATING TO THE ACCESSIBILITY AND AVAILABILITY OF RECORDS DURING ITS EXAMINATION OF MSSB. THE COMMISSIONER ALSO ALLEGED THAT MSSB VIOLATED SECTION 36B-31-14A(A) OF THE REGULATIONS BY FAILING TO KEEP CERTAIN MANUALS PRODUCED TO THE DIVISION DURING THE EXAMINATION, TRUE, ACCURATE AND CURRENT, SECTION 36B-31-6F BY FAILING TO ESTABLISH, ENFORCE AND MAINTAIN A SUPERVISORY SYSTEM RELATED TO ITS EMAIL SUPERVISION AND SECTION 36B-31-7E OF THE REGULATIONS BY FAILING TO ENSURE AGENTS PROVIDED NOTIFICATION OF TRADE OR ASSUMED NAMES.

**Initiated By:** STATE OF CONNECTICUT DEPARTMENT OF BANKING, SECURITIES & BUSINESS INVESTMENTS DIVISION

**Date Initiated:** 06/09/2014

**Docket/Case Number:** CO-14-8023-S

**Principal Product Type:** No Product

**Other Product Type(s):**



<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CEASE AND DESIST
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	06/09/2014
<b>Sanctions Ordered:</b>	Monetary/Fine \$5,000,000.00 Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	MSSB AGREED TO VARIOUS UNDERTAKINGS IN CONNECTION WITH THE SETTLEMENT OF THIS MATTER.
<b>Sanction Details:</b>	MSSB AGREED TO VARIOUS UNDERTAKINGS IN CONNECTION WITH THE SETTLEMENT OF THIS MATTER.
<b>Firm Statement</b>	<p>ON JUNE 9, 2014, MORGAN STANLEY SMITH BARNEY LLC ("MSSB") ENTERED INTO A CONSENT ORDER WITH THE CONNECTICUT BANKING COMMISSIONER TO SETTLE ALLEGATIONS THAT MSSB VIOLATED SECTIONS 36B-14(A)(3) AND 36B-14(D) OF THE ACT AND SECTION 36B-31-14F OF THE REGULATIONS RELATING TO THE ACCESSIBILITY AND AVAILABILITY OF RECORDS DURING ITS EXAMINATION OF MSSB. THE COMMISSIONER ALSO ALLEGED THAT MSSB VIOLATED SECTION 36B-31-14A(A) OF THE REGULATIONS BY FAILING TO KEEP CERTAIN MANUALS PRODUCED TO THE DIVISION DURING THE EXAMINATION, TRUE, ACCURATE AND CURRENT, SECTION 36B-31-6F BY FAILING TO ESTABLISH, ENFORCE AND MAINTAIN A SUPERVISORY SYSTEM RELATED TO ITS EMAIL SUPERVISION AND SECTION 36B-31-7E OF THE REGULATIONS BY FAILING TO ENSURE AGENTS PROVIDED NOTIFICATION OF TRADE OR ASSUMED NAMES. WITHOUT ADMITTING OR DENYING THE ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM AGREED TO THE ENTRY OF A CONSENT ORDER AND THE IMPOSITION OF A CEASE AND DESIST ORDER, A FINE OF \$5,000,000, AND UNDERTAKINGS.</p>

#### Disclosure 42 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	<p>WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE IT BEGAN OPERATIONS THROUGH A MERGER AND, FOR OVER TWO YEARS AND A HALF, WITH REGARD TO INITIAL PUBLIC OFFERINGS (IPOS), CERTAIN OFFICES OF THE FIRM OPERATED UNDER LEGACY POLICIES OF AN ENTITY FROM THE MERGER, WHILE OTHERS OPERATED UNDER LEGACY</p>



PROCEDURES OF THE OTHER ENTITY FROM THE MERGER. THE FINDINGS STATED THAT THE TWO LEGACY POLICIES OFFERED DIFFERENT GUIDANCE REGARDING THE SOLICITATION OF OFFERS IN IPOS. ONE LEGACY POLICY DIRECTED FINANCIAL ADVISORS TO OBTAIN AND RECONFIRM INDICATIONS OF INTEREST FROM CUSTOMERS, WHILE THE OTHER LEGACY POLICY DIRECTED FINANCIAL ADVISORS TO SOLICIT CONDITIONAL OFFERS TO BUY SECURITIES FROM INVESTORS. BOTH LEGACY POLICIES PROHIBITED UNAUTHORIZED TRADING. SUBSEQUENTLY, THE FIRM ISSUED A COMPLIANCE NOTICE TO RECONCILE THESE POLICIES. THE NEW POLICY, WHICH USED THE TERMS "CONDITIONAL OFFER" AND "INDICATION OF INTEREST" INTERCHANGEABLY, DIRECTED FINANCIAL ADVISORS TO ASCERTAIN THE CUSTOMERS' INTEREST IN IPO SHARES AT A SPECIFIED PRICE RANGE. CUSTOMERS WERE TO BE INFORMED THAT SHARES IN THE IPO WOULD NOT BE GUARANTEED. NO RECONFIRMATION WOULD TAKE PLACE UNLESS THE FINAL PRICE FELL OUTSIDE OF THE INDICATED RANGE. THE POLICY DID NOT EXPLICITLY STATE THAT INVESTORS WOULD BE GIVEN AN OPPORTUNITY TO WITHDRAW AFTER REGISTRATION BECAME EFFECTIVE BUT BEFORE ACCEPTANCE. OFFERS WERE NOT PLACED IN WRITING, BUT WERE RECORDED AS "INDICATIONS OF INTEREST" IN THE FIRM'S ORDER SYSTEM. THE FIRM DID NOT RECORD THE TERMS OF THE OFFER OTHER THAN TO TRACK THE NUMBER OF SHARES REQUESTED IN THE FIRM'S ORDER SYSTEM. HOWEVER, THE POLICY INITIATED WAS SUSPENDED, AFTER A LITTLE OVER ONE YEAR, AND THEREAFTER THE FIRM HAS HAD THE PRACTICE OF RECONFIRMING ALL CUSTOMER ORDERS AFTER THE FINAL PRICING TERMS WERE AVAILABLE. THE FINDINGS ALSO STATED THAT THE FIRM POLICIES AND PROCEDURES GOVERNING THE SOLICITATION OF OFFERS IN IPOS IN EFFECT DURING THE RELEVANT PERIOD WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE SECURITIES LAWS OR FINRA RULES: THE FIRM'S POLICIES AND PROCEDURES FAILED TO ADEQUATELY DISTINGUISH CONDITIONAL OFFERS FROM INDICATIONS OF INTEREST; THE FIRM FAILED TO PROVIDE SUFFICIENT GUIDANCE AND TRAINING TO ITS SALE STAFF REGARDING THE SOLICITATION OF CONDITIONAL OFFERS; AND THE FIRM FAILED TO ADEQUATELY MONITOR THE SOLICITATION OF CONDITIONAL OFFERS TO ASSESS COMPLIANCE WITH ITS OWN POLICIES, OR THE SECURITIES LAWS AND REGULATIONS AND FINRA RULES. THE FIRM'S POLICIES AND PROCEDURES CONFLATED INDICATIONS OF INTEREST AND CONDITIONAL OFFERS. THE FIRM FAILED TO MAKE ANY DISTINCTION BETWEEN THESE TWO TERMS IN ITS HARMONIZED POLICIES AND OFFERED NO TRAINING OR OTHER MATERIALS TO ITS FINANCIAL ADVISORS TO CLARIFY THE POLICY. AS A RESULT, SALES STAFF AND CUSTOMERS MAY NOT HAVE PROPERLY UNDERSTOOD WHAT TYPE OF INTEREST WAS BEING SOLICITED. THE FIRM ALSO FAILED TO ADEQUATELY MONITOR COMPLIANCE WITH ITS OWN POLICIES AND FAILED TO HAVE



PROCEDURES DESIGNED TO ENSURE THAT CONDITIONAL OFFERS WERE BEING SOLICITED, WHICH GENERALLY AROSE FROM ORAL CONVERSATIONS BETWEEN REGISTERED REPRESENTATIVES AND POTENTIAL INVESTORS. AS A RESULT, THE FIRM WAS UNABLE TO ENSURE THAT ITS SALES STAFF HAD PROPERLY COMPLIED WITH REQUIREMENTS UNDER THE FEDERAL SECURITIES LAWS AND FINRA RULES. THIS RESULTED IN THE FIRM FAILING TO IMPLEMENT ADEQUATE SYSTEMS AND PROCEDURES TO SUPERVISE THE SOLICITATION OF RETAIL INTEREST IN EQUITY IPOS.

**Initiated By:** FINRA

**Date Initiated:** 05/06/2014

**Docket/Case Number:** [2012032646901](#)

**Principal Product Type:** Other

**Other Product Type(s):** INITIAL PUBLIC OFFERINGS

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/06/2014

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$5,000,000.00

**Other Sanctions Ordered:**

**Sanction Details:** SEE ABOVE

FINE PAID IN FULL ON MAY 27, 2014.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT BETWEEN FEBRUARY 16, 2012 - MAY 1, 2013, MSSB



FAILED TO IMPLEMENT ADEQUATE SYSTEMS AND PROCEDURES TO SUPERVISE THE SOLICITATION OF RETAIL INTEREST IN EQUITY IPOS IN VIOLATION OF NASD RULE 3010 AND FINRA RULE 2010.

**Initiated By:** FINRA  
**Date Initiated:** 05/06/2014  
**Docket/Case Number:** [2012032646901](#)  
**Principal Product Type:** Other  
**Other Product Type(s):** INITIAL PUBLIC OFFERINGS  
**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)  
**Other Sanction(s)/Relief Sought:** CENSURE  
**Resolution:** Acceptance, Waiver & Consent(AWC)  
**Resolution Date:** 05/06/2014  
**Sanctions Ordered:** Censure  
 Monetary/Fine \$5,000,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FINE OF \$5,000,000 WAS PAID ON MAY 27, 2014.

**Firm Statement**

ON MAY 6, 2014, FINRA AND MORGAN STANLEY SMITH BARNEY LLC (MSSB) ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER AND CONSENT (AWC) TO SETTLE ALLEGATIONS THAT BETWEEN FEBRUARY 16, 2012 - MAY 1, 2013, MSSB FAILED TO IMPLEMENT ADEQUATE SYSTEMS AND PROCEDURES TO SUPERVISE THE SOLICITATION OF RETAIL INTEREST IN EQUITY IPOS IN VIOLATION OF NASD RULE 3010 AND FINRA RULE 2010. SPECIFICALLY, THERE WERE FINDINGS IN THE AWC THAT MSSB FAILED TO IMPLEMENT ADEQUATE POLICIES AND PROCEDURES THAT PROVIDED SUFFICIENT GUIDANCE AND TRAINING TO ITS SALES STAFF IN CONNECTION WITH THE SOLICITATION OF CONDITIONAL OFFERS FOR IPO TRANSACTIONS. WITHOUT ADMITTING OR DENYING THE FINDINGS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO THE ENTRY OF FINDINGS AND THE IMPOSITION OF A CENSURE AND A FINE OF \$5,000,000.

**Disclosure 43 of 55**

**Reporting Source:** Regulator  
**Current Status:** Final



**Allegations:** CFTC RELEASE: PR6894-14/MARCH 27, 2014: THE U.S. COMMODITY FUTURES TRADING COMMISSION (COMMISSION OR CFTC) DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT A PUBLIC ADMINISTRATIVE PROCEEDING BE, AND HEREBY IS, INSTITUTED TO DETERMINE WHETHER THE FIRM ENGAGED IN THE VIOLATIONS AS SET FORTH HEREIN AND TO DETERMINE WHETHER ANY ORDER SHALL BE ISSUED IMPOSING REMEDIAL SANCTIONS. THE CFTC ANNOUNCED THE FILING AND SIMULTANEOUS SETTLEMENT OF CHARGES AGAINST MORGAN STANLEY SMITH BARNEY LLC, A REGISTERED FUTURES COMMISSION MERCHANT (FCM), FOR VIOLATING CFTC RULES GOVERNING SECURED FUNDS OF FOREIGN FUTURES AND OPTION CUSTOMERS, COMMINGLING CUSTOMER AND FIRM FUNDS, FAILING TO PREPARE ACCURATE DAILY COMPUTATIONS OF ITS SEGREGATED AND SECURED FUNDS, FAILING TO PROPERLY TITLE ACCOUNT STATEMENTS FOR FOUR CUSTOMER SEGREGATED ACCOUNTS, AND FAILING TO DILIGENTLY SUPERVISE ITS EMPLOYEES HANDLING OF MATTERS RELATED TO ITS BUSINESS AS A CFTC REGISTRANT. NONE OF THE VIOLATIONS RESULTED IN ANY CUSTOMER LOSSES, ACCORDING TO THE CFTC'S ORDER. THE CFTC'S ORDER FINDS THAT ON THE FIRM ERRONEOUSLY TRANSFERRED APPROXIMATELY \$16 MILLION FROM A CUSTOMER SECURED FUNDS BANK ACCOUNT RESULTING IN A DEFICIENCY IN THE FIRM'S SECURED FUNDS OF APPROXIMATELY \$9.27 MILLION. THE FIRM DISCOVERED THE ERROR THE NEXT DAY AND CURED THE DEFICIENCY. AFTER ITS SECURED DEFICIENCY, THE FIRM INDEPENDENTLY ENGAGED A COMPANY TO REVIEW ITS POLICIES AND PROCEDURES WITH RESPECT TO SEGREGATED AND SECURED ACCOUNTS. THE COMPANY SUBSEQUENTLY ISSUED A REPORT RECOMMENDING CHANGES TO THE FIRM'S POLICIES AND PROCEDURES, WHICH THE FIRM HAS SUBSTANTIALLY IMPLEMENTED. THE CFTC'S ORDER ALSO FINDS THAT FOR APPROXIMATELY A SIX-MONTH PERIOD, THE FIRM COMMINGLED CUSTOMER SEGREGATED AND FIRM FUNDS IN A CUSTOMER SEGREGATED BANK ACCOUNT. IN ADDITION, FOR APPROXIMATELY AN EIGHT-MONTH PERIOD, THE FIRM FAILED TO PREPARE ACCURATE DAILY COMPUTATIONS OF ITS SEGREGATED AND SECURED FUNDS. NONE OF THE ERRORS CAUSED THE FIRM TO FALL BELOW ITS REQUIRED SEGREGATED OR SECURED FUNDS; HOWEVER, THE FIRM WAS REQUIRED TO REFILE 120 DAILY STATEMENTS AS A RESULT OF THE ERRORS. FINALLY, THE CFTC'S ORDER FINDS THAT OVER SEVERAL MONTHS, ACCOUNT STATEMENTS FOR FOUR FIRM SEGREGATED ACCOUNTS WERE IMPROPERLY TITLED AS CUSTOMER SECURED ACCOUNTS.

**Initiated By:** COMMODITY FUTURES TRADING COMMISSION

**Date Initiated:** 03/27/2014

**Docket/Case Number:** 14-11



**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Order

**Resolution Date:** 03/27/2014

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$490,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:** UNDERTAKINGS

**Sanction Details:** IN ANTICIPATION OF THE INSTITUTION OF THIS ADMINISTRATIVE PROCEEDING, THE FIRM HAS SUBMITTED AN OFFER OF SETTLEMENT, WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. WITHOUT ADMITTING OR DENYING ANY OF THE FINDINGS OR CONCLUSIONS HEREIN, THE FIRM CONSENTS TO THE ENTRY OF AND ACKNOWLEDGES SERVICE OF THIS ORDER INSTITUTING PROCEEDINGS PURSUANT TO SECTIONS 6(C) AND 6(D) OF THE COMMODITY EXCHANGE ACT (THE ACT) AND MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS AND ACKNOWLEDGES SERVICE OF THIS ORDER. THE COMMISSION FINDS THAT THE FIRM VIOLATED SECTION 4D(A)(2) OF THE ACT, AND COMMISSION REGULATIONS 1.20(A), (C); 1.32(A); 1.33; 30.7(A), (F); AND 166.3. THE FIRM HAS SUBMITTED AN OFFER OF SETTLEMENT, WITHOUT ADMITTING OR DENYING THE FINDINGS AND CONCLUSIONS HEREIN. ACCORDINGLY, IT IS HEREBY ORDERED THAT: THE FIRM SHALL CEASE AND DESIST FROM VIOLATING SECTION 4D(A)(2) OF THE ACT, AND REGULATIONS 1.20(A), (C); 1.32(A); 1.33; 30.7(A), (F); AND 166.3; SHALL PAY A CIVIL MONETARY PENALTY IN THE AMOUNT OF \$490,000; AND THE FIRM AND ITS SUCCESSORS AND ASSIGNS SHALL COMPLY WITH THE UNDERTAKINGS SET FORTH IN ITS OFFER.

