

Finra spans Morgan Stanley over sales of high-risk stocks



The Finra penalty included a fine of \$200,000 and restitution to clients of \$498,000 plus interest.

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The Financial Industry Regulatory Authority Inc. said Tuesday that it had penalized Morgan Stanley \$698,000 for several years of [failing to supervise](#) brokers' sales of high-risk securities, including a Chinese telecom stock.

From January 2014 through December 2018, Morgan Stanley [failed to reasonably supervise](#) nine registered representatives who recommended potentially high-risk securities to their customers in violation of the firm's internal policy, dubbed the "Plan of Solicitation," [according to Finra](#).

The Finra penalty had two parts: a fine of \$200,000 and restitution to clients of \$498,000 plus interest.

“Morgan Stanley is pleased to resolve this matter concerning issues that occurred more than four years ago,” a company spokesperson wrote in an email. “Morgan Stanley has improved its processes and controls and agreed to compensate the small number of impacted clients.”

Morgan Stanley has recently improved its enforcement of the internal plan of solicitation policy, Finra said.

According to Finra, Morgan Stanley’s policy requires that financial advisers seeking to recommend more than 60,000 shares of a security that’s not part of the S&P 500 stock index, not covered by firm research, and not rated three stars or better by an independent third-party research service, must complete a so-called “plan of solicitation” that describes their reasoning for the sale.

Each of the nine sales reps referenced in the Finra settlement recommended that customers purchase securities in quantities that were subject to Morgan Stanley’s preapproval requirement but did not complete a plan.

In one instance cited by Finra, a Morgan Stanley broker recommended that eight of his customers, six of whom had a moderate risk tolerance, purchase shares in a Chinese telecommunications company that was subject to the internal plan of solicitation policy.