

Morgan Stanley agrees to \$15M fine

Firm accused of not cooperating with SEC

By Greg Farrell
USA TODAY

NEW YORK — Bringing an end to a five-year investigation by federal regulators into its e-mail-retention policies, Morgan Stanley agreed Wednesday to pay a \$15 million fine to settle charges that it purposely hid a large trove of archived electronic information from the Securities and Exchange Commission.

The settlement is the largest ever by a financial firm for not cooperating with an SEC request for archived books and records.

The settlement "should serve as a reminder and a warning to firms that they need to comply with their production obligations," said Antonia Chion, associate director of the SEC's enforcement division. When the SEC issues subpoenas to financial firms, "They need to search their documents, preserve them and produce them," she said.

According to the SEC, Morgan Stanley's lack of cooperation in response to requests for e-mails from December 2000 to October 2004 hurt its investigations into how Wall Street firms allocated shares of hot IPOs and how they rewarded research analysts.

In 2003, the 10 largest Wall Street firms entered into a \$1.4 billion settlement with federal and state regulators and promised to keep their research and investment banking functions separate.

Although Morgan Stanley paid \$125 million as part of that settlement, investigators expressed dismay at the time that they received a much smaller amount of e-mails from the bank than from rivals such as Merrill Lynch.

Last summer, former Morgan Stanley CEO Philip Purcell was ousted after a rebellion among senior executives. Among the problems that contributed to his dismissal was the discovery in a Brooklyn warehouse of archived e-mail records that the bank had said didn't exist. "We are pleased to have this matter behind us," spokesman John Franklin said.