

# The State of New Hampshire

## Mailing Address

State House Room 204  
Concord, New Hampshire 03301-4989  
Telephone (603) 271-1463  
Facsimile (603) 271-7933



## Location

State House Annex  
25 Capitol St.  
Concord, New Hampshire 03301

## Department of State Bureau of Securities Regulation

**FOR IMMEDIATE RELEASE**

**CONTACT: Scott Kirby**  
**Communications Director**  
**(603) 271-6837**

## **N.H. SECURITIES BUREAU TAKES ACTION AGAINST MORGAN STANLEY FOR IMPROPER INCENTIVES AND UNREGISTERED TRADING**

**Concord, N.H. (June 23, 2004)** – The New Hampshire Bureau of Securities Regulation announced today that it has issued a cease and desist order against Morgan Stanley Dean Witter for offering improper incentives to brokers in its New Hampshire branch offices. The order asserts that the company improperly ran contests devised for the purpose of rewarding Morgan Stanley account executives for pushing Morgan Stanley investment products. These contests distributed compensation to agents not based on total sales, and not equally weighted for all products. In some cases, steaks were offered to brokers for selling in house funds. Bureau spokesman Scott Kirby said state law requires that securities brokers abide by rules established by the Securities and Exchange Commission and the NASD regarding sales contests and non-cash compensation.

The Order further cites a Morgan Stanley broker for selling unregistered stocks that were not suitable for trading. During the relevant time period the broker executed several trades of unregistered stock.

The New Hampshire Bureau in its order requests that Morgan Stanley cease and desist from further violations, pay an administrative fine of \$500,000, and retain an independent consultant to review current compliance and policy procedures in the Firm's New Hampshire offices.

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TDD Access: Relay NH 1-800-735-2964