COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108

IN THE MATTER OF:	)	
MORGAN STANLEY SMITH BARNEY LLC,	)	
RESPONDENT.	)	Docket No. E-2023-0034

CONSENT ORDER

I. PRELIMINARY STATEMENT

This Consent Order (the "Order") is entered into by the Securities Division of the Office of the Secretary of the Commonwealth of Massachusetts (the "Division") and Morgan Stanley Smith Barney LLC ("Respondent" or "Morgan Stanley") with respect to the above-captioned investigation (the "Investigation") by the Enforcement Section of the Division into whether Respondent's acts and practices constituted violations of the Massachusetts Uniform Securities Act, M.G.L. c. 110A (the "Act"), and the regulations promulgated thereunder at 950 CMR 10.00-14.413 (the "Regulations").

On September 3, 2024, Respondent submitted an Offer of Settlement (the "Offer") to the Division. Respondent neither admits nor denies the Statement of Facts set forth in Section VI below, neither admits nor denies the Violations of Law set forth in Section VII below, and consents to the entry of this Order by the Division, consistent with the language and terms of the Offer, settling the above-captioned investigation, E-2023-0034, with prejudice. Pursuant to M.G.L. c. 110A, § 412(b), this Order "is necessary or appropriate in

the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provision of [the Act]."

II. JURISDICTION AND AUTHORITY

1. The Division has jurisdiction over matters relating to securities pursuant to the Act, codified at Chapter 110A of the Massachusetts General Laws.

2. This Order is entered in accordance with the Act and Section 10.10 of the Regulations.

3. The acts and practices that were the subject of the Division's Investigation occurred while Respondent was registered as a broker-dealer in Massachusetts.

III. RELEVANT TIME PERIOD

4. Except as otherwise stated, the acts and practices described herein occurred during the approximate time period of January 1, 2022 through February 28, 2024 (the "Relevant Time Period").

IV. RESPONDENT

5. Morgan Stanley Smith Barney LLC ("Morgan Stanley") is a limited liability company organized under the laws of Delaware, with its principal place of business at 2000 Westchester Avenue, Purchase, New York 10577-2530. Morgan Stanley has a Financial Industry Regulatory Authority ("FINRA") Central Registration Depository ("CRD") number of 149777. Morgan Stanley has been registered as a broker-dealer in Massachusetts since May 22, 2009, and prior to that as Morgan Stanley & Co. LLC (CRD Number 8209). Morgan Stanley maintains thirty-four (34) registered branches in Massachusetts.

V. RELATED PERSONS

6. Morgan Stanley Managing Director ("Managing Director") is an individual and agent of Morgan Stanley. Managing Director has been registered as an agent of Morgan Stanley in Massachusetts since 2008. Managing Director currently serves as a private wealth advisor associated with a Morgan Stanley branch located in California (the "Branch Office").

7. First Republic Bank ("FRB") was a domestic for-profit corporation formed in 1985, with its principal place of business at 111 Pine Street, San Francisco, California 94111. FRB was a state nonmember, commercial bank and trust company with no holding company. FRB focused on offering banking services to high-net-worth individuals, including residential real estate lending, private banking, business banking, wealth management, trust, and brokerage services. FRB maintained branch offices at 284 Washington Street, Wellesley, MA 02481; 47 Brattle Street, Cambridge, MA 02138; 772 Boylston Street, Boston, MA 02199; 160 Federal Street, Boston, MA 02110; and 1 Post Office Square, Boston, MA 02109.

8. Until May 1, 2023, when the California Department of Financial Protection and Innovation ("CADFPI") closed FRB and appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver, FRB operated as a California-chartered commercial bank headquartered in San Francisco. Prior to its delisting, FRB's stock was publicly traded (Ticker: FRC) and until May 2023 was listed as one of the constituent securities in the S&P 500 Index. FRB was the fourteenth largest bank in the United States, and the second largest bank supervised by the FDIC, and its failure constituted the second largest bank failure in U.S. history.

