



Notice of Disciplinary Action against Morgan Stanley & Co. LLC Member Organization

To: Members, Member Organizations, Participants and Participant Organizations

From: John C. Pickford, Assistant General Counsel, NASDAQ PHLXSM

DATE: July __, 2016

Enforcement No. 2016-07

FINRA No. 20140432580

FINRA No. 20150463549

FINRA No. 20160496824

On July 16, 2016, the Business Conduct Committee (the "Committee") of the NASDAQ PHLX LLC ("PHLX" or the "Exchange") issued a disciplinary decision against Morgan Stanley & Co. LLC ("MSCO" or the "Firm"), a member organization of the Exchange. In response to a Statement of Charges issued in this action, MSCO submitted an Offer of Settlement. Solely to settle this proceeding, and without admitting or denying the charges, MSCO consented to findings that during the periods between August 1, 2014 and March 31, 2015 ("Review Period I"), between June 1, 2015 and July 31, 2015 ("Review Period II") and between October 1, 2015 and March 31, 2016 ("Review Period III"), MSCO violated Exchange Rules 1014(b)(ii)(D)(1) and (2). Specifically, on six separate trading days during Review Period I, on three separate trading days during Review Period II, and on one trading day during Review Period III, while acting as a Directed Remote Streaming Quote Trader, MSCO failed to quote: (i) continuous, two-sided markets in 99% of the options series listed on the Exchange in at least 60% of its assigned options series for 90% of the trading day and/or (ii) at least 99% of the series in an option for at least 90% of the trading day as measured from the time it had commenced quoting in the option to the end of the trading day. In addition, on 20 separate trading days during Review Period I, on four separate trading days during Review Period II, and on two separate trading days during Review Period III, while acting as a Specialist, MSCO failed to quote continuous two-sided markets in at least 99% of its assigned options series for 90% of the trading day.

The Committee found that MSCO had violated Exchange Rules 1014(b)(ii)(D)(1) and (2) and ordered the imposition of the following sanctions against MSCO: (i) a censure; and (ii) a fine in the amount of \$35,000.

For more information, contact:

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