**Reporting Source:** Firm



<b>Current Status:</b>	Final
<b>Allegations:</b>	THE COMMODITY FUTURES TRADING COMMISSION (CFTC) ALLEGED THAT MORGAN STANLEY SMITH BARNEY LLC (FIRM) VIOLATED CFTC RULE 30.7(A) BY ERRONEOUSLY TRANSFERRING FUNDS FROM A SECURED FUNDS BANK ACCOUNT TO A SEGREGATED FUNDS BROKERAGE ACCOUNT AND CONSEQUENTLY FAILING TO MAINTAIN IN A SEPARATE ACCOUNT MONEY IN AN AMOUNT SUFFICIENT TO COVER ITS OBLIGATIONS TO FOREIGN FUTURES AND OPTIONS CUSTOMERS, SECTION 4D(A)(2) OF THE COMMODITY EXCHANGE ACT AND CFTC RULE 1.20(C) BY COMINGLING EMPLOYEE-OWNED NON-CUSTOMER SECURITIES WITH CUSTOMER SECURITIES IN A CUSTOMER SEGREGATED ACCOUNT, CFTC RULE 1.20(A) BECAUSE ACCOUNT STATEMENTS FOR FOUR SEGREGATED ACCOUNTS WERE IMPROPERLY TITLED AS CUSTOMER SECURED ACCOUNTS, CFTC RULE 30.7(F) BY FAILING TO PREPARE ACCURATE DAILY COMPUTATIONS OF ITS SECURED AMOUNTS, CFTC RULE 1.32(A) BY FAILING TO PREPARE ACCURATE DAILY COMPUTATIONS OF SEGREGATED FUNDS, CFTC RULE 1.33 BY PROVIDING CERTAIN CUSTOMERS WITH INACCURATE ACCOUNT STATEMENTS AND CFTC RULE 166.3 BY FAILING TO SUPERVISE THE HANDLING OF SEGREGATED AND SECURED ACCOUNTS AND FAILING TO HAVE ADEQUATE POLICIES AND PROCEDURES DESIGNED TO DETECT AND DETER THE VIOLATIONS OF THE COMMODITY EXCHANGE ACT AND CFTC RULES
<b>Initiated By:</b>	COMMODITY FUTURES TRADING COMMISSION
<b>Date Initiated:</b>	03/27/2014
<b>Docket/Case Number:</b>	14-11
<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CEASE AND DESIST; UNDERTAKINGS
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	03/27/2014
<b>Sanctions Ordered:</b>	Monetary/Fine \$490,000.00 Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	UNDERTAKINGS
<b>Sanction Details:</b>	THE CIVIL MONETARY PENALTY OF \$490,000 WAS PAID ON MARCH 31, 2014. THE FIRM ALSO AGREED TO UNDERTAKINGS RELATED TO PUBLIC



## STATEMENTS AND PAYMENT OF THE MONETARY PENALTY.

**Firm Statement**

ON MARCH 27, 2014, THE CFTC ISSUED AN ORDER FILING AND SETTLING CHARGES THAT MORGAN STANLEY SMITH BARNEY LLC (FIRM) VIOLATED CFTC RULE 30.7(A) BY ERRONEOUSLY TRANSFERRING FUNDS FROM A SECURED FUNDS BANK ACCOUNT TO A SEGREGATED FUNDS BROKERAGE ACCOUNT AND CONSEQUENTLY FAILING TO MAINTAIN IN A SEPARATE ACCOUNT MONEY IN AN AMOUNT SUFFICIENT TO COVER ITS OBLIGATIONS TO FOREIGN FUTURES AND OPTIONS CUSTOMERS, SECTION 4D(A)(2) OF THE COMMODITY EXCHANGE ACT AND CFTC RULE 1.20(C) BY COMINGLING EMPLOYEE-OWNED NON-CUSTOMER SECURITIES WITH CUSTOMER SECURITIES IN A CUSTOMER SEGREGATED ACCOUNT, CFTC RULE 1.20(A) BECAUSE ACCOUNT STATEMENTS FOR FOUR SEGREGATED ACCOUNTS WERE IMPROPERLY TITLED AS CUSTOMER SECURED ACCOUNTS, CFTC RULE 30.7(F) BY FAILING TO PREPARE ACCURATE DAILY COMPUTATIONS OF ITS SECURED AMOUNTS, CFTC RULE 1.32(A) BY FAILING TO PREPARE ACCURATE DAILY COMPUTATIONS OF SEGREGATED FUNDS, CFTC RULE 1.33 BY PROVIDING CERTAIN CUSTOMERS WITH INACCURATE ACCOUNT STATEMENTS AND CFTC RULE 166.3 BY FAILING TO SUPERVISE THE HANDLING OF SEGREGATED AND SECURED ACCOUNTS AND FAILING TO HAVE ADEQUATE POLICIES AND PROCEDURES DESIGNED TO DETECT AND DETER THE VIOLATIONS OF THE COMMODITY EXCHANGE ACT AND CFTC RULES. WITHOUT ADMITTING OR DENYING THE FINDINGS OR CONCLUSIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO THE ENTRY OF FINDINGS, THE IMPOSITION OF A CEASE AND DESIST ORDER, A CIVIL MONETARY PENALTY OF \$490,000, AND UNDERTAKINGS RELATED TO PUBLIC STATEMENTS AND PAYMENT OF THE MONETARY PENALTY.

**Disclosure 44 of 55**

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	ENGAGED IN INVESTMENT ADVISORY BUSINESS THROUGH TWELVE (12) UNREGISTERED ASSOCIATED PERSONS.
<b>Initiated By:</b>	FLORIDA OFFICE OF FINANCIAL REGULATION
<b>Date Initiated:</b>	02/06/2014
<b>Docket/Case Number:</b>	0297-SR-01/14
<b>URL for Regulatory Action:</b>	
<b>Principal Product Type:</b>	No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 02/06/2014

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$125,000.00

**Other Sanctions Ordered:**

**Sanction Details:** \$125,000 ADMINISTRATIVE FINE PAID IN FULL

**Regulator Statement**

ON 2/6/2014, THE OFFICE OF FINANCIAL REGULATION ENTERED A FINAL ORDER ADOPTING THE STIPULATION AND CONSENT AGREEMENT IN THE MATTER MORGAN STANLEY SMITH BARNEY LLC. MORGAN STANLEY SMITH BARNEY LLC NEITHER ADMITTED NOR DENIED THE FINDINGS BUT CONSENTED TO THE ENTRY OF FINDINGS BY THE OFFICE. THE OFFICE FOUND THAT MORGAN STANLEY SMITH BARNEY LLC ENGAGED IN INVESTMENT ADVISORY BUSINESS THROUGH TWELVE (12) ASSOCIATED PERSONS, FROM LOCATIONS WITHIN THIS STATE, WITHOUT THE BENEFIT OF THEIR LAWFUL ASSOCIATED PERSON REGISTRATION IN THE STATE OF FLORIDA PURSUANT TO SECTION 517.12(4), F. S. MORGAN STANLEY SMITH BARNEY LLC AGREED TO PAY A \$125,000 ADMINISTRATIVE FINE.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FLORIDA ALLEGED THAT THE FIRM CONDUCTED INVESTMENT ADVISORY BUSINESS THROUGH TWELVE INDIVIDUALS WITHOUT THE BENEFIT OF THEIR LAWFUL ASSOCIATED PERSON REGISTRATION IN FLORIDA.

**Initiated By:** FLORIDA OFFICE OF FINANCIAL REGULATION

**Date Initiated:** 02/06/2014

**Docket/Case Number:** 0297-SR-01/14





<b>Principal Product Type:</b>	No Product
<b>Other Product Type(s):</b>	
<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CEASE AND DESIST
<b>Resolution:</b>	Order
<b>Resolution Date:</b>	02/06/2014
<b>Sanctions Ordered:</b>	Monetary/Fine \$125,000.00 Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	THE FINE OF \$125,000 WAS PAID ON FEBRUARY 3, 2014.
<b>Firm Statement</b>	ON FEBRUARY 6, 2014, MORGAN STANLEY SMITH BARNEY LLC (MSSB) BECAME SUBJECT TO A FINAL ORDER BY THE FLORIDA OFFICE OF FINANCIAL REGULATION (OFR) IN CONNECTION WITH A STIPULATION AND CONSENT AGREEMENT (CONSENT AGREEMENT) BETWEEN MSSB AND OFR TO SETTLE ALLEGATIONS RELATED TO REGISTRATION OF ASSOCIATED PERSONS IN FLORIDA. SPECIFICALLY, THERE WERE FINDINGS IN THE CONSENT AGREEMENT THAT THE FIRM VIOLATED SECTION 517.12(4) BY CONDUCTING INVESTMENT ADVISORY BUSINESS THROUGH TWELVE INDIVIDUALS FROM LOCATIONS IN FLORIDA WITHOUT THE BENEFIT OF THEIR LAWFUL ASSOCIATED PERSON REGISTRATION. WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM CONSENTED TO ENTRY OF FINDINGS AND THE IMPOSITION OF A CEASE AND DESIST ORDER AND A FINE OF \$125,000.

#### Disclosure 45 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	FINRA RULES 2010, 6730(A), 6730(C)(8), 7450: THE FIRM TRANSMITTED TO THE ORDER AUDIT TRAIL SYSTEM (OATS) EXECUTION OR COMBINED ORDER/EXECUTION REPORTS THAT OATS WAS UNABLE TO LINK TO THE RELATED TRADE REPORTS IN A FINRA TRANSACTION REPORTING SYSTEM BECAUSE THEY CONTAINED INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA AND SUBMITTED EXECUTION REPORTS IN WHICH THE FIRM FAILED TO APPEND THE REQUIRED REPORTING EXCEPTION CODE. THE FIRM FAILED TO REPORT TO THE TRADE REPORTING AND



COMPLIANCE ENGINE (TRACE) SP TRANSACTIONS WITHIN THE TIME REQUIRED BY FINRA RULE 6730. THE FIRM FAILED TO REPORT TO TRACE LARGE BLOCK S1 TRANSACTIONS IN CORPORATE SECURITIES WITHIN 15 MINUTES OF THE TIME OF EXECUTION AND, WITH RESPECT TO SOME OF THESE TRANSACTIONS, THE FIRM FAILED TO REPORT TO TRACE THE CORRECT TIME OF EXECUTION. THE FIRM FAILED TO REPORT TO TRACE LARGE BLOCK S1 TRANSACTIONS IN AGENCY SECURITIES WITHIN 15 MINUTES OF THE TIME OF EXECUTION.

**Initiated By:** FINRA

**Date Initiated:** 02/05/2014

**Docket/Case Number:** [2011030398301](#)

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 02/05/2014

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$41,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED AND FINED \$41,000.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT THE FIRM VIOLATED FINRA RULES 7450, 2010 AND 6730 BY SUBMITTING INACCURATE, INCOMPLETE, IMPROPERLY



FORMATTED AND/OR LATE TRADE REPORTS FOR CERTAIN FIXED INCOME AND EQUITY SECURITY TRADES.

**Initiated By:** FINRA

**Date Initiated:** 02/05/2014

**Docket/Case Number:** 20110303983-01

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 02/05/2014

**Sanctions Ordered:** Censure  
Monetary/Fine \$41,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FINE OF \$41,000 TO BE PAID FORTH WITH.

**Firm Statement**

ON FEBRUARY 5, 2014, FINRA AND MORGAN STANLEY SMITH BARNEY LLC ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER AND CONSENT (AWC) TO SETTLE CERTAIN ALLEGATIONS. SPECIFICALLY, THERE WERE FINDINGS IN THE AWC THAT THE FIRM VIOLATED FINRA RULES 7450, 2010 AND 6730 BY SUBMITTING CERTAIN INACCURATE, INCOMPLETE, IMPROPERLY FORMATTED AND/OR LATE TRADE REPORTS FOR CERTAIN FIXED INCOME AND EQUITY SECURITY TRADES. WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO ENTRY OF FINDINGS AND THE IMPOSITION OF A CENSURE AND A FINE OF \$41,000.

#### Disclosure 46 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** FINRA RULE 2010, NASD RULE 2320, MSRB RULES G-17, G-30(A) - MORGAN STANLEY SMITH BARNEY LLC, IN MUNICIPAL BOND TRANSACTIONS, PURCHASED MUNICIPAL SECURITIES FOR ITS OWN ACCOUNT FROM CUSTOMERS AND/OR SOLD MUNICIPAL SECURITIES FOR ITS OWN



ACCOUNT TO CUSTOMERS AT AN AGGREGATE PRICE (INCLUDING ANY MARKDOWN OR MARKUP) THAT WAS NOT FAIR AND REASONABLE, TAKING INTO CONSIDERATION ALL RELEVANT FACTORS, INCLUDING THE BEST JUDGMENT OF THE BROKER, DEALER OR MUNICIPAL SECURITIES DEALER AS TO THE FAIR MARKET VALUE OF THE SECURITIES AT THE TIME OF THE TRANSACTION AND OF ANY SECURITIES EXCHANGED OR TRADED IN CONNECTION WITH THE TRANSACTION, THE EXPENSE INVOLVED IN EFFECTING THE TRANSACTION, THE FACT THAT THE BROKER, DEALER OR MUNICIPAL SECURITIES DEALER IS ENTITLED TO A PROFIT, AND THE TOTAL DOLLAR AMOUNT OF THE TRANSACTION. IN CORPORATE BOND TRANSACTIONS FOR OR WITH CUSTOMERS, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMERS WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS.

**Initiated By:** FINRA

**Date Initiated:** 08/22/2013

**Docket/Case Number:** [2008016023501](#)

**Principal Product Type:** Debt - Municipal

**Other Product Type(s):** CORPORATE BONDS

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/22/2013

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,000,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:**

**Sanction Details:** IN FEBRUARY 2012, THE FIRM IMPLEMENTED REVISIONS TO ITS WRITTEN SUPERVISORY PROCEDURES (WSPS) AND SUPERVISORY SYSTEM IN



RESPONSE TO AN UNDERTAKING. THESE AND OTHER REVISIONS IMPLEMENTED BY THE FIRM ENHANCED THE FIRM'S SUPERVISION NOT ONLY OF MARKUPS AND MARKDOWNS, BUT ALSO OF EXECUTION PRICES CHARGED IN CONNECTION WITH BOND TRANSACTIONS. FINRA CONSIDERED THE FOREGOING FACTS, AMONG OTHERS, IN DECIDING NOT TO PURSUE FORMAL CHARGES AGAINST THE FIRM FOR SUPERVISION OF THE ACTIVITY SUMMARIZED IN THIS AWC. WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$1,000,000, JOINTLY AND SEVERALLY; \$560,000 OF WHICH WAS FOR MSRB RULE VIOLATIONS; AND ORDERED TO PAY \$187,518.32, PLUS INTEREST, IN RESTITUTION, JOINTLY AND SEVERALLY. \$136,206.85 IS ALLOCATED TO THE MSRB. THE TOTAL AMOUNT OF RESTITUTION ARISING FROM THE VIOLATIONS IS \$452,280.90, OF WHICH \$255,829.12 ARISES FROM MSRB RULE VIOLATIONS; BUT THE FIRM HAS ALREADY PAID RESTITUTION TO ADDRESS A NUMBER OF VIOLATIONS. A REGISTERED FIRM PRINCIPAL SHALL SUBMIT SATISFACTORY PROOF OF PAYMENT OF THE RESTITUTION, OR OF REASONABLE AND DOCUMENTED EFFORTS UNDERTAKEN TO EFFECT RESTITUTION TO FINRA NO LATER THAN 120 DAYS AFTER ACCEPTANCE OF THIS AWC. ANY UNDISTRIBUTED RESTITUTION AND INTEREST SHALL BE FORWARDED TO THE APPROPRIATE ESCHEAT, UNCLAIMED PROPERTY OR ABANDONED PROPERTY FUND FOR THE STATE IN WHICH THE CUSTOMER LAST RESIDED. FINE PAID ON SEPTEMBER 19, 2013.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT, BETWEEN 2008 AND 2011, MORGAN STANLEY & CO. LLC AND MORGAN STANLEY SMITH BARNEY LLC (COLLECTIVELY, THE "FIRM") PURCHASED MUNICIPAL SECURITIES FOR ITS OWN ACCOUNT FROM CUSTOMERS AND/OR SOLD MUNICIPAL SECURITIES TO CUSTOMERS AT AGGREGATE PRICES THAT WERE NOT FAIR AND REASONABLE IN VIOLATION OF MSRB RULES G-17 AND G-30(A) WITH RESPECT TO 165 MUNICIPAL BOND TRANSACTIONS; AND THAT THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMERS WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS IN VIOLATION OF FINRA RULE 2010 AND NASD RULE 2320 WITH RESPECT TO 116 CORPORATE AND AGENCY BOND TRANSACTIONS.