9. Morgan Stanley Customer One ("Customer One") is an individual and former chief executive officer and insider of FRB.

VI. STATEMENT OF FACTS

A. Morgan Stanley Failed to Reasonably Address Certain FRB Insider Sales

1. *Morgan Stanley Policies Concerning Material Non-Public Information*

10. Morgan Stanley's Wealth Management ("WM") US Compliance Manual dated December 15, 2022, prohibited agents from buying or selling securities if there was reason to believe their client was trading while in possession of material non-public information ("MNPI"). In these instances, Morgan Stanley required a WM agent to notify such agent's supervisor for prompt review by a member of Morgan Stanley's Compliance Department or a member of Morgan Stanley's Legal and Compliance Division.

11. Morgan Stanley's WM US Branch Managers Supervisory Manual dated December 29, 2022, similarly required branch managers to comply with Morgan Stanley's WM US Compliance Manual provisions concerning client trading while in possession of MNPI.

12. Morgan Stanley's WM US Compliance Manual defined MNPI as "all non-public information that may have a significant impact on the price of a security, or that a reasonable investor would likely consider important in making an investment decision".

13. By way of example, Morgan Stanley's WM US Compliance Manual explained that MNPI includes undisclosed financial information, undisclosed operating developments, and undisclosed legal or regulatory developments.

14. In addition, Morgan Stanley's Code of Ethics and Business Conduct dated March 2022, directed its agents to adhere to the "highest ethical standards," noting that agents were required to "abide by the letter and the spirit of applicable laws and regulations."

2. *Morgan Stanley Knew Customer One Was a Senior Officer and Insider of FRB*

15. Throughout the Relevant Time Period, Morgan Stanley serviced eighteen (18) brokerage accounts and one (1) advisory account for Customer One and Customer One's relatives.

16. Managing Director serviced Customer One's accounts.

17. The Branch Office serviced numerous ultra-high-net-worth customers.

18. Morgan Stanley agents associated with the Branch Office understood Customer One to be a senior officer and insider of FRB.

19. This understanding was consistent with affirmative written responses from FRB's General Counsel to questions from Morgan Stanley's Executive Financial Services ("EFS") team regarding whether Customer One was an insider of FRB and subject to restricted trading windows.

20. Morgan Stanley utilizes an internal dashboard that aggregates customer information (the "Dashboard"). The Dashboard, in part, facilitates the maintenance, handling, and supervision of customer accounts. The Dashboard identified Customer One as a "[s]enior [o]fficer / [i]nsider," in response to multiple "know-your-customer" information fields.

3. *Customer One Sold Thousands of Shares of FRB from Morgan Stanley Accounts in the Six Months Prior to FRB's Collapse thereby Avoiding a Complete Loss on FRB Shares*

21. In total, from February 22, 2022 through March 7, 2023, Morgan Stanley effected the unsolicited sales of FRB stock worth $6,821,130.50 held in Customer One's accounts.

22. Morgan Stanley did not request or receive specific confirmation from any FRB executive, including Customer One, that Customer One was not trading on the basis of MNPI.

23. On October 26, 2022, Customer One's representatives requested that Morgan Stanley sell 20,000 shares of FRB stock.

24. On October 26, 2022, following an e-mail from FRB's Chief Executive Officer ("CEO") stating that it was "Ok to proceed" with the sale, Morgan Stanley effected the unsolicited sale of 20,000 shares of FRB stock from an account of Customer One and Customer One's spouse at a price of $116.63 per share for a net amount of $2,332,612.00 (the "October 2022 Sale"). Customer One later reported the October 2022 Sale through the filing of a Form 4 on the FDIC's Beneficial Ownership Filings System.

25. On January 17, 2023, upon request of Customer One, through Customer One's representatives, and following an e-mail from FRB's General Counsel stating, "I just approved the sale of stock by [Customer One]," Morgan Stanley effected an additional unsolicited sale of another 20,000 shares of FRB stock from an account of Customer One and Customer One's spouse at a price of $131.79 per share for a net amount of $2,635,844.00 (the "January 2023 Sale"). Customer One later reported the January 2023 Sale through the filing of a Form 4 on the FDIC's Beneficial Ownership Filings System.

