UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

DIVISION OF
CORPORATION FINANCE

July 24, 2014

Mr. Michael Hyatte
Sidley Austin LLP
1501 K Street, NW
Washington, DC 20005

Re: In the Matter of Certain Morgan Stanley RMBS Offerings (H0-11543) and In the Matter of Morgan Stanley (H0-11549)
Morgan Stanley – Waiver Request of Ineligible Issuer Status under Rule 405 of the Securities Act

Dear Mr. Hyatte:

This is in response to your letter dated July 24, 2014, written on behalf of Morgan Stanley (Company) and constituting an application for relief from the Company being considered an "ineligible issuer" under Rule 405(1)(vi) of the Securities Act of 1933 (Securities Act). The Company requests relief from being considered an "ineligible issuer" under Rule 405, due to the entry on July 24, 2014, of a Commission Order (Order) pursuant to Section 8A of the Securities Act of 1933 (the "Securities Act") naming Morgan Stanley and Co. LLC, Morgan Stanley ABS Capital I Inc., and Morgan Stanley Mortgage Capital Holdings LLC (collectively the "Settling Firms") as respondents. The Order requires that, among other things, the Settling Firms cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and (3) of the Securities Act.

Based on the facts and representations in your letter, and assuming the Settling Firms comply with the Order, the Commission, pursuant to delegated authority has determined that the Company has made a showing of good cause under Rule 405(2) and that the Company will not be considered an ineligible issuer by reason of the entry of the Order. Accordingly, the relief described above from the Company being an ineligible issuer under Rule 405 of the Securities Act is hereby granted. Any different facts from those represented would require us to revisit our determination that good cause has been shown. In addition, this waiver is expressly conditioned on compliance with the Order.

Sincerely,

/s/

Mary Kosterlitz
Chief, Office of Enforcement Liaison
Division of Corporation Finance

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July 24, 2014

Mary J. Kosterlitz, Esq.
Chief, Office of Enforcement Liaison
Division of Corporation Finance
U. S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: In the Matter of Certain Morgan Stanley RMBS Offerings (HO-11543) and In the Matter of Morgan Stanley (HO-11549) Waiver Request of Ineligible Issuer Status under Rule 405 of the Securities Act

Dear Ms. Kosterlitz:

We are writing on behalf of Morgan Stanley (the "Company" or "Morgan Stanley") in connection with the anticipated settlement relating to the investigations identified in the caption. The settlement would result in an Order Instituting Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing a Cease-and-Desist Order (hereinafter, the "Order") against Morgan Stanley & Co. LLC ("MSCO"), Morgan Stanley ABS Capital I Inc. ("MSAC"), and Morgan Stanley Mortgage Capital Holdings LLC ("MSMCH") (collectively the "Respondents").

The Company requests a waiver from the Division of Corporation Finance, acting under delegated authority for the Securities and Exchange Commission ("Commission"), determining that the Company will not be deemed an "ineligible issuer" pursuant to Rule 405 ("Rule 405") under the Securities Act of 1933 ("Securities Act") as a result of the Order. The Company requests that the waiver be granted effective upon entry of the Order. Consistent with the framework outlined in the Division of Corporation Finance's April 24, 2014, *Revised Statement on Well-Known Seasoned Issuer Waivers* ("Revised Statement"), there is good cause to grant a waiver of ineligible issuer status to the Company. As explained in more detail below, the conduct alleged in the Order relates to disclosures made in two RMBS offerings conducted during a four-month period almost seven years ago by a now-defunct business unit within the Company. The facts alleged in the Order do not relate in any way to the Company's filings with the Commission or its financial statements. Nonetheless, the Company has taken remedial steps as described below. Furthermore, we understand that the Commission's Division of Enforcement does not object to the grant of the requested waiver.

BACKGROUND

As a result of settlement discussions, the Company and the Division of Enforcement have reached an agreement in principle to settle the matter as described below. In doing so, the Respondents have submitted to the Commission an offer of settlement in which, solely for the purpose of proceedings brought by or on behalf of the Commission or to which the Commission is a party, the Respondents consent to the entry of a Cease-and-Desist Order without admitting or denying the matters set forth in the Cease-and-Desist Order, except the jurisdiction of the Commission and the subject matter of the proceeding.

The Order will make findings that the Respondents made understatements of current and/or historically delinquent loans collateralizing two subprime residential mortgage-backed securities ("RMBS") offerings, Morgan Stanley ABS Capital I Inc. Trust 2007-NC4 ("NC4") and Morgan Stanley ABS Capital I Trust 2007-HE-7 ("HE-7") (collectively, the "Transactions"). In the Transactions, both of which occurred in 2007, MSCO acted as underwriter, MSAC was the depositor, and MSMCH was the sponsor.

