

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1933**  
**Release No. 85998 / May 31, 2019**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15982**

**In the Matter of**

**MORGAN STANLEY AND CO. LLC;  
MORGAN STANLEY ABS CAPITAL I  
INC; and MORGAN STANLEY  
MORTGAGE CAPITAL HOLDINGS  
LLC,**

**Respondents.**

**NOTICE OF PROPOSED PLAN OF  
DISTRIBUTION AND  
OPPORTUNITY FOR COMMENT**

Notice is hereby given, pursuant to Rule 1103 of the United States Securities and Exchange Commission's ("Commission") Rules on Fair Fund and Disgorgement Plans ("Rules"), 17 C.F.R. § 201.1103, that the Division of Enforcement has submitted to the Commission a proposed plan of distribution ("Distribution Plan") for the distribution of monies paid by Morgan Stanley and Co. LLC (f/k/a Morgan Stanley and Co. Incorporated) ("MS & Co."), Morgan Stanley ABS Capital I Inc., ("MSAC"), and Morgan Stanley Mortgage Capital Holdings LLC, ("MSMCH") (collectively, the "Respondents") in the above-captioned matter.

On July 24, 2014, the Commission issued an Order Instituting Cease and Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing a Cease-and-Desist Order ("Order")<sup>1</sup> against the Respondents. The Commission determined that Respondents issued misleading public disclosures regarding the number of delinquent loans in two subprime residential mortgage-backed securities transactions offered in 2007 – Morgan Stanley ABS Capital I Inc. Trust 2007-NC4 ("NC4") and Morgan Stanley ABS Capital I Inc. Trust 2007-H7 ("HE7") (collectively the "transactions").

As a result of this misconduct, the Order found the Respondents violated Sections 17(a)(2) and (3) of the Securities Act of 1933. The Order held Respondents jointly and severally liable for disgorgement of \$160,627,852, prejudgment interest of \$17,995,437, and a civil penalty of \$96,376,711, for a total of \$275,000,000. The Order created a Fair Fund pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, so the penalty, along with the disgorgement

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<sup>1</sup> Securities Act Rel. No. 9617 (July 24, 2014).

and interest, could be distributed to harmed investors. Pursuant to the Order, the Respondents paid the sums ordered by the Commission (the “Fair Fund”). The Fair Fund is subject to the continuing jurisdiction and control of the Commission and is currently on deposit with the United States Department of Treasury’s Bureau of Financial Service (“BFS”). The Respondents are responsible for all reasonable costs and expenses of administering the Fair Fund.

## **OPPORTUNITY FOR COMMENT**

Pursuant to this Notice, all interested persons are advised that they may obtain a copy of the Distribution Plan from the Commission’s public website at <http://www.sec.gov/litigation/fairfundlist.htm>. Interested persons may also obtain a written copy of the Distribution Plan by submitting a written request to Adriene Mixon, Esq., Assistant Chief Litigation Counsel, United States Securities and Exchange Commission, 444 South Flower Street, Suite 900, Los Angeles, CA 90071. All persons who desire to comment on the Distribution Plan may submit their comments, in writing, no later than thirty (30) days from the date of this Notice:

1. to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090;
2. by using the Commission’s Internet comment form (<http://www.sec.gov/litigation/admin.shtml>); or
3. by sending an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov).

Comments submitted should include “Administrative Proceeding File No. 3-15982” in the subject line. Comments received will be publicly available. Persons should submit only information that they wish to make publicly available.

## **THE DISTRIBUTION PLAN**

The Net Available Fair Fund is comprised of the \$275,000,000 in disgorgement, prejudgment interest, and civil penalties paid by the Respondents, plus any accumulated interest, less any BFS fees and any federal, state, and local taxes. The Distribution Plan provides for distribution of the Net Available Fair Fund to harmed investors in the two previously discussed transactions in accordance with the methodology described in the Distribution Plan.

By the Commission.

Vanessa A. Countryman  
Acting Secretary