**Initiated By:** FINRA

**Date Initiated:** 08/22/2013



**Docket/Case Number:** 20080160235-01

**Principal Product Type:** Debt - Municipal

**Other Product Type(s):** DEBT-CORPORATE; DEBT-GOVERNMENT

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** RESTITUTION;CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 08/22/2013

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,000,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** RESTITUTION IN THE AMOUNT OF \$187,518, PLUS INTEREST.

**Sanction Details:** THE FINE OF \$1,000,000 WILL BE PAID ON OR BEFORE SEPTEMBER 30, 2013. RESTITUTION IN THE AMOUNT OF \$187,518, PLUS INTEREST, WILL BE PAID WITHIN 120 DAYS OF THE DATE OF THE AWC.

**Firm Statement** ON AUGUST 22, 2013, FINRA AND MORGAN STANLEY MORGAN STANLEY SMITH BARNEY LLC ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER & CONSENT (AWC) TO SETTLE FINRA'S ALLEGATIONS THAT THE FIRM PURCHASED MUNICIPAL SECURITIES FOR ITS OWN ACCOUNT FROM CUSTOMERS AND/OR SOLD MUNICIPAL SECURITIES TO CUSTOMERS AT AGGREGATE PRICES THAT WERE NOT FAIR AND REASONABLE IN VIOLATION OF MSRB RULES G-17 AND G-30(A) WITH RESPECT TO 165 MUNICIPAL BOND TRANSACTIONS; AND THAT THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMERS WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS IN VIOLATION OF FINRA RULE 2010 AND NASD RULE 2320 WITH RESPECT TO 116 CORPORATE AND AGENCY BOND TRANSACTIONS. WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM AGREED TO ENTER INTO THE AWC AND PAY A FINE OF \$1,000,000 AS WELL AS RESTITUTION OF 187,518 PLUS INTEREST TO AFFECTED CUSTOMERS.

#### Disclosure 47 of 55

**Reporting Source:** Regulator

**Current Status:** Final



**Allegations:** THROUGHOUT A SEVENTEEN (17) MONTH PERIOD OF TIME BETWEEN AUGUST 2005 AND DECEMBER 2006, MORGAN STANLEY FAILED TO ADEQUATELY MONITOR ITS BOSTON HIGH STREET BRANCH FAS TELEPHONE PROSPECTING ACTIVITIES, COMMONLY KNOWN AS COLD-CALLING, WHICH RESULTED IN SEVERAL HUNDRED VIOLATIONS OF NATIONAL AND STATE DNC STATUTES AND REGULATIONS.

**Initiated By:** MASSACHUSETTS

**Date Initiated:** 09/12/2007

**Docket/Case Number:** E-2006-0094

**URL for Regulatory Action:**

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:** CENSURE AND ADMINISTRATIVE FINE

**Resolution:** Consent

**Resolution Date:** 07/30/2013

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$500,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** RESPONDENT MORGAN STANLEY & CO., INC. SHALL CEASE AND DESIST FROM FURTHER VIOLATIONS OF THE ACT AND REGULATIONS; RESPONDENT MORGAN STANLEY & CO., INC. SHALL BE CENSURED; RESPONDENT MORGAN STANLEY & CO., INC. SHALL PAY AN ADMINISTRATIVE FINE IN THE AMOUNT OF FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00 USD) PAYABLE TO THE COMMONWEALTH OF MASSACHUSETTS VIA A CERTIFIED BANK CHECK, OR EQUIVALENT INSTRUMENT, IDENTIFYING THE DOCKET NUMBER E-2006-0094 WITHIN THIRTY (30) CALENDAR DAYS FOLLOWING THE DATE THE ORDER IS ENTERED INTO THE DOCKET.



**Regulator Statement** MORGAN STANLEY HAS INFORMED MASSACHUSETTS THAT THIS DRP WAS FILED ON THE WRONG MORGAN STANLEY ENTITY. SHOULD BE PROPERLY FILED ON CRD 8209.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE STATE OF RHODE ISLAND SECURITIES DIVISION ALLEGED THAT THE FIRM FAILED TO SUPERVISE A PROGRAM THAT ENCOURAGED FINANCIAL ADVISORS TO OPEN SECURITIES-BASED LOANS ACCOUNTS FOR CLIENTS.

**Initiated By:** RHODE ISLAND SECURITIES DIVISION

**Date Initiated:** 12/22/2016

**Docket/Case Number:** N/A

**Principal Product Type:** Other

**Other Product Type(s):** SECURITIES BASED LOANS

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

**Resolution:** Consent

**Resolution Date:** 08/29/2018

**Sanctions Ordered:** Monetary/Fine \$175,000.00

**Other Sanctions Ordered:**

**Sanction Details:** THE ADMINISTRATIVE PENALTY OF \$175,000 WAS PAID ON SEPTEMBER 10, 2018.

**Firm Statement** ON AUGUST 29, 2018, MORGAN STANLEY SMITH BARNEY LLC (FIRM) AND THE STATE OF RHODE ISLAND SECURITIES DIVISION ENTERED INTO A CONSENT AGREEMENT IN CONNECTION WITH ALLEGATIONS THAT, FROM SEPTEMBER 1, 2013 THROUGH APRIL 30, 2015, THE FIRM FAILED TO SUPERVISE IN CONNECTION WITH A PROGRAM WITHIN THE METROWEST-RI COMPLEX TO MAKE LENDING PRODUCTS AVAILABLE TO ELIGIBLE CUSTOMERS. THIS SAME PROGRAM WAS THE SUBJECT OF A SETTLEMENT WITH MASSACHUSETTS IN APRIL 2017. WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO THE IMPOSITION OF AN ADMINISTRATIVE FINE OF





\$175,000.

## Disclosure 48 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	FINRA RULES 6730(A), 6730(C)(8), MSRB RULE G-14 - MORGAN STANLEY SMITH BARNEY LLC IMPROPERLY REPORTED INFORMATION TO THE REAL-TIME TRANSACTION REPORTING SYSTEM (RTRS) THAT IT SHOULD NOT HAVE. THE FIRM IMPROPERLY REPORTED PURCHASE AND SALE TRANSACTIONS EFFECTED IN MUNICIPAL SECURITIES TO THE RTRS WHEN THE INTER-DEALER DELIVERIES WERE STEP OUTS AND THUS, WERE NOT INTER-DEALER TRANSACTIONS REPORTABLE TO THE RTRS. THE FIRM FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) LARGE BLOCK S1 TRANSACTIONS IN TRACE-ELIGIBLE CORPORATE DEBT SECURITIES WITHIN 15 MINUTES OF THE EXECUTION TIME. THE FIRM FAILED TO REPORT TO TRACE THE CORRECT TRADE EXECUTION TIME FOR SOME LARGE BLOCK S1 TRANSACTIONS IN TRACE-ELIGIBLE CORPORATE DEBT SECURITIES.
<b>Initiated By:</b>	FINRA
<b>Date Initiated:</b>	04/25/2013
<b>Docket/Case Number:</b>	<a href="#">2011026446001</a>
<b>Principal Product Type:</b>	Debt - Municipal
<b>Other Product Type(s):</b>	TRACE-ELIGIBLE CORPORATE DEBT SECURITIES
<b>Principal Sanction(s)/Relief Sought:</b>	
<b>Other Sanction(s)/Relief Sought:</b>	
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	04/25/2013
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$47,500.00

**Other Sanctions Ordered:****Sanction Details:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$47,500, OF WHICH \$17,500 WAS FOR MSRB RULE VIOLATIONS. FINE PAID ON JUNE 5, 2013.

**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

ALLEGATIONS: FINRA ALLEGED THAT THE FIRM VIOLATED MSRB RULE G-14 BY IMPROPERLY REPORTING INFORMATION TO THE REAL-TIME TRANSACTION REPORTING SYSTEM (RTRS) THAT IT SHOULD NOT HAVE IN THAT THE FIRM IMPROPERLY REPORTED PURCHASE AND SALE TRANSACTIONS EFFECTED IN MUNICIPAL SECURITIES TO RTRS WHEN THE INTER-DEALER DELIVERIES WERE STEP OUTS AND THUS, WERE NOT INTER-DEALER TRANSACTIONS REPORTABLE TO RTRS. FINRA FURTHER ALLEGED THAT THE FIRM VIOLATED FINRA RULES 6730(A) AND 6730(C)(8) BY FAILING TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) LARGE BLOCK S1 TRANSACTIONS IN TRACE-ELIGIBLE CORPORATE DEBT SECURITIES AND TRACE-ELIGIBLE AGENCY DEBT SECURITIES WITHIN 15 MINUTES OF THE TIME OF EXECUTION AND BY FAILING TO REPORT TO TRACE THE CORRECT TRADE EXECUTION TIME FOR SOME LARGE BLOCK S1 TRANSACTIONS IN TRACE-ELIGIBLE CORPORATE DEBT SECURITIES.

**Initiated By:**

FINRA

**Date Initiated:**

04/25/2013

**Docket/Case Number:**

20110264460-01

**Principal Product Type:**

Debt - Municipal

**Other Product Type(s):**

TRACE-ELIGIBLE SECURITIES

**Principal Sanction(s)/Relief Sought:**

Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:**

CENSURE

**Resolution:**

Acceptance, Waiver &amp; Consent(AWC)

**Resolution Date:**

04/25/2013

**Sanctions Ordered:**

Censure  
Monetary/Fine \$47,500.00

**Other Sanctions Ordered:****Sanction Details:**

THE FINE OF \$47,500 WILL BE PAID FORTHWITH.

**Firm Statement**

ON APRIL 25, 2013, FINRA AND MORGAN STANLEY SMITH BARNEY LLC ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER, AND CONSENT (AWC) TO SETTLE ALLEGATIONS RELATED TO TRADE REPORTING. SPECIFICALLY, THERE WERE FINDINGS IN THE AWC THAT THE FIRM VIOLATED MSRB RULE G-14 BY IMPROPERLY REPORTING INFORMATION TO THE REAL-TIME TRANSACTION REPORTING SYSTEM (RTRS) THAT IT SHOULD NOT HAVE IN THAT THE FIRM IMPROPERLY REPORTED PURCHASE AND SALE TRANSACTIONS EFFECTED IN MUNICIPAL SECURITIES TO RTRS WHEN THE INTER-DEALER DELIVERIES WERE STEP OUTS AND THUS, WERE NOT INTER-DEALER TRANSACTIONS REPORTABLE TO RTRS. THERE WERE FURTHER FINDINGS THAT THE FIRM VIOLATED FINRA RULES 6730(A) AND 6730(C)(8) BY FAILING TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) LARGE BLOCK S1 TRANSACTIONS IN TRACE-ELIGIBLE CORPORATE DEBT SECURITIES AND TRACE-ELIGIBLE AGENCY DEBT SECURITIES WITHIN 15 MINUTES OF THE TIME OF EXECUTION AND BY FAILING TO REPORT TO TRACE THE CORRECT TRADE EXECUTION TIME FOR SOME LARGE BLOCK S1 TRANSACTIONS IN TRACE-ELIGIBLE CORPORATE DEBT SECURITIES. WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO ENTRY OF FINDINGS AND THE IMPOSITION OF A CENSURE AND A FINE OF \$47,500.

**Disclosure 49 of 55****Reporting Source:**

Regulator

**Current Status:**

Final

**Allegations:**

CFTC PRESS RELEASE 6395-12, OCTOBER 22, 2012: THE COMMODITY FUTURES TRADING COMMISSION ("COMMISSION") HAS REASON TO BELIEVE THAT FROM IN OR ABOUT 2006 TO AT LEAST MAY 2010, (THE "RELEVANT PERIOD"), MORGAN STANLEY SMITH BARNEY LLC ("RESPONDENT") VIOLATED COMMISSION REGULATION ("REGULATION") 166.3, 17 C.F.R. § 166.3 (2012). THEREFORE, THE COMMISSION DEEMED IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE PROCEEDINGS BE INSTITUTED TO DETERMINE WHETHER RESPONDENT HAS ENGAGED IN THE VIOLATIONS AS SET FORTH AND TO DETERMINE WHETHER ANY ORDER SHOULD BE ISSUED IMPOSING REMEDIAL SANCTIONS.

THE COMMISSION FOUND THAT RESPONDENT'S "CUSTOMER A" PROVIDED TRUST SERVICES FOR ITS CLIENTS, AND IN THE COURSE OF



PROVIDING SUCH SERVICES TO ONE OF ITS CLIENTS, CUSTOMER A ACCEPTED ORDERS TO TRADE COMMODITY FUTURES CONTRACTS ON BEHALF OF ITS OWN THIRD PARTY CLIENT, ACCEPTED THE THIRD PARTY CLIENT'S MONEY TO PLACE THOSE TRADES, AND EFFECTED THE TRADES VIA A CONTRACT MARKET ON THE THIRD PARTY CLIENT'S BEHALF. THESE CONTRACTS WERE TRADED IN A PROPRIETARY FUTURES ACCOUNT IN CUSTOMER A'S NAME CARRIED INITIALLY AT ANOTHER REGISTERED FUTURES COMMISSION MERCHANT ("FCM") AND LATER IN AN ACCOUNT CARRIED BY RESPONDENT. RESPONDENT WAS CREATED AS A JOINT VENTURE INCLUDING ASSETS CONTRIBUTED BY THE OTHER FCM IN 2009. BY ACCEPTING THE ORDERS TO PURCHASE A COMMODITY FOR FUTURE DELIVERY ON BEHALF OF THE THIRD PARTY CLIENT SUBJECT TO THE RULES OF A CONTRACT MARKET, AND ACCEPTING THE THIRD PARTY CLIENT'S MONEY TO SECURE THOSE TRADES, CUSTOMER A ACTED AS AN FCM WITHOUT BEING REGISTERED AS SUCH, IN VIOLATION OF THE ACT.

FROM 2006 TO 2008, CUSTOMER A CONDUCTED FIVE TRANSFERS OF FUNDS FROM ITS PROPRIETARY COMMODITY FUTURES TRADING ACCOUNT. THESE TRANSACTIONS CLEARLY SHOWED FUNDS MOVING FROM CUSTOMER A'S PROPRIETARY FUTURES TRADING ACCOUNT TO A THIRD PARTY CLIENT'S BANK ACCOUNT. THE FACT THAT FUNDS WERE MOVING FROM A PROPRIETARY TRADING ACCOUNT TO A THIRD PARTY BANK ACCOUNT SHOULD HAVE LED RESPONDENT'S EMPLOYEES EXECUTING THE TRANSACTIONS TO QUESTION CUSTOMER A'S ACTIONS AND TO INVESTIGATE TO DETERMINE WHETHER THE ACCOUNT WAS BEING CARRIED PROPERLY. HOWEVER, RESPONDENT'S EMPLOYEES FAILED TO DILIGENTLY INVESTIGATE THE SUSPICIOUS TRANSACTIONS.

NO LATER THAN JANUARY 15, 2010, RESPONDENT REALIZED THAT THE CUSTOMER A'S PROPRIETARY FUTURES TRADING ACCOUNT HAD BEEN CARRIED IMPROPERLY SINCE 2006. RESPONDENT'S NEW YORK OFFICE BEGAN ISSUING EMAILS TO RESPONDENT'S OKLAHOMA BRANCH ON JANUARY 15, 2010, INDICATING THAT CUSTOMER A'S ACCOUNT WOULD HAVE TO BE CLOSED AND A NEW ACCOUNT IN THE UNDERLYING THIRD PARTY CLIENT'S NAME OPENED. NONETHELESS, RESPONDENT'S OKLAHOMA BRANCH CONTINUED TO ALLOW TRADING ON BEHALF OF THE THIRD PARTY CLIENT TO TAKE PLACE IN CUSTOMER A'S ACCOUNT IN JANUARY 2010, MARCH 2010, AND MAY 2010. THE THIRD PARTY CLIENT'S FUNDS WERE ULTIMATELY MOVED FROM CUSTOMER A'S PROPRIETARY ACCOUNT TO AN ACCOUNT IN THE THIRD PARTY CLIENT'S NAME ON OR ABOUT MAY 27, 2010.

AT THE TIME OF THE EVENTS, RESPONDENT MAINTAINED AN INADEQUATE SYSTEM OF SUPERVISION AND INTERNAL CONTROLS TO DETECT AND DETER VIOLATIONS OF THE ACT AND REGULATIONS INCLUDING: (1) AN



UNREGISTERED FCM TRADING THROUGH A PROPRIETARY ACCOUNT CARRIED BY RESPONDENT; AND (2) NOT CARRYING AN ACCOUNT IN THE TRUE NAME OF THE CLIENT. CONSEQUENTLY, RESPONDENT FAILED TO DILIGENTLY SUPERVISE THE HANDLING BY ITS PARTNERS, OFFICERS, EMPLOYEES AND AGENTS (OR PERSONS OCCUPYING A SIMILAR STATUS OR PERFORMING A SIMILAR FUNCTION) OF ALL COMMODITY INTEREST ACCOUNTS CARRIED, OPERATED, ADVISED OR INTRODUCED BY THE REGISTRANT AND ALL OTHER ACTIVITIES OF ITS PARTNERS, OFFICERS, EMPLOYEES AND AGENTS (OR PERSONS OCCUPYING A SIMILAR STATUS OR PERFORMING A SIMILAR FUNCTION) RELATING TO ITS BUSINESS AS A COMMISSION REGISTRANT IN VIOLATION OF REGULATION 166.3, 17 C.F.R. §166.3 (2012).