26. On February 20, 2023, Customer One requested that Morgan Stanley sell 15,000 shares of FRB stock.

27. On February 22, 2023, following an e-mail from an FRB representative that "FRC has approved" of the sale of 15,000 shares, Morgan Stanley effected the additional

unsolicited sale of 10,000 shares of FRB stock from a Customer One account at a price of $123.22 per share, netting proceeds in the amount of $1,232,164.00.

28. On the same date, but in a separate transaction, Morgan Stanley again effected the unsolicited sale of 5,000 shares of FRB stock from the same account at a price of $124.10 per share, netting proceeds in the amount of $629,510.50 (collectively referred to as "the February 2023 Sales"). Customer One later reported the February 2023 Sales through the filing of a Form 4 on the FDIC's Beneficial Ownership Filings System.

29. On March 10, 2023, trading in FRB stock was halted several times as FRB's share price sharply declined, losing over fifty percent of its value.

30. On Monday, March 13, 2023, FRB's stock saw a sixty-two percent drop in its price.

4. *Morgan Stanley Did Not Have a Specific Process for Review of Trades by Insiders of FDIC-Regulated Institutions*

31. At the time of both the October 2022 Sale and the January 2023 Sale, Customer One was coded as an "affiliate" of FRB within the Dashboard.

32. By coding Customer One as an affiliate of FRB, Customer One's transactions routed to Morgan Stanley's EFS team.

33. The EFS team is a group within Morgan Stanley with specialized knowledge concerning the needs of corporate executives and other holders of concentrated stock positions, including 10b5-1 plans, the sale of restricted and control securities under Securities and Exchange Commission ("SEC") Rule 144, securities-based loans secured by eligible restricted and control stock, wealth transfer and gifting strategies, and purchases of company stock under SEC Rule 10b-18.

34. Morgan Stanley promotional material described EFS as "a dedicated group of seasoned professionals who specialize in assisting executives and other key insiders

effectively navigate the complex landscape of insider trading regulations and reporting requirements."

35. Certain Morgan Stanley agents and employees believed that when a transaction is routed to EFS, it is reviewed prior to execution to confirm compliance with applicable securities laws.

36. Morgan Stanley agents submitted the October 2022 Sale, the January 2023 Sale, and the first February 2023 Sale of 10,000 shares of FRB stock for pre-clearance approval, including approval from EFS team members. Later, after EFS determined that Customer One's sales of FRB stock did not require EFS approval because FRB's securities were exempted securities, Morgan Stanley agents were instructed that the second February 2023 Sale of 5,000 shares of FRB stock should be processed as an ordinary unsolicited transaction.

37. In connection with the October 2022 Sale, because Customer One was coded as an affiliate, the trade was routed to EFS for review. When the trade was received by EFS on October 26, 2022, EFS commenced due diligence on the transaction. The same day, when EFS asked FRB whether Customer One was "deemed an affiliate and Section 16 insider of [FRB]" who was "subject to [FRB's] internal [trading] window policy" by virtue of Customer One being a senior officer of FRB, FRB's General Counsel responded in the affirmative. Further, despite the fact that the safe harbor provisions of SEC Rule 144 did not apply to the trades, when asked "Is there anything that will preclude our client from selling under Rule 144 at this time?", FRB's General Counsel replied, "Not that I am aware of."

38. Ultimately, Morgan Stanley's EFS team determined that EFS' review of the October 2022 Sale was not required because FRB was a state nonmember bank regulated by the FDIC. Accordingly, FRB's securities were exempted securities, meaning FRB insiders were not required to comply with the safe harbor provisions of SEC Rule 144 in order to sell FRB stock.

39. EFS advised other Morgan Stanley agents that "EFS approval [was] not required" where FRB "is a bank that reports to [the] FDIC not [the] SEC."

