

Leveraged ETFs 'Under Review' At Morgan Stanley Smith Barney



By Daisy Maxey
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NEW YORK -(Dow Jones)- Morgan Stanley Smith Barney is reviewing its sales practices regarding leveraged exchange-traded funds.

Asked if it is reconsidering sales of leveraged exchange-traded funds, Christine Pollak, a spokeswoman for Morgan Stanley Smith Barney, said Wednesday, "the issue is under review."

Morgan Stanley Smith Barney is a joint venture of Morgan Stanley (MS) and Citigroup Inc. (C).

The statement comes just days after UBS Wealth Management Americas, the U.S. brokerage business of UBS AG (UBS), said it had suspended purchases of the ETFs immediately, citing their short-term nature.

Others have also altered their sales practices of the ETFs, and some continue to monitor the discussion.

Fidelity Investments said Tuesday that it makes the ETFs available to customers who wish to purchase them, adding, "We are aware of recent regulatory and industry discussion about these products and we are carefully following that discussion."

Online brokerage firm TD Ameritrade Holding Corp. (AMTD) doesn't actively sell leveraged ETFs, but they are available on its Web platform for clients to purchase, a spokeswoman said. The brokerage held a client seminar on the Internet this month on leveraged ETFs and how they are intended to be used and it has posted a report on the risks associated with the instruments on its Web site along with other educational and research materials, the spokeswoman said. In addition, the autumn issue of the brokerage's quarterly client magazine will include a write-up to help explain the "intricacies" of trading these ETFs, she said.

Some brokerages began changing their sales practices after the Financial Industry Regulatory Authority in June reminded brokers and registered investment advisers about their fiduciary duties when selling inverse and leveraged ETFs. Finra noted that the instruments are complex and typically unsuitable for retail investors who plan to hold them longer than one trading session.

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