**Initiated By:** COMMODITY FUTURES TRADING COMMISSION

**Date Initiated:** 10/22/2012

**Docket/Case Number:** 13-02

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Order

**Resolution Date:** 10/22/2012

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$200,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** IT IS ORDERED THAT RESPONDENT SHALL CEASE AND DESIST FROM VIOLATING REGULATION 166.3, 17 C.F.R. § 166.3 (2012). RESPONDENT SHALL PAY A CIVIL MONETARY PENALTY IN THE AMOUNT OF TWO HUNDRED THOUSAND DOLLARS (\$200,000), WITHIN THIRTY (30) DAYS OF THE DATE OF THE ENTRY OF THE ORDER.



RESPONDENT AND ITS SUCCESSORS AND ASSIGNS SHALL COMPLY WITH THE FOLLOWING CONDITIONS AND UNDERTAKINGS SET FORTH IN THE OFFER: 1. RESPONDENT SHALL REVIEW AND EVALUATE ITS SUPERVISORY PROCEDURES WITH RESPECT TO PROPRIETARY FUTURES TRADING ACCOUNTS. RESPONDENT WILL HAVE IN PLACE, WITHIN THIRTY (30) DAYS OF THE DATE OF THE ORDER, PROCEDURES DESIGNED TO ENSURE THAT PROPRIETARY FUTURES ACCOUNTS ARE CARRIED AS REQUIRED BY THE ACT AND TO PREVENT CUSTOMERS FROM USING THESE ACCOUNTS TO ACT AS UNREGISTERED FUTURES COMMISSION MERCHANTS IN VIOLATION OF THE ACT. RESPONDENT SHALL PROVIDE A SWORN STATEMENT SIGNED BY AN OFFICER OR DIRECTOR OF RESPONDENT TO THE DIVISION OF ENFORCEMENT WITHIN 45 DAYS OF THE DATE OF ENTRY OF THE ORDER CERTIFYING COMPLIANCE WITH THIS PROVISION AND DETAILING THE SUPERVISORY PROCEDURES REQUIRED BY THE ORDER.

2. RESPONDENT AGREES THAT NEITHER IT NOR ANY OF ITS SUCCESSORS AND ASSIGNS, AGENTS OR EMPLOYEES UNDER ITS AUTHORITY OR CONTROL SHALL TAKE ANY ACTION OR MAKE ANY PUBLIC STATEMENT DENYING, DIRECTLY OR INDIRECTLY, ANY FINDINGS OR CONCLUSIONS IN THE ORDER OR CREATING, OR TENDING TO CREATE, THE IMPRESSION THAT THE ORDER IS WITHOUT A FACTUAL BASIS; PROVIDED, HOWEVER, THAT NOTHING IN THIS PROVISION SHALL AFFECT RESPONDENT'S: (I) TESTIMONIAL OBLIGATIONS; OR (II) RIGHT TO TAKE LEGAL POSITIONS IN OTHER PROCEEDINGS TO WHICH THE COMMISSION IS NOT A PARTY. RESPONDENT AND ITS SUCCESSORS AND ASSIGNS SHALL UNDERTAKE ALL STEPS NECESSARY TO ENSURE THAT ALL OF ITS AGENTS AND/OR EMPLOYEES UNDER ITS AUTHORITY OR CONTROL UNDERSTAND AND COMPLY WITH THIS AGREEMENT.

### Regulator Statement

IN ANTICIPATION OF THE INSTITUTION OF THE ADMINISTRATIVE PROCEEDING, RESPONDENT SUBMITTED THE OFFER OF SETTLEMENT OF RESPONDENT MORGAN STANLEY SMITH BARNEY LLC ("OFFER"), WHICH THE COMMISSION DETERMINED TO ACCEPT. WITHOUT ADMITTING OR DENYING ANY OF THE FINDINGS OR CONCLUSIONS, RESPONDENT CONSENTED TO THE ENTRY OF THE ORDER INSTITUTING PROCEEDINGS PURSUANT TO SECTIONS 6(C) AND 6(D) OF THE COMMODITY EXCHANGE ACT, AS AMENDED, MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS ("ORDER") AND ACKNOWLEDGES SERVICE OF THE ORDER. THE COMMISSION HAS DETERMINED TO ACCEPT THE OFFER.

**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** THE CFTC ALLEGED THAT THE FIRM VIOLATED REGULATION 166.3 FROM



ABOUT 2006 TO MAY 2010; THAT A CUSTOMER OPENED A SINGLE COMMODITY FUTURES ACCOUNT IN ITS NAME ("NOMINAL CLIENT"), BUT ACTUALLY TRADED WITH FUNDS THAT BELONGED TO ANOTHER PARTY ("REAL CLIENT"), FOR THE REAL CLIENT'S BENEFIT AND RISK; THAT THE NOMINAL CLIENT THEREBY ACTED AS AN UNREGISTERED FCM; THAT THE FIRM THEREBY DID BUSINESS WITH AN UNREGISTERED FCM; THAT BY ALLOWING THESE EVENTS TO OCCUR, THE FIRM MAINTAINED AN INADEQUATE SYSTEM OF SUPERVISION AND CONTROLS TO DETECT AND DETER VIOLATIONS OF THE COMMODITY EXCHANGE ACT.. THE FIRM, MORGAN STANLEY SMITH BARNEY LLC, WAS NOT FORMED UNTIL JUNE 1, 2009, AND CERTAIN CONDUCT WAS ALLEGED TO HAVE OCCURRED AT A PREDECESSOR FIRM (CITIGROUP GLOBAL MARKETS INC.).

**Initiated By:** CFTC

**Date Initiated:** 10/22/2012

**Docket/Case Number:** 13-02

**Principal Product Type:** Futures - Commodity

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CEASE AND DESIST FROM VIOLATING REGULATION 166.3

**Resolution:** Settled

**Resolution Date:** 10/22/2012

**Sanctions Ordered:** Monetary/Fine \$200,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:**

**Sanction Details:** THE FINE MUST BE PAID WITHIN 30 DAYS OF THE DATE OF THE ORDER; FIRM IS REQUIRED TO REVIEW AND EVALUATE ITS PROCEDURES AND TO HAVE APPROPRIATE PROCEDURES IN PLACE, WITHIN 30 DAYS OF THE DATE OF THE ORDER; AND THE FIRM SHALL CEASE AND DESIST FROM VIOLATING REGULATION 166.3.

**Firm Statement** THE FINE MUST BE PAID WITHIN 30 DAYS OF THE DATE OF THE ORDER; FIRM IS REQUIRED TO REVIEW AND EVALUATE ITS PROCEDURES AND TO HAVE APPROPRIATE PROCEDURES IN PLACE, WITHIN 30 DAYS OF THE DATE OF THE ORDER; AND THE FIRM SHALL CEASE AND DESIST FROM VIOLATING REGULATION 166.3.

**Disclosure 50 of 55****Reporting Source:** Regulator**Current Status:** Final

**Allegations:** FINRA RULE 2010, NASD RULE 3010 - A JUNIOR TRADER AT MORGAN STANLEY SMITH BARNEY LLC ASSUMED RESPONSIBILITY FOR TRADING FEDERAL AGENCY PRODUCTS (FANNIE MAE AND FREDDIE MAC) IN A CASH BOOK AND FUTURES CONTRACTS (EURODOLLAR AND TREASURIES) IN A FUTURES BOOK. THE JUNIOR TRADER WAS PERMITTED TO TRADE REMOTELY SO HE COULD TRADE AFTER HOURS AND REACT TO EVENTS OCCURRING GLOBALLY. AT THE END OF ONE TRADING DAY, THE TRADER HAD ACCUMULATED A FUTURES POSITION OF APPROXIMATELY \$744 MILLION, OVER DOUBLE THE AGENCY DESK'S LIMIT OF \$350 MILLION AND SEVERAL MULTIPLES OVER HIS POSITION LIMIT OF \$116 MILLION. THAT EVENING HE TRADED AT HOME AND OVERNIGHT SO THAT BY THE FOLLOWING MORNING HE HAD FURTHER EXCEEDED HIS POSITION LIMIT WITH HOLDINGS IN EURODOLLAR AND TREASURY FUTURES OF \$1.33 BILLION. THE MARKET TURNED AGAINST HIM AND HE ATTEMPTED UNSUCCESSFULLY TO REDUCE HIS EXPOSURE AND SUFFERED LOSSES. THAT MORNING THE FIRM IDENTIFIED ON A T+1 BASIS A RISK ANOMALY WHICH WAS TRACED TO THE TRADER AND CUT OFF HIS ACCESS TO THE TRADING SYSTEM. THE TRADER HAD REDUCED THE CUMULATIVE POSITION TO \$740 MILLION BUT THE FIVE-YEAR AGENCY BOOK SUSTAINED A REALIZED LOSS OF \$4.7 MILLION. THE FIRM LIQUIDATED 75% OF THE REMAINING CONTRACTS AND LIQUIDATED THE REST THE FOLLOWING DAY, THEREBY REALIZING ADDITIONAL LOSSES. BASED ON THE TRADER'S TRADING OVER TWO DAYS, THE FIRM'S ACCOUNT SUSTAINED REALIZED LOSSES TOTALING APPROXIMATELY \$14.9 MILLION. SINCE THESE WERE PROPRIETARY POSITIONS, THERE WAS NO CUSTOMER LOSS. THE FIRM DID NOT HAVE ADEQUATE SAFEGUARDS OR CONTROLS IN PLACE TO DETECT THAT THE TRADER HAD EXCEEDED HIS POSITION LIMIT BY THE END OF THE TRADING DAY OR TO PREVENT HIM FROM EXCEEDING HIS POSITION LIMIT WHILE TRADING REMOTELY OVERNIGHT. THE TRADING DESK DID NOT HAVE A CONSOLIDATED VIEW TO CAPTURE AND MONITOR TRADING ACTIVITY ACROSS PRODUCTS AND SYSTEMS WHICH CONTRIBUTED TO THE FIRM'S FAILURE TO DETECT THAT THE TRADER HAD EXCEEDED THE AGENCY'S DESK AND HIS OWN POSITION LIMIT. THE FIRM ALSO DID NOT HAVE SUFFICIENT CONTROLS TO PREVENT THE TRADER FROM EXCEEDING HIS POSITION LIMIT WHILE TRADING REMOTELY OVERNIGHT.

**Initiated By:** FINRA**Date Initiated:** 06/18/2012**Docket/Case Number:** [2009018841002](#)





**Principal Product Type:** Futures - Financial

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 06/18/2012

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$450,000.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$450,000. FINE PAID IN FULL ON JUNE 28, 2012.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA FOUND THAT MSSB VIOLATED NASD RULE 3010 AND FINRA RULE 2010 BY NOT HAVING ADEQUATE SAFEGUARDS OR CONTROLS IN PLACE TO DETERMINE THAT A JUNIOR TRADER HAD EXCEEDED HIS POSITION LIMIT OR TO PREVENT THAT TRADER FROM EXCEEDING HIS POSITION LIMIT WHILE TRADING OVERNIGHT. IN SETTLING THE MATTER, MSSB DID NOT ADMIT OR DENY FINRA'S FINDINGS.

**Initiated By:** FINRA

**Date Initiated:** 06/18/2012

**Docket/Case Number:** [2009018841002](#)

**Principal Product Type:** Futures - Financial

**Other Product Type(s):**



<b>Principal Sanction(s)/Relief Sought:</b>	Civil and Administrative Penalt(ies) /Fine(s)
<b>Other Sanction(s)/Relief Sought:</b>	CENSURE
<b>Resolution:</b>	Acceptance, Waiver & Consent(AWC)
<b>Resolution Date:</b>	06/18/2012
<b>Sanctions Ordered:</b>	Censure Monetary/Fine \$450,000.00
<b>Other Sanctions Ordered:</b>	
<b>Sanction Details:</b>	MSSB PAID THE FINE ASSOCIATED WITH THE AWC VIA WIRE TRANSFER ON 06/28/2012.
<b>Firm Statement</b>	ON MAY 31, 2012, MSSB SIGNED AN ACCEPTANCE, WAIVER & CONSENT ("AWC") WITH FINRA REGARDING THIS MATTER WITHOUT ADMITTING OR DENYING FINRA'S FINDINGS. MSSB PAID THE FINE ASSOCIATED WITH THE AWC VIA WIRE TRANSFER ON 6/28/2012.

#### Disclosure 51 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	<p>SECURITIES EXCHANGE ACT OF 1934 SECTION 10(B) AND RULE 10B-10 THEREUNDER, FINRA RULE 2010: AS A RESULT OF THE INCORRECT SET UP OF THE SECURITY IN ITS PARENT COMPANY'S MASTER SECURITY DATABASE (MSD) IN JANUARY 2004, THE FIRM NEGLIGENTLY PROVIDED INACCURATE INFORMATION CONCERNING THE CALL PRICE AND YIELD OF UNITS TO INVESTORS. SPECIFICALLY, THE CALL PRICE AND YIELD THAT ITS FINANCIAL ADVISORS (FAS) DISCLOSED TO INVESTORS WERE HIGHER THAN THE ACTUAL CALL PRICE AND YIELD OF THE SECURITIES. FURTHERMORE, AS A GENERAL MATTER, THE FIRM'S FAS FAILED TO DISCLOSE TO CUSTOMERS WHO PURCHASED IN THE SECONDARY MARKET THAT THE UNITS WERE INTEREST-ONLY, AMORTIZING SECURITIES. ALL OF THIS INFORMATION WAS MATERIAL TO INVESTORS. FROM JUNE 2009 THROUGH AUGUST 2010, THE FIRM SOLD THE UNITS TO APPROXIMATELY 57 CUSTOMERS, WHO PURCHASED OVER \$3.6 MILLION OF THE UNITS. DURING THAT TIME, THE FIRM, AS A RESULT OF THE INCORRECT SET UP OF THE SECURITY IN MSD IN JANUARY 2004, CONTINUED TO NEGLIGENTLY PROVIDE INACCURATE INFORMATION CONCERNING THE CALL PRICE AND YIELD OF THE UNITS TO INVESTORS. SPECIFICALLY, THE CALL PRICE AND YIELD DISCLOSED BY FAS TO INVESTORS WERE HIGHER THAN THE ACTUAL CALL PRICE AND YIELD OF</p>



THE SECURITIES. FURTHERMORE, AS A GENERAL MATTER, THE FIRM FAILED TO DISCLOSE THE FACT THAT THE UNITS WERE INTEREST-ONLY, AMORTIZING SECURITIES. ALL OF THIS INFORMATION WAS MATERIAL TO INVESTORS. AFTER THE UNITS WERE CALLED, THE FIRM RECEIVED A CUSTOMER COMPLAINT ALLEGING THAT IT HAD MISREPRESENTED THE CALL PRICE OF THE UNITS. IN RESPONDING TO THE COMPLAINT, THE FIRM AND ITS PARENT COMPANY DISCOVERED THAT THE SAME MISREPRESENTATION HAD BEEN MADE TO ALL PERSONS WHO PURCHASED UNITS THROUGH THE FIRM AND ITS PARENT COMPANY. THE FIRM AND ITS PARENT COMPANY HAVE VOLUNTARILY REMEDIATED CURRENT AND CERTAIN FORMER CUSTOMERS BY MAKING PAYMENTS IN THE TOTAL AMOUNT OF APPROXIMATELY \$473,000. THE FIRM AND ITS PARENT COMPANY HAVE AGREED TO PAY APPROXIMATELY \$220,000 IN REMEDIATION TO ADDITIONAL FORMER CUSTOMERS IDENTIFIED BY FINRA. IN TOTAL, THE FIRM AND ITS PARENT COMPANY SHALL HAVE PAID OVER \$693,000 IN REMEDIATION TO AFFECTED CUSTOMERS. DURING THE PERIOD JUNE 2009 THROUGH AUGUST 2010, THE FIRM SOLD UNITS TO APPROXIMATELY 57 CUSTOMERS FOR WHICH TRADE CONFIRMATIONS WERE ISSUED. DURING THIS PERIOD, THE TRADE CONFIRMATIONS DISCLOSED CALL PRICES AND YIELDS THAT WERE GREATER THAN THE ACTUAL CALL PRICE AND YIELD OF THE UNITS AT THE TIME.