40. The January 2023 Sale led to further discussion among Morgan Stanley agents as to whether EFS needed to approve the trades. Ultimately, Morgan Stanley agents again determined that EFS approval was not required. As a result, the January 2023 Sale was routed for supervisory review, approved, and then processed as an ordinary unsolicited transaction.

41. On February 21, 2023, after the February 2023 Sales were again routed to EFS, EFS requested that the Branch Office remove the affiliate coding from Customer One's account. EFS made this request because FRB securities were exempt from SEC Rule 144 and the affiliate coding was causing the trades to be routed to EFS. The Branch Office complied with this request and removed the affiliate coding from Customer One's account profile.

42. Ultimately, EFS did not conduct a review of these transactions for SEC Rule 144 compliance because FRB's securities were exempt securities, and therefore Morgan Stanley policy did not require EFS review and approval of the unsolicited transactions by Customer One.

43. At all relevant times, Morgan Stanley was aware that Customer One's trading activity was not pursuant to a 10b5-1 plan, or any other similar pre-approved trading plan.

44. Prior to EFS determining that EFS approval was not required in connection with Customer One's October 2022 Sale, Morgan Stanley was provided certain e-mails from FRB's General Counsel and/or the CEO confirming that Customer One's shares were available to trade and that trading windows were open.

45. However, there is no evidence that Morgan Stanley used this information for the purpose of evaluating whether Customer One was trading on the basis of MNPI. Morgan Stanley did not receive a specific affirmation from Customer One or any representative at FRB that Customer One was not in possession of MNPI at the time of placing the trades at issue.

46. Morgan Stanley did not have policies or procedures specific to situations involving individuals who are insiders and/or affiliates of a publicly traded company who are otherwise exempt from SEC Rule 144.

47. As a result, because Customer One's trades were not within the purview of EFS, Morgan Stanley ultimately allowed the second February 2023 Sale to process as an ordinary unsolicited transaction.

48. On March 20, 2023, after FRB's stock price sharply declined as a result of regional bank stock failures, and one (1) month after Morgan Stanley removed the affiliate coding from Customer One's account, a Morgan Stanley Associate Regional Risk Officer ("Risk Officer One") contacted a Morgan Stanley risk officer for the Branch Office ("Risk Officer Two"), inquiring as to why Customer One's account was not coded as an affiliate account, despite Customer One being a senior officer of FRB. Risk Officer One instructed Risk

Officer Two to "update [Customer One's] profile ASAP." Risk Officer Two responded by providing the prior guidance from EFS—that EFS review was not required and the affiliate coding should therefore be removed.

49. This apparent lack of clarity reflects the fact that throughout the Relevant Time Period Morgan Stanley had no specific policies in place to address transactions effected on behalf of insiders of companies that reported to the FDIC and not the SEC.

50. Morgan Stanley agents understood their obligation to know their customers.

51. Morgan Stanley agents also understood their obligation to escalate trades in the event they have reason to believe a customer is trading on MNPI.

52. Despite understanding the facts and circumstances related to Customer One's insider status, and experience in servicing insider accounts, no one at Morgan Stanley who was aware of the transactions before they were executed, in the Branch Office or otherwise, escalated the matter or sought further guidance on how Customer One's trading in FRB stock should be handled.

5. *Morgan Stanley Failed to Conduct a Reasonable Post-Trade Review of Customer One's FRB Sales*

53. In the weeks following the February 2023 Sales, Morgan Stanley monitoring systems generated alerts for potential insider trading in FRB stock that included Customer One's trades.

54. Morgan Stanley's internal monitoring system generated alerts for trading in FRB stock based on the rapid decline in FRB stock's share price and the potential profitability of such trades.

55. Morgan Stanley's monitoring team did not correctly identify red flags concerning Customer One's sale of FRB stock.

56. On March 23, 2023, a member of Morgan Stanley's monitoring team ("Monitoring Officer One") reviewed an internal Potential Insider Trading Alert ("PITA") dated March 13, 2023, concerning the trading in FRB stock at the Branch Office. The PITA included all trades in FRB stock at the Branch Office for the calendar year, including, among other trades, the October 2022 Sale, the January 2023 Sale, and the February 2023 Sales.

