



New Mexico Regulation and Licensing Department SECURITIES DIVISION

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Securities Division Recovers Investors' Funds Settlement Requires Refunds from Morgan Stanley

Santa Fe, June 2, 2008 – The New Mexico Regulation and Licensing Department Securities Division has entered into a stipulated agreement with the Morgan Stanley investment firm to refund nearly \$50,000 to New Mexico residents who invested in offerings the firm failed to register as securities in New Mexico.

Morgan Stanley will also pay a \$13,714 fine for violation of state securities law, according to Securities Division Director Bruce R. Kohl.

The New Mexico agreement is part of a nationwide settlement involving nearly 40,000 investors in 44 states. In New Mexico, 61 individual investors were affected; 11 of those have accepted refunds totaling \$47,850.

In 2006, Morgan Stanley offered its retail clients a number of mutual funds and other “proprietary products,” such as limited partnerships. Due to a computer error, the company failed to register the offerings in New Mexico and other states. The company reported the violation to regulators when it discovered the oversight.

Although Morgan Stanley voluntarily disclosed its mistake, the principle involved is an important one, Kohl explained. “The filing requirement allows regulators to screen out offerings that don’t provide potential investors with relevant information or that reward company insiders too heavily at the expense of new investors,” Kohl said. “When considering a new investment, you should contact the Securities Division. We have information about investment products, and detailed information about the licensed professional who sell these products.”

The Regulation and Licensing Department Securities Division protects New Mexicans from fraud and financial abuse by licensing investment professionals, registering securities offerings made in the state and investigating financial fraud and other violations of the state securities laws.

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