UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549-4561

DIVISION OF
CORPORATION FINANCE

January 27, 2012

Marc O. Williams
Davis Polk & Wardwell LLP
marc.williams@davispolk.com

Re: Morgan Stanley
Incoming letter dated January 10, 2012

Dear Mr. Williams:

This is in response to your letter dated January 10, 2012 concerning the shareholder proposal submitted to Morgan Stanley by the Missionary Oblates of Mary Immaculate, Sisters of Charity of Saint Elizabeth, Maryknoll Fathers and Brothers, and Libra Fund, L.P. Copies of all of the correspondence on which this response is based will be made available on our website at http://www.sec.gov/divisions/corpfin/cf-noaction/14a-8.shtml. For your reference, a brief discussion of the Division's informal procedures regarding shareholder proposals is also available at the same website address.

Sincerely,

Ted Yu
Senior Special Counsel

Enclosure

cc: Rev. Seamus P. Finn, OMI
Missionary Oblates of Mary Immaculate
seamus@omiusa.org

Sister Barbara Aires, SC
Sisters of Charity of Saint Elizabeth
baires@scnj.org

January 27, 2012

Response of the Office of Chief Counsel
Division of Corporation Finance

Re: Morgan Stanley
Incoming letter dated January 10, 2012

The proposal requests that Morgan Stanley disclose its use of repurchase agreement transactions and securities lending transactions, including the information specified in the proposal, and its position on efforts by regulatory or supervisory authorities to collect and report information about repo markets. The proposal also requests that Morgan Stanley, when acting as a repo dealer, adopt the use of transparent, multilateral trading facilities.

There appears to be some basis for your view that Morgan Stanley may exclude the proposal under rule 14a-8(i)(7). In this regard, we note that the proposal relates to the repurchase agreement program maintained by Morgan Stanley as part of the financial services offered by the company. Proposals concerning the sale of particular services are generally excludable under rule 14a-8(i)(7). Accordingly, we will not recommend enforcement action to the Commission if Morgan Stanley omits the proposal from its proxy materials in reliance on rule 14a-8(i)(7). In reaching this position, we have not found it necessary to address the alternative bases for omission upon which Morgan Stanley relies.

Sincerely,

Sonia Bednarowski
Attorney-Adviser

DIVISION OF CORPORATION FINANCE
INFORMAL PROCEDURES REGARDING SHAREHOLDER PROPOSALS

The Division of Corporation Finance believes that its responsibility with respect to matters arising under Rule 14a-8 [17 CFR 240.14a-8], as with other matters under the proxy rules, is to aid those who must comply with the rule by offering informal advice and suggestions and to determine, initially, whether or not it may be appropriate in a particular matter to recommend enforcement action to the Commission. In connection with a shareholder proposal under Rule 14a-8, the Division's staff considers the information furnished to it by the Company in support of its intention to exclude the proposals from the Company's proxy materials, as well as any information furnished by the proponent or the proponent's representative.

Although Rule 14a-8(k) does not require any communications from shareholders to the Commission's staff, the staff will always consider information concerning alleged violations of the statutes administered by the Commission, including argument as to whether or not activities proposed to be taken would be violative of the statute or rule involved. The receipt by the staff of such information, however, should not be construed as changing the staff's informal procedures and proxy review into a formal or adversary procedure.

It is important to note that the staff's and Commission's no-action responses to Rule 14a-8(j) submissions reflect only informal views. The determinations reached in these no-action letters do not and cannot adjudicate the merits of a company's position with respect to the proposal. Only a court such as a U.S. District Court can decide whether a company is obligated to include shareholder proposals in its proxy materials. Accordingly a discretionary determination not to recommend or take Commission enforcement action, does not preclude a proponent, or any shareholder of a company, from pursuing any rights he or she may have against the company in court, should the management omit the proposal from the company's proxy material.

New York
Menlo Park
Washington DC
London
Paris
Madrid
Tokyo
Beijing
Hong Kong

Davis Polk

Marc O. Williams

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, NY 10017

212 450 6145 tel
212 701 5843 fax
marc.williams@davispolk.com

January 10, 2012

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549
via email: shareholderproposals@sec.gov

Ladies and Gentlemen:

On behalf of Morgan Stanley, a Delaware corporation (the "**Company**"), and in accordance with Rule 14a-8(j) under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), we are filing this letter with respect to the shareholder proposal and supporting statement (the "**Proposal**") submitted by the Missionary Oblates of Mary Immaculate, the Sisters of Charity of Saint Elizabeth, the Maryknoll Fathers and Brothers and the Libra Fund, L.P. (collectively, the "**Proponents**") on December 14, 2011 (from the Missionary Oblates and the Sisters of Charity) and December 16, 2011 (from the Maryknoll Fathers and Brothers and the Libra Fund) for inclusion in the proxy materials Morgan Stanley intends to distribute in connection with its 2012 Annual Meeting of Shareholders (the "**2012 Proxy Materials**"). The Proposal and related correspondence are attached hereto as Exhibit A.

We hereby request confirmation that the Staff of the Division of Corporation Finance (the "**Staff**") will not recommend any enforcement action if, in reliance on Rule 14a-8, Morgan Stanley omits the Proposal from the 2012 Proxy Materials. In accordance with Rule 14a-8(j), this letter is being filed with the Securities and Exchange Commission (the "**Commission**") not less than 80 days before Morgan Stanley plans to file its definitive proxy statement.

Pursuant to Staff Legal Bulletin No. 14D (CF), Shareholder Proposals (November 7, 2008), question C, we have submitted this letter and any related correspondence via email to shareholderproposals@sec.gov. Also, in accordance with Rule 14a-8(j), a copy of this submission is being sent simultaneously to the Proponents as notification of the Company's intention to omit the Proposal from the 2012 Proxy Materials. This letter constitutes the Company's statement of the reasons it deems the omission of the Proposal to be proper.

THE PROPOSAL

The Proposal asks that the shareholders of the Company adopt the following resolution:

> RESOLVED: Shareholders request that our Company:
>
> • Disclose in greater detail its use of repurchase agreement transactions and securities lending transactions, including disclosures of sufficient detail that investors can determine: i) how transactions are cleared (e.g., bilaterally between the counterparties, through a clearing house or a clearing bank); ii) how haircuts are used to discount the value of securities as well as the expected liquidity in the event of a counterparty default; iii) the mean, average and maximum term of these transactions; iv) whether and to what extent securities used as collateral do or do not trade in reliably liquid markets.
>
> • Disclose its position on efforts by regulatory or supervisory authorities to collect and report information about repo markets in order to be better able to detect the buildup of risk exposures and emerging points of stress in the financial system.
>
> • When acting as a repo dealer, adopt the use of transparent, multilateral trading facilities so that all market participants can see all market prices (for repo rates, term and for the full range of collateral offered).

REASONS FOR EXCLUSION OF PROPOSAL

The Company believes that the Proposal may be properly omitted from the 2012 Proxy Materials pursuant to:

- Rule 14a-8(c) because the Proponents have submitted more than one proposal;
- Rule 14a-8(i)(7) because the Proposal deals with matters relating to the ordinary business operations of the Company;
- Rule 14a-8(i)(6) because the Company lacks the power to implement the Proposal; and
- Rule 14a-8(i)(3) because the Proposal is impermissibly vague and indefinite so as to be misleading in violation of Rule 14a-9.

1. The Company may omit the Proposal pursuant to Rule 14a-8(c) because the Proponents have submitted more than one proposal.

Rule 14a-8(f)(1) permits a company to exclude a shareholder proposal from the company's proxy materials if a shareholder proponent fails to comply with the eligibility or procedural requirements under Rule 14a-8, provided that the company has timely notified the proponent of any eligibility or procedural deficiencies and the proponent has failed to correct

such deficiencies within 14 days of receipt of such notice. On December 20, 2011, the Company sent a deficiency notice to each of the Proponents informing them that their submission contained more than one proposal and informing them of the 14-day period to amend their submission. As of the date of this letter, the Proponents have not cured the deficiencies in the Proposal.

Rule 14a-8(c) provides that a shareholder "may submit no more than one proposal to a company for a particular shareholders' meeting." Relying on those rules, the Staff has consistently taken the position that a company may exclude a shareholder proposal when a shareholder submits more than one proposal and does not timely reduce the number of submitted proposals to one following receipt of a deficiency notice from the company. *See, e.g., Torotel, Inc*. (November 1, 2006) (company permitted to exclude a proposal with multiple components in reliance on Rule 14a-8(c)); *Bob Evans Farms, Inc*. (May 31, 2001) (company permitted to exclude multiple proposals in reliance on Rules 14a-8(c) and 14a-8(f)); and *IGEN International, Inc*. (July 3, 2000) (same). The one-proposal limitation applies to proponents who submit multiple proposals as separate submissions and, as is the case with the Proposal, to proponents who submit multiple proposals as elements or components of a single submission. *See, e.g., Streamline Health Solutions, Inc*. (March 23, 2010); and *AmerInst Insurance Group, Ltd*. (April 3, 2007). In applying the one-proposal limitation of Rule 14a-8(c), the Staff has considered whether each part of a proposal that contains multiple parts relates to a single concept. *See, e.g., Computer Horizons Corp.* (April 1, 1993).

The Staff has concurred that a company can omit a proposal with multiple elements as more than one proposal when the elements are "separate and distinct." *Parker-Hannifin* (September 4, 2009). The Staff has agreed with the exclusion of stockholder proposals comprised of multiple parts even though the parts seemingly addressed one general concept. *See, e.g., Streamline Health Solutions, Inc*. (March 23, 2010) (multi-part proposal that the proponent claimed all related to the election of directors deemed to be multiple proposals); and *American Electric Power Co., Inc*. (January 2, 2001) (multi-part proposal that the proponent claimed all related to corporate governance deemed to be multiple proposals).

The Staff has also concurred that proposals that require a "variety of corporate actions" may be excluded. *See, e.g., PG&E Corporation* (March 11, 2010) (proposal requested amendment to license renewal process, risk mitigation and production levels); *Morgan Stanley* (February 4, 2009) (proposal requested stock ownership guidelines for director candidates, new conflict of interest disclosures for director nominees and new limits on compensation of directors and nominees); and *General Motors Corporation* (April 9, 2007) (proposal included several separate and distinct steps to restructure the company).

Although the Proposal is in the form of a single submission, it consists of multiple parts. The Proposal requests that the Company: (i) disclose in greater detail its use of repurchase ("repo") agreement transactions and securities lending transactions, (ii) disclose its position on efforts by regulatory or supervisory authorities to collect and report information about repo markets and (iii) adopt the use of transparent, multilateral trading facilities so that all market participants can see all market prices when acting a repo dealer. Each of these elements represents a "separate and distinct" concept. *See* Exhibit A The first element calls for detailed

disclosure of certain business practices of the Company, while the second element calls for disclosure of the Company's positions with respect to regulatory matters. The third element does not relate to disclosure at all, but instead requests that the Company change the manner in which it executes certain types of transactions. Each of these elements could be implemented independently of the other, and none of the elements is a logical consequence of either of the other elements. Moreover, implementing the Proposal would require a "variety of corporate actions" by distinct groups within the Company, involving the Company's disclosure and regulatory functions as well as its business units involved in executing repo transactions.

For the reasons stated above, the Company believes that the Proposal contains more than one distinct proposal, and, therefore, is excludable under Rule 14a-8(c) and Rule 14a-8(f)(1).

2. The Company may omit the Proposal pursuant to Rule 14a-8(i)(7) because it deals with matters relating to the Company's ordinary business operations.

The Proposal requests that the Company (i) disclose in greater detail its use of repurchase agreement transactions and securities lending transactions, (ii) disclose its position on efforts by regulatory or supervisory authorities to collect and report information about repo markets and (iii) adopt the use of transparent, multilateral trading facilities so that all market participants can see all market prices when acting as a repo dealer. The Proposal seeks disclosure beyond that which is already required by applicable law and regulations and requests that the Company execute certain of its ordinary business transactions in a particular manner, and in doing so the Proposal addresses matters that are at the heart of the day-to-day management decisions of any public company. Accordingly, the Company believes that the Proposal may be excluded pursuant to Rule 14a-8(i)(7).

Under Rule 14a-8(i)(7), a proposal may be excluded if it "deals with a matter relating to the conduct of the ordinary business operations of the registrant," provided that the proposal does not have "significant policy, economic or other implications inherent in" it. Exchange Act Release No. 34-12999 (November 22, 1976). In Exchange Act Release No. 34-40018 (May 21, 1998) (the "**1998 Release**"), the Commission stated that the general policy consideration behind the 14a-8(i)(7) exclusion "is consistent with the policy of most state corporate laws: to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting" and that "[c]ertain tasks are so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight." Proposals should be excluded under Rule 14a-8(i)(7) if the proposal probes "too deeply into matters of a complex nature upon which shareholders as a group, would not be in a position to make an informed judgment." *Exchange Act Release No*. 34-40018 (May 21, 1998). This consideration comes into play when a proposal involves "intricate detail," or "methods for implementing complex policies." *Id.* The 1998 Release further provides that determinations as to whether proposals intrude on ordinary business matters "will be made on a case-by-case basis, taking into account factors such as the nature of the proposal and the circumstances of the company to which it is directed." The Staff has reaffirmed the ordinary business test in Staff Legal Bulletin No. 14E, which clarifies that a proposal relating to the evaluation of risk may be excluded from a company's proxy materials if the underlying subject matter of the proposal

relates to an ordinary business matter of the company. *Staff Legal Bulletin No.* 14E (2009) ("**SLB 14E**").

The Company believes that all elements of the Proposal fall squarely within the scope of the above considerations. First, the Proposal seeks disclosure by the Company containing a variety of specific information regarding the Company's use of repo transactions and its position on regulatory efforts to report information on the repo markets. The Commission has concurred in the exclusion of proposals requesting that companies make disclosures of specific information beyond what is legally required as relating to ordinary business operations. *See, e.g., Citigroup* (February 2, 2009) (proposal requesting disclosure of a written and detailed CEO succession policy omitted under Rule 14a-8(i)(7)); and *AmerInst Insurance Group. Ltd.* (April 14, 2005) (proposal requesting a company to provide a full, complete and adequate disclosure of the accounting, each calendar quarter, of its line items of Operating and Management expenses omitted under Rule 14a-8(i)(7)). Decisions on the type and amount of information to disclose to the public, beyond what is legally required, are a core management function. Disclosure decisions, which balance legal requirements, the need and right of shareholders to receive information, confidentiality concerns and commercial considerations, among other matters, are made by management based on the facts and circumstances of individual cases. In fact, the Company already discloses a significant amount of information regarding its repo transactions in its filings under the Exchange Act, including (i) the accounting treatment of its repo transactions, (ii) the risk analysis completed on its repo transactions, (iii) the risk mitigation efforts applicable to its repo transactions, (iv) the collateral primarily securing its repo transactions and (v) the valuation of certain of its repo transactions. *See Morgan Stanley Annual Report on Form 10-K for the period ended December 31, 2010*, pp. 4, 23, 76-77, 81, 84-86, 91 and 105-107, attached as Exhibit B.

Moreover, the Proposal seeks disclosure of information relating to the Company's repo transactions business which is proprietary and confidential. The Staff has consistently recognized that when a company is engaged in a business that involves access or use of the confidential information of its customers or proprietary information about its financial products, a proposal is excludable under Rule 14a8(i)(7). *See, e.g., Western Union* (March 6, 2009) (excluding a proposal that asked shareholders to adopt a bylaw authorizing a committee of the board to review the company's policies on customer privacy and the delivery of services to low-wage and migrant workers under Rule 14a-8(i)(7)); *AT&T Inc.* (February 7, 2008) (excluding a proposal urging the company to prepare a report discussing policy issues that pertain to disclosing customer records to federal and state agencies without a warrant under Rule 14a-8(i)(7)); *Verizon Communications Inc.* (February 23, 2007) (excluding a proposal requesting the establishment of a committee to monitor customer satisfaction with the company's products and services under Rule 14a-8(i)(7)) and *Verizon Communications Inc.* (February 27, 2006) (same). If the Company were to disclose all of the information requested by the Proposal, it would put the Company at a severe disadvantage relative to its competitors that do not operate under a similar disclosure requirement and its trading counterparties. For example, disclosing the Company's use of haircuts could, by providing information with respect to the Company's pricing practices, disadvantage the Company in negotiations with counterparties. In addition, disclosing the Company's position with respect to the mean, average and maximum term of transactions could provide counterparties with significant insight into the Company's portfolio

balance and likely trading strategies, leading to counterparties having a significant informational advantage and negotiating leverage relative to the Company.

Requiring the Company to disclose all of the requested information on repo transactions would remove discretion to resolve these "ordinary business problems" from management. This attempt to replace management's judgment as to what constitutes appropriate disclosure with a shareholder judgment is simply inconsistent with the policies and criteria outlined in the 1998 Release. Indeed, disclosure decisions are at the very heart of the types of judgments for which shareholders rely on management, and it would be impractical for them to do otherwise.

Second, the Proposal seeks to change the manner in which the Company executes transactions as a repo dealer. The Commission has agreed that decisions regarding the provision of particular products and services to particular types of customers involves day-to-day business operations. *See, e.g.*, *Bank of America Corporation* (February 27, 2008); *Citigroup Inc.* (February 12, 2007); *Bank of America Corporation* (March 7, 2005); and *Bancorp Hawaii, Inc.* (February 27, 1992) (recognizing that the decision as to whether to make a loan or provide financial services to a particular customer is the core of a bank holding company's business activities). The Company structures and enters into a significant amount of repo transactions in order to make a market for its clients: "[t]hrough the use of repurchase and reverse repurchase agreements, the Company acts as an intermediary between borrowers and lenders of short-term funds and provides funding for various inventory positions." *Morgan Stanley Annual Report on Form 10-K for the period ended December 31, 2010*, pg. 4. These repo transactions are a part of the financial services offered by the Company and are implemented through the application of complex and imbedded procedures involving employees throughout the Company at a variety of seniority levels. Decisions of whether or not to enter into particular types of transactions, and the methods of executing those transactions, are covered by Company procedures which are formulated and implemented in the ordinary course of the Company's business operations and, indeed, lie at the very heart of the Company's day-to-day operations. In summary, repo transactions are a core and ordinary course business function of the Company, and the manner of executing them is just the type of decision regarding products and services that the Commission has consistently recognized as involving day-to-day business operations.

Moreover, repo transactions are intricate and highly complex. The Proposal "probes too deeply into matters of a complex nature" by seeking to mandate the manner in which the Company engages in these transactions. The methods by which these transactions are executed represent "ordinary business problems" that experienced management and professionals resolve based on their expertise and judgment and by applying the Company's relevant policies and procedures, which, as described above, are formulated in the ordinary course of the Company's business. The numerous considerations taken into account, and the types of judgments that must be made, in order to execute these transactions are best resolved by the Company's management and professionals who are intimately familiar with the relevant details and are a classic example of "matters of a complex nature upon which shareholders as a group, would not be in a position to make an informed judgment".

