

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013036670002**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Steven M. Wyatt, Respondent
Registered Representative
CRD No. 2522129

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Steven M. Wyatt ("Wyatt") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Wyatt alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Wyatt hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Wyatt entered the securities industry in July 1994 as a general securities representative with CGM, a FINRA-regulated broker-dealer, and remained employed there until December 2007, when Wyatt became associated with Morgan Stanley Smith Barney ("Morgan Stanley" or the "Firm"), a FINRA-regulated broker-dealer, in its Ridgeland, Mississippi branch office. Wyatt obtained his Series 7 and 63 licenses in September 1994, and his Series 3 license in August 2003.

On July 20, 2012, the Firm reported that it terminated Wyatt's employment for concerns relating to his participation and solicitation of unapproved outside investments.

Wyatt is not currently employed by or associated with a FINRA-regulated broker-dealer. FINRA retains jurisdiction over Wyatt pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Wyatt has no prior formal disciplinary history in the securities industry.

OVERVIEW

Between October 2009 and February 2010 (the "Relevant Period"), Wyatt, a general securities representative associated with Morgan Stanley, engaged in a private securities transaction with MI, an Indiana-based medical device company. Specifically, Wyatt invested a total of \$58,750 in MI in return for which he received approximately 43,518 shares of company stock, without first providing notice to the Firm. Wyatt also introduced and recommended the purchase of MI stock to seven of his Firm customers, three of whom ultimately invested in MI, without providing prior written notice to Morgan Stanley.

By failing to give the requisite notice to the Firm of his personal private securities transactions and participation in private securities transactions relating to MI, Wyatt violated NASD Rule 3040 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

NASD Rule 3040(b) requires associated persons to provide written notice to their member firm employer "prior to participating in any private securities transaction." The term "private securities transaction," as defined in NASD Rule 3040(e)(1), means any security transaction outside the regular course or scope of an associated person's employment with a member, and applies to both sales and purchases of securities.

FINRA Rule 2010 requires the observance of high standards of commercial honor and just and equitable principles of trade. A violation of NASD Rule 3040 is also a violation of FINRA Rule 2010.

A. Firm Policies and Procedures – Private Securities Transactions

Morgan Stanley's Compliance Manual in effect during the Relevant Period required Firm brokers to obtain approval from their branch manager or supervisor and the Firm's Compliance Department before participating in any private securities transaction, including transactions in the broker's name as well as "those that you could be expected to influence or control outside the regular course or scope of your Firm employment...." Morgan Stanley's Compliance Manual defined participation as including "not only making the purchase, but also referring or introducing customers to the issuer, [and] arranging and/or participating in meetings between customers and the issuer...."

Wyatt completed the Firm's Annual Compliance Attestation on April 6, 2009 and again on May 21, 2010. As part of that process, Wyatt attested that he had not (i) rendered any assistance to or purchased any private placement investments, (ii) purchased or sold securities directly from an entity or corporation, or (iii) recommended, participated in or directed any client to participate in any outside private securities transactions while associated with the Firm.

B. Wyatt Introduces and Recommends MI to Firm Clients

In or around August 2009, Wyatt was introduced to MI by RZ, an individual with whom he had a prior relationship. Wyatt attended a MI roadshow presentation with

four of his Firm clients, CE, RE, DD and BO, where they learned about the company and met with various MI officers. Wyatt also separately discussed MI and its private offering with three other Firm clients, JS, RV and MW. On August 30, 2009, Wyatt sent an e-mail from his personal Yahoo account to customer JS forwarding additional information provided by the company, extolling the company's product and advising that "a market cap of this size could potentially bring an overwhelming rate of return." In the August 2009 e-mail, Wyatt also informed JS that he would be making a personal investment in MI.

Wyatt did not inform Morgan Stanley of his relationship with MI, or his plans to introduce and recommend MI's private offering to certain of his Firm clients. Ultimately, three of Wyatt's Firm customers, JS, BO and CE, invested in MI. Wyatt failed to disclose any of these customer investments in MI to the Firm.

C. Wyatt's Undisclosed Personal Investments in MI

In October 2009 and February 2010, Wyatt invested \$33,750 and \$25,000 respectively in MI. Through his two investments, Wyatt acquired approximately 43,518 shares of MI stock. Wyatt did not inform Morgan Stanley of his investments in MI, and made the investments in his wife's name in order to circumvent the Firm's requirement that he obtain permission for his participation in MI's private placement.

By personally investing in MI, and introducing and recommending the purchase of MI to his Firm clients, without first providing written notice to Morgan Stanley before engaging in these private securities transactions, Wyatt violated NASD Rule 3040 and FINRA Rule 2010.

- B. Wyatt consents consent to the imposition of the following sanctions:
- a. A four-month suspension from associating with any FINRA-regulated broker-dealer in any capacity; and
 - b. A fine of \$12,500 (deferred).

Wyatt understands that if he is suspended from associating with any FINRA member, he becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, Wyatt may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the suspension (see FINRA Rules 8310 and 8311).

The fine shall be due and payable either immediately upon reassociation with a member firm following the four-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Wyatt specifically and voluntarily waives any right to claim that he is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Wyatt specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against me;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Wyatt specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Wyatt further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Wyatt understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against me; and
- C. If accepted:
 - 1. this AWC will become part of his permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against him;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my disciplinary record;

3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and

4. Wyatt may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Wyatt may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects his: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. Wyatt may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Wyatt understands that he may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

Wyatt certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that he has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce him to submit it.

7/17/14
Date (mm/dd/yyyy)

St M Wyatt
Steven M. Wyatt, Respondent

Reviewed by:

7-18-14
Date (mm/dd/yyyy)

George C. Freeman, III
George C. Freeman, III
Counsel for Respondent
Barasso Usdin Kupperman Freeman & Server LLC
090 Poydras Street, 24th Floor
New Orleans, Louisiana 70112
Tel. (504) 589-9732

Accepted by FINRA:

Signed on behalf of the Director of ODA,
by delegated authority

July 18, 2014
Date (mm/dd/yyyy)

Susan Light
Susan Light
Senior Vice President & Chief Counsel
FINRA Department of Enforcement
One World Financial Center
200 Liberty Street, 11th Floor
New York, New York 10281