

Bond Case Briefs

Municipal Finance Law Since 1971

Morgan Stanley Pays FINRA Fine Over Municipal Bond Trades.

Law360, New York (February 16, 2017, 5:05 PM EST) — Morgan Stanley's brokerage arm settled the Financial Industry Regulatory Authority's allegations that it bought or sold municipal bonds for its own accounts at prices that were not fair and reasonable, according to a deal filed Wednesday.

Morgan Stanley Smith Barney LLC agreed to pay a \$115,000 fine, plus more than \$55,000 in investor restitution, to end FINRA's claims that some of its municipal bond transactions from July 2013 to March 2014 violated rules from the Municipal Securities Rulemaking Board by being priced unfairly or reasonably.

The company neither admitted nor denied the allegations.

During the specified time period, the brokerage firm violated MSRB rules 33 times when purchasing municipal securities from customers for its own account, or when selling these securities from its own account to customers, according to the deal.

FINRA alleged that the aggregate prices of these transactions, including any markups or markdowns, were not reasonable when taking into account judgment of fair market value, the transactions' expenses, Morgan Stanley's profits on the deals and the total amount of the transactions.

Additionally, Morgan Stanley Smith Barney twice charged customers excessive fees for purchasing or selling municipal securities as the clients' agent, FINRA said.

A representative for the firm said the settlement involves a "very small number of municipal bond trades" and that it is committed to providing fair and reasonable prices to clients.

"The firm has agreed to improve its prices for these trades and has enhanced its processes around reviewing bond trade prices for its wealth management clients," the representative said.

The settlement listed the brokerage company's relevant history with FINRA, including its agreement in 2011 to pay \$1 million for allegedly charging unfair markups and markdowns for fixed income transactions and its deal in 2013 to pay another \$1 million penalty to settle similar allegations.

The company agreed in October to pay a \$2.2 million fine to settle another FINRA action, which alleged it submitted tens of millions of inaccurate or incomplete reports on its large options positions to the Options Clearing Corp. On the same day, the bank also reached a separate settlement in which it paid \$102,500 for allegedly failing to report numerous securities transactions to FINRA.

FINRA does not comment on pending litigation.

Counsel information for Morgan Stanley Smith Barney was not immediately available on Thursday.

FINRA is represented by Robert A. Marchman.

The case is Re: Morgan Stanley Smith Barney LLC, case number 149777, in the Financial Industry Regulatory Authority.

By Cara Mannion

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com