Offering documents for the Transactions represented that less than 1% of each pool's aggregate principal balance was more than 30 but less than 60 days delinquent as of the cut-off date ("current delinquency representation") and that no other loans had previously been more than 30 delinquent since origination ("historical delinquency representation"). In the HE-7 transaction, which closed on September 28, 2007, the Order finds that 1,241 loans deposited in the trust had been more than 30 days delinquent at some point since origination, contrary to the historical delinquency representation. In addition, the offering documents represented that current delinquency information had been determined as of September 1, 2007. However, the Order finds that payment data used in the offering documents included payments made later in September, after certain delinquencies had been cured. The result was an understatement by 46 loans of the number of loans that had been more than 30 but less than 60 days delinquent of September 1, 2007, contrary to the current delinquency representation. The NC-4 transaction had used a May 1, 2007, cut-off date. Closing of the NC-4 transaction did not occur until June 20, 2007, by which time the Company had received updated payment information reflecting payments made through at least June 1 showing that at least an additional 4.5% of the aggregate principal balance of the collateral had become either more than 30 days or more than 60 days delinquent. The Order finds that, as a result of the understatements of current and historical delinquencies, the Respondents violated Sections 17(a)(2) and (3) of the Securities Act.

The Order will require MSCO, MSAC, and MSMCH to cease and desist from committing or causing any violations or future violations of Sections 17(a)(2) and (3) of the Securities Act and requires the Respondents to pay disgorgement of $160,627,852, prejudgment interest of $17,995,437, and a penalty of $96,376,711.

DISCUSSION

A well-known seasoned issuer ("WKSI") as defined in Rule 405 is eligible to register securities for offer and sale under an automatic shelf registration statement and to have the other benefits of a streamlined registration process under the Commission's Securities Offering Reform rules. Automatic shelf registration statements become effective on filing and permit post-effective registration of additional securities and pay-as-you-go filing fees. A WKSI may test market interest in its securities before filing a registration statement and otherwise effect disclosures in registered offerings by means free-writing prospectuses. Designation as an ineligible issuer would cause the loss of all of these benefits.

An issuer is an ineligible issuer if: "Within the past three years... the issuer or any entity that at the time was a subsidiary of the issuer was made the subject of any judicial or administrative decree or order arising out of a governmental action that (A) prohibits certain conduct or activities regarding, including future violations of, the anti-fraud provisions of the federal securities laws; (B) requires that the person cease and desist from violating the anti-fraud provisions of the federal securities laws; or (C) determines that the person violated the anti-fraud provisions of the federal securities laws." The Company recognizes that the entry of the contemplated Order would render the Company an "ineligible issuer" under Rule 405.

However, the Commission retains the authority under Rule 405 to determine, "upon a showing of good cause that it is not necessary under the circumstances that the issuer be considered an ineligible issuer." The Commission has delegated the authority to grant waivers from ineligible issuer status to the Division of Corporation Finance. The assessment by the Division of Corporation Finance "focuses on how the conduct that gave rise to the ineligibility relates to the reliability of the issuer's current and future disclosure, and if it does, what steps the issuer has taken to remediate any deficiencies."[1] The Division of Corporation Finance indicated in the Revised Statement that it considers three factors in determining whether to grant a waiver:

- who was responsible for and what was the duration of the misconduct;
- remedial steps taken by the issuer;
- impact on the issuer if the waiver is denied.[2]

For the reasons set out below, we believe that the Respondents satisfy the three considerations the Commission's staff deems significant.

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[1] Revised Statement.
[2] *Id.*

The Nature and Duration of the Alleged Misconduct

The conduct alleged in the Order did not involve filings on behalf of the Company or its financial statements. Rather, the Order involves non-financial disclosures made in prospectus supplements filed in connection with the Transactions regarding the number of currently or historically delinquent mortgage loans in the respective trusts. Furthermore, the Order does not allege that any current or former Morgan Stanley employee involved in, or who had influence over, the Company's disclosures participated in or knew or should have known about the misconduct alleged in the Order.

The conduct alleged in the Order involves RMBS transactions that closed in June and September 2007, almost seven years ago. No current or former Morgan Stanley employees have been charged in this matter and the disclosure of current and historic delinquency information relating to loans in the Transactions involved a small number of employees, most of whom are no longer employed by the Company. In addition, the business groups identified in the Order as being involved in the Transactions -- the Global Proprietary Credit Group ("GPCG") and GPCG's Finance Group -- no longer exist and the head of GPCG and the head of the Finance Group are no longer employed by the Company.

The Order does not allege that anyone at Morgan Stanley acted with scienter or intent to defraud. The Order charges violations of Sections 17(a)(2) and (3) of the Securities Act, which violations, as the Order explicitly notes, can be established by a showing of negligence. The allegations in the Order make clear that there is no allegation of any intent to conceal information from ratings agencies or investors with respect to either of the Transactions.

