



DISCIPLINARY DECISION
Cboe BZX Exchange, Inc.
File No. URE-32-03/Star No. 20210693303-03
Morgan Stanley & Co. LLC

Pursuant to Exchange Rule 8.3, attached to and incorporated as part of this Decision is a Letter of Consent.

Applicable Rule(s)

- Exchange Rules 20.9 – Prohibition on Transactions Off the Exchange and 20.10 – Off-Floor Transfers of Positions.

Sanction

A censure and a monetary fine of \$18,750.¹

Effective Date

August 27, 2024

/s/ Greg Hoogasian

Greg Hoogasian, CRO, EVP

¹ This settlement relates to another settlement resolved by Morgan Stanley & Co. LLC with Cboe Exchange, Inc., Cboe C2 Exchange, Inc., and Cboe EDGX Exchange, Inc.

Cboe BZX Exchange, Inc.
LETTER OF CONSENT
File No. USRI- URE-32-03 / Star No. 2021069330303

In the Matter of:

Morgan Stanley & Co. LLC
1585 Broadway
New York, NY 10036

Subject

Pursuant to the provisions of Cboe BZX Exchange, Inc. (“BZX” or the “Exchange”) Rule 8.3 – Expedited Proceeding, Morgan Stanley & Co. LLC (“MSCO” or the “Firm”) submits this Letter of Consent for the purposes of proposing a settlement of the alleged rule violations described below.

The Firm neither admits nor denies that violations of Exchange Rules have been committed, and the stipulation of facts and findings described herein do not constitute such an admission.

BACKGROUND

1. During all relevant periods herein, MSCO was acting as a registered Broker-Dealer and was an Exchange Member. The Firm’s registrations remain in effect.
2. This matter originated from a cycle examination of the Firm conducted by FINRA on behalf of the Exchange.

VIOLATIVE CONDUCT

Applicable Rules

3. During all relevant periods herein, the following rules were in full force and effect: Exchange Rules 20.9 – Prohibition on Transactions Off the Exchange and 20.10 - Off-Floor Transfers of Positions.
4. Exchange Rule 20.9(a) provided, “No rule, stated policy, or practice of the Exchange may prohibit or condition, or be construed to prohibit or condition, or otherwise limit, directly or indirectly, the ability of any Member acting as agent to effect any transaction otherwise than on the Exchange with another person (except when such Member also is acting as agent for such other person in such transaction) in any equity security listed on the Exchange or to which unlisted trading privileges on the Exchange have been extended.”

5. Exchange Rule 20.9(b) provided, “No rule, stated policy, or practice of the Exchange may prohibit or condition, or be construed to prohibit, condition, or otherwise limit, directly or indirectly, the ability of any Member to effect any transaction otherwise than on the Exchange in any reported security listed and registered on the Exchange or as to which unlisted trading privileges on the Exchange have been extended (other than a put option or call option issued by the Clearing Corporation) which is not a covered security.”

6. Exchange Rule 20.10(a) provided, in relevant part: “Notwithstanding the prohibition set forth in Rule 20.9, existing positions in options listed on the Exchange of a Member or of a Non- Member that are to be transferred on, from, or to the books of a Clearing Member may be transferred off the Exchange (an “off-floor transfer”) if the off-floor transfer involves one or more of the following events,” including (1) “an adjustment or transfer in connection with the correction of a bona fide error . . . ;” (2) “the transfer of positions from one account to another account where no change in ownership is involved (i.e., accounts of the same person¹ (as defined in Rule 1.5));” (3) “the consolidation of accounts where no change in ownership is involved;” (4) “a merger, acquisition, consolidation, or similar non-recurring transaction for a person;” (5) “the dissolution of a joint account in which the remaining Member assumes the positions of the joint account;” (6) “the dissolution of a corporation or partnership in which a former nominee of the corporation or partnership assumes the positions;” (7) “positions transferred as part of a Member’s capital contribution to a new joint account, partnership, or corporation;” (8) “the donation of positions to a not-for-profit corporation;” (9) “the transfer of positions to a minor under the Uniform Gifts to Minors Act; or” (10) “the transfer of positions through operation of law from death, bankruptcy, or otherwise.”