Finally, the Company recognizes that in SLB 14E the Staff stated that, in connection with the application of Rule 14a-8(i)(7) to proposals related to risk, it would no longer focus on

whether a proposal relates to the company engaging in an evaluation of risk, and instead would "consider whether the underlying subject matter of the risk evaluation involves a matter of ordinary business to the company." SLB 14E further states that "a proposal that focuses on the board's role in the oversight of a company's management of risk may transcend the day-to-day business matters of a company and raise policy issues so significant that it would be appropriate for a shareholder vote." However, the Proposal does not relate to oversight of risk management by the Company's board of directors – indeed, it does not even, by its terms, relate directly to risk at all. Rather, it requests disclosure and the adoption of certain business practices in order to remedy perceived flaws in the repo markets. As described above, each of the measures requested by the Proposal constitute "a matter of ordinary business" to the Company.

For the reasons stated above, the Company believes that the Proposal relates to activities central to the ordinary operations of the Company, and, therefore, is excludable under Rule 14a-8(i)(7).

3. The Company may omit the Proposal pursuant to Rule 14a-8(i)6) because the Company lacks the power to implement the Proposal.

Rule 14a-8(i)(6) provides that a company may omit a proposal "if the company would lack the power or authority to implement the proposal." The Proposal requests that the Company "[w]hen acting as a repo dealer, adopt the use of transparent, multilateral trading facilities so that all market participants can see all market prices (for repo rates, term and for the full range of collateral offered)." Because the Company, which is simply one participant in an active and robust market with many other participants, cannot unilaterally implement these practices without the cooperation of its counterparties and other dealers, the Company lacks the power to implement the Proposal.

Under Rule 14-8(i)(6), the Staff has permitted the exclusion of proposals when the requested action is impossible for a company to effectuate. *See, e.g. eBay Inc.* (March 26, 2008); *Allied Waste Industries, Inc.* (March 21, 2005); and *Firestone Tire & Rubber Co.* (December 31, 1987). In applying this proposition, the Staff has consistently concurred that proposals may be excluded where a shareholder asks a company to guarantee the taking of certain actions that could be taken only by persons or entities that it does not control. *See, e.g., eBay, Inc.* (March 26, 2008) (company permitted to exclude proposal requiring action by an entity jointly owned with non-affiliated third parties because the company did not have the ability to force such action by the entity without the approval of the co-owners); *AT&T Corp.* (March 10, 2002) (excluding a proposal requiring certain action by successor entity over which board had no control); and *Harsco Corp.* (February 16, 1988) (excluding a proposal when it could only be implemented by an affiliate that the company did not control). In short, a proposal may be excluded when it requires third-party action because it is beyond a company's power to compel third parties to act.

The Proposal requests the Company to adopt certain practices when it engages in transactions as a repo dealer. However, the Company is merely one dealer in a market with many other dealers (in fact, there are twenty-one financial institutions that act as Federal Reserve Bank of New York Primary Dealers, all of which are active in the repo market) and many dozens, if not hundreds, of trading counterparties. The participants in this market typically enter into

transactions through industry standard documentation and facilities, and the Company does not have the power to alter these industry practices without the agreement of these other market participants, regardless of the preferences of the Company or its shareholders. Indeed, no "transparent, multilateral trading facilit[y]" currently exists to which the Company could migrate its repo dealer transactions even assuming willing counterparties. It is not an exaggeration to state that implementation of this aspect of the Proposal would require overhauling the entire architecture of repo transactions as they are currently executed by industry participants. It is simply not within the Company's power to unilaterally effectuate these changes in the repo markets.

For the reasons stated above, the Company respectfully submits that the Proposal may be excluded from the 2012 Proxy Materials under Rule 14a-8(i)(6).

4. The Company may omit the Proposal pursuant to Rule 14a-8(i)(3) because it is impermissibly vague and indefinite as to be misleading in violation of Rule 14a-9.

The Proposal contains vague and overly broad wording that would leave both the Company and stockholders voting on the Proposal uncertain as to exactly what actions would be required to be taken if the Proposal were approved. Accordingly, we believe that the Company may properly exclude the Proposal under Rule 14a-8(i)(3).

Under Rule 14a-8(i)(3), a proposal may be excluded if "the proposal or supporting statement is contrary to any of the Commission's proxy rules, including Rule 14a-9, which prohibits materially false or misleading statements in the proxy materials." In Staff Legal Bulletin No. 14B (CF) (September 15, 2004), the Staff stated that "reliance on [R]ule 14a-8(i)(3) to exclude or modify a statement may be appropriate where . . . the resolution contained in the proposal is so inherently vague or indefinite that neither the stockholders voting on the proposal, nor the company in implementing the proposal (if adopted), would be able to determine with any reasonable certainty exactly what actions or measures the proposal requires . . . ." A proposal may be vague, and thus misleading, when it fails to address essential aspects of its implementation. *See, e.g.*, *Verizon Communications Inc.* (February 21, 2008); *Capital One Financial Corporation* (February 7, 2003).

The Proposal falls squarely within the criteria for exclusion established by the Staff under Rule 14a-8(i)(3). The first element of the Proposal calls for the Company to disclose "in greater detail" its business practices with respect to repo and securities lending transactions. The further details included in this element of the Proposal appear to be simply examples of the type of disclosure being requested (the Proposal states the new disclosure should "include[e] disclosures…") rather than a specific delineation of what, exactly, the Company is being asked to disclose. Even with respect to these further details, it is unclear precisely what information the Company would need to provide, particularly in light of the confidential and proprietary information implicated by these types of transactions, as described above. Furthermore, because the Proposal does not define the key terms "repurchase agreement transactions" and "securities lending transactions", each of which could be read to cover a variety of different types of

transactions, it is not even clear which of the Company's transactions the disclosure is intended to cover.

The second element of the Proposal calls for the Company to disclose its position on efforts by regulatory or supervisory authorities with respect to certain repo-related matters. However, the Proposal does not clearly describe what "the efforts" are or who the "regulatory or supervisory authorities" are with respect to which disclosure is being requested.

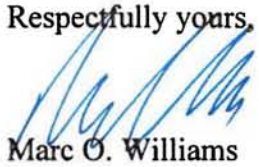
The third element of the Proposal calls for the Company to adopt certain practices when acting as a repo dealer. However, the Proposal does not describe how the Company should go about adopting these practices. In particular, as discussed above, the Company could not implement these practices without the cooperation of other market participants with whom the Company enters into these transactions, and the Proposal does not address what steps the Company should take if these other market participants are unwilling or unable to adopt these practices.

Without additional guidance, shareholders could not be expected to understand with a reasonable degree of certainty what the Proposal requires, and the Company could not be expected to know with a reasonable degree of certainty what action is expected of it in order to implement the Proposal, if the Proposal is adopted. Accordingly, the Company respectfully submits that the Proposal may be excluded from the 2012 Proxy Materials under Rule 14a-8(i)(3).

CONCLUSION

The Company respectfully requests confirmation that the Staff will not recommend any enforcement action if, in reliance on the foregoing, Morgan Stanley omits the Proposal from its 2012 Proxy Materials. If you should have any questions or need additional information, please contact the undersigned at (212) 450-6145 or marc.williams@davispolk.com. If the Staff does not concur with the Company's position, we would appreciate an opportunity to confer with the Staff concerning these matters prior to the issuance of its response.

Respectfully yours,



Marc O. Williams

Attachment

cc w/ att: Martin Cohen, Corporate Secretary, Morgan Stanley

Jeanne Greeley O'Regan, Assistant Secretary, Morgan Stanley

Rev. Séamus P. Finn OMI, Director, JPIC Ministry, Missionary Oblates of Mary Immaculate

Sister Barbara Aires, Coordinator of Corporate Responsibility, Sisters of Charity of Saint Elizabeth

Father Joseph P. La Mar, M.M., Maryknoll Fathers and Brothers, Catholic Foreign Mission Society of America, Inc.

Ms. Farha-Joyce Haboucha, Managing Director / Director, Sustainability & Impact Investments, The Libra Fund, L.P.

Exhibit A

Proposal and Related Correspondence

Received 12/16/11

Missionary Oblates of Mary Immaculate
Justice, Peace & Integrity of Creation Office
United States Province

December 14th 2011

Mr. James Gorman
CEO
Morgan Stanley Group
1585 Broadway
New York, NY 10036

Dear Mr Gorman,

The Missionary Oblates of Mary Immaculate are a religious order in the Roman Catholic tradition with over 4,000 members and missionaries in more than 60 countries throughout the world. We are members of the Interfaith Center on Corporate Responsibility a coalition of 275 faith-based institutional investors – denominations, orders, pension funds, healthcare corporations, foundations, publishing companies and dioceses – whose combined assets exceed $100 billion. We are the beneficial owners of 2,000 shares in Morgan Stanley. Verification of our ownership of this stock is enclosed and we intend to hold the requisite number of shares at least until the annual meeting.

I am writing you to file the stockholder resolution on Transparency in Repurchase Markets. In brief, the proposal states that Shareholders request that our Company:

- Disclose in greater detail its use of repurchase agreement transactions and securities lending transactions, including disclosures of sufficient detail that investors can determine: i) how transactions are cleared (e.g., bilaterally between the counterparties, through a clearing house or a clearing bank); ii) how haircuts are used to discount the value of securities as well as the expected liquidity in the event of a counterparty default; iii) the mean, average and maximum term of these transactions; iv) whether and to what extent securities used as collateral do or do not trade in reliably liquid markets.

- Disclose its position on efforts by regulatory or supervisory authorities to collect and report information about repo markets in order to be better able to detect the buildup of risk exposures and emerging points of stress in the financial system.

- When acting as a repo dealer, adopt the use of transparent, multilateral trading facilities so that all market participants can see all market prices (for repo rates, term and for the full range of collateral offered).

I am hereby authorized to notify you of our intention to file the attached resolution. I submit it for inclusion in the proxy statement for consideration and action by the shareholders at the 2012 annual meeting in accordance with Rule 14-a-8 of the General Rules and Regulations of the Securities and Exchange Act of 1934. A representative of the shareholders will attend the annual meeting to move the resolution as required by SEC rules. If you have any questions or concerns on this, please do not hesitate to contact me.

Sincerely,

Rev. Séamus P. Finn, OMI
Director
Justice, Peace and Integrity of Creation Office
Missionary Oblates of Mary Immaculate

391 Michigan Ave., NE, Washington, DC 20017, Tel: 202-529-4505 Fax: 202-529-4572.
www.omiusa|pic.org

M&T Investment Group

M&T Bank, MD1-MP33, 1800 Washington Blvd, P.O. Box 1596, Baltimore, MD 21203-1596
410 545 2719 TOLL FREE 866 848 0383 FAX 410 545 2762

December 14 2011

Rev. Seamus P. Finn
Missionary Oblates of Mary Immaculate
Justice and Peace Office – United States Province
391 Michigan Avenue, NE
Washington, DC 20017-1516

Dear Father Finn:

The United States Province of Missionary Oblates of Mary Immaculate owns 2,000 shares of Morgan Stanley Group and has owned these shares for at least one year. These shares are held in nominee name in the M & T Banks' account at the Depository Trust Company. M&T Investment Group is an affiliate of M&T Bank, DTC number 0990

Please don't hesitate to call me with any questions.

Very truly yours,

S Bernadette Greaver

S Bernadette Greaver
Assistant Vice President
Custody Administration
410-545-2765

Transparency In Repurchase Markets
2012 – Morgan Stanley

WHEREAS:

Markets in which repurchase agreements are traded ("repo markets") involve enormous amounts of flows of credit and entail even higher amounts of transactions in securities used to collateralize those flows.

These markets provide a key source of credit to the US financial system, especially critical in financing participation in US Treasury and agency securities markets and the issuance and investment in structured securities.

These large markets involving transactions in credit and securities were shown to be systemically important during the recent financial crisis because of the interconnectedness they create between the major financial firms. In addition, repurchase agreements and security lending transactions create a large quantity of highly leveraged transactions for individual firms and the overall financial system. In October 2011, the major derivatives brokerage firm MF Global filed for bankruptcy when it used the repo market to finance its investment in sovereign debt securities. Importantly, these repo transactions were not reported on MF Global's balance sheet in its quarterly financial statements. Another concern is that tri-party repurchase agreements involve large, concentrated credit exposures for intraday cash advances – although recently reduced to a shorter period of time – to key financial firms (e.g. broker-dealers). This creates large credit exposures for the clearing bank and a less reliable funding arrangement for repo dealers and cash borrowers in the market.

There is too little public information about repo markets. This includes the Federal Reserve Board's Z.1 survey and the Federal Reserve Bank of New York's statistics from repo clearing houses and clearing banks. The New York Fed's efforts mark a significant improvement, but it is incomplete and does not provide data in sufficient detail for investors to adequately assess the vulnerabilities in these markets.

The trading process for repurchase agreements transactions is not fully multilateral but instead organized around a few dealers (although the dealers often trade amongst themselves in a multilateral manner through interdealer brokers).

RESOLVED: Shareholders request that our Company:

- **Disclose in greater detail its use of repurchase agreement transactions and securities lending transactions, including disclosures of sufficient detail that investors can determine: i) how transactions are cleared (e.g., bilaterally between the counterparties, through a clearing house or a clearing bank); ii) how haircuts are used to discount the value of securities as well as the expected liquidity in the event of a counterparty default; iii) the mean, average and maximum term of these transactions; iv) whether and to what extent securities used as collateral do or do not trade in reliably liquid markets.**

- **Disclose its position on efforts by regulatory or supervisory authorities to collect and report information about repo markets in order to be better able to detect the buildup of risk exposures and emerging points of stress in the financial system.**

- **When acting as a repo dealer, adopt the use of transparent, multilateral trading facilities so that all market participants can see all market prices (for repo rates, term and for the full range of collateral offered).**

From: Seamus Finn [mailto:seamus@omiusa.org]
Sent: Wednesday, December 14, 2011 2:47 PM
To: Greeley O'Regan, Jeanne (LEGAL)
Subject: FW: Shareholder Proposal

Séamus

Rev. Séamus P. Finn OMI
Director
JPIC Ministry
Missionary Oblates
391 Michigan Ave
Washington DC 20017

PH: 202-269-6715
seamus@omiusa.org
www.omiusajpic.org

NOTICE: Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. If you have received this communication in error, please destroy all electronic and paper copies and notify the sender immediately. Mistransmission is not intended to waive confidentiality or privilege. Morgan Stanley reserves the right, to the extent permitted under applicable law, to monitor electronic communications. This message is subject to terms available at the following link: http://www.morganstanley.com/disclaimers. If you cannot access these links, please notify us by reply message and we will send the contents to you. By messaging with Morgan Stanley you consent to the foregoing.

1585

EXPRESS MAIL
UNITED STATES POSTAL SERVICE

Mailing Envelope

For Domestic and International Use

EMS

UNITED STATES POSTAL SERVICE

1007

U.S. POSTAGE
PAID
WASHINGTON, DC
20017
DEC 14, 11
AMOUNT
$16.15
00054410-06

ID#1-5L 132659
WAS OPENED BY
CORPORATE SECURITY

EXTREMELY URGENT - Please Rush To Addressee

OPENED BY
CORPORATE SECURITY

FROM: SEAMUS FINN
PIECE ID: DCURL04643340
TRK#: EI044020088US
RCVD: 12/16/2011
TO: 1252
PH: +1 212 781-7000
BDG: NY-1685
EmpID: 27875
COST#: 1685
PCS: 1
SITE: NY-1685
CLERK:meekc
STATUS:ROUTED

DCURL04643340

When used internationally affix customs declarations (Form 2976, or 2976A).

OPENED BY
CORPORATE SECURITY

(E) Gomez, James, P
SEAT: 08S03
FLR: 40
BLDG:NY-1585

Visit us at usps.com

EI044020088US

EI044020088US

ORIGIN (POSTAL SERVICE USE ONLY)

PO ZIP Code | Day of Delivery | Postage
Date Accepted | Scheduled Date of Delivery | Return Receipt Fee
Mo. Day Year | Scheduled Time of Delivery | COD Fee | Insurance Fee
Time Accepted | Military | Total Postage & Fees
Hol. Rate / Weight | Int'l Alpha Country Code | Acceptance Emp. Initials

FROM: (PLEASE PRINT) PHONE ( )

PRESS HARD. YOU ARE MAKING 3 COPIES.

FOR PICKUP OR TRACKING
Visit www.usps.com
Call 1-800-222-1811

EMS

EXPRESS MAIL
UNITED STATES POSTAL SERVICE

Addressee Copy
Label 11-B, March 2004

Post Office To Addressee

DELIVERY (POSTAL USE ONLY)

Delivery Attempt | Time | AM PM | Employee Signature
Delivery Attempt | Time | AM PM | Employee Signature
Delivery Date | Time | AM PM | Employee Signature

CUSTOMER USE ONLY

WAIVER OF SIGNATURE (Domestic Mail Only)
Additional insurance/collect insurance is void if customer requests waiver of signature.
I wish delivery to be made without obtaining signature of addressee or addressee's agent (if delivery employee judges that article can be left in secure location) and I authorize that delivery employee's signature constitutes valid proof of delivery.

NO DELIVERY
Weekend Holiday

Mailer Signature

TO: (PLEASE PRINT) PHONE ( )

ZIP + 4 U.S. ADDRESSES ONLY. DO NOT USE FOR FOREIGN POSTAL CODES

FOR INTERNATIONAL DESTINATIONS, WRITE COUNTRY NAME BELOW.

Please Recycle

EP

RECIPIENT
The sender has requested notification upon delivery.
Immediately upon receipt, please telephone:
NAME:
Tel. No.: ( )

PLEASE PRESS FIRMLY

DuPont™ Tyvek®
Protect What's Inside™

Schedule package pickup right from your home or office at usps.com/pickup
Print postage online - Go to usps.com/postageonline

PLEASE PRESS FIRMLY

070909 EM EP-13C JULY 2009
© 2009 USPS

This packaging is the property of the U.S. Postal Service® and is provided solely for use in sending Express Mail® shipments. Misuse may be a violation of federal law. This package is not for resale.

December 14, 2011

Mr. James Gorman
CEO
Morgan Stanley Group
1585 Broadway
New York, NY 10036

Dear Mr. Gorman,

The Sisters of Charity of Saint Elizabeth are concerned about Morgan Stanley's role in trading of repurchase agreements (repos) and its impact on the financial system. Therefore, the Sisters of Charity of Saint Elizabeth request the Board of Directors to report to shareholders as described in the attached proposal.

The Sisters of Charity of Saint Elizabeth are beneficial owners of 200 shares of stocks. Under separate cover, you will receive proof of ownership. We will retain shares through the annual meeting.