Remedial Steps

Morgan Stanley is no longer in the business of purchasing and securitizing newly originated subprime loans and has no current intention of re-entering this business. In addition, the business groups involved in the Transactions identified in the Order, the Global Proprietary Credit Group and the Finance Group, no longer exist.

Nonetheless, Morgan Stanley has implemented several changes to its current residential mortgage and securitization business, which generally includes buying and selling mortgage loans and underwriting securitizations sponsored by third parties. Since 2007, when the Transactions described in the Order were issued, the standards for disclosure in connection with RMBS offerings have been enhanced. Morgan Stanley has established procedures to meet the disclosure requirements of Sections 943 and 945 of Dodd Frank, and is developing procedures to implement the disclosure requirements of Regulation AB 2, although that regulation is not yet effective. These changes, to be implemented in future sponsored transactions, include but are not limited to the following: Morgan Stanley will disclose more detailed information regarding the

pre-offering review conducted on the mortgage loans and the results of that review including, on a loan-by-loan basis, exceptions to, and compensating factors present, under the credit underwriting standards of the originators. In addition, Morgan Stanley will make disclosures concerning the servicers of the mortgage loans in the transaction including disclosure of any instances of material non-compliance by the servicers that are noted in any annual assessment and attestation report prepared by the servicers in accordance with Item 1122 of Regulation AB for their most recent fiscal or calendar year, as applicable. Finally, Morgan Stanley intends to identify the originators of all mortgage loans in the securitization pool regardless of the number or percentage of loans contributed to the transaction. Morgan Stanley also is involved in initiatives by industry organizations (including SIFMA and SFIG) to develop "best practices" for RMBS issuers, including for disclosure. In addition, Morgan Stanley has established a risk committee whose mandate is to assess the counterparty, credit, reputational and other potential risks that may arise from the proposed residential mortgage related businesses, including franchise risk. The risk committee is co-chaired by a senior manager in non-market risk and a senior manager in the business unit and includes representatives from each of the relevant control functions. Moreover, in the event that Morgan Stanley returns to the business of sponsoring RMBS, Morgan Stanley will implement procedures that are reasonably designed to ensure that delinquency information is accurately disclosed.[3]

Impact on the issuer if the waiver request is denied

Designation as an ineligible issuer would have severely adverse effects on the Company. The Company, as a global financial institution, relies on the automatic shelf registration system to conduct its day-to-day business transactions, which includes frequent offers under automatic shelf registration statements. For the Company, the automatic shelf registration process provides a critical means of access to the United States capital markets, which are essential funding for the company's global operations. Certain lines of business could encounter significant difficulty if the automatic shelf registration statement became unavailable. Consequently, the ability to avail itself of automatic shelf registration and the other benefits available to a WKSI is extremely important to the Company's ability to raise capital and conduct its operations. Denial of this waiver request

[3] In addition, in response to your inquiry, the Company has sponsored CMBS deals since 2011, and the practices regarding diligence and disclosure relating to CMBS deals have been enhanced since the 2006/2007 time period. These enhancements include but are not limited to the following: Since 2011, Morgan Stanley has included greater detail on the underlying mortgage loans in certain sections of the disclosure including the "Risk Factors" and the "Description of the Mortgage Loans." Morgan Stanley now includes a summary of the Top 15 Mortgage Loans (based on principal balance) in the disclosure rather than the Top 10 Mortgage Loans. Morgan Stanley also notes in the offering documents the exceptions to the representations and warranties in order to facilitate investor review. Morgan Stanley has voluntarily complied with SEC commentary made to other registrants such as those concerning filing documentation relating to split loans. In addition, Morgan Stanley has implemented an Investor Q&A Forum which allows investors to ask questions of CMBS deal participants, and created a Certificateholder Registry which allows investors to request names of other certificateholders to facilitate communications between investors.

would increase the Company's cost of capital as a penalty for conduct long ago, a result we believe to be inequitable to the Company and its shareholders.

In addition to the foregoing, we believe that the Company merits a waiver because the Order does not allege any conduct relating to the Company's own financial statements, to any disclosures by the Company in regard to itself as an issuer of securities, or to any statements in any of the Company filings with the Commission under the Securities Act.

Finally, the Company has cooperated with Division of Enforcement Staff in connection with its investigations.

In conclusion, we believe that disqualification is not necessary to serve the public interest or for the protection of investors, and that there is good cause to determine that the Company should not be considered an "ineligible issuer" under Rule 405. Accordingly, we respectfully request the Division of Corporation Finance, on behalf of the Commission, grant a waiver, effective upon the entry of the Order, of any ineligible issuer status with regard to the Company that may arise pursuant to Rule 405.

If you have any questions regarding any of the foregoing, please do not hesitate to contact me.

Sincerely,

Michael Hyatte

Michael Hyatte