Improper Position Transfer

7. On May 3, 2021, the Firm effected an off-floor transfer of approximately 50,000 options contracts between two customer accounts of different persons, as defined under Exchange Rule 1.5 – Customer A, a limited liability company, and Customer B, a separate limited liability company which was also a member of Customer A. The customers requested the transfer to facilitate Customer B’s withdrawal of its interest in Customer A. Although the ultimate beneficial ownership of the options contracts that were transferred remained unchanged, the direct ownership of the contracts changed from one legal entity to another and therefore the transaction did not constitute a transfer between accounts of the same Person pursuant to Exchange Rule 20.10(a)(2). Further, while there is an exemption for transfers involving a merger, acquisition, consolidation, or similar non-recurring transaction under Exchange Rule 20.10(a)(4), this transaction did not qualify for that exemption because Customer A continued to exist following the transaction. The transfer also

¹ Exchange Rule 1.5 provided that “[t]he term ‘person’ shall mean a natural person, partnership, corporation, limited liability company, entity, government, or political subdivision, agency or instrumentality of a government.”

did not qualify for any other exemptions provided under Exchange Rule 20.10 to the general prohibition against off-floor position transfers.

8. The acts, practices, and conduct described in Paragraph 7 constitute violations of Exchange Rules 20.9 and 20.10, in that the Firm effected an off-floor transfer that did not qualify for any exemption provided under Exchange Rule 20.10 to the general prohibition against off-floor position transfers.

SANCTIONS

9. The Firm does not have any prior relevant disciplinary history specifically related off-floor position transfers.
10. In light of the alleged rule violations described above, the Firm consents to the imposition of the following sanctions:
 - a. A censure; and
 - a. A monetary fine in the amount of \$18,750.²

If this Letter of Consent is accepted, the Firm acknowledges that it shall be bound by all terms, conditions, representations, and acknowledgements of this Letter of Consent, and, in accordance with the provisions of Exchange Rule 8.3, waives the right to review or to defend against any of these allegations in a disciplinary hearing before a Hearing Panel. The Firm further waives the right to appeal any such decision to the Board of Directors, the U.S. Securities and Exchange Commission, a U.S. Federal District Court, or a U.S. Court of Appeals.

The Firm waives any right to claim bias or prejudice of the Chief Regulatory Officer (“CRO”) in connection with the CRO’s participation in discussions regarding the terms and conditions of this Letter of Consent, or other consideration of this Letter of Consent, including acceptance or rejection of this Letter of Consent.

The Firm agrees to pay the monetary sanction(s) upon notice that this Letter of Consent has been accepted and that such payment(s) are due and payable. The Firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The Firm understands that submission of this Letter of Consent is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to Exchange Rule 8.3. If the Letter of Consent is not accepted, it will not be used as evidence to prove any of the allegations against the Firm.

The Firm understands and acknowledges that acceptance of this Letter of Consent will become part of its disciplinary record and may be considered in any future actions brought by Cboe or any

² This settlement relates to other settlements the Firm reached with Cboe Exchange, Inc., Cboe C2 Exchange, Inc., and Cboe EDGX Exchange, Inc.

other regulator against the Firm. The Letter of Consent will be published on a website maintained by the Exchange in accordance with Exchange Rule 8.18.

The Firm understands that it may not deny the charges or make any statement that is inconsistent with the Letter of Consent. The Firm may attach a Corrective Action Statement to this Letter of Consent that is a statement of demonstrable corrective steps taken to prevent future misconduct. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of the Exchange or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this Letter of Consent and has been given a full opportunity to ask questions about it; that it has agreed to the Letter of Consent's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce the Firm to submit it.

Date: August 16, 2024

Morgan Stanley & Co. LLC

By: 

Name: Kathleen Salvaty

Title: Executive Director