

**ADMINISTRATIVE PROCEEDING
BEFORE THE
MARYLAND SECURITIES COMMISSIONER**

In The Matter Of: *

MORGAN STANLEY & CO. INCORPORATED * Securities Division No. 2004-0282

Respondent. *

* * * * *

CONSENT ORDER

WHEREAS, pursuant to Section 11-701 of the Maryland Securities Act, Corporations and Associations Article, Title 11, Annotated Code of Maryland (1999 Repl. Vol. & Supp. 2002) (the "Act"), the Maryland Division of Securities (the "Division") initiated in 2003 an investigation into registration practices of Morgan Stanley DW, Inc. ("MSDW"), formerly known as Morgan Stanley Dean Witter, Inc.; and

WHEREAS, the Maryland Securities Commissioner (the "Commissioner"), based upon that investigation and information submitted by MSDW, concluded that MSDW had failed to timely file amendments to the Forms U4 of four registered representatives, in violation of the Act and the regulations promulgated under the Act, (Code of Maryland Regulations ("COMAR"), 02.02.02.07); and

WHEREAS, in settlement of administrative action that could have been initiated based on MSDW's failure to comply with the registration amendment requirements of the Act, on September 11, 2003, the parties entered into a Consent Order (the "2003 Order") whereby the Commissioner ordered and MSDW expressly agreed to comply with procedures designed to prevent untimely filings of Form U4 amendments, and to comply with the Maryland Securities Act

and the rules and regulations promulgated under the Act; and

WHEREAS, the Division learned that MSDW inaccurately represented to the Division at the time of the 2003 Order that MSDW failed to timely amend Forms U4 for only four registered representatives; and

WHEREAS, the Division learned that, despite MSDW's express representation and agreement to the terms of the 2003 Order, MSDW failed to timely file Forms U4 for other agents and for other reportable events; and

WHEREAS, the Commissioner and Morgan Stanley & Co. Incorporated (the "Respondent"), as successor to MSDW, have reached an agreement in this action whereby Respondent, without admitting or denying the Statement of Facts or Conclusions of Law, consents to the jurisdiction of the Commissioner in this matter and over it, and to the terms of this Order; and

WHEREAS, the Commissioner has determined that it is in the public interest to issue this Order.

THEREFORE, before the holding of a hearing in this matter, without trial or final adjudication of any issue of fact or law, and upon consent of the parties hereto,

IT IS HEREBY AGREED AND ORDERED:

I. JURISDICTION

1. The Commissioner has jurisdiction in this proceeding and over Respondent pursuant to section 11-701.1 of the Act.

2. Respondent permanently waives the right to a hearing and appeal under the Act and the rules and regulations promulgated thereunder with respect to this Consent Order and the 2003 Order.

3. If judicial intervention in this matter is sought by any party, Respondent consents to the jurisdiction of the Circuit Court for Baltimore City over any such proceeding and as to it.

II. PARTIES

4. Melanie Senter Lubin is the Securities Commissioner for the State of Maryland.

5. Morgan Stanley & Co. Incorporated is a broker-dealer registered to transact securities business in Maryland.

6. Morgan Stanley DW, Inc. was a broker-dealer registered to transact securities business in Maryland until April 1, 2007, when Morgan Stanley DW Inc. merged into Morgan Stanley & Co. Incorporated to form a single broker-dealer.

III. FACTS

7. On September 11, 2003, in settlement of administrative action that could have been initiated based on MSDW's failure to comply with the requirements of the Act, the parties entered into the 2003 Order whereby the Commissioner ordered and MSDW consented that:

1. MSDW would comply with its compliance procedures designed to prevent untimely filings of a Form U4 amendment;
2. MSDW would comply with the Maryland Securities Act and the rules and regulations promulgated thereunder; and
3. MSDW paid to the Maryland Division of Securities a fine in the amount of \$1,000.00.

8. MSDW represented to the Division at the time of the 2003 Order that there were only four agents for whom Forms U4 should have been, but had not yet been filed, and MSDW amended the Forms U4 for those agents as required by COMAR. The Commissioner relied upon that

representation in determining the sanctions imposed in the 2003 Order.

9. Contrary to that representation, MSDW failed to timely file Form U4 amendments for numerous Maryland agents and agents with retail clients in Maryland.