I have been authorized to notify you of our intention to co-file this resolution with the Oblates of Mary Immaculate for consideration by the stockholders at the next annual meeting and I hereby submit it for inclusion in the proxy statement, in accordance with rule 14a-8 of the General Rules and Regulations of the Securities Act of 1934.

If you should, for any reason, desire to oppose the adoption of this proposal by the stockholders, please include in the corporation's proxy material the attached statement of the security holder, submitted in support of this proposal, as required by the aforesaid rules and regulations.

Sincerely,

Sister Barbara Aires

Sister Barbara Aires, SC
Coordinator of Corporate Responsibility

Enc
SBA/smm

P 973 290 5402
F 973 290 5441
P.O. BOX 476
CONVENT STATION
NEW JERSEY
07961 0476

BAIRES@SCN.ORG

Transparency In Repurchase Markets
2012 – Morgan Stanley

WHEREAS:

Markets in which repurchase agreements are traded ("repo markets") involve enormous amounts of flows of credit and entail even higher amounts of transactions in securities used to collateralize those flows.

These markets provide a key source of credit to the US financial system, especially critical in financing participation in US Treasury and agency securities markets and the issuance and investment in structured securities.

These large markets involving transactions in credit and securities were shown to be systemically important during the recent financial crisis because of the interconnectedness they create between the major financial firms. In addition, repurchase agreements and security lending transactions create a large quantity of highly leveraged transactions for individual firms and the overall financial system. In October 2011, the major derivatives brokerage firm MF Global filed for bankruptcy when it used the repo market to finance its investment in sovereign debt securities. Importantly, these repo transactions were not reported on MF Global's balance sheet in its quarterly financial statements. Another concern is that tri-party repurchase agreements involve large, concentrated credit exposures for intraday cash advances – although recently reduced to a shorter period of time – to key financial firms (e.g. broker-dealers). This creates large credit exposures for the clearing bank and a less reliable funding arrangement for repo dealers and cash borrowers in the market.

There is too little public information about repo markets. This includes the Federal Reserve Board's Z.1 survey and the Federal Reserve Bank of New York's statistics from repo clearing houses and clearing banks. The New York Fed's efforts mark a significant improvement, but it is incomplete and does not provide data in sufficient detail for investors to adequately assess the vulnerabilities in these markets.

The trading process for repurchase agreements transactions is not fully multilateral but instead organized around a few dealers (although the dealers often trade amongst themselves in a multilateral manner through interdealer brokers).

RESOLVED: Shareholders request that our Company:

- **Disclose in greater detail its use of repurchase agreement transactions and securities lending transactions, including disclosures of sufficient detail that investors can determine: i) how transactions are cleared (e.g., bilaterally between the counterparties, through a clearing house or a clearing bank); ii) how haircuts are used to discount the value of securities as well as the expected liquidity in the event of a counterparty default; iii) the mean, average and maximum term of these transactions; iv) whether and to what extent securities used as collateral do or do not trade in reliably liquid markets.**

- **Disclose its position on efforts by regulatory or supervisory authorities to collect and report information about repo markets in order to be better able to detect the buildup of risk exposures and emerging points of stress in the financial system.**

- **When acting as a repo dealer, adopt the use of transparent, multilateral trading facilities so that all market participants can see all market prices (for repo rates, term and for the full range of collateral offered).**

STATE STREET.
For Everything You Invest In

Via Email: jeanne.greeley@morganstanley.com

December 14, 2011
Mr. James Gorman
CEO
Morgan Stanley Group
1585 Broadway
New York, NY 10036

RE: The Sisters of Charity of Saint Elizabeth, State Street a/c #xxx *** FedEx Kinko's Office and OMB Memorandum M-07-16 ***

Letter of Verification of Ownership

Dear Mr. Gorman,

This letter shall serve as proof of beneficial ownership of **200.00** shares of **Morgan Stanley Group** common stock for the Sisters of Charity of Saint Elizabeth.

Please be advised that as of **December 14, 2011**, the Sisters of Charity of Saint Elizabeth:

- have continuously held the requisite number of shares of **Morgan Stanley Group** common stock for at least one year, and
- intend to continue holding the requisite number of shares of **Morgan Stanley Group** common stock through the date of the **2012** Annual Meeting of Shareholders

Sincerely,

Kevin M. Day
Officer

CC: via mail to Sister Barbara Aires, Sisters of Charity of Saint Elizabeth
P.O. Box 576, Convent Station, NJ 07961-0476
Via email to Yvette S. Andrews, yandrews@ashfield.com

-----Original Message-----
From: B Aires [mailto:baires@scnj.org]
Sent: Wednesday, December 14, 2011 3:12 PM
To: Greeley O'Regan, Jeanne (LEGAL)
Subject: FW: Scanned image from SOC BW Morgan Stanley

Jeanne,

Original by mail....slight error in resolution mailed .This is correct.

Proof of ownership coming.

Barbara Aires
Sisters of Charity of Saint Elizabeth
PO Box 476
Convent Station, NJ 07961-0476
Tel: 973-290-5402
Fax:973-290-5441
e-mail:baires@scnj.org

NOTICE: Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. If you have received this communication in error, please destroy all electronic and paper copies and notify the sender immediately. Mistransmission is not intended to waive confidentiality or privilege. Morgan Stanley reserves the right, to the extent permitted under applicable law, to monitor electronic communications. This message is subject to terms available at the following link: http://www.morganstanley.com/disclaimers. If you cannot access these links, please notify us by reply message and we will send the contents to you. By messaging with Morgan Stanley you consent to the foregoing.

Fathers and Brothers • *Catholic Foreign Mission Society of America, Inc.*
Corporate Social Responsibility
PO Box 305 • Maryknoll, New York 10545-0305
Phone: (914) 941-7636 x2516 • Fax (914) 944-3601 • E-mail: jlamar@maryknoll.org • www.maryknoll.org

December 16, 2011

Mr. James Gorman CEO
Morgan Stanley Group
1585 Broadway
New York, NY 10036

Via: E-mail
Original by Express Mail

Dear Mr. Gorman,

The Maryknoll Fathers and Brothers are concerned about the lack of transparency in the repurchase markets. As these markets provide a key source of credit in the US financial system, there is too little information about them to adequately detect the buildup of risk exposure and emerging points of stress in the financial system. Therefore, the Maryknoll Fathers and Brothers request that our company, when acting as a repo dealer, adopt the use of transparent multilateral trading facilities so that all market participants can see all market prices.

The Maryknoll Fathers and Brothers are beneficial owners of 90 shares of stock. Proof of ownership dated Nov 9, 2011, is included; if you required, I will send an updated proof. We will retain these shares through the annual meeting.

Through this letter we are now notifying the company of our intention to co-file the enclosed resolution with The Missionary Oblates of Mary Immaculate, and present it for inclusion in the proxy statement for consideration and action by the shareholders at the next stockholders meeting in accordance with rule 14-a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934.

It is our tradition, as religious investors, to seek dialogue with companies to discuss the issues involved with the hope that the resolution might not be necessary. We trust that a dialogue of this sort is of interest to you as well. Please feel free to call Rev. Séamus P. Finn, OMI at [202 529 4505973-290-5402] if you have any questions about this resolution.

Sincerely,

Joseph P. La Mar

Father Joseph P. La Mar, M.M
Coordinator of Corporate Responsibility

Enc
Proxy statement, *Transparency in Repurchase Markets*
Merrill Lynch Proof of Ownership

CC:
ICCR
Rev. Séamus Finn, OMI

Transparency In Repurchase Markets

WHEREAS:

Markets in which repurchase agreements are traded ("repo markets") involve enormous amounts of flows of credit and entail even higher amounts of transactions in securities used to collateralize those flows.

These markets provide a key source of credit to the US financial system, especially critical in financing participation in US Treasury and agency securities markets and the issuance and investment in structured securities.

These large markets involving transactions in credit and securities were shown to be systemically important during the recent financial crisis because of the interconnectedness they create between the major financial firms. In addition, repurchase agreements and security lending transactions create a large quantity of highly leveraged transactions for individual firms and the overall financial system. In October 2011, the major derivatives brokerage firm MF Global filed for bankruptcy when it used the repo market to finance its investment in sovereign debt securities. Importantly, these repo transactions were not reported on MF Global's balance sheet in its quarterly financial statements. Another concern is that tri-party repurchase agreements involve large, concentrated credit exposures for intraday cash advances – although recently reduced to a shorter period of time – to key financial firms (e.g. broker-dealers). This creates large credit exposures for the clearing bank and a less reliable funding arrangement for repo dealers and cash borrowers in the market.

There is too little public information about repo markets. This includes the Federal Reserve Board's Z.1 survey and the Federal Reserve Bank of New York's statistics from repo clearing houses and clearing banks. The New York Fed's efforts mark a significant improvement, but it is incomplete and does not provide data in sufficient detail for investors to adequately assess the vulnerabilities in these markets.

The trading process for repurchase agreements transactions is not fully multilateral but instead organized around a few dealers (although the dealers often trade amongst themselves in a multilateral manner through interdealer brokers).

RESOLVED: Shareholders request that our Company:

- **Disclose in greater detail its use of repurchase agreement transactions and securities lending transactions, including disclosures of sufficient detail that investors can determine: i) how transactions are cleared (e.g., bilaterally between the counterparties, through a clearing house or a clearing bank); ii) how haircuts are used to discount the value of securities as well as the expected liquidity in the event of a counterparty default; iii) the mean, average and maximum term of these transactions; iv) whether and to what extent securities used as collateral do or do not trade in reliably liquid markets.**

- **Disclose its position on efforts by regulatory or supervisory authorities to collect and report information about repo markets in order to be better able to detect the buildup of risk exposures and emerging points of stress in the financial system.**

- **When acting as a repo dealer, adopt the use of transparent, multilateral trading facilities so that all market participants can see all market prices (for repo rates, term and for the full range of collateral offered).**

Merrill Lynch
Wealth Management'"
Bank of America Corporation

Catholic Foreign Mission
Society of America, Inc.
PO Box 309
Maryknoll, NY 10545

RE: Verification of Deposit

Important Notice

This is in response to the Verification of Deposit (VOD) request for the Merrill Lynch account of Client Name. Details appear below.

Comments

The Catholic Foreign Mission Society of America, Inc (CFMSA) also known as the Maryknoll Fathers and Brothers are beneficial owners of 90 shares of Morgan Stanley (MS). These shares have been consistently held since 03/03/2010.

Signature of Merrill Lynch Branch Office Management Team (OMT)

11/8/11

LISA SPILLO
Printed Name

Date

*Please be advised, our CMA program permits account holders to access the assets in the account by Visa card and checks, which are drawn and processed against a Merrill Lynch account maintained for the customer at Bank of America, N.A. or JPMorgan Chase, N.A. of Columbus, Ohio. However, the account holder does not maintain a depository balance at that bank. The information provided above may change daily due to activity in the account and/or changes in market value of assets held in the account. This information is provided as a courtesy and Merrill Lynch is not liable or responsible for any decisions made, in whole or in part, on reliance upon this information.

This information is furnished to you in strict confidence in response to your request and is solely for your use for the purposes described in the Verification of Deposit request. If you have any questions, please contact the person whose signature appears above at (xxx) xxx-xxxx.

From: La Mar, Joseph [mailto:JLamar@Maryknoll.org]
Sent: Friday, December 16, 2011 3:34 PM
To: Greeley O'Regan, Jeanne (LEGAL)
Cc: La Mar, Joseph
Subject: Co-Filing Resolution -- Transparency in Repurchase Markets -- with The Missioners of Mary Immaculate

For: Mr. James Gorman
Chairman and CEO
Morgan Stanley Group
1585 Broadway
New York NY 10036

Dear Mr. Gorman,

I expressed mailed an original filing letter, resolution and Merrill Lynch Verification of Deposit which is scheduled to arrive at your office by noon tomorrow, Saturday via Express Mail.

Since the filing date is 12/17/11, Saturday, I wished to get this format filing to you on a work day.

You will find all appropriate information within the filing.

Thank you,

Joseph P. La Mar

Rev. Joseph P. La Mar, M.M.
Assistant CFO
The Catholic Foreign Mission Society of America, Inc.
Maryknoll Fathers & Brothers
P.O. Box 305, 55 Ryder Road
Maryknoll, NY 10545-0305
Phone: 914-941-7636 X-2516
Fax: 914-944-3601
Mobile: 516-435-5128
E-mail: jlamar@maryknoll.org
Web: www.maryknoll.org

The information contained in this message may be privileged and confidential and protected from disclosure. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by replying to the message and deleting it from your computer. Although we attempt to sweep e-mail and attachments for viruses, we do not guarantee that either are virus-free and accept no liability for any damage sustained as a result of viruses.

From: Roberts, Linda M. [mailto:lroberts@rockco.com] **On Behalf Of** Haboucha, Farah-Joyce (jhaboucha@rockco.com)
Sent: Friday, December 16, 2011 4:56 PM
To: Greeley O'Regan, Jeanne (LEGAL)
Cc: Roberts, Linda M.
Subject: Morgan Stanley Shareholder Resolution-Transparency in Repurchase Market

Dear Jeanne,

Please find attached Libra Fund's co-file letter along with shareholder resolution which we are co-filing with Rev. Seamus P. Finn, OMI, as lead filer.

Thank you for your attention to this matter.

Kind regards,
Linda

Linda M. Roberts, Portfolio Analyst
Socially Responsive Investments
212-549-5231 P
212-549-5522 F
10 Rockefeller Plaza, 3rd Floor
New York, NY 10020
www.rockefellerfinancial.com

ROCKEFELLER FINANCIAL | ASSET MANAGEMENT

This message and all documents that accompany it are intended only for the use of the person to which it is addressed and may contain confidential or privileged information. Please note that any unauthorized dissemination or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by return e-mail and delete all copies of the message. If you are the intended recipient, we remind you that electronic mail on the Internet is not secure and that our e-mail communications are not encrypted or otherwise protected, unless specifically requested.

NOTICE: Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. If you have received this communication in error, please destroy all electronic and paper copies and notify the sender immediately. Mistransmission is not intended to waive confidentiality or privilege. Morgan Stanley reserves the right, to the extent permitted under applicable law, to monitor electronic communications. This message is subject to terms available at the following link: http://www.morganstanley.com/disclaimers. If you cannot access these links, please notify us by reply message and we will send the contents to you. By messaging with Morgan Stanley you consent to the foregoing.

December 16, 2011

Mr. James Gorman
CEO
Morgan Stanley Group
1585 Broadway
New York, NY 10036

Dear Mr. Gorman:
Libra Fund, L.P. (the "Fund" or "we") is a socially responsive private investment limited partnership that is the beneficial owner of 54,860 shares of Morgan Stanley common stock as of December 16, 2011. We are presenting this resolution with The Missionary Oblates of Mary Immaculate , as primary filer. In brief, the proposal requests the Board of Directors of Morgan Stanley to report to shareholders (at reasonable cost and omitting proprietary information) on greater disclosure with regard to the company's use of repurchase agreements and securities lending transactions.

The attached proposal is submitted for inclusion in the 2012 proxy statement in accordance with Rule 14a-8 of the General Rules and Regulations of the Securities Exchange Act of 1934. The Fund has continuously held Morgan Stanley shares totaling at least $2,000 in market value for at least one year prior to the date of this filing. Proof of ownership will be forthcoming from the Fund's custodian. It is the Fund's intention to maintain ownership of shares in the Company through the date of the 2012 annual meeting.

Please direct any correspondence to the primary filer of this resolution, Rev. Seamus P. Finn, OMI, Director, Justice, Peace & Integrity of Creation Office, 391 Michigan Ave., NE, Washington, DC 20017, (202) 529-4505, You may also contact the undersigned Director of Sustainability and Impact Investments at Rockefeller Financial, by email at jhaboucha@rockco.com or by phone at 212-549-5220 if you have questions or comments regarding the proposal.

Thank you in advance for your time and attention. I look forward to working with you or members of your team regarding the issues raised in this proposal.

Sincerely,

LIBRA FUND, L.P.

By: _____
Farha-Joyce Haboucha, Authorized Signatory
Managing Director/Director, Sustainability & Impact Investments

Encl.
cc: Rev. Seamus P. Finn, OMI, Director, Justice, Peace and Integrity of Creation Office

Transparency in the Repurchase Market

2012 – Morgan Stanley

WHEREAS: Markets in which repurchase agreements are traded ("repo markets") involve enormous amounts of flows of credit and entail even higher amounts of transactions in securities used to collateralize those flows.

These markets provide a key source of credit to the US financial system, especially critical in financing participation in US Treasury and agency securities markets and the issuance and investment in structured securities.

These large markets involving transactions in credit and securities were shown to be systemically important during the recent financial crisis because of the interconnectedness they create between the major financial firms. In addition, repurchase agreements and security lending transactions create a large quantity of highly leveraged transactions for individual firms and the overall financial system. In October 2011, the major derivatives brokerage firm MF Global filed for bankruptcy when it used the repo market to finance its investment in sovereign debt securities. Importantly, these repo transactions were not reported on MF Global's balance sheet in its quarterly financial statements. Another concern is that tri-party repurchase agreements involve large, concentrated credit exposures for intraday cash advances – although recently reduced to a shorter period of time – to key financial firms (e.g. broker-dealers). This creates large credit exposures for the clearing bank and a less reliable funding arrangement for repo dealers and cash borrowers in the market.

There is too little public information about repo markets. This includes the Federal Reserve Board's Z.1 survey and the Federal Reserve Bank of New York's statistics from repo clearing houses and clearing banks. The New York Fed's efforts mark a significant improvement, but it is incomplete and does not provide data in sufficient detail for investors to adequately assess the vulnerabilities in these markets.

The trading process for repurchase agreements transactions is not fully multilateral but instead organized around a few dealers (although the dealers often trade amongst themselves in a multilateral manner through interdealer brokers).

RESOLVED: Shareholders request that our Company:

- Disclose in greater detail its use of repurchase agreement transactions and securities lending transactions, including disclosures of sufficient detail that investors can determine: i) how transactions are cleared (e.g., bilaterally between the counterparties, through a clearing house or a clearing bank); ii) how haircuts are used to discount the value of securities as well as the expected liquidity in the event of a counterparty default; iii) the mean, average and maximum term of these transactions; iv) whether and to what extent securities used as collateral do or do not trade in reliably liquid markets.

- Disclose its position on efforts by regulatory or supervisory authorities to collect and report information about repo markets in order to be better able to detect the buildup of risk exposures and emerging points of stress in the financial system.

- When acting as a repo dealer, adopt the use of transparent, multilateral trading facilities so that all market participants can see all market prices (for repo rates, term and for the full range of collateral offered).

