

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 77559 / April 7, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-12907

In the Matter of

MORGAN STANLEY & CO.
INCORPORATED,

Respondent.

**ORDER AUTHORIZING THE
TRANSFER TO THE U.S. TREASURY
OF REMAINING FUNDS AND ANY
FUNDS RETURNED TO THE FAIR
FUND IN THE FUTURE,
DISCHARGING THE FUND
ADMINISTRATOR, AND
TERMINATING THE FAIR FUND**

On December 18, 2007, the Securities and Exchange Commission (“Commission”) issued an Order Instituting Administrative and Cease-and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (“Order”) against Morgan Stanley & Co. Incorporated (“Respondent”), as successor to Morgan Stanley DW Inc. (“MSDW”) (Exchange Act Rel. No. 56980 (December 18, 2007)). Among other things, the Commission found that MSDW failed reasonably to supervise four financial advisors who had engaged in market-timing trading on behalf of their customers. The Order required the Respondent to pay \$4,400,000 in disgorgement, prejudgment interest of \$720,000, and a civil money penalty of \$11,880,000, for a total payment of \$17 million. The Order also created a Fair Fund pursuant to Section 308(a) of the Sarbanes- Oxley Act of 2002 to distribute the entire \$17 million. On or about December 21, 2007, the \$17 million was placed in an interest bearing account with the United States Department of the Treasury (“U.S. Treasury”).

On February 26, 2010, the Commission issued a Notice of Proposed Plan of Distribution and Opportunity for Comment (“Notice”) pursuant to Rule 1103 of the Commission’s Rules on Fair Fund and Disgorgement Plans (“Commission’s Rules”), 17 C.F.R. § 201.1103 (Exchange Act Rel. No. 61598 (February 26, 2010)). On April 9, 2010, the Commission issued an Order Approving Plan and Appointing a Plan Administrator (Exchange Act Rel. No. 61882 (April 9, 2010)).

The Plan of Distribution (“Plan”) provides that the Fair Fund be distributed to the Affected Mutual Funds¹ harmed by the Respondent’s misconduct. On October 9, 2013, the Commission issued an Order Directing Disbursement of Fair Fund in the amount of \$17,215,108.26 (Exchange Act Rel. No. 70648 (October 9, 2013)). On or about November 22,

¹ As defined in the Plan.

2013, \$17,215,108.26 was distributed to 139 Affected Mutual Funds. All payments were accepted and no amounts have been returned to the Fair Fund. The Fair Fund earned a total of \$353,871.32 in interest. In addition, the Fair Fund paid \$120,282 in federal taxes, \$1,500 in state taxes, \$9,846.49 in investment/bank fees, and \$298.88 to reimburse the Tax Administrator for bond fees. All other fees and expenses were paid by the Respondent. A balance of \$6,835.69 remains in the Fair Fund.

The Plan provides that the Fair Fund shall be eligible for termination, and the Fund Administrator shall be discharged, after the following have occurred: (1) a final accounting in a Commission standard accounting format provided by the staff has been submitted by the Fund Administrator for approval of, and has been approved by, the Commission; (2) all taxes, fees and expenses have been paid; and (3) any amount remaining in the Fair Fund has been received by the Commission. A final accounting, which was submitted to the Commission for approval as required by Rule 1105(f) of the Commission's Rules, 17 C.F.R. § 201.1105(f) and as set forth in the Plan, is now approved. Staff has verified that all taxes, fees and expenses have been paid, and the Commission is in possession of the remaining funds.

Accordingly, IT IS ORDERED that:

- A. The remaining Fair Fund balance of \$6,835.69, and any funds returned to the Fair Fund in the future, shall be transferred to the U.S. Treasury;
- B. The Fund Administrator, Rust Consulting, Inc. is discharged; and
- C. The Fair Fund is terminated.

By the Commission.

Brent J. Fields
Secretary