10. Section 11-303 of the Act makes it unlawful for any person to make, in any document filed with the Commissioner, any statement which is, at the time or in light of the circumstances in which it is made, false or misleading in any material respect.

11. Subsequent to the entry of the 2003 Order and in violation of that Order, MSDW failed to timely amend and file Forms U4 for numerous Maryland agents and agents with retail clients in Maryland; and

12. MSDW has reported its determination, in conjunction with a settlement of an NASD action, that for the period January 1, 2002 through March 30, 2004, there were at least 3,127 reportable events nationwide for which a filing was late. During the same period, the Division has determined that at least 52 of those reportable events involved Maryland agents, many of which events pre-dated, but were not disclosed as part of, the 2003 Order.

13. Section 11-411(d) of the Act requires that a registrant shall promptly file a correcting amendment if information contained in any filed document is or becomes inaccurate or incomplete in any material respect.

14. COMAR 02.02.02.07 requires that an amendment to a broker-dealer or agent filing required by the Act shall be filed within thirty (30) days of the event that gave rise to the need to amend the filing.

15. MSDW expressly agreed, under terms of the 2003 Order, to abide by the Act in the future and to adhere to those compliance procedures put in place to prevent untimely filing of Form

U4 amendments.

16. Section 11-412(a)(2) of the Act authorizes the Commissioner to deny, suspend, or revoke any registration if she finds that the Order is in the public interest and that the Respondent has willfully violated or willfully failed to comply with any provisions of the Act, or a rule or order under the Act.

IV. CONCLUSIONS OF LAW

For purposes of this Consent Order, the Commissioner concludes:

17. MSDW is in violation of both the Act and the terms of the 2003 Order previously entered into by Respondent.

18. MSDW violated section 11-411(d) of the Act and COMAR 02.02.02.07 by failing to timely file amendments to Forms U4.

19. MSDW violated section 11-303 of the Act by falsely representing to the Commissioner, at the time of and as a condition of the 2003 Order, the number of reportable events for which filings had not been timely made.

20. MSDW violated the terms of the 2003 Order by subsequently failing to file, or by making late filings of, amendments to Forms U4, which failure is a violation of the 2003 Order and subjects Respondent to sanctions under section 11-412 (a)(2) of the Act.

V. SANCTIONS

21. Respondent does consent and it is hereby ORDERED that:

a. Respondent shall comply with the Maryland Securities Act and the rules and regulations promulgated thereunder.

b. Respondent shall comply with the compliance procedures designed to prevent untimely filings of amendments to Form U4.

c. Respondent shall pay to the Maryland Division of Securities a fine in the amount of \$100,000.00.

VI. CONSEQUENCES OF VIOLATION OF CONSENT ORDER

22. If Respondent fails to comply with any term of this Order, the Commissioner may declare this Order to be null and void. The Commissioner then may proceed with full administrative and/or judicial proceedings to enforce this Consent Order and to collect the civil penalty imposed above, or to impose sanctions for violating an order of the Commissioner, and may take any other action authorized under the Act or any other applicable law. For the purposes of determining those sanctions, the Statement of Facts and the violations of the Act set forth above shall be deemed admitted by Respondent and may be introduced into evidence against it.

VII. MODIFICATION OF TERMS OF THIS CONSENT ORDER

23. No term of this Consent Order may be modified or vacated except by a subsequent order issued by the Commissioner.

VIII. USE OF THIS ORDER

24. Respondent agrees not to take any action, make or permit to be made any statement denying, directly or indirectly, any allegation in this Consent Order or other activities upon which this Consent Order is based. Respondent further agrees not to take any action or make any statement that creates or tends to create the impression that this Consent Order is without factual basis. Nothing in this provision affects Respondent's testimonial obligations or Respondent's right to take positions in litigation to which the Division or the Commissioner is not a party.

IX. JURISDICTION RETAINED

25. Jurisdiction shall be retained by the Commissioner for the purpose of enabling any party to this Consent Order to apply for such further orders and directions as may be necessary or

appropriate for the construction or enforcement of the Consent Order.

SO ORDERED:

Commissioner's Signature is
on File with Original Document

| Dated: _____ July 22, 2009

MELANIE SENTER LUBIN
SECURITIES COMMISSIONER

BY CONSENT:

Morgan Stanley & Co. Incorporated

| BY: _____: _____ */S/*

Dated: _____

S. Anthony Taggart
Executive Director