**Initiated By:** FINRA

**Date Initiated:** 05/21/2012

**Docket/Case Number:** [2010024540501](#)

**Principal Product Type:** Other

**Other Product Type(s):** FIXED INCOME SECURITIES

**Principal Sanction(s)/Relief Sought:** Other

**Other Sanction(s)/Relief Sought:** N/A

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/21/2012

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure



Monetary/Fine \$25,000.00

**Other Sanctions Ordered:**

UNDERTAKINGS

**Sanction Details:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED, FINED \$25,000, JOINT AND SEVERAL, AND AGREES TO COMPLETE THE FOLLOWING UNDERTAKINGS: THE FIRM WILL PROVIDE TO ALL PREVIOUSLY IDENTIFIED FORMER CUSTOMERS WHO HAVE NOT RECEIVED REMEDIATION (THE NON-REMEDIED CUSTOMERS) AS OF THE NOTICE OF ACCEPTANCE (THE EFFECTIVE DATE) OF THE AWC WHO PURCHASED THE UNITS REMEDIATION EQUAL TO THE SUM OF \$84.50 PER UNIT OWNED BY SUCH NON-REMEDIED CUSTOMER ON THE CALL DATE. THE FIRM SHALL COMPLETE THE REMEDIATION PROCESS WITHIN 120 DAYS FROM THE EFFECTIVE DATE. WITHIN 150 DAYS FROM THE EFFECTIVE DATE, THE FIRM WILL SUBMIT TO FINRA A SCHEDULE OF ALL NON-REMEDIED CUSTOMERS WHICH INCLUDES DETAILS OF THE NUMBER OF THE UNITS HELD BY THE NON-REMEDIED CUSTOMER AND THE TOTAL DOLLAR AMOUNTS OF RESTITUTION PROVIDED TO EACH CUSTOMER. IF FOR ANY REASON THE FIRM CANNOT LOCATE ANY NON-REMEDIED CUSTOMER AFTER REASONABLE AND DOCUMENTED EFFORTS WITHIN 120 DAYS FROM THE DATE THE AWC IS ACCEPTED, OR SUCH ADDITIONAL PERIOD AGREED TO BY A FINRA STAFF MEMBER IN WRITING, THE FIRM SHALL FORWARD ANY UNDISTRIBUTED RESTITUTION AND INTEREST TO THE APPROPRIATE ESCHEAT, UNCLAIMED PROPERTY OR ABANDONED PROPERTY FUND FOR THE STATE IN WHICH THE CUSTOMER IS LAST KNOWN TO HAVE RESIDED. THE FIRM SHALL PROVIDE SATISFACTORY PROOF OF SUCH ACTION TO FINRA WITHIN 14 DAYS OF FORWARDING THE UNDISTRIBUTED RESTITUTION AND INTEREST TO THE APPROPRIATE STATE AUTHORITY.  
FINE PAID IN FULL ON JUNE 4, 2012.

**Reporting Source:**

Firm

**Current Status:**

Final

**Allegations:**

FINRA ALLEGED THAT THE FIRM VIOLATED FINRA RULE 2010 AND SECURITIES & EXCHANGE ACT SECTION 10(B) AND RULE 10B-10 IN CONNECTION WITH THE SALE OF UNITS OF A FIXED INCOME SECURITY IN WHICH AN AFFILIATE OF THE FIRM INCORRECTLY SET UP THE UNITS IN ITS MASTER SECURITY DATABASE AND IN BLOOMBERG. FINRA FURTHER ALLEGED THAT THE INCORRECT SET-UP CAUSED THE FIRM AND ITS EMPLOYEES TO PROVIDE INACCURATE INFORMATION CONCERNING THE CALL PRICE AND YIELD OF THE UNITS TO INVESTORS IN CONFIRMATIONS, STATEMENTS, AND OTHERWISE. FINRA FURTHER ALLEGED THAT THE SET-UP ERRORS ALSO CAUSED THE FIRM AND ITS EMPLOYEES TO FAIL TO



DISCLOSE TO CUSTOMERS THE INTEREST-ONLY, AMORTIZING FEATURE OF THE UNITS. IN ADDITION, FINRA ALLEGED THAT AS A RESULT, THE FIRM DISCLOSED CALL PRICE AND YIELD INFORMATION TO INVESTORS THAT WAS GREATER THAN THE ACTUAL CALL PRICE AND YIELD OF THE UNITS AT THE TIME.

**Initiated By:** FINRA

**Date Initiated:** 05/21/2012

**Docket/Case Number:** [2010024540501](#)

**Principal Product Type:** Other

**Other Product Type(s):** FIXED INCOME SECURITIES

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE; UNDERTAKING

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/21/2012

**Sanctions Ordered:** Censure  
Monetary/Fine \$25,000.00

**Other Sanctions Ordered:** UNDERTAKINGS

**Sanction Details:** THE FINE OF \$25,000 (WHICH IS JOINT AND SEVERAL WITH MORGAN STANLEY & CO. LLC) WAS PAID ON JUNE 4, 2012. THE FIRM ALSO AGREED TO AN UNDERTAKING TO PROVIDE CERTAIN CUSTOMERS WITH REMEDIATION TOTALING APPROXIMATELY \$220,000. THE REMEDIATION MUST BE COMPLETED WITHIN 120 DAYS FROM THE EFFECTIVE DATE OF THE AWC AND FOR ANY CUSTOMER THAT CANNOT BE LOCATED, THE FIRM MUST FORWARD ANY UNDISTRIBUTED RESTITUTION TO THE APPROPRIATE STATE UNCLAIMED PROPERTY FUND. WITHIN 14 DAYS OF FORWARDING ANY UNDISTRIBUTED REMEDIATION TO A STATE UNCLAIMED PROPERTY FUND, THE FIRM MUST PROVIDE PROOF OF SUCH ACTION TO FINRA. WITHIN 150 DAYS FROM THE EFFECTIVE DATE OF THE AWC, THE FIRM MUST PROVIDE FINRA WITH A SCHEDULE OF THE DETAILS OF THE REMEDIATION PROVIDED TO EACH CUSTOMER.

**Firm Statement** ON MAY 21, 2012, FINRA AND MORGAN STANLEY SMITH BARNEY LLC ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER, AND CONSENT (AWC) TO SETTLE ALLEGATIONS RELATED TO THE SALE OF CERTAIN FIXED INCOME SECURITIES. SPECIFICALLY, THERE WERE FINDINGS IN THE AWC THAT THE FIRM VIOLATED FINRA RULE 2010 AND SECURITIES & EXCHANGE ACT SECTION 10(B) AND RULE 10B-10 IN CONNECTION WITH



THE SALE OF UNITS OF A FIXED INCOME SECURITY IN WHICH AND AFFILIATE OF THE FIRM INCORRECTLY SET UP THE UNITS IN ITS MASTER SECURITY DATABASE AND IN BLOOMBERG. FINRA FOUND THAT THE INCORRECT SET-UP CAUSED THE FIRM AND ITS EMPLOYEES TO PROVIDE INACCURATE INFORMATION CONCERNING THE CALL PRICE AND YIELD OF THE UNITS TO INVESTORS IN CONFIRMATIONS, STATEMENTS, AND OTHERWISE. FINRA FURTHER FOUND THAT THE SET-UP ERRORS ALSO CAUSED THE FIRM AND ITS EMPLOYEES TO FAIL TO DISCLOSE TO CUSTOMERS THE INTEREST-ONLY, AMORTIZING FEATURE OF THE UNITS. IN ADDITION, FINRA FOUND THAT AS A RESULT, THE FIRM DISCLOSED CALL PRICE AND YIELD INFORMATION TO INVESTORS THAT WAS GREATER THAN THE ACTUAL CALL PRICE AND YIELD OF THE UNITS AT THE TIME. WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO ENTRY OF FINDINGS AND THE IMPOSITION OF A CENSURE, A FINE OF \$25,000 (WHICH IS JOINT AND SEVERAL WITH MORGAN STANLEY & CO. LLC), AND AN UNDERTAKING TO PROVIDE REMEDIATION TOTALING APPROXIMATELY \$220,000 TO CERTAIN CUSTOMERS.

#### Disclosure 52 of 55

**Reporting Source:** Regulator

**Current Status:** Final

**Allegations:** FINRA RULES 2010, 6730(A), 7450, MSRB RULE G-14 - MORGAN STANLEY SMITH BARNEY LLC TRANSMITTED EXECUTION OR COMBINED ORDER/EXECUTION REPORTS TO THE ORDER AUDIT TRAIL SYSTEM (OATS) THAT OATS WAS UNABLE TO LINK TO THE RELATED TRADE REPORTS IN A FINRA TRANSACTION REPORTING SYSTEM AND TRANSMITTED EXECUTION OR COMBINED ORDER/EXECUTION REPORTS TO OATS THAT OATS WAS UNABLE TO LINK TO THE RELATED ORDER IN THE NASDAQ MARKET CENTER DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FIRM FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) LARGE BLOCK S1 TRANSACTIONS IN TRACE-ELIGIBLE AND TRACE-ELIGIBLE AGENCY DEBT SECURITIES WITHIN 15 MINUTES OF EXECUTION TIME. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6730(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010. THE FIRM FAILED TO REPORT INFORMATION REGARDING PURCHASE AND SALE TRANSACTIONS EFFECTED IN MUNICIPAL SECURITIES TO THE REAL-TIME TRANSACTION REPORTING SYSTEM (RTRS).

**Initiated By:** FINRA



**Date Initiated:** 05/09/2012

**Docket/Case Number:** [2010021569401](#)

**Principal Product Type:** Debt - Municipal

**Other Product Type(s):** TRACE-ELIGIBLE SECURITIES, TRACE-ELIGIBLE AGENCY DEBT SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/09/2012

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$62,500.00

**Other Sanctions Ordered:**

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$62,500, \$45,000 OF WHICH WAS FOR MSRB RULE VIOLATIONS. FINE PAID IN FULL ON MAY 29, 2012.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT THE FIRM VIOLATED FINRA RULE 7450 BY TRANSMITTING REPORTS TO OATS THAT THE OATS SYSTEM WAS UNABLE TO LINK TO THE RELATED TRADE REPORTS IN A FINRA TRANSACTION REPORTING SYSTEM AND BY TRANSMITTING REPORTS TO OATS THAT THE OATS SYSTEM WAS UNABLE TO LINK TO THE RELATED ORDER IN THE NASDAQ MARKET CENTER DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. FINRA FURTHER ALLEGED THAT THE FIRM VIOLATED FINRA RULES 2010 AND 6730(A) BY FAILING TO REPORT TO TRACE LARGE BLOCK S1 TRANSACTIONS IN TRACE-ELIGIBLE AND TRACE-



ELIGIBLE AGENCY DEBT SECURITIES WITHIN 15 MINUTES OF THE TIME OF EXECUTION. FINRA FURTHER ALLEGED THAT THE FIRM VIOLATED MSRB RULE G-14 BY FAILING TO REPORT INFORMATION REGARDING PURCHASE AND SALE TRANSACTIONS EFFECTED IN MUNICIPAL SECURITIES TO THE RTRS.

**Initiated By:** FINRA

**Date Initiated:** 05/09/2012

**Docket/Case Number:** 20100215694-01

**Principal Product Type:** Debt - Municipal

**Other Product Type(s):** TRACE-ELIGIBLE SECURITIES

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CENSURE

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 05/09/2012

**Sanctions Ordered:** Censure  
Monetary/Fine \$62,500.00

**Other Sanctions Ordered:**

**Sanction Details:** THE FINE OF \$62,500 WAS PAID ON MAY 29, 2012.

**Firm Statement**

ON MAY 9, 2012, FINRA AND MORGAN STANLEY SMITH BARNEY LLC ENTERED INTO A LETTER OF ACCEPTANCE, WAIVER, AND CONSENT (AWC) TO SETTLE ALLEGATIONS RELATED TO TRADE REPORTING. SPECIFICALLY, THERE WERE FINDINGS IN THE AWC THAT THE FIRM VIOLATED FINRA RULE 7450 BY TRANSMITTING REPORTS TO OATS THAT THE OATS SYSTEM WAS UNABLE TO LINK TO THE RELATED TRADE REPORTS IN A FINRA TRANSACTION REPORTING SYSTEM AND BY TRANSMITTING REPORTS TO OATS THAT THE OATS SYSTEM WAS UNABLE TO LINK TO THE RELATED ORDER IN THE NASDAQ MARKET CENTER DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. FINRA FURTHER FOUND THAT THE FIRM VIOLATED FINRA RULES 2010 AND 6730(A) BY FAILING TO REPORT TO TRACE LARGE BLOCK S1 TRANSACTIONS IN TRACE-ELIGIBLE AND TRACE-ELIGIBLE AGENCY DEBT SECURITIES WITHIN 15 MINUTES OF THE TIME OF EXECUTION. FINRA FURTHER FOUND THAT THE FIRM VIOLATED MSRB RULE G-14 BY FAILING TO REPORT INFORMATION REGARDING PURCHASE AND SALE TRANSACTIONS EFFECTED IN MUNICIPAL SECURITIES TO THE RTRS. WITHOUT ADMITTING OR DENYING THE UNDERLYING ALLEGATIONS AND





WITHOUT ADJUDICATION OF ANY ISSUE OF LAW OR FACT, THE FIRM ACCEPTED AND CONSENTED TO ENTRY OF FINDINGS AND THE IMPOSITION OF A CENSURE AND A FINE OF \$62,500.

### Disclosure 53 of 55

<b>Reporting Source:</b>	Regulator
<b>Current Status:</b>	Final
<b>Allegations:</b>	RESPONDENT'S DOCUMENT PRODUCTION RESPONSE WAS SUBMITTED BEYOND THE TIME CONSTRAINTS REQUIRED BY THE BUREAU.
<b>Initiated By:</b>	NEW HAMPSHIRE BUREAU OF SECURITIES REGULATION
<b>Date Initiated:</b>	01/04/2010
<b>Docket/Case Number:</b>	COM10-000
<b>URL for Regulatory Action:</b>	
<b>Principal Product Type:</b>	Equity Listed (Common & Preferred Stock)
<b>Other Product Type(s):</b>	MUTUAL FUNDS
<b>Principal Sanction(s)/Relief Sought:</b>	Cease and Desist
<b>Other Sanction(s)/Relief Sought:</b>	FINE, COSTS, RESTITUTION
<b>Resolution:</b>	Consent
<b>Resolution Date:</b>	05/07/2012
<b>Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?</b>	No
<b>Sanctions Ordered:</b>	Monetary/Fine \$10,000.00 Disgorgement/Restitution Cease and Desist/Injunction
<b>Other Sanctions Ordered:</b>	COSTS \$5,000.00.
<b>Sanction Details:</b>	\$20,000 RESTITUTION TO INVESTOR.
<b>Regulator Statement</b>	A COMPLAINT WAS RECEIVED FROM INVESTOR REGARDING INADEQUATE SERVICING OF THIS ACCOUNT. RESPONDENT WAS REQUIRED TO FULFILL



PRODUCTION REQUESTS OF THE BUREAU AND RESPONSES WERE SUBMITTED BEYOND TIME CONSTRAINTS IN CONTRAVENTION OF RSA 421-B:8.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** A PORTION OF RESPONDENT'S DOCUMENT PRODUCTION WAS SUBMITTED TO THE BUREAU BEYOND THE TIME CONSTRAINTS ESTABLISHED BY THE BUREAU.

**Initiated By:** NEW HAMPSHIRE BUREAU OF SECURITIES REGULATION

**Date Initiated:** 01/04/2010

**Docket/Case Number:** COM10-000

**Principal Product Type:** Equity Listed (Common & Preferred Stock)

**Other Product Type(s):** MUTUAL FUNDS

**Principal Sanction(s)/Relief Sought:** Cease and Desist

**Other Sanction(s)/Relief Sought:** FINE, COSTS, RESTITUTION

**Resolution:** Consent

**Resolution Date:** 05/07/2012

**Sanctions Ordered:** Monetary/Fine \$10,000.00  
Disgorgement/Restitution  
Cease and Desist/Injunction

**Other Sanctions Ordered:** COSTS \$5,000.

**Sanction Details:** \$20,000 RESTITUTION TO INVESTOR.

**Firm Statement** THE BUREAU RECEIVED A COMPLAINT FROM A CUSTOMER ALLEGING INADEQUATE SERVICING OF HIS ACCOUNT. THE BUREAU REQUESTED THAT RESPONDENT PRODUCE DOCUMENTS IN CONNECTION WITH THE COMPLAINT. A PORTION OF THE DOCUMENTS WERE PRODUCED BEYOND THE TIME CONSTRAINTS ESTABLISHED BY THE BUREAU.

#### Disclosure 54 of 55

**Reporting Source:** Regulator

**Current Status:** Final



**Allegations:** MORGAN STANLEY SMITH BARNEY, LLC ("MSSB") DID NOT OBTAIN THE REQUIRED TRADING AUTHORIZATION FORM FROM CLIENTS WHO ALLEGED UNAUTHORIZED TRADING ACTIVITY IN THEIR ACCOUNT. MSSB FAILED TO COMPLY WITH ITS OWN WRITTEN POLICIES AND PROCEDURES FROM THE RELEVANT TIME PERIOD FOR ACCEPTING AND TRANSACTING BUSINESS PURSUANT TO A POWER OF ATTORNEY.

