

SECURITIES AND EXCHANGE COMMISSION
Washington, DC

SECURITIES EXCHANGE ACT OF 1934
Release No. 60344 / July 20, 2009

INVESTMENT ADVISERS ACT OF 1940
Release No. 2905 / July 20, 2009

Administrative Proceeding File No. 3-13559

In the Matter of William Keith Phillips

The United States Securities and Exchange Commission (“Commission”) today issued an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 and Section 15(b)(6) of the Securities Exchange Act of 1934 against William Keith Phillips.

The Division of Enforcement (Division) alleges in the Order that from 2000 through 2006, Morgan Stanley & Co. Incorporated (Morgan Stanley) provided investment advisory services to clients through its Consulting Services Group. The Division also alleges that Phillips, a former registered broker-dealer representative and investment adviser representative with Morgan Stanley, provided both brokerage and advisory services to Morgan Stanley clients and customers.

The Division further alleges that Morgan Stanley’s disclosure materials described the detailed due diligence process it followed to select and approve money managers for participation in the firm’s advisory program. The Division also alleges that Phillips, contrary to the representations in the disclosure statement, on several occasions, recommended to certain of the firm’s advisory clients three money managers who were not approved for participation in Morgan Stanley’s advisory programs and had not been subject to the firm’s due diligence process. The Division also alleges that this fact was not disclosed to Phillips’ advisory clients. The Division further alleges that Phillips had undisclosed relationships with the unapproved money managers he recommended to his advisory clients and that he received substantial brokerage commissions and/or fees from them which presented a conflict of interest which was not disclosed to Phillips’ advisory clients. Based on the conduct above, the Division alleges that Phillips willfully aided and abetted and caused Morgan Stanley’s violations of Section 206(2) of the Investment Advisers Act of 1940.

A hearing before an administrative law judge will be scheduled to determine whether the allegations in the Order are true, to provide Phillips with an opportunity to dispute the

allegations, and to determine what, if any, remedial action is appropriate. The Commission directed that an administrative law judge issue an initial decision no later than 300 days from the date of service of the Order.