

Former Morgan Stanley Broker Settles SEC Charges Over Hiding Risk

By: Debra Speyer

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A former Morgan Stanley trader has agreed to pay \$25,000 to settle U.S. Securities and Exchange Commission charges that she concealed proprietary trades that exceeded the firm's risk limits, [Bloomberg](#) reports.

As detailed in the SEC order, Jennifer Kim and her supervisor, Larry Feinblum, used "fake" swap orders at least 32 times from October to December 2009 to hide their risk of losses. Morgan Stanley ultimately lost about \$24.5 million from the unauthorized trades, according to the agency.

Kim and Feinblum entered into swap orders that they intended to cancel almost immediately, which had the effect of "tricking" the firms' monitoring systems into recording reduced net risk positions, the SEC explained. After being told by his supervisor not to increase his exposure to India-based Wipro Limited, Feinblum instead distorted his position with the fake swaps and continued to accumulate more risk, the SEC said.

The misconduct came to light in December 2009 after Feinblum told his supervisor he had lost \$7 million in one day and that he and Kim had repeatedly exceeded risk limits and hidden the positions, according to the order.

Feinblum, who is also no longer employed by Morgan Stanley, agreed to pay \$150,000 to settle similar charges on May 31. In settling the matters, Kim and Feinblum didn't admit or deny wrongdoing. SEC Commissioner Luis Aguilar said the terms of Kim's settlement were "inadequate," according to a written dissent posted on the agency's website. The settlement "fails to address what is in my view the intentional nature of her conduct," Aguilar said.

About Debra Speyer

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