

CIRCULAR 005-23

January 10, 2023

**DISCIPLINARY DECISION — OFFER OF SETTLEMENT
MORGAN STANLEY & CO. LLC**

On October 20, 2022, Bourse de Montréal Inc. (the “Bourse”) filed a complaint against Morgan Stanley & Co. LLC (“MSCO”), a foreign approved participant of the Bourse.

This complaint stated the following:

1. During the period from June 7, 2018 to February 14, 2022, MSCO contravened article 6366 A) (article 3.4 from January 1, 2019) - “Access to Electronic Trading” and article 7403 (article 3.400 from January 1, 2019) - “Application for Approval as an Approved Person” of the Rules of the Bourse (the “Rules”), by providing access to 16 of its employees, for various periods varying between 63 days and 609 days, to the electronic trading system of the Bourse without having obtained the prior approval of the Bourse; and
2. During the period from June 7, 2018 to February 14, 2022, MSCO contravened article 3011 (article 3.100 from January 1, 2019) - “Surveillance and Compliance” as it did not establish and maintain a system to supervise the activities of each employee that is reasonably designed to achieve compliance with the Rules, more specifically as employees who traded solely through the algorithms were able to enter orders and trades without being Approved Persons and MSCO’s policies and procedures contained a review process but it was insufficient to prevent or identify unauthorized access via the algorithms as it did not impose a review of all trading activity on the Bourse.

Following a hearing held on December 15, 2022, the Disciplinary Committee of the Bourse accepted the offer of settlement negotiated between the staff of the Regulatory Division of the Bourse and MSCO, which includes the imposition of a fine totalling \$95,000, as well as the payment of an additional amount of \$6,100 for the related costs.

To access the full text version of the Disciplinary Committee’s decision, please refer to the following link:

https://www.m-x.ca/f_publications_en/disciplinary_decision_msco_20221221_en.pdf

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