



UNITED STATES OF AMERICA  
FEDERAL TRADE COMMISSION  
WASHINGTON, D.C. 20580

Bureau of Consumer Protection  
Division of Privacy and Identity Protection

August 10, 2015

Lisa J. Sotto  
Hunton & Williams LLP  
200 Park Avenue  
New York, NY 10166-0091

Dear Ms. Sotto:

As you know, the staff of the Federal Trade Commission's Division of Privacy and Identity Protection has conducted an inquiry into whether Morgan Stanley Smith Barney LLC ("Morgan Stanley") data security practices may violate Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45. The investigation considered whether Morgan Stanley engaged in unfair or deceptive acts or practices by failing to secure, in a reasonable and appropriate manner, account information related to Morgan Stanley's Wealth Management clients.

Among other things, our investigation examined the allegation that a Morgan Stanley employee misappropriated Wealth Management client information, transferring data from the Morgan Stanley computer network to a personal website accessed at work, and then onto personal devices. The exported data subsequently appeared on multiple Internet websites, leaving the information vulnerable to misuse, and Morgan Stanley clients exposed to potential harm.

At this time, staff has determined to close this investigation. We considered several factors, including the fact that Morgan Stanley had established and implemented comprehensive policies designed to protect against insider theft of personal information. For example, the company established and implemented a policy allowing employees to access only the personal data for which they had a business need, monitored the size and frequency of data transfers by employees, prohibited employee use of USB or other devices to exfiltrate data, and blocked employee access to certain high-risk Web applications and websites. In this instance, our investigation determined that the Morgan Stanley employee was able to gain access to client data, despite such controls, because the access controls applicable to a narrow set of reports were improperly configured. However, Morgan Stanley promptly fixed the problem when it came to the company's attention.

We continue to emphasize that data security is an ongoing process. As risks, technologies, and circumstances change over time, companies must adjust security practices

accordingly. As employees increasingly use personal websites and a host of online applications, companies should deploy appropriate controls to address the potential risks of broad access to such resources on work devices. We hope and expect that all companies that handle sensitive consumer information will employ reasonable and appropriate safeguards to protect against unauthorized misuse of such data.

Staff's decision to close the investigation should not be construed as a determination that a violation did not occur, just as the pendency of an investigation should not be construed as a determination that a violation did occur. The Commission reserves the right to take such further action as the public interest may require.

Sincerely,

A handwritten signature in blue ink, appearing to read "Maneesha Mithal".

Maneesha Mithal  
Associate Director  
Division of Privacy and Identity Protection  
Federal Trade Commission