57. Monitoring Officer One reviewed the March 13, 2023 PITA and Customer One's trades for one minute. Monitoring Officer One concluded that Customer One's trading was consistent with his prior trading and that there was no connection between the customer and FRB, which was incorrect.

58. In support of closing the March 13, 2023 PITA, Monitoring Officer One wrote: "[a]fter the news that [Silicon Valley Bank] failed due to client withdrawals, increased funding costs, and a decline in venture capital activity, First Republic Bank shares have been declining. Concerns about liquidity are a worry for investors. Trading activity consistent with client trading and an internet search found no connection between client and [FRB] and [FRB] and client not in proximity."

59. First, given Customer One's limited FRB trading at Morgan Stanley, Morgan Stanley could not have made an accurate assessment that Customer One's present trading was consistent with prior practices.

60. Likewise, as a Compliance supervisor later testified, a straightforward internet search would have revealed the connection between Customer One and FRB.

61. This same supervisor indicated that, if put in the same position, the supervisor would have escalated the transaction, or at the very least, asked some questions to determine whether the customer was trading on MNPI.

62. Morgan Stanley used Monitoring Officer One's failure as a point of education for further training on how to review and action PITAs, including how to conduct internet searches.

63. Morgan Stanley's internal systems continued to generate monitoring alerts in response to the rapid decline in FRB stock's share price and the potential profitability of the trades in FRB stock.

64. In addressing an additional PITA generated one day later for a different adviser group and customer, a different monitoring officer ("Monitoring Officer Two"), closed the alert without taking further action. While Customer One's trades were not at issue, Monitoring Officer Two made a note in the system that reflected acknowledgment of the affiliation between Customer One and FRB. Monitoring Officer Two further noted that the financial adviser at issue in the alert was different than the insider's financial adviser as a reason for closing the alert.

65. On March 17, 2023, and March 20, 2023, Morgan Stanley's monitoring system generated additional PITAs that included Customer One's FRB sales.

6. *GFC Conducts a Review After News Media Reports of FRB Insider Sales*

66. Unrelated to any PITA, a member of Morgan Stanley's Global Financial Crimes unit ("GFC") reviewed news reports concerning trading by FRB insiders and initiated a review of the trades identified in a newspaper article.

67. GFC's decision to conduct a review was based on the identification of a negative newspaper article concerning FRB insiders and was independent of any internal alerts or escalation.

68. GFC, which conducted its review after the collapse of FRB, identified as potential concerns, among other things: (i) that by selling FRB stock prior to the FRB Q1 Earnings Report and FRB shutdown, the Customer One accounts avoided a near complete loss with respect to these stock positions; (ii) Customer One and affiliated accounts engaged in trading that was out of pattern; and (iii) Customer One made public statements concerning FRB operations which were later shown to be inaccurate.

B. Record Keeping Failures Uncovered by the Division

1. *Morgan Stanley Policies and Procedures Prohibited Off-Channel Communications Related to Morgan Stanley Business*

69. Morgan Stanley's policies prohibited the use of non-Firm-approved systems for electronic communications regarding Firm business.

70. Morgan Stanley directed agents to move any off-platform Morgan Stanley business-related communications they may receive to a firm-approved system.

71. Morgan Stanley's Code of Conduct indicated that the firm's regulatory obligations to retain business-related communications prohibited agents from using personal SMS/text messages for business communications.

72. Previously, on September 27, 2022, the SEC issued an order finding that Morgan Stanley willfully violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) and failed reasonably to supervise its employees with a view to preventing or detecting certain of its employees' aiding and abetting violations of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder.

2. *A Morgan Stanley Employee Engaged in Business-Related Communications Using an Unapproved Method of Communication*

73. The Investigation conducted by the Division discovered that Managing Director exchanged communications concerning Morgan Stanley business on a non-firm approved

platform and did not follow Firm direction regarding the retention of business-related messages.