1221 Avenue of the Americas
New York, NY 10020

Morgan Stanley

Direct Dial: (212) 762-7325
Facsimile No: (212) 507-0010
Email: Jacob.Tyler@morganstanley.com

VIA EMAIL AND OVERNIGHT MAIL

December 20, 2011

Rev. Séamus P. Finn, OMI
Director
JPIC Ministry
Missionary Oblates
391 Michigan Ave
Washington DC 20017

Re: Morgan Stanley Shareholder Proposal

Dear Rev. Finn:

On December 14, 2011, we received your letter dated December 14, 2011 submitting a proposal on behalf of the United States Province of Missionary Oblates of Mary Immaculate (the "Proponents") for inclusion in Morgan Stanley's (the "Company") 2012 proxy statement.

Rule 14a-8(c) promulgated under the Securities Exchange Act of 1934, as amended, states that a shareholder may submit no more than one proposal for a particular shareholders meeting. The Proponents' submission contains multiple parts that we consider to be more than one proposal:

- Disclose in greater detail [the Company's] use of repurchase agreement transactions ["repo"] and securities lending transactions, including disclosures of sufficient detail that investors can determine: i) how transactions are cleared (e.g., bilaterally between the counterparties, through a clearing house or a clearing bank); ii) how haircuts are used to discount the value of securities as well as the expected liquidity in the event of a counterparty default; iii) the mean, average and maximum term of these transactions; iv) whether and to what extent securities used as collateral do or do not trade in reliably liquid markets.

- Disclose [the Company's] position on efforts by regulatory or supervisory authorities to collect and report information about repo markets in order to be better able to detect the buildup of risk exposures and emerging points of stress in the financial system.

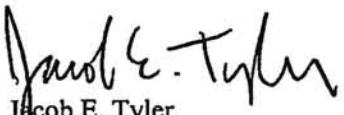
- When acting as a repo dealer, adopt the use of transparent, multilateral trading facilities so that all market participants can see all market prices (for repo rates, term and for the full range of collateral offered).

In order to meet the eligibility requirements for submitting a shareholder proposal, you must amend your submission to state only one proposal no later than 14 calendar days from the date you receive this

letter. If you provide us with documentation correcting this eligibility deficiency, postmarked or transmitted electronically no later than 14 calendar days after the date you receive this letter, we will review the proposal to determine whether it is appropriate for inclusion in our proxy statement.

A copy of Rule 14a-8, which applies to shareholder proposals submitted for inclusion in proxy statements, is enclosed for your reference.

Sincerely,



Jacob E. Tyler
Assistant Secretary

Enclosure

Electronic Code of Federal Regulations e-CFR™

e-CFR Data is current as of December 16, 2011

Title 17: Commodity and Securities Exchanges

PART 240—GENERAL RULES AND REGULATIONS, SECURITIES EXCHANGE ACT OF 1934

Browse Previous | Browse Next

§ 240.14a-8 Shareholder proposals.

This section addresses when a company must include a shareholder's proposal in its proxy statement and identify the proposal in its form of proxy when the company holds an annual or special meeting of shareholders. In summary, in order to have your shareholder proposal included on a company's proxy card, and included along with any supporting statement in its proxy statement, you must be eligible and follow certain procedures. Under a few specific circumstances, the company is permitted to exclude your proposal, but only after submitting its reasons to the Commission. We structured this section in a question-and-answer format so that it is easier to understand. The references to "you" are to a shareholder seeking to submit the proposal.

(a) *Question 1:* What is a proposal? A shareholder proposal is your recommendation or requirement that the company and/or its board of directors take action, which you intend to present at a meeting of the company's shareholders. Your proposal should state as clearly as possible the course of action that you believe the company should follow. If your proposal is placed on the company's proxy card, the company must also provide in the form of proxy means for shareholders to specify by boxes a choice between approval or disapproval, or abstention. Unless otherwise indicated, the word "proposal" as used in this section refers both to your proposal, and to your corresponding statement in support of your proposal (if any).

(b) *Question 2:* Who is eligible to submit a proposal, and how do I demonstrate to the company that I am eligible? (1) In order to be eligible to submit a proposal, you must have continuously held at least $2,000 in market value, or 1%, of the company's securities entitled to be voted on the proposal at the meeting for at least one year by the date you submit the proposal. You must continue to hold those securities through the date of the meeting.

(2) If you are the registered holder of your securities, which means that your name appears in the company's records as a shareholder, the company can verify your eligibility on its own, although you will still have to provide the company with a written statement that you intend to continue to hold the securities through the date of the meeting of shareholders. However, if like many shareholders you are not a registered holder, the company likely does not know that you are a shareholder, or how many shares you own. In this case, at the time you submit your proposal, you must prove your eligibility to the company in one of two ways:

(i) The first way is to submit to the company a written statement from the "record" holder of your securities (usually a broker or bank) verifying that, at the time you submitted your proposal, you continuously held the securities for at least one year. You must also include your own written statement that you intend to continue to hold the securities through the date of the meeting of shareholders; or

(ii) The second way to prove ownership applies only if you have filed a Schedule 13D (§240.13d–101), Schedule 13G (§240.13d–102), Form 3 (§249.103 of this chapter), Form 4 (§249.104 of this chapter) and/or Form 5 (§249.105 of this chapter), or amendments to those documents or updated forms,

reflecting your ownership of the shares as of or before the date on which the one-year eligibility period begins. If you have filed one of these documents with the SEC, you may demonstrate your eligibility by submitting to the company:

(A) A copy of the schedule and/or form, and any subsequent amendments reporting a change in your ownership level;

(B) Your written statement that you continuously held the required number of shares for the one-year period as of the date of the statement; and

(C) Your written statement that you intend to continue ownership of the shares through the date of the company's annual or special meeting.

(c) *Question 3:* How many proposals may I submit? Each shareholder may submit no more than one proposal to a company for a particular shareholders' meeting.

(d) *Question 4:* How long can my proposal be? The proposal, including any accompanying supporting statement, may not exceed 500 words.

(e) *Question 5:* What is the deadline for submitting a proposal? (1) If you are submitting your proposal for the company's annual meeting, you can in most cases find the deadline in last year's proxy statement. However, if the company did not hold an annual meeting last year, or has changed the date of its meeting for this year more than 30 days from last year's meeting, you can usually find the deadline in one of the company's quarterly reports on Form 10–Q (§249.308a of this chapter), or in shareholder reports of investment companies under §270.30d–1 of this chapter of the Investment Company Act of 1940. In order to avoid controversy, shareholders should submit their proposals by means, including electronic means, that permit them to prove the date of delivery.

(2) The deadline is calculated in the following manner if the proposal is submitted for a regularly scheduled annual meeting. The proposal must be received at the company's principal executive offices not less than 120 calendar days before the date of the company's proxy statement released to shareholders in connection with the previous year's annual meeting. However, if the company did not hold an annual meeting the previous year, or if the date of this year's annual meeting has been changed by more than 30 days from the date of the previous year's meeting, then the deadline is a reasonable time before the company begins to print and send its proxy materials.

(3) If you are submitting your proposal for a meeting of shareholders other than a regularly scheduled annual meeting, the deadline is a reasonable time before the company begins to print and send its proxy materials.

(f) *Question 6:* What if I fail to follow one of the eligibility or procedural requirements explained in answers to Questions 1 through 4 of this section? (1) The company may exclude your proposal, but only after it has notified you of the problem, and you have failed adequately to correct it. Within 14 calendar days of receiving your proposal, the company must notify you in writing of any procedural or eligibility deficiencies, as well as of the time frame for your response. Your response must be postmarked, or transmitted electronically, no later than 14 days from the date you received the company's notification. A company need not provide you such notice of a deficiency if the deficiency cannot be remedied, such as if you fail to submit a proposal by the company's properly determined deadline. If the company intends to exclude the proposal, it will later have to make a submission under §240.14a–8 and provide you with a copy under Question 10 below, §240.14a–8(j).

(2) If you fail in your promise to hold the required number of securities through the date of the meeting of shareholders, then the company will be permitted to exclude all of your proposals from its proxy materials for any meeting held in the following two calendar years.

(g) *Question 7:* Who has the burden of persuading the Commission or its staff that my proposal can be excluded? Except as otherwise noted, the burden is on the company to demonstrate that it is entitled to exclude a proposal.

(h) *Question 8:* Must I appear personally at the shareholders' meeting to present the proposal? (1) Either you, or your representative who is qualified under state law to present the proposal on your behalf, must

attend the meeting to present the proposal. Whether you attend the meeting yourself or send a qualified representative to the meeting in your place, you should make sure that you, or your representative, follow the proper state law procedures for attending the meeting and/or presenting your proposal.

(2) If the company holds its shareholder meeting in whole or in part via electronic media, and the company permits you or your representative to present your proposal via such media, then you may appear through electronic media rather than traveling to the meeting to appear in person.

(3) If you or your qualified representative fail to appear and present the proposal, without good cause, the company will be permitted to exclude all of your proposals from its proxy materials for any meetings held in the following two calendar years.

(i) *Question 9:* If I have complied with the procedural requirements, on what other bases may a company rely to exclude my proposal? (1) Improper under state law: If the proposal is not a proper subject for action by shareholders under the laws of the jurisdiction of the company's organization;

Note to paragraph (i)(1): Depending on the subject matter, some proposals are not considered proper under state law if they would be binding on the company if approved by shareholders. In our experience, most proposals that are cast as recommendations or requests that the board of directors take specified action are proper under state law. Accordingly, we will assume that a proposal drafted as a recommendation or suggestion is proper unless the company demonstrates otherwise.

(2) *Violation of law:* If the proposal would, if implemented, cause the company to violate any state, federal, or foreign law to which it is subject;

Note to paragraph (i)(2): We will not apply this basis for exclusion to permit exclusion of a proposal on grounds that it would violate foreign law if compliance with the foreign law would result in a violation of any state or federal law.

(3) *Violation of proxy rules:* If the proposal or supporting statement is contrary to any of the Commission's proxy rules, including §240.14a-9, which prohibits materially false or misleading statements in proxy soliciting materials;

(4) *Personal grievance; special interest:* If the proposal relates to the redress of a personal claim or grievance against the company or any other person, or if it is designed to result in a benefit to you, or to further a personal interest, which is not shared by the other shareholders at large;

(5) *Relevance:* If the proposal relates to operations which account for less than 5 percent of the company's total assets at the end of its most recent fiscal year, and for less than 5 percent of its net earnings and gross sales for its most recent fiscal year, and is not otherwise significantly related to the company's business;

(6) *Absence of power/authority:* If the company would lack the power or authority to implement the proposal;

(7) *Management functions:* If the proposal deals with a matter relating to the company's ordinary business operations;

(8) *Director elections:* If the proposal:

(i) Would disqualify a nominee who is standing for election;

(ii) Would remove a director from office before his or her term expired;

(iii) Questions the competence, business judgment, or character of one or more nominees or directors;

(iv) Seeks to include a specific individual in the company's proxy materials for election to the board of directors; or

(v) Otherwise could affect the outcome of the upcoming election of directors.

(9) *Conflicts with company's proposal:* If the proposal directly conflicts with one of the company's own proposals to be submitted to shareholders at the same meeting;

Note to paragraph (i)(9): A company's submission to the Commission under this section should specify the points of conflict with the company's proposal.

(10) *Substantially implemented:* If the company has already substantially implemented the proposal;

Note to paragraph (i)(10): A company may exclude a shareholder proposal that would provide an advisory vote or seek future advisory votes to approve the compensation of executives as disclosed pursuant to Item 402 of Regulation S–K (§229.402 of this chapter) or any successor to Item 402 (a "say-on-pay vote") or that relates to the frequency of say-on-pay votes, provided that in the most recent shareholder vote required by §240.14a–21(b) of this chapter a single year (*i.e.*, one, two, or three years) received approval of a majority of votes cast on the matter and the company has adopted a policy on the frequency of say-on-pay votes that is consistent with the choice of the majority of votes cast in the most recent shareholder vote required by §240.14a–21(b) of this chapter.

(11) *Duplication:* If the proposal substantially duplicates another proposal previously submitted to the company by another proponent that will be included in the company's proxy materials for the same meeting;

(12) *Resubmissions:* If the proposal deals with substantially the same subject matter as another proposal or proposals that has or have been previously included in the company's proxy materials within the preceding 5 calendar years, a company may exclude it from its proxy materials for any meeting held within 3 calendar years of the last time it was included if the proposal received:

(i) Less than 3% of the vote if proposed once within the preceding 5 calendar years;

(ii) Less than 6% of the vote on its last submission to shareholders if proposed twice previously within the preceding 5 calendar years; or

(iii) Less than 10% of the vote on its last submission to shareholders if proposed three times or more previously within the preceding 5 calendar years; and

(13) *Specific amount of dividends:* If the proposal relates to specific amounts of cash or stock dividends.

(j) *Question 10:* What procedures must the company follow if it intends to exclude my proposal? (1) If the company intends to exclude a proposal from its proxy materials, it must file its reasons with the Commission no later than 80 calendar days before it files its definitive proxy statement and form of proxy with the Commission. The company must simultaneously provide you with a copy of its submission. The Commission staff may permit the company to make its submission later than 80 days before the company files its definitive proxy statement and form of proxy, if the company demonstrates good cause for missing the deadline.

(2) The company must file six paper copies of the following:

(i) The proposal;

(ii) An explanation of why the company believes that it may exclude the proposal, which should, if possible, refer to the most recent applicable authority, such as prior Division letters issued under the rule; and

(iii) A supporting opinion of counsel when such reasons are based on matters of state or foreign law.

(k) *Question 11:* May I submit my own statement to the Commission responding to the company's arguments?

Yes, you may submit a response, but it is not required. You should try to submit any response to us, with a copy to the company, as soon as possible after the company makes its submission. This way, the Commission staff will have time to consider fully your submission before it issues its response. You should submit six paper copies of your response.

(l) *Question 12:* If the company includes my shareholder proposal in its proxy materials, what information about me must it include along with the proposal itself?

(1) The company's proxy statement must include your name and address, as well as the number of the company's voting securities that you hold. However, instead of providing that information, the company may instead include a statement that it will provide the information to shareholders promptly upon receiving an oral or written request.

(2) The company is not responsible for the contents of your proposal or supporting statement.

(m) *Question 13:* What can I do if the company includes in its proxy statement reasons why it believes shareholders should not vote in favor of my proposal, and I disagree with some of its statements?

(1) The company may elect to include in its proxy statement reasons why it believes shareholders should vote against your proposal. The company is allowed to make arguments reflecting its own point of view, just as you may express your own point of view in your proposal's supporting statement.

(2) However, if you believe that the company's opposition to your proposal contains materially false or misleading statements that may violate our anti-fraud rule, §240.14a–9, you should promptly send to the Commission staff and the company a letter explaining the reasons for your view, along with a copy of the company's statements opposing your proposal. To the extent possible, your letter should include specific factual information demonstrating the inaccuracy of the company's claims. Time permitting, you may wish to try to work out your differences with the company by yourself before contacting the Commission staff.

(3) We require the company to send you a copy of its statements opposing your proposal before it sends its proxy materials, so that you may bring to our attention any materially false or misleading statements, under the following timeframes:

(i) If our no-action response requires that you make revisions to your proposal or supporting statement as a condition to requiring the company to include it in its proxy materials, then the company must provide you with a copy of its opposition statements no later than 5 calendar days after the company receives a copy of your revised proposal; or

(ii) In all other cases, the company must provide you with a copy of its opposition statements no later than 30 calendar days before its files definitive copies of its proxy statement and form of proxy under §240.14a–6.

[63 FR 29119, May 28, 1998; 63 FR 50622, 50623, Sept. 22, 1998, as amended at 72 FR 4168, Jan. 29, 2007; 72 FR 70456, Dec. 11, 2007; 73 FR 977, Jan. 4, 2008; 76 FR 6045, Feb. 2, 2011; 75 FR 56782, Sept. 16, 2010]

Browse Previous | Browse Next

For questions or comments regarding e-CFR editorial content, features, or design, email ecfr@nara.gov.

For questions concerning e-CFR programming and delivery issues, email webteam@gpo.gov.

Section 508 / Accessibility

1221 Avenue of the Americas
New York, NY 10020

Morgan Stanley

Direct Dial: (212) 762-7325
Facsimile No: (212) 507-0010
Email: Jacob.Tyler@morganstanley.com

VIA EMAIL AND UNITED STATES POSTAL SERVICE

December 20, 2011

Father Joseph P. La Mar, M.M.
Maryknoll Fathers and Brothers
Catholic Foreign Mission Society of America, Inc.
Corporate Social Responsibility
PO Box 305
Maryknoll, New York 10545-0305

Re: Morgan Stanley Shareholder Proposal

Dear Father La Mar:

On December 16, 2011, we received your letter dated December 16, 2011 submitting a proposal on behalf of the Maryknoll Fathers and Brothers co-filed with the United States Province of Missionary Oblates of Mary Immaculate (the "Missionary Oblates", and, together with the Maryknoll Fathers and Brothers, the "Proponents") for inclusion in Morgan Stanley's (the "Company") 2012 proxy statement.

Rule 14a-8(b) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires that in order to be eligible to submit a proposal for inclusion in the Company's proxy statement a proponent must, among other things, have continuously held at least $2,000 in market value of Morgan Stanley's common stock for at least one year by the date such proponent submitted the proposal and provide a written statement that the proponent intends to continue to hold the shares through the date of the annual meeting of shareholders. You are not currently the registered holder on Morgan Stanley's books and records of any shares of Morgan Stanley common stock, and the proof of ownership that you have provided from Merrill Lynch does not demonstrate that you hold the requisite market value in shares and does not demonstrate that you had held the requisite number of shares for at least one year as of the date you submitted the proposal. You must provide evidence that, as of the date of submission of your proposal, you have continuously held at least $2,000 in market value of Morgan Stanley's common stock for at least one year.

Rule 14a-8(c) promulgated under the Securities Exchange Act of 1934, as amended, states that a shareholder may submit no more than one proposal for a particular shareholders meeting. The Proponents' submission contains multiple parts that we consider to be more than one proposal:

- Disclose in greater detail [the Company's] use of repurchase agreement transactions ["repo"] and securities lending transactions, including disclosures of sufficient detail that investors can determine: i) how transactions are cleared (e.g., bilaterally between the counterparties, through a clearing house or a clearing bank); ii) how haircuts are used to discount the value of securities as well as the expected liquidity in the event of a

counterparty default; iii) the mean, average and maximum term of these transactions; iv) whether and to what extent securities used as collateral do or do not trade in reliably liquid markets.

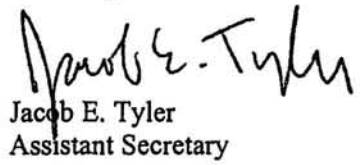
- Disclose [the Company's] position on efforts by regulatory or supervisory authorities to collect and report information about repo markets in order to be better able to detect the buildup of risk exposures and emerging points of stress in the financial system.

