



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

DIVISION OF
INVESTMENT MANAGEMENT

October 22, 2008

Amy R. Doberman
Managing Director
Investment Management
Morgan Stanley
522 Fifth Avenue
New York, NY 10036

Re: Morgan Stanley Institutional Liquidity Funds (File No. 811-21339)

Dear Ms. Doberman:

Based on the facts and representations contained in your September 17, 2008 letter, we will not recommend enforcement action to the Securities and Exchange Commission against the Morgan Stanley Institutional Liquidity Funds (the "Trust"), on behalf of its series the Prime and Money Market Portfolios (each a "Fund"), and Morgan Stanley & Co. Incorporated (the "Purchaser"), under Section 17(a) of the Investment Company Act of 1940, or the rules thereunder, if the Purchaser purchases from the Funds any of the securities listed in Appendix A to your letter at the amortized cost (including any accrued and unpaid interest) of each purchased security.¹ The relief provided herein is limited to transactions executed during the 60 day period from the date of your letter and to securities the market value of which at the time of purchase is equal to or less than their amortized cost value.

The Trust is an open-end management investment company registered under the Investment Company Act of 1940. Each Fund is a money market fund that seeks to maintain a stable net asset value per share of \$1.00 and uses the amortized cost method of valuation in valuing its portfolio securities as permitted by rule 2a-7 under the Act. You state that the Purchaser and the Funds' investment adviser, Morgan Stanley Investment Management Inc., are each wholly-owned subsidiaries of Morgan Stanley. Therefore, the Purchaser is an affiliated person of an affiliated person of the Funds', as defined in Section 2(a)(3) of the Investment Company Act of 1940.

¹ This letter confirms oral no-action relief provided by the undersigned to Amy R. Doberman on September 17, 2008.

Because our position is based on the facts and representations in your letter, you should note that any different facts or representations may require a different conclusion. This response expresses our views on enforcement action only and does not express any legal conclusion on the issues presented.²

We have considered your request for confidential treatment of your letter and our response until October 30, 2008 or such earlier date as the Staff of the Division of Investment is advised that the information in your letter has been made public. We have determined that your request is reasonable and appropriate under 17 CFR 200.81(b). Accordingly, your letter and our response will not be made public until October 30, 2008.

Very truly yours,

A handwritten signature in black ink, appearing to read "Dalia Blass", written over a horizontal line.

Dalia Osman Blass
Senior Counsel

² The Division of Investment Management generally permits third parties to rely on no-action or interpretive letters to the extent that the third party's facts and circumstances are substantially similar to those described in the underlying request for a no-action or interpretive letter. Investment Company Act Release No. 22587 (Mar. 27, 1997) n. 20. In light of the very fact-specific nature of the Funds' request, however, the position expressed in this letter applies only to the entities seeking relief, and no other entity may rely on this position. Other funds facing similar legal issues should contact the staff of the Division about the availability of no-action relief.

Morgan Stanley

Amy R. Doberman
Managing Director

Investment Management
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New York, NY 10036

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September 17, 2008

Robert E. Plaze, Esq.
Associate Director
Division of Investment Management
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549

Re: Request for No-Action Assurance under Section 17(a) of the Investment Company Act of 1940

Dear Mr. Plaze:

I am writing on behalf of Morgan Stanley Institutional Liquidity Funds (the "Trust") with respect to the series of the Trust designated as the Prime and Money Market Portfolios (each a "Fund") and Morgan Stanley & Co. Incorporated ("Purchaser"), an affiliate of the Fund's investment advisor, Morgan Stanley Investment Management Inc. (the "Adviser"). Morgan Stanley & Co. Incorporated and the Adviser are each wholly-owned subsidiaries of Morgan Stanley. We seek assurance from the staff of the Division of Investment Management (the "Division") that it will not recommend enforcement action to the Securities and Exchange Commission (the "Commission") under Section 17(a) of the Investment Company Act of 1940, as amended, or the rules thereunder (the "1940 Act"), if the Fund and Purchaser enter into the transaction described below.

The Trust is registered with the Commission under the 1940 Act as an open-end management investment company. The Fund is a money market fund that seeks to maintain a stable net asset value per share of \$ 1.00 and uses the amortized cost method of valuation in valuing its portfolio securities. This request for relief relates to those Fund securities listed on Appendix A hereto, which represent all of the Funds' securities that mature in 14 days or less. Each such security held by the Fund is referred to herein as a "Security" and, collectively, as the "Securities." Schedule A attached hereto provides details regarding each Security held by the Fund, including the principal amount and the final maturity of each Security as well as the percentage of each Fund's assets represented by each Security. The Adviser has determined that each Security continues to constitute an "Eligible Security" as that term is defined in Rule 2a-7 under the 1940 Act.

Due to current market conditions, the Funds have been met with extraordinary shareholder redemptions related to recent events in the markets. We anticipate that redemption requests may accelerate in upcoming days. In order to meet such redemptions under current market conditions, the Funds would need to liquidate portfolio securities, such as the Securities, at disadvantageous market prices not reflecting their full value were they held to maturity. Accordingly, the Adviser believes, and based on information provided by the Adviser, the Trust's Board of Trustees has determined, that it would not be in the best interests of the Fund and its shareholders to dispose of the Securities in the market in a such a manner. However, subject to obtaining the no-action assurance requested in this letter, the Purchaser is prepared to purchase the Securities in their entirety from the Fund for cash at each Security's amortized cost (including accrued and unpaid interest). The Trust's Board of Trustees has authorized the proposed transaction as being in the best interests of each Fund and its shareholders.

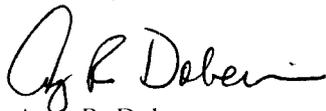
The Adviser is an "affiliated person" of the Fund under Section 2(a)(3) of the 1940 Act, and the Purchaser is an "affiliated person" of an "affiliated person" of the Fund. As a result, the purchase of the Securities by the Purchaser under the proposed arrangement falls within Section 17(a)(2) of the 1940 Act, which makes it unlawful for any affiliated person of a registered investment company, or any affiliated person of such person, acting as principal, to knowingly purchase any security or other property from the investment company. The proposed purchase of the Securities from the Fund would satisfy the requirements of Rule 17a-9 under the 1940 Act except that the Securities continue to constitute Eligible Securities.

The Trust and the Adviser believe that it would be in the best interest of the Fund's shareholders if the Purchaser is allowed to purchase the Securities from the Fund as described above. On behalf of the Trust, the Adviser and the Purchaser, we hereby request that the Division staff give its assurance that it will not recommend that the Commission take enforcement action against the Trust, the Adviser or the Purchaser under Section 17(a) of the 1940 Act, or the rules thereunder, if the Purchaser purchases the Securities from the Fund at their amortized cost (including accrued and unpaid interest).

Pursuant to 17 C.F.R. 200.81(b), we respectfully request on behalf of the Trust, the Adviser and the Purchaser that this request and the response be accorded confidential treatment until October 30, 2008 or such earlier date as the Division staff is advised that all of the information in this letter has been made public. This request for confidential treatment is made on behalf of the Trust, the Adviser and the Purchaser for the reason that certain of the facts set forth in the letter have not been made public and premature disclosure might adversely affect such parties.

If you have any questions or other communications concerning this matter, please call the undersigned at (212) 296-6990 or (917) 763-0578.

Sincerely,



Amy R. Doberman