74. Of these communications, Managing Director sent communications to other Morgan Stanley employees, which included discussion of transactions, client updates, and internal workflow. Managing Director received communications with Morgan Stanley customers and other Morgan Stanley employees, which concerned sensitive customer information, including account numbers and discussion of market conditions.

75. Managing Director did not move these communications to a firm-approved system. Moreover, Managing Director maintained a historic practice of not maintaining text messages on a personal device, which limited the Division's ability to review all of the potentially business-related communications.

VII. VIOLATIONS OF LAW

Count I – Violations of M.G.L. c. 110A, § 204(a)(2)(J)

76. Section 204(a)(2)(J) of the Act provides:

> The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds … (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:
>
> (J) has failed reasonably to supervise agents, investment adviser representatives or other employees to assure compliance with this chapter[.]
>
> Mass. Gen. Laws. c. 110A, § 204(a)(2)(J).

77. The conduct of Morgan Stanley, as described above, constitutes violations of Mass. Gen. Laws. c. 110A, § 204(a)(2)(J).

VIII. STATUTORY BASIS FOR RELIEF

Section 407A of the Act provides, in pertinent part:

> (a) If the secretary determines, after notice and opportunity for hearing, that any person has engaged in or is about to engage in any act or practice constituting a violation of any provision of this chapter or any rule or order issued thereunder, he may order such person to cease and desist from such unlawful act or practice and may take such affirmative action, including the imposition of an administrative fine, the issuance of an order for an accounting, disgorgement or rescission or any other such relief as in his judgment may be necessary to carry out the purposes of [the Act].
>
> M.G.L. c. 110A, § 407A.

IX. ORDER

IT IS HEREBY ORDERED:

A. Respondent is censured by the Division;

B. Respondent shall permanently cease and desist from further acts and practices in violation of the Act and Regulations;

C. Within fifteen (15) business days of the entry of a signed Order, Respondent shall pay an administrative fine in the amount of two million dollars ($2,000,000.00 USD) to the Commonwealth of Massachusetts. Payment shall be: (1) made by United States postal money order, certified check, bank cashier's check, bank money order, or wire transfer; (2) made payable to the Commonwealth of Massachusetts; (3) either hand-delivered or mailed to One Ashburton Place, Room 1701, Boston, Massachusetts 02108, or wired per Division instructions; and (4) submitted under cover letter or other documentation that identifies the payor making the payment and the docket number of the proceedings. Additionally, Respondent shall provide the Division with no less than notice forty-eight (48) hours prior to the payment;

D. Respondent shall conduct an internal review (the "Review") to make recommendations concerning certain policies and procedures as set forth below (the "Recommendations") within one hundred eighty (180) days of the entry of this Order. The Review shall, at a minimum, include the following:

a. The Morgan Stanley WM US Compliance Manual provisions concerning the identification and coding of senior officers or executives of publicly traded companies, including senior officers or executives of FDIC-regulated entities, and related accounts;

b. Respondent's training for broker-dealer agents and employees on relevant firm policies, FINRA rules, and applicable securities laws related to the potential use of MNPI by customers;

c. Respondent's training for broker-dealer agents and employees on the role EFS serves within Morgan Stanley; and

d. Respondent's training for monitoring officers and monitoring supervisors responsible for the review of any PITAs.

E. Within thirty (30) days following completion of the Review, Respondent shall submit a written report (the "Report") which shall:

a. Include a certification by an officer of Respondent, not unacceptable to the Division, that Respondent has conducted the Review described in Section IX (D) of this Order;

b. Identify and describe the Recommendations which shall not be unacceptable to the Division, provided that the Division will not unreasonably withhold its consent of the Recommendations;

c. In the event that Morgan Stanley has already implemented or is in the process of implementing changes or enhancements to its policies and procedures related to recordkeeping requirements, Morgan Stanley shall provide such information to the Division in the Report;

d. If the Recommendations are not unacceptable to the Division, Respondent shall adopt all Recommendations within the Report;

e. Within one hundred twenty (120) days of the Division notifying Respondent in writing that the Recommendations are not unacceptable, Respondent shall adopt and implement all Recommendations; and

f. Respondent shall notify the Division in writing within forty-five (45) days of the implementation of the Recommendations.