- When acting as a repo dealer, adopt the use of transparent, multilateral trading facilities so that all market participants can see all market prices (for repo rates, term and for the full range of collateral offered).

In order to meet the eligibility requirements for submitting a shareholder proposal, you must provide the necessary proof of ownership and amend your submission to state only one proposal no later than 14 calendar days from the date you receive this letter. If you provide us with documentation correcting these eligibility deficiencies, postmarked or transmitted electronically no later than 14 calendar days after the date you receive this letter, we will review the proposal to determine whether it is appropriate for inclusion in our proxy statement.

A copy of Rule 14a-8, which applies to shareholder proposals submitted for inclusion in proxy statements, is enclosed for your reference.

Sincerely,



Jacob E. Tyler
Assistant Secretary

Enclosure

cc: Rev. Séamus P. Finn, OMI
Director
JPIC Ministry
Missionary Oblates
391 Michigan Ave
Washington DC 20017

1221 Avenue of the Americas
New York, NY 10020

Morgan Stanley

Direct Dial: (212) 762-7325
Facsimile No: (212) 507-0010
Email: Jacob.Tyler@morganstanley.com

VIA EMAIL AND UNITES STATES POSTAL SERVICE

December 20, 2011

Sister Barbara Aires
Coordinator of Corporate Responsibility
Sisters of Charity of Saint Elizabeth
P.O. Box 476
Convent Station, New Jersey 07961-0476

Re: Morgan Stanley Shareholder Proposal

Dear Sister Aires:

On December 14, 2011, we received your letter dated December 14, 2011 submitting a proposal on behalf of the Sisters of Charity of Saint Elizabeth (the "Sisters of Charity") co-filed with the United States Province of Missionary Oblates of Mary Immaculate (the "Missionary Oblates" and, together with the Missionary Oblates, the "Proponents") for inclusion in Morgan Stanley's (the "Company") 2012 proxy statement.

Rule 14a-8(c) promulgated under the Securities Exchange Act of 1934, as amended, states that a shareholder may submit no more than one proposal for a particular shareholders meeting. The Proponents' submission contains multiple parts that we consider to be more than one proposal:

- Disclose in greater detail [the Company's] use of repurchase agreement transactions ["repo"] and securities lending transactions, including disclosures of sufficient detail that investors can determine: i) how transactions are cleared (e.g., bilaterally between the counterparties, through a clearing house or a clearing bank); ii) how haircuts are used to discount the value of securities as well as the expected liquidity in the event of a counterparty default; iii) the mean, average and maximum term of these transactions; iv) whether and to what extent securities used as collateral do or do not trade in reliably liquid markets.

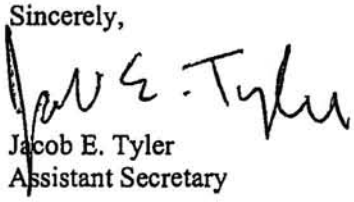
- Disclose [the Company's] position on efforts by regulatory or supervisory authorities to collect and report information about repo markets in order to be better able to detect the buildup of risk exposures and emerging points of stress in the financial system.

- When acting as a repo dealer, adopt the use of transparent, multilateral trading facilities so that all market participants can see all market prices (for repo rates, term and for the full range of collateral offered).

In order to meet the eligibility requirements for submitting a shareholder proposal, you must amend your submission to state only one proposal no later than 14 calendar days from the date you receive this letter. If you provide us with documentation correcting this eligibility deficiency, postmarked or transmitted electronically no later than 14 calendar days after the date you receive this letter, we will review the proposal to determine whether it is appropriate for inclusion in our proxy statement.

A copy of Rule 14a-8, which applies to shareholder proposals submitted for inclusion in proxy statements, is enclosed for your reference.

Sincerely,



Jacob E. Tyler
Assistant Secretary

Enclosure

cc:

Rev. Séamus P. Finn, OMI
Director
JPIC Ministry
Missionary Oblates
391 Michigan Ave
Washington DC 20017

1221 Avenue of the Americas
New York, NY 10020

Morgan Stanley

Direct Dial: (212) 762-7325
Facsimile No: (212) 507-0010
Email: Jacob.Tyler@morganstanley.com

VIA EMAIL AND OVERNIGHT MAIL

December 20, 2011

Ms. Farha-Joyce Haboucha
Managing Director / Director, Sustainability & Impact Investments
The Libra Fund, L.P.
10 Rockefeller Plaza, 3rd Floor
New York, NY 10020

Re: Morgan Stanley Shareholder Proposal

Dear Ms. Haboucha:

On December 16, 2011, we received your letter dated December 16, 2011 submitting a proposal on behalf of the Libra Fund, L.P. (the "Libra Fund") co-filed with the United States Province of Missionary Oblates of Mary Immaculate (the "Missionary Oblates") and, together with the Missionary Oblates, the "Proponents") for inclusion in Morgan Stanley's (the "Company") 2012 proxy statement.

Rule 14a-8(b) promulgated under the Securities Exchange Act of 1934, as amended, requires that in order to be eligible to submit a proposal for inclusion in the Company's proxy statement the Libra Fund must, among other things, have continuously held at least $2,000 in market value of Morgan Stanley's common stock for at least one year by the date you submitted the proposal. The Libra Fund is not currently the registered holder on Morgan Stanley's books and records of any shares of Morgan Sta ley common stock and has not provided adequate proof of ownership. Accordingly, you must submit to us a written statement from the "record" holder of the shares (usually a broker or bank) verifying that at the time you submitted the proposal, December 16, 2011, the Libra Fund had continuously held at least $2,000 in market value of Morgan Stanley common stock for at least the one year period prior to and including the date you submitted the proposal.

Rule 14a-8(c) promulgated under the Securities Exchange Act of 1934, as amended, states that a shareholder may submit no more than one proposal for a particular shareholders meeting. The Proponents' submission contains multiple parts that we consider to be more than one proposal:

- Disclose in greater detail [the Company's] use of repurchase agreement transactions ["repo"] and securities lending transactions, including disclosures of sufficient detail that investors can determine: i) how transactions are cleared (e.g., bilaterally between the counterparties, through a clearing house or a clearing bank); ii) how haircuts are used to discount the value of securities as well as the expected liquidity in the event of a counterparty default; iii) the mean, average and maximum term of these transactions; iv)

whether and to what extent securities used as collateral do or do not trade in reliably liquid markets.

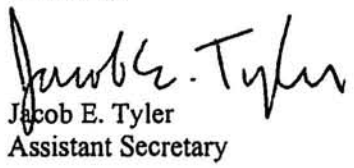
- Disclose [the Company's] position on efforts by regulatory or supervisory authorities to collect and report information about repo markets in order to be better able to detect the buildup of risk exposures and emerging points of stress in the financial system.

- When acting as a repo dealer, adopt the use of transparent, multilateral trading facilities so that all market participants can see all market prices (for repo rates, term and for the full range of collateral offered).

In order to meet the eligibility requirements for submitting a shareholder proposal, you must provide the requested information and amend your submission to state only one proposal no later than 14 calendar days from the date you receive this letter. If you provide us with documentation correcting these eligibility deficiencies, postmarked or transmitted electronically no later than 14 calendar days after the date you receive this letter, we will review the proposal to determine whether it is appropriate for inclusion in our proxy statement.

A copy of Rule 14a-8, which applies to shareholder proposals submitted for inclusion in proxy statements, is enclosed for your reference.

Sincerely,



Jacob E. Tyler
Assistant Secretary

Enclosure

cc: Rev. Séamus P. Finn, OMI
Director
JPIC Ministry
Missionary Oblates
391 Michigan Ave
Washington DC 20017

From: Seamus Finn [seamus@omiusa.org]
To: Tyler, Jacob
Sent: Tuesday, December 20, 2011 6:14 PM
Subject: Read: Morgan Stanley Shareholder Proposals

Your message was read on Tuesday, December 20, 2011 6:14:20 PM (GMT-05:00) Eastern Time (US & Canada).

Foley, Patricia (LEGAL)

From: Foley, Patricia (LEGAL) on behalf of Tyler, Jacob (LEGAL)
Sent: Tuesday, December 20, 2011 5:29 PM
To: 'seamus@omiusa.org'
Cc: Tyler, Jacob (LEGAL); Foley, Patricia (LEGAL)
Subject: Morgan Stanley Shareholder Proposal
Attachments: MissionaryOblatesLetter.pdf

Please see the attached document.

Patricia Foley on behalf of Jacob Tyler
Morgan Stanley | Legal and Compliance
1221 Avenue of the Americas, 35th Floor | New York, NY 10020
Phone: +1 212 762-5639
Patricia.Foley@morganstanley.com

Foley, Patricia (LEGAL)

From: Foley, Patricia (LEGAL) on behalf of Tyler, Jacob (LEGAL)
Sent: Tuesday, December 20, 2011 5:45 PM
To: seamus@omiusa.org
Cc: Foley, Patricia (LEGAL); Tyler, Jacob (LEGAL)
Subject: Morgan Stanley Shareholder Proposals
Attachments: Shareholdercopies.pdf

Please see attached an additional document.

Patricia Foley
Morgan Stanley | Legal and Compliance
1221 Avenue of the Americas, 35th Floor | New York, NY 10020
Phone: +1 212 762-5639
Patricia.Foley@morganstanley.com

Foley, Patricia (LEGAL)

From: mailer-daemon
To: seamus@omiusa.org
Sent: Tuesday, December 20, 2011 5:29 PM
Subject: Relayed: Morgan Stanley Shareholder Proposal

Delivery to these recipients or distribution lists is complete, but delivery notification was not sent by the destination:

seamus@omiusa.org

Subject: Morgan Stanley Shareholder Proposal

Foley, Patricia (LEGAL)

From: mailer-daemon
To: seamus@omiusa.org
Sent: Tuesday, December 20, 2011 5:46 PM
Subject: Relayed: Morgan Stanley Shareholder Proposals

Delivery to these recipients or distribution lists is complete, but delivery notification was not sent by the destination:

seamus@omiusa.org

Subject: Morgan Stanley Shareholder Proposals

Finn [mailto:seamus@omiusa.org]
Sent: Tuesday, December 20, 2011 5:30 PM
To: Tyler, Jacob (LEGAL)
Subject: Read: Morgan Stanley Shareholder Proposal

Your message was read on Tuesday, December 20, 2011 5:30:27 PM (GMT-05:00) Eastern Time (US & Canada).

1221 Avenue of the Americas
New York, NY 10020

Morgan Stanley

Direct Dial: (212) 762-7325
Facsimile No: (212) 507-0010
Email: Jacob.Tyler@morganstanley.com

VIA EMAIL AND UNITES STATES POSTAL SERVICE

December 20, 2011

Sister Barbara Aires
Coordinator of Corporate Responsibility
Sisters of Charity of Saint Elizabeth
P.O. Box 476
Convent Station, New Jersey 07961-0476

Re: Morgan Stanley Shareholder Proposal

Dear Sister Aires:

On December 14, 2011, we received your letter dated December 14, 2011 submitting a proposal on behalf of the Sisters of Charity of Saint Elizabeth (the "Sisters of Charity") co-filed with the United States Province of Missionary Oblates of Mary Immaculate (the "Missionary Oblates" and, together with the Missionary Oblates, the "Proponents") for inclusion in Morgan Stanley's (the "Company") 2012 proxy statement.

Rule 14a-8(c) promulgated under the Securities Exchange Act of 1934, as amended, states that a shareholder may submit no more than one proposal for a particular shareholders meeting. The Proponents' submission contains multiple parts that we consider to be more than one proposal:

- Disclose in greater detail [the Company's] use of repurchase agreement transactions ["repo"] and securities lending transactions, including disclosures of sufficient detail that investors can determine: i) how transactions are cleared (e.g., bilaterally between the counterparties, through a clearing house or a clearing bank); ii) how haircuts are used to discount the value of securities as well as the expected liquidity in the event of a counterparty default; iii) the mean, average and maximum term of these transactions; iv) whether and to what extent securities used as collateral do or do not trade in reliably liquid markets.

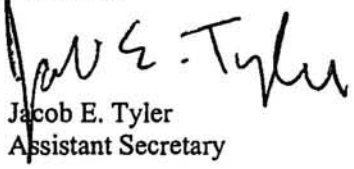
- Disclose [the Company's] position on efforts by regulatory or supervisory authorities to collect and report information about repo markets in order to be better able to detect the buildup of risk exposures and emerging points of stress in the financial system.

- When acting as a repo dealer, adopt the use of transparent, multilateral trading facilities so that all market participants can see all market prices (for repo rates, term and for the full range of collateral offered).

In order to meet the eligibility requirements for submitting a shareholder proposal, you must amend your submission to state only one proposal no later than 14 calendar days from the date you receive this letter. If you provide us with documentation correcting this eligibility deficiency, postmarked or transmitted electronically no later than 14 calendar days after the date you receive this letter, we will review the proposal to determine whether it is appropriate for inclusion in our proxy statement.

A copy of Rule 14a-8, which applies to shareholder proposals submitted for inclusion in proxy statements, is enclosed for your reference.

Sincerely,



Jacob E. Tyler
Assistant Secretary

Enclosure

cc:

Rev. Séamus P. Finn, OMI
Director
JPIC Ministry
Missionary Oblates
391 Michigan Ave
Washington DC 20017

Electronic Code of Federal Regulations
e-CFR™

e-CFR Data is current as of December 16, 2011

Title 17: Commodity and Securities Exchanges

PART 240—GENERAL RULES AND REGULATIONS, SECURITIES EXCHANGE ACT OF 1934

Browse Previous | Browse Next

§ 240.14a-8 Shareholder proposals.

This section addresses when a company must include a shareholder's proposal in its proxy statement and identify the proposal in its form of proxy when the company holds an annual or special meeting of shareholders. In summary, in order to have your shareholder proposal included on a company's proxy card, and included along with any supporting statement in its proxy statement, you must be eligible and follow certain procedures. Under a few specific circumstances, the company is permitted to exclude your proposal, but only after submitting its reasons to the Commission. We structured this section in a question-and-answer format so that it is easier to understand. The references to "you" are to a shareholder seeking to submit the proposal.

(a) *Question 1:* What is a proposal? A shareholder proposal is your recommendation or requirement that the company and/or its board of directors take action, which you intend to present at a meeting of the company's shareholders. Your proposal should state as clearly as possible the course of action that you believe the company should follow. If your proposal is placed on the company's proxy card, the company must also provide in the form of proxy means for shareholders to specify by boxes a choice between approval or disapproval, or abstention. Unless otherwise indicated, the word "proposal" as used in this section refers both to your proposal, and to your corresponding statement in support of your proposal (if any).

(b) *Question 2:* Who is eligible to submit a proposal, and how do I demonstrate to the company that I am eligible? (1) In order to be eligible to submit a proposal, you must have continuously held at least $2,000 in market value, or 1%, of the company's securities entitled to be voted on the proposal at the meeting for at least one year by the date you submit the proposal. You must continue to hold those securities through the date of the meeting.

(2) If you are the registered holder of your securities, which means that your name appears in the company's records as a shareholder, the company can verify your eligibility on its own, although you will still have to provide the company with a written statement that you intend to continue to hold the securities through the date of the meeting of shareholders. However, if like many shareholders you are not a registered holder, the company likely does not know that you are a shareholder, or how many shares you own. In this case, at the time you submit your proposal, you must prove your eligibility to the company in one of two ways:

(i) The first way is to submit to the company a written statement from the "record" holder of your securities (usually a broker or bank) verifying that, at the time you submitted your proposal, you continuously held the securities for at least one year. You must also include your own written statement that you intend to continue to hold the securities through the date of the meeting of shareholders; or

(ii) The second way to prove ownership applies only if you have filed a Schedule 13D (§240.13d–101), Schedule 13G (§240.13d–102), Form 3 (§249.103 of this chapter), Form 4 (§249.104 of this chapter) and/or Form 5 (§249.105 of this chapter), or amendments to those documents or updated forms,

reflecting your ownership of the shares as of or before the date on which the one-year eligibility period begins. If you have filed one of these documents with the SEC, you may demonstrate your eligibility by submitting to the company:

(A) A copy of the schedule and/or form, and any subsequent amendments reporting a change in your ownership level;

(B) Your written statement that you continuously held the required number of shares for the one-year period as of the date of the statement; and

(C) Your written statement that you intend to continue ownership of the shares through the date of the company's annual or special meeting.

(c) *Question 3:* How many proposals may I submit? Each shareholder may submit no more than one proposal to a company for a particular shareholders' meeting.

(d) *Question 4:* How long can my proposal be? The proposal, including any accompanying supporting statement, may not exceed 500 words.

(e) *Question 5:* What is the deadline for submitting a proposal? (1) If you are submitting your proposal for the company's annual meeting, you can in most cases find the deadline in last year's proxy statement. However, if the company did not hold an annual meeting last year, or has changed the date of its meeting for this year more than 30 days from last year's meeting, you can usually find the deadline in one of the company's quarterly reports on Form 10–Q (§249.308a of this chapter), or in shareholder reports of investment companies under §270.30d–1 of this chapter of the Investment Company Act of 1940. In order to avoid controversy, shareholders should submit their proposals by means, including electronic means, that permit them to prove the date of delivery.

(2) The deadline is calculated in the following manner if the proposal is submitted for a regularly scheduled annual meeting. The proposal must be received at the company's principal executive offices not less than 120 calendar days before the date of the company's proxy statement released to shareholders in connection with the previous year's annual meeting. However, if the company did not hold an annual meeting the previous year, or if the date of this year's annual meeting has been changed by more than 30 days from the date of the previous year's meeting, then the deadline is a reasonable time before the company begins to print and send its proxy materials.

(3) If you are submitting your proposal for a meeting of shareholders other than a regularly scheduled annual meeting, the deadline is a reasonable time before the company begins to print and send its proxy materials.

(f) *Question 6:* What if I fail to follow one of the eligibility or procedural requirements explained in answers to Questions 1 through 4 of this section? (1) The company may exclude your proposal, but only after it has notified you of the problem, and you have failed adequately to correct it. Within 14 calendar days of receiving your proposal, the company must notify you in writing of any procedural or eligibility deficiencies, as well as of the time frame for your response. Your response must be postmarked, or transmitted electronically, no later than 14 days from the date you received the company's notification. A company need not provide you such notice of a deficiency if the deficiency cannot be remedied, such as if you fail to submit a proposal by the company's properly determined deadline. If the company intends to exclude the proposal, it will later have to make a submission under §240.14a–8 and provide you with a copy under Question 10 below, §240.14a–8(j).

(2) If you fail in your promise to hold the required number of securities through the date of the meeting of shareholders, then the company will be permitted to exclude all of your proposals from its proxy materials for any meeting held in the following two calendar years.

(g) *Question 7:* Who has the burden of persuading the Commission or its staff that my proposal can be excluded? Except as otherwise noted, the burden is on the company to demonstrate that it is entitled to exclude a proposal.