**Initiated By:** NEW JERSEY BUREAU OF SECURITIES

**Date Initiated:** 02/23/2011

**Docket/Case Number:** 2011-005

**URL for Regulatory Action:**

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CEASE AND DESIST

**Resolution:** Consent

**Resolution Date:** 04/12/2012

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Monetary/Fine \$40,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:** AGREED AND ORDERED THAT, MSSB WILL CEASE AND DESIST FROM FUTURE VIOLATION OF THE SECURITIES LAW; AND IT IS FURTHER ORDERED THAT, MSSB IS ASSESSED A CIVIL MONETARY PENALTY IN THE AMOUNT OF \$40,000 WITH \$10,000 OF THIS AMOUNT SUSPENDED BASED UPON THE REMEDIAL MEASURES.

**Sanction Details:** MORGAN STANLEY SMITH BARNEY, LLC DID NOT MAKE AND KEEP ACCURATE BOOKS AND RECORDS, IN VIOLATION OF N.J.S.A. 49:3-59(B) BY FAILING TO OBTAIN SIGNED "TRADING AUTHORIZATION: NON-MORGAN STANLEY FINANCIAL ADVISOR FORMS" AND "TRADING AUTHORIZATION: NON-MORGAN STANLEY FINANCIAL ADVISOR FORMS" AS REQUIRED BY THE MSSB COMPLIANCE MANUAL §7.4.2.2.2 AND §7.4.2.2.1 RESPECTIVELY.



**Regulator Statement** MSSB FULLY COOPERATED WITH THE BUREAU'S INVESTIGATION. AS PART OF THE COOPERATION, MSSB SETTLED THE COMPLAINT BROUGHT BY THE COMPLAINANTS AND PAID TO THEM \$115,384.62 IN RESTITUTION. MSSB HAS REVISED ITS SUPERVISORY PROCEDURES WITH RESPECT TO POWERS OF ATTORNEY TO AVOID FUTURE OCCURRENCE OF THIS TYPE OF INCIDENT.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** MORGAN STANLEY & CO. FAILED TO COMPLY WITH ITS OWN WRITTEN POLICIES AND PROCEDURES BY HAVING A CLIENT, WHO OTHERWISE HAD A VALID POWER OF ATTORNEY ON FILE WITH THE FIRM, EXECUTE THE INCORRECT INTERNAL THIRD PARTY TRADING AUTHORIZATION FORM.

**Initiated By:** NEW JERSEY BUREAU OF SECURITIES

**Date Initiated:** 02/23/2011

**Docket/Case Number:** 2011-005

**Principal Product Type:** No Product

**Other Product Type(s):**

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** CEASE AND DESIST

**Resolution:** Consent

**Resolution Date:** 04/12/2012

**Sanctions Ordered:** Monetary/Fine \$40,000.00  
Cease and Desist/Injunction

**Other Sanctions Ordered:** THE FIRM WAS ASSESSED A CIVIL MONETARY PENALTY OF \$40,000. \$10,000 OF THIS FINE WAS SUSPENDED BASED UPON THE FIRM'S REMEDIAL ACTIONS.

**Sanction Details:** THE FIRM DID NOT MAKE AND KEEP ACCURATE BOOKS AND RECORDS, IN VIOLATION OF N.J.S.A.49:3-59(B) BY FAILING TO OBTAIN SIGNED "TRADING AUTHORIZATION: NON-MORGAN STANLEY FINANCIAL ADVISOR FORMS" AS REQUIRED BY THE FIRM'S COMPLIANCE MANUAL SECTIONS 7.4.2.2.2 AND 7.4.2.2.1 RESPECTIVELY.

**Firm Statement**

THE FIRM FULLY COOPERATED WITH THE BUREAU'S INVESTIGATION. IN RESTITUTION, THE FIRM HAS REVISED ITS SUPERVISORY PROCEDURES WITH RESPECT TO POWERS OF ATTORNEY TO AVOID A FUTURE OCCURRENCE OF THIS TYPE OF INCIDENT.

**Disclosure 55 of 55****Reporting Source:**

Regulator

**Current Status:**

Final

**Allegations:**

FINRA RULE 2010, NASD RULES 2110, 2440, 3010, INTERPRETATIVE MATERIAL 2440-1, 2440-2, MSRB RULES G-17, G-27, G-30(A) - MORGAN STANLEY SMITH BARNEY LLC IN PAIRS OF TRANSACTIONS, SOLD (BOUGHT) CORPORATE BONDS TO (FROM) CUSTOMERS AND FAILED TO SELL (BUY) SUCH BONDS AT A PRICE THAT WAS FAIR, TAKING INTO CONSIDERATION ALL RELEVANT CIRCUMSTANCES, INCLUDING MARKET CONDITIONS WITH RESPECT TO EACH AT THE TIME OF THE TRANSACTION, THE EXPENSE INVOLVED AND THAT THE FIRM WAS ENTITLED TO A PROFIT. IN PAIRS OF TRANSACTIONS, THE FIRM SOLD/PURCHASED MUNICIPAL SECURITIES FOR ITS OWN ACCOUNT TO A CUSTOMER AT AN AGGREGATE PRICE (INCLUDING ANY MARKUP OR MARKDOWN) THAT WAS NOT FAIR AND REASONABLE, TAKING INTO CONSIDERATION ALL RELEVANT FACTORS, INCLUDING THE BEST JUDGMENT OF THE BROKER, DEALER OR MUNICIPAL SECURITIES DEALER AS TO THE FAIR MARKET VALUE OF THE SECURITIES AT THE TIME OF THE TRANSACTION AND OF ANY SECURITIES EXCHANGED OR TRADED IN CONNECTION WITH THE TRANSACTION, THE EXPENSE INVOLVED IN EFFECTING THE TRANSACTION, THE FACT THAT THE BROKER, DEALER OR MUNICIPAL SECURITIES DEALER IS ENTITLED TO A PROFIT AND THE TOTAL DOLLAR AMOUNT OF THE TRANSACTION. THE FIRM IMPLEMENTED SEVERAL SUPERVISORY REPORTS (SALES CREDIT RECAP REPORT, MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB)/TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) VARIANCE REPORTS, CROSS BROKER-DEALER REPORT AND PRINCIPAL VARIANCE REPORT) THAT IT USED TO REVIEW MARKUPS AND MARKDOWNS CHARGED TO ITS CUSTOMERS BUT THE FIRM'S SUPERVISORY SYSTEM WAS INADEQUATE BECAUSE ITS EXCEPTION REPORTS WERE NOT DESIGNED TO INCLUDE MARKUPS/MARKDOWNS BELOW FIVE PERCENT BUT NONETHELESS MAY HAVE BEEN EXCESSIVE; THE FIRM'S POLICIES AND PROCEDURES DID NOT IDENTIFY MARKUPS AND MARKDOWNS BY AGGREGATING THE SALES CREDIT CHARGED TO THE CUSTOMER WITH THE WHOLESALE DESK COMPENSATION FOR PURPOSES OF DETERMINING WHETHER A MARKUP OR MARKDOWN WAS EXCESSIVE. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS, AND



FINRA RULES CONCERNING BOTH CORPORATE AND MUNICIPAL MARKUPS AND MARKDOWNS.

**Initiated By:** FINRA

**Date Initiated:** 10/28/2011

**Docket/Case Number:** [2006005603101](#)

**Principal Product Type:** Debt - Corporate

**Other Product Type(s):** MUNICIPAL SECURITIES

**Principal Sanction(s)/Relief Sought:**

**Other Sanction(s)/Relief Sought:**

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/28/2011

**Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?** No

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,000,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$1,000,000, JOINTLY AND SEVERALLY, \$500,000 OF WHICH IS ALLOCATED TO THE MSRB, AND ORDERED TO PAY \$371,475.98 IN RESTITUTION TO INVESTORS, JOINTLY AND SEVERALLY, OF WHICH \$198,828.45 IS ALLOCATED TO THE MSRB, PLUS INTEREST. A REGISTERED PRINCIPAL OF THE FIRM SHALL SUBMIT SATISFACTORY PROOF OF PAYMENT OF THE RESTITUTION, OR OF REASONABLE AND DOCUMENTED EFFORTS UNDERTAKEN TO EFFECT RESTITUTION TO FINRA NO LATER THAN 120 DAYS AFTER ACCEPTANCE OF THIS AWC. ANY UNDISTRIBUTED RESTITUTION AND INTEREST SHALL BE FORWARDED TO THE APPROPRIATE ESCHEAT, UNCLAIMED PROPERTY OR ABANDONED PROPERTY FUND FOR THE STATE IN WHICH THE CUSTOMER LAST RESIDED. THE FIRM IS ALSO REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING SEVERAL



SUPERVISORY REPORTS (SALES CREDIT RECAP REPORT, MSRB/TRACE VARIANCE REPORTS, CROSS BROKER-DEALER REPORT AND PRINCIPAL VARIANCE REPORT) THAT IT USED TO REVIEW MARKUPS AND MARKDOWNS CHARGED TO ITS CUSTOMERS WITHIN 90 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC.

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**Reporting Source:** Firm

**Current Status:** Final

**Allegations:** FINRA ALLEGED THAT THE FIRM VIOLATED FINRA RULE 2010, NASD RULES 2440, AND INTERPRETIVE MATERIAL 2440-1 AND 2440-2 IN CONNECTION WITH PAIRS OF SALES/PURCHASES OF CORPORATE BONDS TO/FROM CUSTOMERS AT A PRICE THAT WAS NOT FAIR, TAKING INTO CONSIDERATION ALL RELEVANT CIRCUMSTANCES, INCLUDING MARKET CONDITIONS WITH RESPECT TO EACH AT THE TIME OF THE TRANSACTION, THE EXPENSE INVOLVED AND THAT THE FIRM WAS ENTITLED TO A PROFIT (INCLUDING ANY MARKUP OR MARKDOWN).

FINRA FURTHER ALLEGED THAT THE FIRM VIOLATED MSRB RULES G-17 AND G-30(A) IN CONNECTION WITH PAIRS OF SALES/PURCHASES OF MUNICIPAL SECURITIES FOR ITS OWN ACCOUNT TO/FROM A CUSTOMER AT AN AGGREGATE PRICE (INCLUDING ANY MARKDOWN OR MARKUP) THAT WAS NOT FAIR AND REASONABLE, TAKING INTO CONSIDERATION ALL RELEVANT FACTORS, INCLUDING THE BEST JUDGMENT OF THE BROKER, DEALER OR MUNICIPAL SECURITIES DEALER AS TO THE FAIR MARKET VALUE OF THE SECURITIES AT THE TIME OF THE TRANSACTION AND OF ANY SECURITIES EXCHANGED OR TRADED IN CONNECTION WITH THE TRANSACTION, THE EXPENSE INVOLVED IN EFFECTING THE TRANSACTION, THE FACT THAT THE BROKER, DEALER, OR MUNICIPAL SECURITIES DEALER IS ENTITLED TO A PROFIT, AND THE TOTAL DOLLAR AMOUNT OF THE TRANSACTION.

FINRA FURTHER ALLEGED THAT THE FIRM VIOLATED NASD RULES 3010 AND 2110, FINRA RULE 2010, AND MSRB RULES G-17 AND G-27 BECAUSE THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS, REGULATIONS, AND FINRA RULES CONCERNING BOTH CORPORATE AND MUNICIPAL MARKUPS AND MARKDOWNS.

**Initiated By:** FINRA

**Date Initiated:** 10/28/2011

**Docket/Case Number:** [2006005603101](#)



**Principal Product Type:** Debt - Corporate

**Other Product Type(s):** DEBT - MUNICIPAL

**Principal Sanction(s)/Relief Sought:** Civil and Administrative Penalt(ies) /Fine(s)

**Other Sanction(s)/Relief Sought:** UNDERTAKING, CENSURE, RESTITUTION

**Resolution:** Acceptance, Waiver & Consent(AWC)

**Resolution Date:** 10/28/2011

**Sanctions Ordered:** Censure  
Monetary/Fine \$1,000,000.00  
Disgorgement/Restitution

**Other Sanctions Ordered:** UNDERTAKING

**Sanction Details:** SANCTION DETAIL: THE JOINT AND SEVERAL FINE OF \$1,000,000 WAS PAID ON NOVEMBER 10, 2011. THE UNDERTAKING TO REVISE WRITTEN SUPERVISORY PROCEDURES MUST BE COMPLETED WITHIN 90 BUSINESS DAYS OF ACCEPTANCE OF THE AWC. PROOF OF PAYMENT OF THE JOINT AND SEVERAL RESTITUTION TO INVESTORS IN THE AMOUNT OF \$371,715.86 MUST BE PROVIDED TO FINRA WITHIN 120 DAYS OF ACCEPTANCE OF THE AWC.





## Arbitration Award - Award / Judgment

Brokerage firms are not required to report arbitration claims filed against them by customers; however, BrokerCheck provides summary information regarding FINRA arbitration awards involving securities and commodities disputes between public customers and registered securities firms in this section of the report.

The full text of arbitration awards issued by FINRA is available at [www.finra.org/awardsonline](http://www.finra.org/awardsonline).

### Disclosure 1 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	07/23/2009
<b>Case Number:</b>	<a href="#">09-03872</a>
<b>Disputed Product Type:</b>	MUTUAL FUNDS
<b>Sum of All Relief Requested:</b>	\$339,439.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	02/15/2011
<b>Sum of All Relief Awarded:</b>	\$105,000.02

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

### Disclosure 2 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-FAILURE TO SUPERVISE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	09/15/2009

**Case Number:** [09-05070](#)

**Disputed Product Type:** COMMON STOCK; CORPORATE BONDS; MUTUAL FUNDS; PREFERRED STOCK

**Sum of All Relief Requested:** \$150,000.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 11/18/2010

**Sum of All Relief Awarded:** \$136,112.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

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#### Disclosure 3 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT RELATED-NEGLIGENCE; DO NOT USE-EXECUTIONS-FAILURE TO EXECUTE

**Arbitration Forum:** FINRA

**Case Initiated:** 09/15/2009

**Case Number:** [09-05246](#)

**Disputed Product Type:** MUTUAL FUNDS

**Sum of All Relief Requested:** \$165,000.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 01/11/2011

**Sum of All Relief Awarded:** \$85,507.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

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#### Disclosure 4 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-NEGLIGENCE



**Arbitration Forum:** FINRA  
**Case Initiated:** 10/01/2009  
**Case Number:** [09-05568](#)  
**Disputed Product Type:** COMMON STOCK; MUTUAL FUNDS  
**Sum of All Relief Requested:** \$480,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 02/22/2011  
**Sum of All Relief Awarded:** \$124,156.01

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 5 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OTHER; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 12/08/2009  
**Case Number:** [09-06282](#)  
**Disputed Product Type:**  
**Sum of All Relief Requested:** \$2,000,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 07/30/2012  
**Sum of All Relief Awarded:** \$150,000.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 6 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION



**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 12/18/2009

**Case Number:** [09-06918](#)

**Disputed Product Type:** COMMON STOCK; OPTIONS

**Sum of All Relief Requested:** \$9,565,064.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 04/12/2011

**Sum of All Relief Awarded:** \$2,388,230.05

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 7 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-ERRORS-CHARGES; ACCOUNT RELATED-EXCHANGES; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; DO NOT USE-EXECUTIONS-FAILURE TO EXECUTE; OTHER-INDEMNIFICATION

**Arbitration Forum:** FINRA

**Case Initiated:** 12/29/2009

**Case Number:** [09-07062](#)

**Disputed Product Type:** CERTIFICATE OF DEPOSIT; CORPORATE BONDS; GOVERNMENT SECURITIES

**Sum of All Relief Requested:** \$86,963.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 03/25/2011



**Sum of All Relief Awarded:** \$15,000.01

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 8 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OTHER; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 01/15/2010

**Case Number:** [10-00119](#)

**Disputed Product Type:** ANNUITIES; COMMON STOCK; CORPORATE BONDS; UNKNOWN TYPE OF SECURITIES

**Sum of All Relief Requested:** Unspecified Damages

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 09/20/2011

**Sum of All Relief Awarded:** \$190,000.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 9 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 03/10/2010

**Case Number:** [10-00278](#)



**Disputed Product Type:** OTHER TYPES OF SECURITIES  
**Sum of All Relief Requested:** \$366,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 09/14/2011  
**Sum of All Relief Awarded:** \$172,445.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 10 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 02/18/2010  
**Case Number:** [10-00383](#)  
**Disputed Product Type:** CERTIFICATE OF DEPOSIT; EXCHANGE-TRADED FUNDS; MUNICIPAL BOND FUNDS; MUNICIPAL BONDS; MUTUAL FUNDS  
**Sum of All Relief Requested:** \$30,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 09/27/2010  
**Sum of All Relief Awarded:** \$25,425.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 11 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT



RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA  
**Case Initiated:** 04/13/2010  
**Case Number:** [10-01606](#)  
**Disputed Product Type:** COMMON STOCK  
**Sum of All Relief Requested:** \$518,379.04  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 05/24/2011  
**Sum of All Relief Awarded:** \$127,000.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 12 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 07/06/2010  
**Case Number:** [10-02604](#)  
**Disputed Product Type:** OTHER TYPES OF SECURITIES  
**Sum of All Relief Requested:** \$33,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 09/09/2011  
**Sum of All Relief Awarded:** \$37,731.01

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 13 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION

<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	08/04/2010
<b>Case Number:</b>	<a href="#">10-03414</a>
<b>Disputed Product Type:</b>	OTHER TYPES OF SECURITIES; VARIABLE ANNUITIES
<b>Sum of All Relief Requested:</b>	\$870,784.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	10/31/2011
<b>Sum of All Relief Awarded:</b>	\$57,335.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 14 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	08/10/2010
<b>Case Number:</b>	<a href="#">10-03498</a>
<b>Disputed Product Type:</b>	COMMON STOCK; LIMITED PARTNERSHIPS
<b>Sum of All Relief Requested:</b>	\$4,000,000.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	08/23/2012
<b>Sum of All Relief Awarded:</b>	\$272,650.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.





