

Morgan Stanley fined \$5 mn over Facebook IPO

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The securities regulator of the state of Massachusetts had charged that

Morgan Stanley, the lead underwriter for the \$16 billion stock issue in May, coached [Facebook](#) on how to present lowered earnings estimates to company analysts.

At the same time, those estimate revisions, made just days before the [initial public offering](#) closed, were not shared with all investors as Morgan Stanley set a high issue price and increased the number of shares on sale.

Facebook shares collapsed after the first day of trade on May 18, eventually falling to half the \$38 IPO price, as institutional investors dumped the shares worried about lowered earnings potential.

The share price fall angered many institutional and [retail investors](#) who said they had been misinformed about the company's [earnings forecasts](#).

The Massachusetts state secretary William Galvin said Morgan Stanley had violated securities industry rules against unethical and dishonest conduct.

Morgan Stanley agreed to the civil penalty without either admitting or denying the charges.

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