(h) *Question 8:* Must I appear personally at the shareholders' meeting to present the proposal? (1) Either you, or your representative who is qualified under state law to present the proposal on your behalf, must

attend the meeting to present the proposal. Whether you attend the meeting yourself or send a qualified representative to the meeting in your place, you should make sure that you, or your representative, follow the proper state law procedures for attending the meeting and/or presenting your proposal.

(2) If the company holds its shareholder meeting in whole or in part via electronic media, and the company permits you or your representative to present your proposal via such media, then you may appear through electronic media rather than traveling to the meeting to appear in person.

(3) If you or your qualified representative fail to appear and present the proposal, without good cause, the company will be permitted to exclude all of your proposals from its proxy materials for any meetings held in the following two calendar years.

(i) *Question 9:* If I have complied with the procedural requirements, on what other bases may a company rely to exclude my proposal? (1) Improper under state law: If the proposal is not a proper subject for action by shareholders under the laws of the jurisdiction of the company's organization;

Note to paragraph (i)(1): Depending on the subject matter, some proposals are not considered proper under state law if they would be binding on the company if approved by shareholders. In our experience, most proposals that are cast as recommendations or requests that the board of directors take specified action are proper under state law. Accordingly, we will assume that a proposal drafted as a recommendation or suggestion is proper unless the company demonstrates otherwise.

(2) *Violation of law:* If the proposal would, if implemented, cause the company to violate any state, federal, or foreign law to which it is subject;

Note to paragraph (i)(2): We will not apply this basis for exclusion to permit exclusion of a proposal on grounds that it would violate foreign law if compliance with the foreign law would result in a violation of any state or federal law.

(3) *Violation of proxy rules:* If the proposal or supporting statement is contrary to any of the Commission's proxy rules, including §240.14a-9, which prohibits materially false or misleading statements in proxy soliciting materials;

(4) *Personal grievance; special interest:* If the proposal relates to the redress of a personal claim or grievance against the company or any other person, or if it is designed to result in a benefit to you, or to further a personal interest, which is not shared by the other shareholders at large;

(5) *Relevance:* If the proposal relates to operations which account for less than 5 percent of the company's total assets at the end of its most recent fiscal year, and for less than 5 percent of its net earnings and gross sales for its most recent fiscal year, and is not otherwise significantly related to the company's business;

(6) *Absence of power/authority:* If the company would lack the power or authority to implement the proposal;

(7) *Management functions:* If the proposal deals with a matter relating to the company's ordinary business operations;

(8) *Director elections:* If the proposal:

(i) Would disqualify a nominee who is standing for election;

(ii) Would remove a director from office before his or her term expired;

(iii) Questions the competence, business judgment, or character of one or more nominees or directors;

(iv) Seeks to include a specific individual in the company's proxy materials for election to the board of directors; or

(v) Otherwise could affect the outcome of the upcoming election of directors.

(9) *Conflicts with company's proposal:* If the proposal directly conflicts with one of the company's own proposals to be submitted to shareholders at the same meeting;

Note to paragraph (i)(9): A company's submission to the Commission under this section should specify the points of conflict with the company's proposal.

(10) *Substantially implemented:* If the company has already substantially implemented the proposal;

Note to paragraph (i)(10): A company may exclude a shareholder proposal that would provide an advisory vote or seek future advisory votes to approve the compensation of executives as disclosed pursuant to Item 402 of Regulation S–K (§229.402 of this chapter) or any successor to Item 402 (a "say-on-pay vote") or that relates to the frequency of say-on-pay votes, provided that in the most recent shareholder vote required by §240.14a–21(b) of this chapter a single year (*i.e.,* one, two, or three years) received approval of a majority of votes cast on the matter and the company has adopted a policy on the frequency of say-on-pay votes that is consistent with the choice of the majority of votes cast in the most recent shareholder vote required by §240.14a–21(b) of this chapter.

(11) *Duplication:* If the proposal substantially duplicates another proposal previously submitted to the company by another proponent that will be included in the company's proxy materials for the same meeting;

(12) *Resubmissions:* If the proposal deals with substantially the same subject matter as another proposal or proposals that has or have been previously included in the company's proxy materials within the preceding 5 calendar years, a company may exclude it from its proxy materials for any meeting held within 3 calendar years of the last time it was included if the proposal received:

(i) Less than 3% of the vote if proposed once within the preceding 5 calendar years;

(ii) Less than 6% of the vote on its last submission to shareholders if proposed twice previously within the preceding 5 calendar years; or

(iii) Less than 10% of the vote on its last submission to shareholders if proposed three times or more previously within the preceding 5 calendar years; and

(13) *Specific amount of dividends:* If the proposal relates to specific amounts of cash or stock dividends.

(j) *Question 10:* What procedures must the company follow if it intends to exclude my proposal? (1) If the company intends to exclude a proposal from its proxy materials, it must file its reasons with the Commission no later than 80 calendar days before it files its definitive proxy statement and form of proxy with the Commission. The company must simultaneously provide you with a copy of its submission. The Commission staff may permit the company to make its submission later than 80 days before the company files its definitive proxy statement and form of proxy, if the company demonstrates good cause for missing the deadline.

(2) The company must file six paper copies of the following:

(i) The proposal;

(ii) An explanation of why the company believes that it may exclude the proposal, which should, if possible, refer to the most recent applicable authority, such as prior Division letters issued under the rule; and

(iii) A supporting opinion of counsel when such reasons are based on matters of state or foreign law.

(k) *Question 11:* May I submit my own statement to the Commission responding to the company's arguments?

Yes, you may submit a response, but it is not required. You should try to submit any response to us, with a copy to the company, as soon as possible after the company makes its submission. This way, the Commission staff will have time to consider fully your submission before it issues its response. You should submit six paper copies of your response.

(l) *Question 12:* If the company includes my shareholder proposal in its proxy materials, what information about me must it include along with the proposal itself?

(1) The company's proxy statement must include your name and address, as well as the number of the company's voting securities that you hold. However, instead of providing that information, the company may instead include a statement that it will provide the information to shareholders promptly upon receiving an oral or written request.

(2) The company is not responsible for the contents of your proposal or supporting statement.

(m) *Question 13:* What can I do if the company includes in its proxy statement reasons why it believes shareholders should not vote in favor of my proposal, and I disagree with some of its statements?

(1) The company may elect to include in its proxy statement reasons why it believes shareholders should vote against your proposal. The company is allowed to make arguments reflecting its own point of view, just as you may express your own point of view in your proposal's supporting statement.

(2) However, if you believe that the company's opposition to your proposal contains materially false or misleading statements that may violate our anti-fraud rule, §240.14a–9, you should promptly send to the Commission staff and the company a letter explaining the reasons for your view, along with a copy of the company's statements opposing your proposal. To the extent possible, your letter should include specific factual information demonstrating the inaccuracy of the company's claims. Time permitting, you may wish to try to work out your differences with the company by yourself before contacting the Commission staff.

(3) We require the company to send you a copy of its statements opposing your proposal before it sends its proxy materials, so that you may bring to our attention any materially false or misleading statements, under the following timeframes:

(i) If our no-action response requires that you make revisions to your proposal or supporting statement as a condition to requiring the company to include it in its proxy materials, then the company must provide you with a copy of its opposition statements no later than 5 calendar days after the company receives a copy of your revised proposal; or

(ii) In all other cases, the company must provide you with a copy of its opposition statements no later than 30 calendar days before its files definitive copies of its proxy statement and form of proxy under §240.14a–6.

[63 FR 29119, May 28, 1998; 63 FR 50622, 50623, Sept. 22, 1998, as amended at 72 FR 4168, Jan. 29, 2007; 72 FR 70456, Dec. 11, 2007; 73 FR 977, Jan. 4, 2008; 76 FR 6045, Feb. 2, 2011; 75 FR 56782, Sept. 16, 2010]

Browse Previous | Browse Next

For questions or comments regarding e-CFR editorial content, features, or design, email ecfr@nara.gov.

For questions concerning e-CFR programming and delivery issues, email webteam@gpo.gov.

Section 508 / Accessibility

Foley, Patricia (LEGAL)

From: Foley, Patricia (LEGAL) on behalf of Tyler, Jacob (LEGAL)
Sent: Tuesday, December 20, 2011 5:24 PM
To: 'baires@scnj.org'
Cc: Tyler, Jacob (LEGAL); Foley, Patricia (LEGAL)
Subject: Morgan Stanley Shareholder Proposal
Attachments: Sisters of Charity.pdf

Please see the attached document.

Patricia Foley on behalf of Jacob Tyler
Morgan Stanley | Legal and Compliance
1221 Avenue of the Americas, 35th Floor | New York, NY 10020
Phone: +1 212 762-5639
Patricia.Foley@morganstanley.com

Foley, Patricia (LEGAL)

From: B Aires [baires@scnj.org]
Sent: Wednesday, December 21, 2011 8:37 AM
To: Tyler, Jacob (LEGAL)
Cc: Foley, Patricia (LEGAL)
Subject: RE: Morgan Stanley Shareholder Proposal

Thank you...I'll get back to you.

Barbara Aires
Sisters of Charity of Saint Elizabeth
PO Box 476
Convent Station, NJ 07961-0476
Tel: 973-290-5402
Fax:973-290-5441
e-mail:baires@scnj.org

From: Foley, Patricia [mailto:Patricia.Foley@morganstanley.com] **On Behalf Of** Tyler, Jacob
Sent: Tuesday, December 20, 2011 5:24 PM
To: B Aires
Cc: Tyler, Jacob; Foley, Patricia
Subject: Morgan Stanley Shareholder Proposal

Please see the attached document.

Patricia Foley on behalf of Jacob Tyler
Morgan Stanley | Legal and Compliance
1221 Avenue of the Americas, 35th Floor | New York, NY 10020
Phone: +1 212 762-5639
Patricia.Foley@morganstanley.com

NOTICE: Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. If you have received this communication in error, please destroy all electronic and paper copies and notify the sender immediately. Mistransmission is not intended to waive confidentiality or privilege. Morgan Stanley reserves the right, to the extent permitted under applicable law, to monitor electronic communications. This message is subject to terms available at the following link: http://www.morganstanley.com/disclaimers. If you cannot access these links, please notify us by reply message and we will send the contents to you. By messaging with Morgan Stanley you consent to the foregoing.

1221 Avenue of the Americas
New York, NY 10020

Morgan Stanley

Direct Dial: (212) 762-7325
Facsimile No: (212) 507-0010
Email: Jacob.Tyler@morganstanley.com

VIA EMAIL AND UNITED STATES POSTAL SERVICE

December 20, 2011

Father Joseph P. La Mar, M.M.
Maryknoll Fathers and Brothers
Catholic Foreign Mission Society of America, Inc.
Corporate Social Responsibility
PO Box 305
Maryknoll, New York 10545-0305

Re: Morgan Stanley Shareholder Proposal

Dear Father La Mar:

On December 16, 2011, we received your letter dated December 16, 2011 submitting a proposal on behalf of the Maryknoll Fathers and Brothers co-filed with the United States Province of Missionary Oblates of Mary Immaculate (the "Missionary Oblates", and, together with the Maryknoll Fathers and Brothers, the "Proponents") for inclusion in Morgan Stanley's (the "Company") 2012 proxy statement.

Rule 14a-8(b) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires that in order to be eligible to submit a proposal for inclusion in the Company's proxy statement a proponent must, among other things, have continuously held at least $2,000 in market value of Morgan Stanley's common stock for at least one year by the date such proponent submitted the proposal and provide a written statement that the proponent intends to continue to hold the shares through the date of the annual meeting of shareholders. You are not currently the registered holder on Morgan Stanley's books and records of any shares of Morgan Stanley common stock, and the proof of ownership that you have provided from Merrill Lynch does not demonstrate that you hold the requisite market value in shares and does not demonstrate that you had held the requisite number of shares for at least one year as of the date you submitted the proposal. You must provide evidence that, as of the date of submission of your proposal, you have continuously held at least $2,000 in market value of Morgan Stanley's common stock for at least one year.

Rule 14a-8(c) promulgated under the Securities Exchange Act of 1934, as amended, states that a shareholder may submit no more than one proposal for a particular shareholders meeting. The Proponents' submission contains multiple parts that we consider to be more than one proposal:

- Disclose in greater detail [the Company's] use of repurchase agreement transactions ["repo"] and securities lending transactions, including disclosures of sufficient detail that investors can determine: i) how transactions are cleared (e.g., bilaterally between the counterparties, through a clearing house or a clearing bank); ii) how haircuts are used to discount the value of securities as well as the expected liquidity in the event of a

counterparty default; iii) the mean, average and maximum term of these transactions; iv) whether and to what extent securities used as collateral do or do not trade in reliably liquid markets.

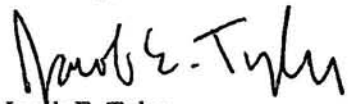
- Disclose [the Company's] position on efforts by regulatory or supervisory authorities to collect and report information about repo markets in order to be better able to detect the buildup of risk exposures and emerging points of stress in the financial system.

- When acting as a repo dealer, adopt the use of transparent, multilateral trading facilities so that all market participants can see all market prices (for repo rates, term and for the full range of collateral offered).

In order to meet the eligibility requirements for submitting a shareholder proposal, you must provide the necessary proof of ownership and amend your submission to state only one proposal no later than 14 calendar days from the date you receive this letter. If you provide us with documentation correcting these eligibility deficiencies, postmarked or transmitted electronically no later than 14 calendar days after the date you receive this letter, we will review the proposal to determine whether it is appropriate for inclusion in our proxy statement.

A copy of Rule 14a-8, which applies to shareholder proposals submitted for inclusion in proxy statements, is enclosed for your reference.

Sincerely,



Jacob E. Tyler
Assistant Secretary

Enclosure

cc: Rev. Séamus P. Finn, OMI
Director
JPIC Ministry
Missionary Oblates
391 Michigan Ave
Washington DC 20017

e-CFR Data is current as of December 16, 2011

Title 17: Commodity and Securities Exchanges

PART 240—GENERAL RULES AND REGULATIONS, SECURITIES EXCHANGE ACT OF 1934

Browse Previous | Browse Next

§ 240.14a-8 Shareholder proposals.

This section addresses when a company must include a shareholder's proposal in its proxy statement and identify the proposal in its form of proxy when the company holds an annual or special meeting of shareholders. In summary, in order to have your shareholder proposal included on a company's proxy card, and included along with any supporting statement in its proxy statement, you must be eligible and follow certain procedures. Under a few specific circumstances, the company is permitted to exclude your proposal, but only after submitting its reasons to the Commission. We structured this section in a question-and-answer format so that it is easier to understand. The references to "you" are to a shareholder seeking to submit the proposal.

(a) *Question 1:* What is a proposal? A shareholder proposal is your recommendation or requirement that the company and/or its board of directors take action, which you intend to present at a meeting of the company's shareholders. Your proposal should state as clearly as possible the course of action that you believe the company should follow. If your proposal is placed on the company's proxy card, the company must also provide in the form of proxy means for shareholders to specify by boxes a choice between approval or disapproval, or abstention. Unless otherwise indicated, the word "proposal" as used in this section refers both to your proposal, and to your corresponding statement in support of your proposal (if any).

(b) *Question 2:* Who is eligible to submit a proposal, and how do I demonstrate to the company that I am eligible? (1) In order to be eligible to submit a proposal, you must have continuously held at least $2,000 in market value, or 1%, of the company's securities entitled to be voted on the proposal at the meeting for at least one year by the date you submit the proposal. You must continue to hold those securities through the date of the meeting.

(2) If you are the registered holder of your securities, which means that your name appears in the company's records as a shareholder, the company can verify your eligibility on its own, although you will still have to provide the company with a written statement that you intend to continue to hold the securities through the date of the meeting of shareholders. However, if like many shareholders you are not a registered holder, the company likely does not know that you are a shareholder, or how many shares you own. In this case, at the time you submit your proposal, you must prove your eligibility to the company in one of two ways:

(i) The first way is to submit to the company a written statement from the "record" holder of your securities (usually a broker or bank) verifying that, at the time you submitted your proposal, you continuously held the securities for at least one year. You must also include your own written statement that you intend to continue to hold the securities through the date of the meeting of shareholders; or

(ii) The second way to prove ownership applies only if you have filed a Schedule 13D (§240.13d–101), Schedule 13G (§240.13d–102), Form 3 (§249.103 of this chapter), Form 4 (§249.104 of this chapter) and/or Form 5 (§249.105 of this chapter), or amendments to those documents or updated forms,

reflecting your ownership of the shares as of or before the date on which the one-year eligibility period begins. If you have filed one of these documents with the SEC, you may demonstrate your eligibility by submitting to the company:

(A) A copy of the schedule and/or form, and any subsequent amendments reporting a change in your ownership level;

(B) Your written statement that you continuously held the required number of shares for the one-year period as of the date of the statement; and

(C) Your written statement that you intend to continue ownership of the shares through the date of the company's annual or special meeting.

(c) *Question 3:* How many proposals may I submit? Each shareholder may submit no more than one proposal to a company for a particular shareholders' meeting.

(d) *Question 4:* How long can my proposal be? The proposal, including any accompanying supporting statement, may not exceed 500 words.

(e) *Question 5:* What is the deadline for submitting a proposal? (1) If you are submitting your proposal for the company's annual meeting, you can in most cases find the deadline in last year's proxy statement. However, if the company did not hold an annual meeting last year, or has changed the date of its meeting for this year more than 30 days from last year's meeting, you can usually find the deadline in one of the company's quarterly reports on Form 10–Q (§249.308a of this chapter), or in shareholder reports of Investment companies under §270.30d–1 of this chapter of the Investment Company Act of 1940. In order to avoid controversy, shareholders should submit their proposals by means, including electronic means, that permit them to prove the date of delivery.

(2) The deadline is calculated in the following manner if the proposal is submitted for a regularly scheduled annual meeting. The proposal must be received at the company's principal executive offices not less than 120 calendar days before the date of the company's proxy statement released to shareholders in connection with the previous year's annual meeting. However, if the company did not hold an annual meeting the previous year, or if the date of this year's annual meeting has been changed by more than 30 days from the date of the previous year's meeting, then the deadline is a reasonable time before the company begins to print and send its proxy materials.

(3) If you are submitting your proposal for a meeting of shareholders other than a regularly scheduled annual meeting, the deadline is a reasonable time before the company begins to print and send its proxy materials.

(f) *Question 6:* What if I fail to follow one of the eligibility or procedural requirements explained in answers to Questions 1 through 4 of this section? (1) The company may exclude your proposal, but only after it has notified you of the problem, and you have failed adequately to correct it. Within 14 calendar days of receiving your proposal, the company must notify you in writing of any procedural or eligibility deficiencies, as well as of the time frame for your response. Your response must be postmarked, or transmitted electronically, no later than 14 days from the date you received the company's notification. A company need not provide you such notice of a deficiency if the deficiency cannot be remedied, such as if you fail to submit a proposal by the company's properly determined deadline. If the company intends to exclude the proposal, it will later have to make a submission under §240.14a–8 and provide you with a copy under Question 10 below, §240.14a–8(j).

