

WORLD WISE???

MAY 2007

There are certain movies that whenever they happen to cross my path while channel surfing, I must stop and watch. The comedy *Office Space* is one such film. In this movie a bunch of disgruntled workers infect their companies computer system with a virus that systematically takes all fractional monetary transactions and forwards the funds to a bank account; they have access, thus garnering them big money. I thought of this film this past month while researching a similar scam perpetrated, not by some rogue brokers or penny stock firm, but by Morgan Stanley. It's sad; nothing these firms do surprises me anymore. I wonder if the folks at Morgan Stanley were sitting around at *Chotchkie's* when they thought of this scheme.

Not only are they "*World Wise*," they are also "*Computer Savvy*,"

Morgan Stanley & Company paid a lousy \$7.9 million to settle fraud charges from its **alleged** failure to get their retail clients the best possible prices on over 1 million in stock trades. The Securities and Exchange Commission stated that over a three-year period of time Morgan Stanley's automated trading system purposely delayed the execution of orders and changed transaction prices for their own benefit without telling investors, (I find the "**without telling investors**" part humorous. Did the SEC think that Morgan was going to alert its customer/victims that they were ripping them off? *Hello Peter...What's happening? Um yeah, I'm going to have to go ahead and rip you off*). *Investment News* reported that Morgan Stanley purposely programmed their computer system to embed undisclosed mark-ups and mark-downs on certain retail OTC orders and delayed the execution of other retail OTC orders for which they are obligated to execute without hesitation (Seriously, this did not surprise me).

"By recklessly programming its order execution system to receive amounts that should have gone to retail customers, Morgan Stanley violated its duty of best execution and defrauded its customers," stated Linda Chatman Thomsen, director of the SEC's Division of Enforcement. *"Broker-dealers must be diligent in their efforts to seek the most favorable terms for their customer's orders."*²

It has been said that there are two things certain in life...Death and Taxes. I would like to add another life certainty, when caught cheating, stealing or defrauding their customers, like fine Swiss clockwork Wall Street firms will not admit or deny wrongdoing. This in turn is the literal equivalent of stating "*My Bad*" and walking away unscathed. A spokeswoman for Morgan Stanley, Mary Claire Delaney said the company was pleased with the settlement (no kidding) and **"has corrected the programming issues."**

One needs to appreciate the arrogance of these guys. They irresponsibly program their computers to rip their clients off and they call it a programming issue. That's like saying O.J. Simpson has cutlery issues. It is my humble belief that Morgan Stanley is well aware that the press will refuse to cover their shenanigans (You must understand that they are too busy covering important issues and people like Cheryl Crow's quest to limit toilet paper use and exploits of Paris Hilton). This story received zero attention by the mainstream press.

We reported back in May of 2005 how Morgan Stanley pressures newsrooms with threats of pulling advertising. Morgan Stanley's advertising contract stipulates that **"In the event that objectionable editorial coverage is planned, Morgan Stanley's ad agency must be notified as a last-minute change may be necessary. If an issue arises after-hours or a call cannot be made, immediately cancel all Morgan Stanley ads for a minimum of 48 hours."**³ Similarly, we reported back in April 2003 that Merrill Lynch ordered CNBC to be banned from all

offices throughout the country after economist Larry Kudlow was critical of their conduct and treatment of clients on air.

Question: What do you think would happen if Wal-Mart pulled off similar scam and defrauded their customers through faulty cash registers?

Answer: Media and political firestorm. I can see Brian Williams, "*Tonight, A shocking report on America's largest retailer and their scheme to defraud Americans.*" I see Senator Chuck Schumer and the "**Justice Brothers**" Reverend Jesse and Al holding rallies and boycotts claiming discrimination and demanding justice and money.

There is a great scene in *Office Space* where the disgruntled workers take the fax machine out into a field and violently dispose of it with a baseball bat. Knowing what I know, and following the actions of big investment firms over the years, that scene pretty much sums up my feelings when I am subjected to the schmaltzy and ridiculous advertising campaigns of the big investment firms. Instead of a bat, I use a microphone.

1. [Morgan Stanley Settles Fraud Case](#) MSNBC.COM The Associated Press 5/9/07
2. [Morgan Stanley to Pay \\$7.9 Million](#) Investment News Dina Hampton 5/9/07
3. [Advertising Age](#) 5/18/05