### Disclosure 15 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT RELATED-ERRORS-CHARGES; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER; DO NOT USE-EXECUTIONS-INCORRECT QUANTITY
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	09/20/2010
<b>Case Number:</b>	<a href="#">10-03733</a>
<b>Disputed Product Type:</b>	MUTUAL FUNDS
<b>Sum of All Relief Requested:</b>	\$8,398.36
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	05/20/2011
<b>Sum of All Relief Awarded:</b>	\$325.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

### Disclosure 16 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	10/01/2010
<b>Case Number:</b>	<a href="#">10-04327</a>
<b>Disputed Product Type:</b>	HEDGE FUND; OTHER TYPES OF SECURITIES
<b>Sum of All Relief Requested:</b>	\$211,221.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	06/18/2013
<b>Sum of All Relief Awarded:</b>	\$19,180.02

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 17 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED- BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	10/18/2010
<b>Case Number:</b>	<a href="#">10-04564</a>
<b>Disputed Product Type:</b>	COMMON STOCK
<b>Sum of All Relief Requested:</b>	\$2,675,000.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	03/16/2012
<b>Sum of All Relief Awarded:</b>	\$305,000.00

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 18 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY- MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-OTHER; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED- NEGLIGENCE; ACCOUNT RELATED-OTHER; DO NOT USE-EXECUTIONS- OTHER; DO NOT USE-OTHER-OTHER
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	11/24/2010
<b>Case Number:</b>	<a href="#">10-04646</a>



**Disputed Product Type:** OTHER TYPES OF SECURITIES  
**Sum of All Relief Requested:** \$168,716.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 09/12/2011  
**Sum of All Relief Awarded:** \$23,188.05

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 19 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 11/17/2010  
**Case Number:** [10-04783](#)  
**Disputed Product Type:** MUTUAL FUNDS  
**Sum of All Relief Requested:** \$127,956.11  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 12/19/2011  
**Sum of All Relief Awarded:** \$48,000.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 20 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** UNKNOWN TYPE OF CONTROVERSIES  
**Arbitration Forum:** FINRA  
**Case Initiated:** 11/11/2010



**Case Number:** [10-04929](#)

**Disputed Product Type:**

**Sum of All Relief Requested:** \$1,000,000.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 09/16/2013

**Sum of All Relief Awarded:** \$3,185,301.73

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 21 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER; DO NOT USE-EXECUTIONS-FAILURE TO EXECUTE; DO NOT USE-EXECUTIONS-OTHER; DO NOT USE-OTHER-OTHER ; OTHER-INDEMNIFICATION

**Arbitration Forum:** FINRA

**Case Initiated:** 12/03/2010

**Case Number:** [10-05343](#)

**Disputed Product Type:** COMMON STOCK

**Sum of All Relief Requested:** Unspecified Damages

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 11/21/2011

**Sum of All Relief Awarded:** \$148,989.34

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 22 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

<b>Allegations:</b>	ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-EXCHANGES
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	12/31/2010
<b>Case Number:</b>	<a href="#">10-05734</a>
<b>Disputed Product Type:</b>	VARIABLE ANNUITIES
<b>Sum of All Relief Requested:</b>	\$17,986.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	06/17/2011
<b>Sum of All Relief Awarded:</b>	\$17,460.50

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 23 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	04/05/2011
<b>Case Number:</b>	<a href="#">11-00932</a>
<b>Disputed Product Type:</b>	
<b>Sum of All Relief Requested:</b>	\$2,697,566.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	06/24/2013
<b>Sum of All Relief Awarded:</b>	\$288,444.02

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 24 of 95



**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 06/06/2011

**Case Number:** [11-02126](#)

**Disputed Product Type:** EXCHANGE-TRADED FUNDS; MUTUAL FUNDS

**Sum of All Relief Requested:** \$966,898.50

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 11/14/2012

**Sum of All Relief Awarded:** \$70,375.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 25 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 08/03/2011

**Case Number:** [11-02923](#)

**Disputed Product Type:** OTHER TYPES OF SECURITIES

**Sum of All Relief Requested:** \$1,236,000.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 08/02/2012

**Sum of All Relief Awarded:** \$600.07

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 26 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	11/23/2011
<b>Case Number:</b>	<a href="#">11-04028</a>
<b>Disputed Product Type:</b>	UNIT INVESTMENT TRUST
<b>Sum of All Relief Requested:</b>	\$12,049.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	06/08/2012
<b>Sum of All Relief Awarded:</b>	\$5,792.50

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 27 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-OTHER
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	11/22/2011
<b>Case Number:</b>	<a href="#">11-04250</a>
<b>Disputed Product Type:</b>	COMMON STOCK
<b>Sum of All Relief Requested:</b>	\$2,000,000.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	01/23/2013



**Sum of All Relief Awarded:** \$200,488.01

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 28 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-BREACH OF CONTRACT  
**Arbitration Forum:** FINRA  
**Case Initiated:** 01/23/2012  
**Case Number:** [11-04409](#)  
**Disputed Product Type:** PREFERRED STOCK  
**Sum of All Relief Requested:** \$10,325.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 09/07/2012  
**Sum of All Relief Awarded:** \$10,162.50

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 29 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING  
**Arbitration Forum:** FINRA  
**Case Initiated:** 01/24/2012  
**Case Number:** [12-00159](#)  
**Disputed Product Type:** OTHER TYPES OF SECURITIES  
**Sum of All Relief Requested:** \$1,000,000.01





**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 05/23/2014

**Sum of All Relief Awarded:** \$150,600.01

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 30 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 03/13/2012

**Case Number:** [12-00507](#)

**Disputed Product Type:**

**Sum of All Relief Requested:** Unspecified Damages

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 01/14/2013

**Sum of All Relief Awarded:** \$299,198.56

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 31 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 03/05/2012

**Case Number:** [12-00694](#)



**Disputed Product Type:** FANNIE MAE  
**Sum of All Relief Requested:** \$57,361.21  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 06/20/2013  
**Sum of All Relief Awarded:** \$48,300.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 32 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 03/27/2012  
**Case Number:** [12-01108](#)  
**Disputed Product Type:** COMMON STOCK; MUTUAL FUNDS  
**Sum of All Relief Requested:** \$22,664.22  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 09/25/2012  
**Sum of All Relief Awarded:** \$23,089.23

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 33 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 06/13/2012



**Case Number:** [12-01653](#)  
**Disputed Product Type:** LIMITED PARTNERSHIPS; VARIABLE ANNUITIES  
**Sum of All Relief Requested:** \$310,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 08/27/2013  
**Sum of All Relief Awarded:** \$220,300.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 34 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 06/11/2012  
**Case Number:** [12-02080](#)  
**Disputed Product Type:** COMMON STOCK; CORPORATE BONDS; MUNICIPAL BONDS; OPTIONS  
**Sum of All Relief Requested:** \$1,000,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 10/08/2014  
**Sum of All Relief Awarded:** \$75,000.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 35 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-



BREACH OF CONTRACT; ACCOUNT RELATED-MARGIN CALLS; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-TRANSFER

**Arbitration Forum:** FINRA  
**Case Initiated:** 06/22/2012  
**Case Number:** [12-02242](#)  
**Disputed Product Type:** COMMODITIES FUTURES; COMMON STOCK; STRUCTURED PRODUCTS  
**Sum of All Relief Requested:** \$46,000,000.01  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 07/16/2015  
**Sum of All Relief Awarded:** \$327,000.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 36 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 06/22/2012  
**Case Number:** [12-02257](#)  
**Disputed Product Type:**  
**Sum of All Relief Requested:** \$4,429,613.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 07/24/2015  
**Sum of All Relief Awarded:** \$2,382,851.06

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.



### Disclosure 37 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	11/27/2012
<b>Case Number:</b>	<a href="#">12-03934</a>
<b>Disputed Product Type:</b>	ANNUITIES; COMMON STOCK; VARIABLE ANNUITIES
<b>Sum of All Relief Requested:</b>	Unspecified Damages
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	04/10/2014
<b>Sum of All Relief Awarded:</b>	\$150,250.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

### Disclosure 38 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OTHER; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; DO NOT USE-OTHER-OTHER
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	12/10/2012
<b>Case Number:</b>	<a href="#">12-04120</a>
<b>Disputed Product Type:</b>	
<b>Sum of All Relief Requested:</b>	\$64,078.46
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	05/21/2013
<b>Sum of All Relief Awarded:</b>	\$64,678.47

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 39 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-FAILURE TO SUPERVISE; DO NOT USE-EXECUTIONS-FAILURE TO EXECUTE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	01/14/2013
<b>Case Number:</b>	<a href="#">12-04345</a>
<b>Disputed Product Type:</b>	COMMON STOCK; EXCHANGE-TRADED FUNDS; MUNICIPAL BONDS
<b>Sum of All Relief Requested:</b>	\$100,000.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	04/25/2014
<b>Sum of All Relief Awarded:</b>	\$19,148.00

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 40 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	03/05/2013
<b>Case Number:</b>	<a href="#">13-00549</a>
<b>Disputed Product Type:</b>	
<b>Sum of All Relief Requested:</b>	\$10,000,000.01
<b>Disposition:</b>	AWARD AGAINST PARTY



**Disposition Date:** 03/21/2016  
**Sum of All Relief Awarded:** \$34,387,777.99

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 41 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-OTHER  
**Arbitration Forum:** FINRA  
**Case Initiated:** 05/24/2013  
**Case Number:** [13-00785](#)  
**Disputed Product Type:** CERTIFICATE OF DEPOSIT  
**Sum of All Relief Requested:** \$370,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 06/09/2014  
**Sum of All Relief Awarded:** \$4,430.00

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 42 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-FAILURE TO SUPERVISE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 04/23/2013  
**Case Number:** [13-00891](#)

**Disputed Product Type:****Sum of All Relief Requested:** Unspecified Damages**Disposition:** AWARD AGAINST PARTY**Disposition Date:** 06/25/2014**Sum of All Relief Awarded:** \$113,208.02

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

**Disclosure 43 of 95****Reporting Source:** Regulator**Type of Event:** ARBITRATION**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-NEGLIGENCE**Arbitration Forum:** FINRA**Case Initiated:** 05/13/2013**Case Number:** [13-01093](#)**Disputed Product Type:** COMMON STOCK; EXCHANGE-TRADED FUNDS; OTHER TYPES OF SECURITIES**Sum of All Relief Requested:** \$3,200,000.00**Disposition:** AWARD AGAINST PARTY**Disposition Date:** 04/28/2014**Sum of All Relief Awarded:** \$50,000.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

**Disclosure 44 of 95****Reporting Source:** Regulator**Type of Event:** ARBITRATION**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE





**Arbitration Forum:** FINRA  
**Case Initiated:** 06/10/2013  
**Case Number:** [13-01677](#)  
**Disputed Product Type:**  
**Sum of All Relief Requested:** \$73,135.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 12/01/2014  
**Sum of All Relief Awarded:** \$69,765.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 45 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY  
**Arbitration Forum:** FINRA  
**Case Initiated:** 08/08/2013  
**Case Number:** [13-02157](#)  
**Disputed Product Type:** OTHER TYPES OF SECURITIES; PREFERRED STOCK  
**Sum of All Relief Requested:** \$60,696.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 03/19/2014  
**Sum of All Relief Awarded:** \$11,326.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 46 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-

NEGLIGENCE; ACCOUNT RELATED-TRANSFER; DO NOT USE-EXECUTIONS-FAILURE TO EXECUTE

**Arbitration Forum:** FINRA  
**Case Initiated:** 10/22/2013  
**Case Number:** [13-03045](#)  
**Disputed Product Type:** COMMON STOCK; PREFERRED STOCK  
**Sum of All Relief Requested:** \$5,466.82  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 12/04/2014  
**Sum of All Relief Awarded:** \$5,466.82

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 47 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-ERRORS-CHARGES; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 11/15/2013  
**Case Number:** [13-03115](#)  
**Disputed Product Type:** LIMITED PARTNERSHIPS  
**Sum of All Relief Requested:** \$257,723.06  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 01/30/2015  
**Sum of All Relief Awarded:** \$202,961.00

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 48 of 95



<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	01/02/2014
<b>Case Number:</b>	<a href="#">13-03767</a>
<b>Disputed Product Type:</b>	HEDGE FUND
<b>Sum of All Relief Requested:</b>	\$1,263,000.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	05/11/2015
<b>Sum of All Relief Awarded:</b>	\$253,402.01

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 49 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	02/14/2014
<b>Case Number:</b>	<a href="#">14-00394</a>
<b>Disputed Product Type:</b>	
<b>Sum of All Relief Requested:</b>	\$40,000.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	02/13/2015
<b>Sum of All Relief Awarded:</b>	\$5,000.00

There may be a non-monetary award associated with this arbitration.



Please select the Case Number above to view more detailed information.

#### Disclosure 50 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	03/26/2014
<b>Case Number:</b>	<a href="#">14-00771</a>
<b>Disputed Product Type:</b>	OTHER TYPES OF SECURITIES
<b>Sum of All Relief Requested:</b>	Unspecified Damages
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	07/16/2015
<b>Sum of All Relief Awarded:</b>	\$325,526.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 51 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	04/04/2014
<b>Case Number:</b>	<a href="#">14-00829</a>
<b>Disputed Product Type:</b>	
<b>Sum of All Relief Requested:</b>	\$20,000,000.02
<b>Disposition:</b>	AWARD AGAINST PARTY

**Disposition Date:** 06/15/2016  
**Sum of All Relief Awarded:** \$3,586,989.01

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 52 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 05/20/2014  
**Case Number:** [14-01468](#)  
**Disputed Product Type:** COMMON STOCK; EXCHANGE-TRADED FUNDS  
**Sum of All Relief Requested:** \$1,900,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 05/19/2015  
**Sum of All Relief Awarded:** \$25,000.00

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 53 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-OTHER; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; DO NOT USE-OTHER-OTHER  
**Arbitration Forum:** FINRA  
**Case Initiated:** 05/30/2014  
**Case Number:** [14-01604](#)



**Disputed Product Type:** ANNUITIES  
**Sum of All Relief Requested:** \$1,280,000.01  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 02/01/2016  
**Sum of All Relief Awarded:** \$825,600.01

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 54 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER  
**Arbitration Forum:** FINRA  
**Case Initiated:** 06/17/2014  
**Case Number:** [14-01864](#)  
**Disputed Product Type:**  
**Sum of All Relief Requested:** \$439,840.52  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 07/01/2015  
**Sum of All Relief Awarded:** \$150,000.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 55 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-NEGLIGENCE; DO NOT USE-EXECUTIONS-FAILURE TO EXECUTE



**Arbitration Forum:** FINRA  
**Case Initiated:** 10/10/2014  
**Case Number:** [14-02847](#)  
**Disputed Product Type:**  
**Sum of All Relief Requested:** \$61,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 10/29/2015  
**Sum of All Relief Awarded:** \$44,400.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 56 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-OTHER  
**Arbitration Forum:** FINRA  
**Case Initiated:** 12/24/2014  
**Case Number:** [14-03669](#)  
**Disputed Product Type:** OTHER TYPES OF SECURITIES  
**Sum of All Relief Requested:** \$48,805.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 06/24/2015  
**Sum of All Relief Awarded:** \$300.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 57 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-