(2) If you fail in your promise to hold the required number of securities through the date of the meeting of shareholders, then the company will be permitted to exclude all of your proposals from its proxy materials for any meeting held in the following two calendar years.

(g) *Question 7:* Who has the burden of persuading the Commission or its staff that my proposal can be excluded? Except as otherwise noted, the burden is on the company to demonstrate that it is entitled to exclude a proposal.

(h) *Question 8:* Must I appear personally at the shareholders' meeting to present the proposal? (1) Either you, or your representative who is qualified under state law to present the proposal on your behalf, must

attend the meeting to present the proposal. Whether you attend the meeting yourself or send a qualified representative to the meeting in your place, you should make sure that you, or your representative, follow the proper state law procedures for attending the meeting and/or presenting your proposal.

(2) If the company holds its shareholder meeting in whole or in part via electronic media, and the company permits you or your representative to present your proposal via such media, then you may appear through electronic media rather than traveling to the meeting to appear in person.

(3) If you or your qualified representative fail to appear and present the proposal, without good cause, the company will be permitted to exclude all of your proposals from its proxy materials for any meetings held in the following two calendar years.

(i) *Question 9:* If I have complied with the procedural requirements, on what other bases may a company rely to exclude my proposal? (1) Improper under state law: If the proposal is not a proper subject for action by shareholders under the laws of the jurisdiction of the company's organization;

Note to paragraph (i)(1): Depending on the subject matter, some proposals are not considered proper under state law if they would be binding on the company if approved by shareholders. In our experience, most proposals that are cast as recommendations or requests that the board of directors take specified action are proper under state law. Accordingly, we will assume that a proposal drafted as a recommendation or suggestion is proper unless the company demonstrates otherwise.

(2) *Violation of law:* If the proposal would, if implemented, cause the company to violate any state, federal, or foreign law to which it is subject;

Note to paragraph (i)(2): We will not apply this basis for exclusion to permit exclusion of a proposal on grounds that it would violate foreign law if compliance with the foreign law would result in a violation of any state or federal law.

(3) *Violation of proxy rules:* If the proposal or supporting statement is contrary to any of the Commission's proxy rules, including §240.14a-9, which prohibits materially false or misleading statements in proxy soliciting materials;

(4) *Personal grievance; special interest:* If the proposal relates to the redress of a personal claim or grievance against the company or any other person, or if it is designed to result in a benefit to you, or to further a personal interest, which is not shared by the other shareholders at large;

(5) *Relevance:* If the proposal relates to operations which account for less than 5 percent of the company's total assets at the end of its most recent fiscal year, and for less than 5 percent of its net earnings and gross sales for its most recent fiscal year, and is not otherwise significantly related to the company's business;

(6) *Absence of power/authority:* If the company would lack the power or authority to implement the proposal;

(7) *Management functions:* If the proposal deals with a matter relating to the company's ordinary business operations;

(8) *Director elections:* If the proposal:

(i) Would disqualify a nominee who is standing for election;

(ii) Would remove a director from office before his or her term expired;

(iii) Questions the competence, business judgment, or character of one or more nominees or directors;

(iv) Seeks to include a specific individual in the company's proxy materials for election to the board of directors; or

(v) Otherwise could affect the outcome of the upcoming election of directors.

(9) *Conflicts with company's proposal:* If the proposal directly conflicts with one of the company's own proposals to be submitted to shareholders at the same meeting;

Note to paragraph (i)(9): A company's submission to the Commission under this section should specify the points of conflict with the company's proposal.

(10) *Substantially implemented:* If the company has already substantially implemented the proposal;

Note to paragraph (i)(10): A company may exclude a shareholder proposal that would provide an advisory vote or seek future advisory votes to approve the compensation of executives as disclosed pursuant to Item 402 of Regulation S–K (§229.402 of this chapter) or any successor to Item 402 (a "say-on-pay vote") or that relates to the frequency of say-on-pay votes, provided that in the most recent shareholder vote required by §240.14a–21(b) of this chapter a single year (*i.e.*, one, two, or three years) received approval of a majority of votes cast on the matter and the company has adopted a policy on the frequency of say-on-pay votes that is consistent with the choice of the majority of votes cast in the most recent shareholder vote required by §240.14a–21(b) of this chapter.

(11) *Duplication:* If the proposal substantially duplicates another proposal previously submitted to the company by another proponent that will be included in the company's proxy materials for the same meeting;

(12) *Resubmissions:* If the proposal deals with substantially the same subject matter as another proposal or proposals that has or have been previously included in the company's proxy materials within the preceding 5 calendar years, a company may exclude it from its proxy materials for any meeting held within 3 calendar years of the last time it was included if the proposal received:

(i) Less than 3% of the vote if proposed once within the preceding 5 calendar years;

(ii) Less than 6% of the vote on its last submission to shareholders if proposed twice previously within the preceding 5 calendar years; or

(iii) Less than 10% of the vote on its last submission to shareholders if proposed three times or more previously within the preceding 5 calendar years; and

(13) *Specific amount of dividends:* If the proposal relates to specific amounts of cash or stock dividends.

(j) *Question 10:* What procedures must the company follow if it intends to exclude my proposal? (1) If the company intends to exclude a proposal from its proxy materials, it must file its reasons with the Commission no later than 80 calendar days before it files its definitive proxy statement and form of proxy with the Commission. The company must simultaneously provide you with a copy of its submission. The Commission staff may permit the company to make its submission later than 80 days before the company files its definitive proxy statement and form of proxy, if the company demonstrates good cause for missing the deadline.

(2) The company must file six paper copies of the following:

(i) The proposal;

(ii) An explanation of why the company believes that it may exclude the proposal, which should, if possible, refer to the most recent applicable authority, such as prior Division letters issued under the rule; and

(iii) A supporting opinion of counsel when such reasons are based on matters of state or foreign law.

(k) *Question 11:* May I submit my own statement to the Commission responding to the company's arguments?

Yes, you may submit a response, but it is not required. You should try to submit any response to us, with a copy to the company, as soon as possible after the company makes its submission. This way, the Commission staff will have time to consider fully your submission before it issues its response. You should submit six paper copies of your response.

(l) *Question 12:* If the company includes my shareholder proposal in its proxy materials, what information about me must it include along with the proposal itself?

(1) The company's proxy statement must include your name and address, as well as the number of the company's voting securities that you hold. However, instead of providing that information, the company may instead include a statement that it will provide the information to shareholders promptly upon receiving an oral or written request.

(2) The company is not responsible for the contents of your proposal or supporting statement.

(m) *Question 13:* What can I do if the company includes in its proxy statement reasons why it believes shareholders should not vote in favor of my proposal, and I disagree with some of its statements?

(1) The company may elect to include in its proxy statement reasons why it believes shareholders should vote against your proposal. The company is allowed to make arguments reflecting its own point of view, just as you may express your own point of view in your proposal's supporting statement.

(2) However, if you believe that the company's opposition to your proposal contains materially false or misleading statements that may violate our anti-fraud rule, §240.14a–9, you should promptly send to the Commission staff and the company a letter explaining the reasons for your view, along with a copy of the company's statements opposing your proposal. To the extent possible, your letter should include specific factual information demonstrating the inaccuracy of the company's claims. Time permitting, you may wish to try to work out your differences with the company by yourself before contacting the Commission staff.

(3) We require the company to send you a copy of its statements opposing your proposal before it sends its proxy materials, so that you may bring to our attention any materially false or misleading statements, under the following timeframes:

(i) If our no-action response requires that you make revisions to your proposal or supporting statement as a condition to requiring the company to include it in its proxy materials, then the company must provide you with a copy of its opposition statements no later than 5 calendar days after the company receives a copy of your revised proposal; or

(ii) In all other cases, the company must provide you with a copy of its opposition statements no later than 30 calendar days before its files definitive copies of its proxy statement and form of proxy under §240.14a–6.

[63 FR 29119, May 28, 1998; 63 FR 50622, 50623, Sept. 22, 1998, as amended at 72 FR 4168, Jan. 29, 2007; 72 FR 70456, Dec. 11, 2007; 73 FR 977, Jan. 4, 2008; 76 FR 6045, Feb. 2, 2011; 75 FR 56782, Sept. 16, 2010]

Browse Previous | Browse Next

For questions or comments regarding e-CFR editorial content, features, or design, email ecfr@nara.gov.

For questions concerning e-CFR programming and delivery issues, email webteam@gpo.gov.

Section 508 / Accessibility

Foley, Patricia (LEGAL)

From: Foley, Patricia (LEGAL) on behalf of Tyler, Jacob (LEGAL)
Sent: Tuesday, December 20, 2011 5:26 PM
To: 'jlamar@maryknoll.org'
Cc: Tyler, Jacob (LEGAL); Foley, Patricia (LEGAL)
Subject: Morgan Stanley Shareholder Proposal
Attachments: Maryknoll.pdf

Please see the attached document.

Patricia Foley on behalf of Jacob Tyler
Morgan Stanley | Legal and Compliance
1221 Avenue of the Americas, 35th Floor | New York, NY 10020
Phone: +1 212 762-5639
Patricia.Foley@morganstanley.com

Foley, Patricia (LEGAL)

From: mailer-daemon
To: jlamar@maryknoll.org
Sent: Tuesday, December 20, 2011 5:26 PM
Subject: Relayed: Morgan Stanley Shareholder Proposal

Delivery to these recipients or distribution lists is complete, but delivery notification was not sent by the destination:

jlamar@maryknoll.org

Subject: Morgan Stanley Shareholder Proposal

Foley, Patricia (LEGAL)

From: La Mar, Joseph [JLamar@Maryknoll.org]
To: Tyler, Jacob (LEGAL)
Sent: Tuesday, December 20, 2011 6:58 PM
Subject: Read: Morgan Stanley Shareholder Proposal

Your message was read on Tuesday, December 20, 2011 6:58:06 PM (GMT-05:00) Eastern Time (US & Canada).

1221 Avenue of the Americas
New York, NY 10020

Morgan Stanley

Direct Dial: (212) 762-7325
Facsimile No: (212) 507-0010
Email: Jacob.Tyler@morganstanley.com

VIA EMAIL AND OVERNIGHT MAIL

December 20, 2011

Ms. Farha-Joyce Haboucha
Managing Director / Director, Sustainability & Impact Investments
The Libra Fund, L.P.
10 Rockefeller Plaza, 3rd Floor
New York, NY 10020

Re: Morgan Stanley Shareholder Proposal

Dear Ms. Haboucha:

On December 16, 2011, we received your letter dated December 16, 2011 submitting a proposal on behalf of the Libra Fund, L.P. (the "Libra Fund") co-filed with the United States Province of Missionary Oblates of Mary Immaculate (the "Missionary Oblates") and, together with the Missionary Oblates, the "Proponents") for inclusion in Morgan Stanley's (the "Company") 2012 proxy statement.

Rule 14a-8(b) promulgated under the Securities Exchange Act of 1934, as amended, requires that in order to be eligible to submit a proposal for inclusion in the Company's proxy statement the Libra Fund must, among other things, have continuously held at least $2,000 in market value of Morgan Stanley's common stock for at least one year by the date you submitted the proposal. The Libra Fund is not currently the registered holder on Morgan Stanley's books and records of any shares of Morgan Stanley common stock and has not provided adequate proof of ownership. Accordingly, you must submit to us a written statement from the "record" holder of the shares (usually a broker or bank) verifying that at the time you submitted the proposal, December 16, 2011, the Libra Fund had continuously held at least $2,000 in market value of Morgan Stanley common stock for at least the one year period prior to and including the date you submitted the proposal.

Rule 14a-8(c) promulgated under the Securities Exchange Act of 1934, as amended, states that a shareholder may submit no more than one proposal for a particular shareholders meeting. The Proponents' submission contains multiple parts that we consider to be more than one proposal:

- Disclose in greater detail [the Company's] use of repurchase agreement transactions ["repo"] and securities lending transactions, including disclosures of sufficient detail that investors can determine: i) how transactions are cleared (e.g., bilaterally between the counterparties, through a clearing house or a clearing bank); ii) how haircuts are used to discount the value of securities as well as the expected liquidity in the event of a counterparty default; iii) the mean, average and maximum term of these transactions; iv)

whether and to what extent securities used as collateral do or do not trade in reliably liquid markets.

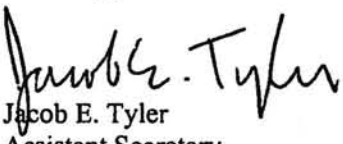
- Disclose [the Company's] position on efforts by regulatory or supervisory authorities to collect and report information about repo markets in order to be better able to detect the buildup of risk exposures and emerging points of stress in the financial system.

- When acting as a repo dealer, adopt the use of transparent, multilateral trading facilities so that all market participants can see all market prices (for repo rates, term and for the full range of collateral offered).

In order to meet the eligibility requirements for submitting a shareholder proposal, you must provide the requested information and amend your submission to state only one proposal no later than 14 calendar days from the date you receive this letter. If you provide us with documentation correcting these eligibility deficiencies, postmarked or transmitted electronically no later than 14 calendar days after the date you receive this letter, we will review the proposal to determine whether it is appropriate for inclusion in our proxy statement.

A copy of Rule 14a-8, which applies to shareholder proposals submitted for inclusion in proxy statements, is enclosed for your reference.

Sincerely,



Jacob E. Tyler
Assistant Secretary

Enclosure

cc: Rev. Séamus P. Finn, OMI
Director
JPIC Ministry
Missionary Oblates
391 Michigan Ave
Washington DC 20017

e-CFR Data is current as of December 16, 2011

Title 17: Commodity and Securities Exchanges

PART 240—GENERAL RULES AND REGULATIONS, SECURITIES EXCHANGE ACT OF 1934

Browse Previous | Browse Next

§ 240.14a-8 Shareholder proposals.

This section addresses when a company must include a shareholder's proposal in its proxy statement and identify the proposal in its form of proxy when the company holds an annual or special meeting of shareholders. In summary, in order to have your shareholder proposal included on a company's proxy card, and included along with any supporting statement in its proxy statement, you must be eligible and follow certain procedures. Under a few specific circumstances, the company is permitted to exclude your proposal, but only after submitting its reasons to the Commission. We structured this section in a question-and-answer format so that it is easier to understand. The references to "you" are to a shareholder seeking to submit the proposal.

(a) *Question 1:* What is a proposal? A shareholder proposal is your recommendation or requirement that the company and/or its board of directors take action, which you intend to present at a meeting of the company's shareholders. Your proposal should state as clearly as possible the course of action that you believe the company should follow. If your proposal is placed on the company's proxy card, the company must also provide in the form of proxy means for shareholders to specify by boxes a choice between approval or disapproval, or abstention. Unless otherwise indicated, the word "proposal" as used in this section refers both to your proposal, and to your corresponding statement in support of your proposal (if any).

(b) *Question 2:* Who is eligible to submit a proposal, and how do I demonstrate to the company that I am eligible? (1) In order to be eligible to submit a proposal, you must have continuously held at least $2,000 in market value, or 1%, of the company's securities entitled to be voted on the proposal at the meeting for at least one year by the date you submit the proposal. You must continue to hold those securities through the date of the meeting.

(2) If you are the registered holder of your securities, which means that your name appears in the company's records as a shareholder, the company can verify your eligibility on its own, although you will still have to provide the company with a written statement that you intend to continue to hold the securities through the date of the meeting of shareholders. However, if like many shareholders you are not a registered holder, the company likely does not know that you are a shareholder, or how many shares you own. In this case, at the time you submit your proposal, you must prove your eligibility to the company in one of two ways:

(i) The first way is to submit to the company a written statement from the "record" holder of your securities (usually a broker or bank) verifying that, at the time you submitted your proposal, you continuously held the securities for at least one year. You must also include your own written statement that you intend to continue to hold the securities through the date of the meeting of shareholders; or

(ii) The second way to prove ownership applies only if you have filed a Schedule 13D (§240.13d–101), Schedule 13G (§240.13d–102), Form 3 (§249.103 of this chapter), Form 4 (§249.104 of this chapter) and/or Form 5 (§249.105 of this chapter), or amendments to those documents or updated forms,

reflecting your ownership of the shares as of or before the date on which the one-year eligibility period begins. If you have filed one of these documents with the SEC, you may demonstrate your eligibility by submitting to the company:

(A) A copy of the schedule and/or form, and any subsequent amendments reporting a change in your ownership level;

(B) Your written statement that you continuously held the required number of shares for the one-year period as of the date of the statement; and

(C) Your written statement that you intend to continue ownership of the shares through the date of the company's annual or special meeting.

(c) *Question 3:* How many proposals may I submit? Each shareholder may submit no more than one proposal to a company for a particular shareholders' meeting.

(d) *Question 4:* How long can my proposal be? The proposal, including any accompanying supporting statement, may not exceed 500 words.

(e) *Question 5:* What is the deadline for submitting a proposal? (1) If you are submitting your proposal for the company's annual meeting, you can in most cases find the deadline in last year's proxy statement. However, if the company did not hold an annual meeting last year, or has changed the date of its meeting for this year more than 30 days from last year's meeting, you can usually find the deadline in one of the company's quarterly reports on Form 10–Q (§249.308a of this chapter), or in shareholder reports of investment companies under §270.30d–1 of this chapter of the Investment Company Act of 1940. In order to avoid controversy, shareholders should submit their proposals by means, including electronic means, that permit them to prove the date of delivery.

(2) The deadline is calculated in the following manner if the proposal is submitted for a regularly scheduled annual meeting. The proposal must be received at the company's principal executive offices not less than 120 calendar days before the date of the company's proxy statement released to shareholders in connection with the previous year's annual meeting. However, if the company did not hold an annual meeting the previous year, or if the date of this year's annual meeting has been changed by more than 30 days from the date of the previous year's meeting, then the deadline is a reasonable time before the company begins to print and send its proxy materials.

(3) If you are submitting your proposal for a meeting of shareholders other than a regularly scheduled annual meeting, the deadline is a reasonable time before the company begins to print and send its proxy materials.

(f) *Question 6:* What if I fail to follow one of the eligibility or procedural requirements explained in answers to Questions 1 through 4 of this section? (1) The company may exclude your proposal, but only after it has notified you of the problem, and you have failed adequately to correct it. Within 14 calendar days of receiving your proposal, the company must notify you in writing of any procedural or eligibility deficiencies, as well as of the time frame for your response. Your response must be postmarked, or transmitted electronically, no later than 14 days from the date you received the company's notification. A company need not provide you such notice of a deficiency if the deficiency cannot be remedied, such as if you fail to submit a proposal by the company's properly determined deadline. If the company intends to exclude the proposal, it will later have to make a submission under §240.14a–8 and provide you with a copy under Question 10 below, §240.14a–8(j).