F. Within one hundred eighty (180) days of the entry of this Order, Respondent shall provide training to all Massachusetts-registered broker-dealer agents affiliated with the Branch Office regarding the prevention of insider trading and recordkeeping required by applicable securities laws (the "Training"). Within thirty (30) days following the completion of the Training, Respondent shall provide the Division a report (the "Training Report") describing the Training. The Training Report shall include a summary of the Training, a copy of all materials used for the Training, and the name of each broker-dealer agent who completed the Training;

G. For purposes of this Order, the last day of the time period so computed is to be included unless it is a Saturday, Sunday, or legal holiday or any other day on which the Division is closed, in which event the period shall run until the end of the next following business day;

H. Respondent shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any amounts that Respondent shall pay pursuant to this Order;

I. Respondent shall not seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, any payments made pursuant to any insurance policy, with regard to any amount that Respondent shall pay pursuant to this Order;

J. If Respondent is the subject of a voluntary or involuntary bankruptcy petition within one (1) year of the entry of this Order, Respondent shall provide written notice to the Division within five (5) days of the date of the petition;

K. Any fine, penalty, and/or money that Respondent shall pay in accordance with this Order is intended by Respondent and the Division to be a contemporaneous exchange for new value given to Respondent pursuant to 11 U.S.C. § 547(c)(1)(A) and is, in fact, a substantially contemporaneous exchange pursuant to 11 U.S.C. § 547(c)(1)(B);

L. If Respondent fails to comply with any of the terms set forth in this Order, the Division may institute an action to have this agreement declared null and void. Additionally, Respondent, after notice and an opportunity for hearing, and the issuance of an order finding that Respondent has not complied with this Order, the Division may move to have this Order declared null and void, in whole or in part, and re-institute the associated investigation into Respondent's acts and practices;

M. It is a violation of the Act and Regulations to fail to comply with this Order; and

N. For good cause shown, the Division may agree to extend any of the procedural dates set forth above. Respondent shall make any requests for extensions of the dates set forth above in writing to the Division.

X. WAIVER

Respondent hereby waives any right to contest this Order, including whether the Order is fair, reasonable, and in the public interest, any right to a hearing, to written findings of fact, conclusions of law, or to any other process provided by the Act and Regulations, and waives any right to judicial review of this Order.

XI. PUBLIC INTEREST

Consistent with the purposes fairly intended by the policy and provisions of M.G.L. c. 110A, the entry of this Order is necessary, appropriate, in the public interest, and for the protection of investors.

XII. NO DISQUALIFICATION

This Order waives any disqualification in the Massachusetts laws, or rules or regulations thereunder, including any disqualification from relying upon the registration exemptions or safe harbor provisions to which Morgan Stanley may be subject. This Order is not intended to be a final order based upon violations of the Act that prohibit fraudulent, manipulative, or deceptive conduct. This Order is not intended to form the basis of any disqualifications under Section 3(a)(39) of the Securities Exchange Act of 1934; or Rules 504(b)(3) and 506(d)(1) of Regulation D, Rule 262(a) of Regulation A and Rule 503(a) of Regulation CF under the Securities Act of 1933. This Order is not intended to form the basis of disqualification under the FINRA rules prohibiting continuance in membership absent the filing of a MC-400A application or disqualification under SRO rules prohibiting continuance in membership. This Order is not intended to form a basis of a disqualification

under 204(a)(2) of the Uniform Securities Act of 1956 or Section 412(d) of the Uniform Securities Act of 2002. Except in an action by the Division to enforce the obligations of this Order, any acts performed or documents executed in furtherance of this Order: (a) may not be deemed or used as an admission or, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) may not be deemed or used as an admission of; or evidence of, any such alleged fault or omission of Morgan Stanley in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal.

WILLIAM FRANCIS GALVIN
SECRETARY OF THE COMMONWEALTH

Diane Young-Spitzer

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Dated: September 5, 2024