CHURNING; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA  
**Case Initiated:** 01/30/2015  
**Case Number:** [14-03705](#)  
**Disputed Product Type:** ANNUITIES; COMMON STOCK; EXCHANGE-TRADED FUNDS; MUTUAL FUNDS  
**Sum of All Relief Requested:** \$2,000,000.03  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 12/08/2015  
**Sum of All Relief Awarded:** \$1,058,617.75

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 58 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-FRAUD; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-ERRORS-CHARGES; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER; DO NOT USE-EXECUTIONS-FAILURE TO EXECUTE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 03/12/2015  
**Case Number:** [15-00020](#)  
**Disputed Product Type:** COMMON STOCK; FREDDIE MACS; OTHER TYPES OF SECURITIES  
**Sum of All Relief Requested:** \$3,000,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 05/22/2018





**Sum of All Relief Awarded:** \$36,984.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 59 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER

**Arbitration Forum:** FINRA

**Case Initiated:** 03/19/2015

**Case Number:** [15-00624](#)

**Disputed Product Type:**

**Sum of All Relief Requested:** Unspecified Damages

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 07/22/2016

**Sum of All Relief Awarded:** \$625,000.02

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 60 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-FRAUD; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 05/13/2015

**Case Number:** [15-01066](#)

**Disputed Product Type:** COMMON STOCK; PREFERRED STOCK; PRIVATE EQUITIES



**Sum of All Relief Requested:** \$900,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 05/23/2016  
**Sum of All Relief Awarded:** \$819,300.02

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 61 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-FRAUD; ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER  
**Arbitration Forum:** FINRA  
**Case Initiated:** 07/28/2015  
**Case Number:** [15-01700](#)  
**Disputed Product Type:** CERTIFICATE OF DEPOSIT; COMMON STOCK; CORPORATE BONDS; GINNIE MAES; GOVERNMENT SECURITIES; LIMITED PARTNERSHIPS; MUNICIPAL BOND FUNDS; MUNICIPAL BONDS; MUTUAL FUNDS; OTHER TYPES OF SECURITIES; STRUCTURED PRODUCTS; UNIT INVESTMENT TRUST  
**Sum of All Relief Requested:** Unspecified Damages  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 06/01/2016  
**Sum of All Relief Awarded:** \$8,606,599.00

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 62 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION



**Allegations:** ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 08/10/2015

**Case Number:** [15-01809](#)

**Disputed Product Type:** MUNICIPAL BONDS

**Sum of All Relief Requested:** \$46,258.19

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 04/04/2016

**Sum of All Relief Awarded:** \$26,582.52

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 63 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-FRAUD; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER

**Arbitration Forum:** FINRA

**Case Initiated:** 07/29/2015

**Case Number:** [15-01906](#)

**Disputed Product Type:**

**Sum of All Relief Requested:** \$300,000.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 09/23/2016

**Sum of All Relief Awarded:** \$300.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 64 of 95



**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 07/30/2015

**Case Number:** [15-01926](#)

**Disputed Product Type:** MUTUAL FUNDS

**Sum of All Relief Requested:** \$9,910.50

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 03/08/2016

**Sum of All Relief Awarded:** \$426.50

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 65 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-FRAUD; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-OTHER; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER

**Arbitration Forum:** FINRA

**Case Initiated:** 12/10/2015

**Case Number:** [15-03238](#)

**Disputed Product Type:** MUTUAL FUNDS

**Sum of All Relief Requested:** \$250,000.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 12/13/2018



**Sum of All Relief Awarded:** \$32,709.97

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 66 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-FRAUD; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-OTHER

**Arbitration Forum:** FINRA

**Case Initiated:** 12/04/2015

**Case Number:** [15-03239](#)

**Disputed Product Type:** COMMON STOCK

**Sum of All Relief Requested:** \$900,000.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 05/15/2017

**Sum of All Relief Awarded:** \$150,000.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 67 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-FRAUD; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 02/29/2016



**Case Number:** [16-00523](#)

**Disputed Product Type:** ANNUITIES; COMMON STOCK; REAL ESTATE INVESTMENT TRUST; UNIT INVESTMENT TRUST

**Sum of All Relief Requested:** \$540,000.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 06/07/2017

**Sum of All Relief Awarded:** \$110,425.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

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#### Disclosure 68 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; DO NOT USE-EXECUTIONS-FAILURE TO EXECUTE

**Arbitration Forum:** FINRA

**Case Initiated:** 04/25/2016

**Case Number:** [16-00762](#)

**Disputed Product Type:** PREFERRED STOCK; PRIVATE EQUITIES

**Sum of All Relief Requested:** \$200,000.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 04/06/2017

**Sum of All Relief Awarded:** \$4,000.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

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#### Disclosure 69 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-FRAUD; ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-OTHER; ACCOUNT



ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT;  
ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-  
NEGLIGENCE

**Arbitration Forum:** FINRA  
**Case Initiated:** 05/26/2016  
**Case Number:** [16-01467](#)  
**Disputed Product Type:** COMMON STOCK; MUNICIPAL BOND FUNDS; MUNICIPAL BONDS;  
PREFERRED STOCK  
**Sum of All Relief Requested:** \$80,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 10/24/2017  
**Sum of All Relief Awarded:** \$63,349.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

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#### Disclosure 70 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-  
SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT  
RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 06/13/2016  
**Case Number:** [16-01538](#)  
**Disputed Product Type:** COMMODITIES FUTURES  
**Sum of All Relief Requested:** Unspecified Damages  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 11/22/2017  
**Sum of All Relief Awarded:** \$209,775.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

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### Disclosure 71 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	06/08/2016
<b>Case Number:</b>	<a href="#">16-01601</a>
<b>Disputed Product Type:</b>	MUTUAL FUNDS
<b>Sum of All Relief Requested:</b>	\$50,000.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	12/22/2016
<b>Sum of All Relief Awarded:</b>	\$37,531.06

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

### Disclosure 72 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT ACTIVITY-VIOLATE OF BLUE SKY LWS; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER; ACCOUNT RELATED-TRANSFER
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	07/30/2016
<b>Case Number:</b>	<a href="#">16-02052</a>
<b>Disputed Product Type:</b>	PRIVATE EQUITIES
<b>Sum of All Relief Requested:</b>	\$7,818,162.85
<b>Disposition:</b>	AWARD AGAINST PARTY





**Disposition Date:** 12/26/2018  
**Sum of All Relief Awarded:** \$4,211,750.02

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 73 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 07/29/2016  
**Case Number:** [16-02067](#)  
**Disputed Product Type:** COMMON STOCK; LIMITED PARTNERSHIPS  
**Sum of All Relief Requested:** \$154,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 05/04/2017  
**Sum of All Relief Awarded:** \$29,360.00

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 74 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:**  
**Arbitration Forum:** FINRA  
**Case Initiated:** 08/05/2016  
**Case Number:** [16-02231](#)  
**Disputed Product Type:**  
**Sum of All Relief Requested:** \$1,000,000.00



**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 12/21/2017  
**Sum of All Relief Awarded:** \$663,898.00

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 75 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-SUITABILITY  
**Arbitration Forum:** FINRA  
**Case Initiated:** 09/06/2016  
**Case Number:** [16-02514](#)  
**Disputed Product Type:**  
**Sum of All Relief Requested:** \$108,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 10/30/2017  
**Sum of All Relief Awarded:** \$20,000.00

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 76 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-FRAUD; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 09/20/2016  
**Case Number:** [16-02585](#)  
**Disputed Product Type:** COMMON STOCK; EXCHANGE-TRADED FUNDS; MUTUAL FUNDS



**Sum of All Relief Requested:** \$774,681.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 12/12/2017  
**Sum of All Relief Awarded:** \$170,362.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 77 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OTHER;  
ACCOUNT ACTIVITY-SUITABILITY  
**Arbitration Forum:** FINRA  
**Case Initiated:** 10/06/2016  
**Case Number:** [16-02697](#)  
**Disputed Product Type:** VARIABLE ANNUITIES  
**Sum of All Relief Requested:** \$500,000.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 11/30/2017  
**Sum of All Relief Awarded:** \$37,170.22

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 78 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-FRAUD;  
ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-  
MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS;  
ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT  
ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF  
CONTRACT; ACCOUNT RELATED-DIVIDENDS; ACCOUNT RELATED-ERRORS-  
CHARGES; ACCOUNT RELATED-EXCHANGES; ACCOUNT RELATED-FAILURE



TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER; EXECUTIONS-EXECUTION ERROR

**Arbitration Forum:** FINRA  
**Case Initiated:** 09/19/2016  
**Case Number:** [16-02732](#)  
**Disputed Product Type:** MUTUAL FUNDS  
**Sum of All Relief Requested:** \$13,209.51  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 10/19/2018  
**Sum of All Relief Awarded:** \$1,115.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 79 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-VIOLATE OF BLUE SKY LWS; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER  
**Arbitration Forum:** FINRA  
**Case Initiated:** 12/06/2016  
**Case Number:** [16-03473](#)  
**Disputed Product Type:** CORPORATE BONDS; OPTIONS; OTHER TYPES OF SECURITIES; STRUCTURED PRODUCTS  
**Sum of All Relief Requested:** Unspecified Damages  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 05/17/2019  
**Sum of All Relief Awarded:** \$519,089.03

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

### Disclosure 80 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	12/16/2016
<b>Case Number:</b>	<a href="#">16-03580</a>
<b>Disputed Product Type:</b>	COMMON STOCK; OPTIONS
<b>Sum of All Relief Requested:</b>	Unspecified Damages
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	01/08/2018
<b>Sum of All Relief Awarded:</b>	\$79,369.51

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

### Disclosure 81 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-FRAUD; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	02/17/2017
<b>Case Number:</b>	<a href="#">17-00356</a>
<b>Disputed Product Type:</b>	401(K); COMMON STOCK; CORPORATE BONDS; EXCHANGE-TRADED FUNDS; MUTUAL FUNDS; PREFERRED STOCK; VARIABLE ANNUITIES
<b>Sum of All Relief Requested:</b>	\$55,333.00
<b>Disposition:</b>	AWARD AGAINST PARTY



**Disposition Date:** 10/10/2017

**Sum of All Relief Awarded:** \$0.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 82 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-FRAUD; ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT ACTIVITY-VIOLATE OF BLUE SKY LWS; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-DIVIDENDS; ACCOUNT RELATED-ERRORS-CHARGES; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER; ACCOUNT RELATED-TRANSFER; EXECUTIONS-EXECUTION ERROR; OTHER-CLEARING DISPUTES; TRADING DISPUTES-MANIPULATION; TRADING DISPUTES-TRANSFERS

**Arbitration Forum:** FINRA

**Case Initiated:** 04/13/2017

**Case Number:** [17-00757](#)

**Disputed Product Type:** COLLATERALIZED MORTGAGE OBLIGATIONS; EXCHANGE-TRADED FUNDS; HEDGE FUND; MUNICIPAL BOND FUNDS; MUNICIPAL BONDS; MUTUAL FUNDS; OTHER TYPES OF SECURITIES; PRIVATE EQUITIES; REAL ESTATE INVESTMENT TRUST; UNIT INVESTMENT TRUST

**Sum of All Relief Requested:** \$11,700,000.01

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 02/06/2020

**Sum of All Relief Awarded:** \$0.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 83 of 95

**Reporting Source:** Regulator



**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-FRAUD; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 04/05/2017

**Case Number:** [17-00792](#)

**Disputed Product Type:** COMMON STOCK

**Sum of All Relief Requested:** \$50,000.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 09/19/2017

**Sum of All Relief Awarded:** \$7,800.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 84 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-FRAUD; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 07/24/2017

**Case Number:** [17-01908](#)

**Disputed Product Type:** MUNICIPAL BOND FUNDS; MUTUAL FUNDS

**Sum of All Relief Requested:** \$5,000,000.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 07/16/2019



**Sum of All Relief Awarded:** \$3,261,420.65

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 85 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; TRADING DISPUTES-MARK-UPS  
**Arbitration Forum:** FINRA  
**Case Initiated:** 09/11/2017  
**Case Number:** [17-02406](#)  
**Disputed Product Type:** MUNICIPAL BONDS  
**Sum of All Relief Requested:** \$47,063.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 08/07/2018  
**Sum of All Relief Awarded:** \$3,484.57

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 86 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 10/13/2017  
**Case Number:** [17-02473](#)  
**Disputed Product Type:** MUNICIPAL BONDS  
**Sum of All Relief Requested:** \$100,000.00





**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 03/21/2019  
**Sum of All Relief Awarded:** \$24,000.01

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 87 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-ELDER ABUSE; ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 09/27/2017  
**Case Number:** [17-02555](#)  
**Disputed Product Type:** COMMON STOCK  
**Sum of All Relief Requested:** \$35,451.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 04/19/2018  
**Sum of All Relief Awarded:** \$42,093.00

There may be a non-monetary award associated with this arbitration.  
 Please select the Case Number above to view more detailed information.

#### Disclosure 88 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA



**Case Initiated:** 01/10/2018  
**Case Number:** [17-03449](#)  
**Disputed Product Type:** COMMON STOCK; MUTUAL FUNDS  
**Sum of All Relief Requested:** \$48,710.86  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 08/17/2018  
**Sum of All Relief Awarded:** \$48,710.87

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 89 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 04/04/2018  
**Case Number:** [18-01177](#)  
**Disputed Product Type:** OPTIONS  
**Sum of All Relief Requested:** \$428,000.01  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 04/03/2019  
**Sum of All Relief Awarded:** \$127,000.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 90 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-ELDER ABUSE; ACCOUNT ACTIVITY-FRAUD; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS;



ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA  
**Case Initiated:** 10/11/2018  
**Case Number:** [18-03529](#)  
**Disputed Product Type:** COMMON STOCK; LIMITED PARTNERSHIPS  
**Sum of All Relief Requested:** \$310,332.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 11/07/2019  
**Sum of All Relief Awarded:** \$173,202.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 91 of 95

**Reporting Source:** Regulator  
**Type of Event:** ARBITRATION  
**Allegations:** ACCOUNT ACTIVITY-FRAUD; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-NEGLIGENCE  
**Arbitration Forum:** FINRA  
**Case Initiated:** 11/01/2018  
**Case Number:** [18-03753](#)  
**Disputed Product Type:** ANNUITIES  
**Sum of All Relief Requested:** \$30,600.00  
**Disposition:** AWARD AGAINST PARTY  
**Disposition Date:** 10/29/2019  
**Sum of All Relief Awarded:** \$8,100.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.



### Disclosure 92 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-ERRORS-CHARGES; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	08/22/2019
<b>Case Number:</b>	<a href="#">19-02415</a>
<b>Disputed Product Type:</b>	401(K)
<b>Sum of All Relief Requested:</b>	\$3,000,000.00
<b>Disposition:</b>	AWARD AGAINST PARTY
<b>Disposition Date:</b>	02/04/2021
<b>Sum of All Relief Awarded:</b>	\$309,038.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

### Disclosure 93 of 95

<b>Reporting Source:</b>	Regulator
<b>Type of Event:</b>	ARBITRATION
<b>Allegations:</b>	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; EXECUTIONS-EXECUTION ERROR
<b>Arbitration Forum:</b>	FINRA
<b>Case Initiated:</b>	09/12/2019
<b>Case Number:</b>	<a href="#">19-02733</a>
<b>Disputed Product Type:</b>	COMMON STOCK; MUTUAL FUNDS; OTHER TYPES OF SECURITIES; PREFERRED STOCK
<b>Sum of All Relief Requested:</b>	\$48,000.00
<b>Disposition:</b>	AWARD AGAINST PARTY

**Disposition Date:** 02/07/2020

**Sum of All Relief Awarded:** \$3,136.01

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 94 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT RELATED-ERRORS-CHARGES; ACCOUNT RELATED-NEGLIGENCE

**Arbitration Forum:** FINRA

**Case Initiated:** 11/19/2019

**Case Number:** [19-03437](#)

**Disputed Product Type:**

**Sum of All Relief Requested:** \$2,248.75

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 03/24/2020

**Sum of All Relief Awarded:** \$1,248.75

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

#### Disclosure 95 of 95

**Reporting Source:** Regulator

**Type of Event:** ARBITRATION

**Allegations:** ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-ELDER ABUSE; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-NEGLIGENCE; EXECUTIONS-EXECUTION ERROR; TRADING DISPUTES-SELL OUTS

**Arbitration Forum:** FINRA

**Case Initiated:** 01/10/2020

**Case Number:** [20-00092](#)



**Disputed Product Type:** COMMON STOCK; MUNICIPAL BOND FUNDS; MUNICIPAL BONDS; MUTUAL FUNDS

**Sum of All Relief Requested:** \$84,525.00

**Disposition:** AWARD AGAINST PARTY

**Disposition Date:** 05/14/2020

**Sum of All Relief Awarded:** \$19,400.00

There may be a non-monetary award associated with this arbitration.  
Please select the Case Number above to view more detailed information.

## End of Report



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