

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 102488 / February 26, 2025

ADMINISTRATIVE PROCEEDING
File No. 3-21825

In the Matter of

Morgan Stanley & Co. LLC,

Respondent.

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

ADMINISTRATIVE PROCEEDING
File No. 3-21826

In the Matter of

Pawan Kumar Passi,

Respondent.

Notice is hereby given, pursuant to Rule 1103 of the United States Securities and Exchange Commission's (the "Commission") Rules on Fair Fund and Disgorgement Plans (the "Commission's Rules"), 17 C.F.R. § 201.1103, that the Division of Enforcement has submitted to the Commission a proposed plan of distribution (the "Proposed Plan") for the distribution of monies paid in the above-captioned matters.

On January 12, 2024, the Commission issued two separate but related, settled orders against Morgan Stanley & Co. LLC ("Morgan Stanley")¹ and Pawan Kumar Passi ("Passi")² (collectively, the "Respondents"). In the Orders, the Commission found that, from at least June 2018 through August 2021, Passi and another employee on Morgan Stanley's Equity Syndicate Desk in the Americas (the "Syndicate Desk") perpetrated a fraud involving large blocks of stock that the investment banking firm purchased from investors (the "Selling Shareholders"). The Commission found that the two employees, in violation of duties of confidentiality and Morgan

¹ Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, Exchange Act Rel. No. 99336 (Jan. 12, 2024), Admin. Proc. File No. 3-21825 (the "Morgan Stanley Order").

² Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, Exchange Act Rel. No. 99337 (Jan. 12, 2024), Admin. Proc. File No. 3-21826 (the "Passi Order" and together with the Morgan Stanley Order, the "Orders").

Stanley’s policies, disclosed to certain buy-side investors non-public, potentially market-moving information, concerning impending “block trades” that the firm had been invited to bid on or was in the process of negotiating with selling shareholders. The Commission further found that Morgan Stanley failed to enforce information barriers to prevent material non-public information involving certain block trades from being discussed by the Syndicate Desk. According to the Morgan Stanley Order, by this conduct, Morgan Stanley generated more than \$138 million in profits across 28 transactions. The Commission found that Morgan Stanley and Passi willfully violated Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder, and that Morgan Stanley willfully violated Section 15(g) of the Exchange Act.

In the Morgan Stanley Order, the Commission ordered Morgan Stanley to disgorge \$138,297,046, plus prejudgment interest of \$28,057,775, for a total of \$166,354,821, which would be offset by the value of forfeiture and restitution paid by Morgan Stanley pursuant to a January 11, 2024, non-prosecution agreement with the U.S. Attorney for the Southern District of New York in parallel criminal proceedings (the “Criminal Proceeding”).³ The Commission further ordered Morgan Stanley to pay a civil penalty of \$83,000,000 to the Commission, and that the Commission would hold all funds paid pursuant to the Morgan Stanley Order pending a decision as to whether the Commission will seek to distribute them.

In the Passi Order, the Commission ordered Passi to pay a civil penalty of \$250,000 to the Commission, and that the Commission would hold all funds paid pursuant to the Passi Order pending a decision as to whether the Commission will seek to distribute them.

The Respondents have paid in full. They have collectively paid \$83,250,000 in civil penalties, and Morgan Stanley, after the offset of forfeiture and restitution paid in the Criminal Proceeding, has paid disgorgement and prejudgment interest totaling \$29,823,598. In total, the Respondents have paid \$113,073,598.

On September 27, 2024, the Commission issued an order⁴ that created the Morgan Stanley Fair Fund, consisting of the \$113,073,598 paid from the Respondents, pursuant to the Orders.

The assets of the Morgan Stanley Fair Fund are subject to the continuing jurisdiction and control of the Commission. The Morgan Stanley Fair Fund has been deposited in a Commission-designated account at the United States Department of the Treasury, and any interest accrued will be added to the Morgan Stanley Fair Fund for the benefit of investors.

OPPORTUNITY FOR COMMENT

Pursuant to this Notice, all interested persons are advised that they may obtain a copy of the Plan from the Commission’s public website at <https://www.sec.gov/litigation/fairfundlist.htm>. Interested persons may also obtain a written

³ For more on the Criminal Proceeding, see <https://www.justice.gov/usao-sdny/pr/us-attorney-announces-agreements-morgan-stanley-and-former-senior-employee-pawan-passi>.

⁴ Order Creating and Consolidating Fair Funds and Setting Deadline to Submit a Proposed Plan of Distribution, Exchange Act Rel. No. 101215 (Sept. 27, 2024).

copy of the Proposed Plan by submitting a written request to Joshua Braunstein, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5876. All persons who desire to comment on the Proposed Plan may submit their comments, in writing, no later than 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 (<https://www.sec.gov/litigation/admin.shtml>); or
3. by sending an e-mail to rule-comments@sec.gov.

Comments submitted by email or via the Commission's website should include "Administrative Proceeding File Nos. 3-21825 and 3-21826" in the subject line. Comments received will be publicly available. Persons should submit only information they wish to make publicly available.

THE PROPOSED PLAN

The Net Available Fair Fund⁵ is comprised of the \$113,073,598.00 in disgorgement, prejudgment interest, and civil money penalties collected from the Respondents, plus any interest and income earned thereon, less taxes, fees, and expenses. The Proposed Plan provides for the distribution of the Morgan Stanley Fair Fund, plus any accrued interest, less Administrative Costs, to compensate investors for losses on their sales of blocks of shares of the Securities in the Transactions identified in Exhibit B attached to the Proposed Plan.

For the Commission, by the Division of Enforcement, pursuant to delegated authority.⁶

Vanessa A. Countryman
Secretary

⁵ All capitalized terms used herein but not defined shall have the same meanings ascribed to them in the Proposed Plan.

⁶ 17 C.F.R. § 200.30-4(a)(21)(iii).