(2) If you fail in your promise to hold the required number of securities through the date of the meeting of shareholders, then the company will be permitted to exclude all of your proposals from its proxy materials for any meeting held in the following two calendar years.

(g) *Question 7:* Who has the burden of persuading the Commission or its staff that my proposal can be excluded? Except as otherwise noted, the burden is on the company to demonstrate that it is entitled to exclude a proposal.

(h) *Question 8:* Must I appear personally at the shareholders' meeting to present the proposal? (1) Either you, or your representative who is qualified under state law to present the proposal on your behalf, must

attend the meeting to present the proposal. Whether you attend the meeting yourself or send a qualified representative to the meeting in your place, you should make sure that you, or your representative, follow the proper state law procedures for attending the meeting and/or presenting your proposal.

(2) If the company holds its shareholder meeting in whole or in part via electronic media, and the company permits you or your representative to present your proposal via such media, then you may appear through electronic media rather than traveling to the meeting to appear in person.

(3) If you or your qualified representative fail to appear and present the proposal, without good cause, the company will be permitted to exclude all of your proposals from its proxy materials for any meetings held in the following two calendar years.

(i) *Question 9:* If I have complied with the procedural requirements, on what other bases may a company rely to exclude my proposal? (1) Improper under state law: If the proposal is not a proper subject for action by shareholders under the laws of the jurisdiction of the company's organization;

Note to paragraph (i)(1): Depending on the subject matter, some proposals are not considered proper under state law if they would be binding on the company if approved by shareholders. In our experience, most proposals that are cast as recommendations or requests that the board of directors take specified action are proper under state law. Accordingly, we will assume that a proposal drafted as a recommendation or suggestion is proper unless the company demonstrates otherwise.

(2) *Violation of law:* If the proposal would, if implemented, cause the company to violate any state, federal, or foreign law to which it is subject;

Note to paragraph (i)(2): We will not apply this basis for exclusion to permit exclusion of a proposal on grounds that it would violate foreign law if compliance with the foreign law would result in a violation of any state or federal law.

(3) *Violation of proxy rules:* If the proposal or supporting statement is contrary to any of the Commission's proxy rules, including §240.14a-9, which prohibits materially false or misleading statements in proxy soliciting materials;

(4) *Personal grievance; special interest:* If the proposal relates to the redress of a personal claim or grievance against the company or any other person, or if it is designed to result in a benefit to you, or to further a personal interest, which is not shared by the other shareholders at large;

(5) *Relevance:* If the proposal relates to operations which account for less than 5 percent of the company's total assets at the end of its most recent fiscal year, and for less than 5 percent of its net earnings and gross sales for its most recent fiscal year, and is not otherwise significantly related to the company's business;

(6) *Absence of power/authority:* If the company would lack the power or authority to implement the proposal;

(7) *Management functions:* If the proposal deals with a matter relating to the company's ordinary business operations;

(8) *Director elections:* If the proposal:

(i) Would disqualify a nominee who is standing for election;

(ii) Would remove a director from office before his or her term expired;

(iii) Questions the competence, business judgment, or character of one or more nominees or directors;

(iv) Seeks to include a specific individual in the company's proxy materials for election to the board of directors; or

(v) Otherwise could affect the outcome of the upcoming election of directors.

(9) *Conflicts with company's proposal:* If the proposal directly conflicts with one of the company's own proposals to be submitted to shareholders at the same meeting;

Note to paragraph (i)(9): A company's submission to the Commission under this section should specify the points of conflict with the company's proposal.

(10) *Substantially implemented:* If the company has already substantially implemented the proposal;

Note to paragraph (i)(10): A company may exclude a shareholder proposal that would provide an advisory vote or seek future advisory votes to approve the compensation of executives as disclosed pursuant to Item 402 of Regulation S–K (§229.402 of this chapter) or any successor to Item 402 (a "say-on-pay vote") or that relates to the frequency of say-on-pay votes, provided that in the most recent shareholder vote required by §240.14a–21(b) of this chapter a single year (*i.e.,* one, two, or three years) received approval of a majority of votes cast on the matter and the company has adopted a policy on the frequency of say-on-pay votes that is consistent with the choice of the majority of votes cast in the most recent shareholder vote required by §240.14a–21(b) of this chapter.

(11) *Duplication:* If the proposal substantially duplicates another proposal previously submitted to the company by another proponent that will be included in the company's proxy materials for the same meeting;

(12) *Resubmissions:* If the proposal deals with substantially the same subject matter as another proposal or proposals that has or have been previously included in the company's proxy materials within the preceding 5 calendar years, a company may exclude it from its proxy materials for any meeting held within 3 calendar years of the last time it was included if the proposal received:

(i) Less than 3% of the vote if proposed once within the preceding 5 calendar years;

(ii) Less than 6% of the vote on its last submission to shareholders if proposed twice previously within the preceding 5 calendar years; or

(iii) Less than 10% of the vote on its last submission to shareholders if proposed three times or more previously within the preceding 5 calendar years; and

(13) *Specific amount of dividends:* If the proposal relates to specific amounts of cash or stock dividends.

(j) *Question 10:* What procedures must the company follow if it intends to exclude my proposal? (1) If the company intends to exclude a proposal from its proxy materials, it must file its reasons with the Commission no later than 80 calendar days before it files its definitive proxy statement and form of proxy with the Commission. The company must simultaneously provide you with a copy of its submission. The Commission staff may permit the company to make its submission later than 80 days before the company files its definitive proxy statement and form of proxy, if the company demonstrates good cause for missing the deadline.

(2) The company must file six paper copies of the following:

(i) The proposal;

(ii) An explanation of why the company believes that it may exclude the proposal, which should, if possible, refer to the most recent applicable authority, such as prior Division letters issued under the rule; and

(iii) A supporting opinion of counsel when such reasons are based on matters of state or foreign law.

(k) *Question 11:* May I submit my own statement to the Commission responding to the company's arguments?

Yes, you may submit a response, but it is not required. You should try to submit any response to us, with a copy to the company, as soon as possible after the company makes its submission. This way, the Commission staff will have time to consider fully your submission before it issues its response. You should submit six paper copies of your response.

(l) *Question 12:* If the company includes my shareholder proposal in its proxy materials, what information about me must it include along with the proposal itself?

(1) The company's proxy statement must include your name and address, as well as the number of the company's voting securities that you hold. However, instead of providing that information, the company may instead include a statement that it will provide the information to shareholders promptly upon receiving an oral or written request.

(2) The company is not responsible for the contents of your proposal or supporting statement.

(m) *Question 13:* What can I do if the company includes in its proxy statement reasons why it believes shareholders should not vote in favor of my proposal, and I disagree with some of its statements?

(1) The company may elect to include in its proxy statement reasons why it believes shareholders should vote against your proposal. The company is allowed to make arguments reflecting its own point of view, just as you may express your own point of view in your proposal's supporting statement.

(2) However, if you believe that the company's opposition to your proposal contains materially false or misleading statements that may violate our anti-fraud rule, §240.14a–9, you should promptly send to the Commission staff and the company a letter explaining the reasons for your view, along with a copy of the company's statements opposing your proposal. To the extent possible, your letter should include specific factual information demonstrating the inaccuracy of the company's claims. Time permitting, you may wish to try to work out your differences with the company by yourself before contacting the Commission staff.

(3) We require the company to send you a copy of its statements opposing your proposal before it sends its proxy materials, so that you may bring to our attention any materially false or misleading statements, under the following timeframes:

(i) If our no-action response requires that you make revisions to your proposal or supporting statement as a condition to requiring the company to include it in its proxy materials, then the company must provide you with a copy of its opposition statements no later than 5 calendar days after the company receives a copy of your revised proposal; or

(ii) In all other cases, the company must provide you with a copy of its opposition statements no later than 30 calendar days before its files definitive copies of its proxy statement and form of proxy under §240.14a–6.

[63 FR 29119, May 28, 1998; 63 FR 50622, 50623, Sept. 22, 1998, as amended at 72 FR 4168, Jan. 29, 2007; 72 FR 70456, Dec. 11, 2007; 73 FR 977, Jan. 4, 2008; 76 FR 6045, Feb. 2, 2011; 75 FR 56782, Sept. 16, 2010]

Browse Previous | Browse Next

For questions or comments regarding e-CFR editorial content, features, or design, email ecfr@nara.gov.

For questions concerning e-CFR programming and delivery issues, email webteam@gpo.gov.

Section 508 / Accessibility

From: jhaboucha@rockco.com
To: Tyler, Jacob
Sent: Tuesday, December 20, 2011 5:28 PM
Subject: Read: Morgan Stanley Shareholder Proposal

Your message was read on Tuesday, December 20, 2011 5:27:42 PM (GMT-05:00) Eastern Time (US & Canada).

Foley, Patricia (LEGAL)

From: Foley, Patricia (LEGAL) on behalf of Tyler, Jacob (LEGAL)
Sent: Tuesday, December 20, 2011 5:27 PM
To: 'jhaboucha@rockco.com'
Cc: Tyler, Jacob (LEGAL); Foley, Patricia (LEGAL)
Subject: Morgan Stanley Shareholder Proposal
Attachments: The Libra Fund.pdf

Please see the attached document.

Patricia Foley on behalf of Jacob Tyler
Morgan Stanley | Legal and Compliance
1221 Avenue of the Americas, 35th Floor | New York, NY 10020
Phone: +1 212 762-5639
Patricia.Foley@morganstanley.com

Foley, Patricia (LEGAL)

From: mailer-daemon
To: jhaboucha@rockco.com
Sent: Tuesday, December 20, 2011 5:27 PM
Subject: Relayed: Morgan Stanley Shareholder Proposal

Delivery to these recipients or distribution lists is complete, but delivery notification was not sent by the destination:

jhaboucha@rockco.com

Subject: Morgan Stanley Shareholder Proposal

Exhibit B

Repurchase Agreement Transaction Excerpts from the Company's 10-K

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the year ended December 31, 2010

Commission File Number 1-11758

Morgan Stanley

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	1585 Broadway New York, NY 10036 (Address of principal executive offices, including zip code)	36-3145972 (I.R.S. Employer Identification No.)	(212) 761-4000 (Registrant's telephone number, including area code)

Title of each class	Name of exchange on which registered
Securities registered pursuant to Section 12(b) of the Act:	
Common Stock, $0.01 par value	New York Stock Exchange
Depositary Shares, each representing 1/1,000th interest in a share of Floating Rate Non-Cumulative Preferred Stock, Series A, $0.01 par value	New York Stock Exchange
6 1/4% Capital Securities of Morgan Stanley Capital Trust III (and Registrant's guaranty with respect thereto)	New York Stock Exchange
6 1/4% Capital Securities of Morgan Stanley Capital Trust IV (and Registrant's guaranty with respect thereto)	New York Stock Exchange
5 3/4% Capital Securities of Morgan Stanley Capital Trust V (and Registrant's guaranty with respect thereto)	New York Stock Exchange
6.60% Capital Securities of Morgan Stanley Capital Trust VI (and Registrant's guaranty with respect thereto)	New York Stock Exchange
6.60% Capital Securities of Morgan Stanley Capital Trust VII (and Registrant's guaranty with respect thereto)	New York Stock Exchange
6.45% Capital Securities of Morgan Stanley Capital Trust VIII (and Registrant's guaranty with respect thereto)	New York Stock Exchange
Exchangeable Notes due June 30, 2011	NYSE Amex LLC
Capital Protected Notes due March 30, 2011 (2 issuances); Capital Protected Notes due June 30, 2011; Capital Protected Notes due August 20, 2011; Capital Protected Notes due October 30, 2011; Capital Protected Notes due December 30, 2011; Capital Protected Notes due September 30, 2012	NYSE Arca, Inc.
MPS℠ due March 30, 2012	NYSE Arca, Inc.
Buffered PLUS℠ due March 20, 2011	NYSE Arca, Inc.
PROPELS℠ due December 30, 2011 (3 issuances)	NYSE Arca, Inc.
Protected Absolute Return Barrier Notes due March 20, 2011	NYSE Arca, Inc.
Strategic Total Return Securities due July 30, 2011	NYSE Arca, Inc.
Market Vectors ETNs due March 31, 2020 (2 issuances); Market Vectors ETNs due April 30, 2020 (2 issuances)	NYSE Arca, Inc.
Targeted Income Strategic Total Return Securities due July 30, 2011; Targeted Income Strategic Total Return Securities due January 15, 2012	NYSE Arca, Inc.
Targeted Income Strategic Total Return Securities due October 30, 2011	The NASDAQ Stock Market LLC

Indicate by check mark if Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

Indicate by check mark if Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☒	Accelerated Filer ☐
Non-Accelerated Filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether Registrant is a shell company (as defined in Exchange Act Rule 12b-2). YES ☐ NO ☒

As of June 30, 2010, the aggregate market value of the common stock of Registrant held by non-affiliates of Registrant was approximately $32,227,567,107. This calculation does not reflect a determination that persons are affiliates for any other purposes.

As of January 31, 2011, there were 1,545,631,781 shares of Registrant's common stock, $0.01 par value, outstanding.

Documents Incorporated by Reference: Portions of Registrant's definitive proxy statement for its 2011 annual meeting of shareholders are incorporated by reference in Part III of this Form 10-K.

credit indexes, asset-backed security indexes, property indexes, mortgage-related and other asset-backed securities and real estate loan products.

The Company trades, invests and makes markets in major foreign currencies, such as the British pound, Canadian dollar, euro, Japanese yen and Swiss franc, as well as in emerging markets currencies. The Company trades these currencies on a principal basis in the spot, forward, option and futures markets.

Through the use of repurchase and reverse repurchase agreements, the Company acts as an intermediary between borrowers and lenders of short-term funds and provides funding for various inventory positions. The Company also provides financing to customers for commercial and residential real estate loan products and other securitizable asset classes. In addition, the Company engages in principal securities lending with clients, institutional lenders and other broker-dealers.

The Company advises on investment and liability strategies and assists corporations in their debt repurchases and tax planning. The Company structures debt securities, derivatives and other instruments with risk/return factors designed to suit client objectives, including using repackaged asset and other structured vehicles through which clients can restructure asset portfolios to provide liquidity or reconfigure risk profiles.

Commodities. The Company invests and makes markets in the spot, forward, physical derivatives and futures markets in several commodities, including metals (base and precious), agricultural products, crude oil, oil products, natural gas, electric power, emission credits, coal, freight, liquefied natural gas and related products and indices. The Company is a market-maker in exchange-traded options and futures and OTC options and swaps on commodities, and offers counterparties hedging programs relating to production, consumption, reserve/ inventory management and structured transactions, including energy-contract securitizations and monetization. The Company is an electricity power marketer in the U.S. and owns electricity-generating facilities in the U.S. and Europe.

The Company owns TransMontaigne Inc. and its subsidiaries, a group of companies operating in the refined petroleum products marketing and distribution business, and owns a minority interest in Heidmar Holdings LLC, which owns a group of companies that provide international marine transportation and U.S. marine logistics services.

Clients and Services. The Company provides financing services, including prime brokerage, which offers, among other services, consolidated clearance, settlement, custody, financing and portfolio reporting services to clients trading multiple asset classes. In addition, the Company's institutional distribution and sales activities are overseen and coordinated through Clients and Services.

Investments. The Company from time to time makes investments that represent business facilitation or other investing activities. Such investments are typically strategic investments undertaken by the Company to facilitate core business activities. From time to time, the Company may also make investments and capital commitments to public and private companies, funds and other entities.

The Company sponsors and manages investment vehicles and separate accounts for clients seeking exposure to private equity, infrastructure, mezzanine lending and real estate-related and other alternative investments. The Company may also invest in and provide capital to such investment vehicles. See also "Asset Management" herein.

Operations and Information Technology.

The Company's Operations and Information Technology departments provide the process and technology platform that supports Institutional Securities sales and trading activity, including post-execution trade processing and related internal controls over activity from trade entry through settlement and custody, such as asset servicing. This is done for transactions in listed and OTC transactions in commodities, equity and fixed

Item 1A. Risk Factors.

Liquidity and Funding Risk.

Liquidity and funding risk refers to the risk that we will be unable to finance our operations due to a loss of access to the capital markets or difficulty in liquidating our assets. Liquidity and funding risk also encompasses our ability to meet our financial obligations without experiencing significant business disruption or reputational damage that may threaten our viability as a going concern. For more information on how we monitor and manage liquidity and funding risk, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" in Part II, Item 7 herein.

Liquidity is essential to our businesses and we rely on external sources to finance a significant portion of our operations.

Liquidity is essential to our businesses. Our liquidity could be substantially affected negatively by our inability to raise funding in the long-term or short-term debt capital markets or the equity capital markets or our inability to access the secured lending markets. Factors that we cannot control, such as disruption of the financial markets or negative views about the financial services industry generally, could impair our ability to raise funding. In addition, our ability to raise funding could be impaired if lenders develop a negative perception of our long-term or short-term financial prospects. Such negative perceptions could be developed if we incur large trading losses, we are downgraded or put on negative watch by the rating agencies, we suffer a decline in the level of our business activity, regulatory authorities take significant action against us, or we discover significant employee misconduct or illegal activity, among other reasons. If we are unable to raise funding using the methods described above, we would likely need to finance or liquidate unencumbered assets, such as our investment and trading portfolios, to meet maturing liabilities. We may be unable to sell some of our assets, or we may have to sell assets at a discount from market value, either of which could adversely affect our results of operations, cash flows and financial condition.

Our borrowing costs and access to the debt capital markets depend significantly on our credit ratings.

The cost and availability of unsecured financing generally are dependent on our short-term and long-term credit ratings. Factors that are important to the determination of our credit ratings include the level and quality of our earnings, capital adequacy, liquidity, risk appetite and management, asset quality, business mix and actual and perceived levels of government support.

Our debt ratings also can have a significant impact on certain trading revenues, particularly in those businesses where longer term counterparty performance is critical, such as OTC derivative transactions, including credit derivatives and interest rate swaps. In connection with certain OTC trading agreements and certain other agreements associated with the Institutional Securities business segment, we may be required to provide additional collateral to certain counterparties in the event of a credit ratings downgrade. In addition, we may be required to pledge additional collateral to certain exchanges and clearing organizations in the event of a credit ratings downgrade. The rating agencies are considering the impact of the Dodd-Frank Act's resolution authority provisions on large banking institutions and it is possible that they could downgrade our ratings and those of similar institutions.

We are a holding company and depend on payments from our subsidiaries.

The parent holding company depends on dividends, distributions and other payments from its subsidiaries to fund dividend payments and to fund all payments on its obligations, including debt obligations. Regulatory and other legal restrictions may limit our ability to transfer funds freely, either to or from our subsidiaries. In particular, many of our subsidiaries, including our broker-dealer subsidiaries, are subject to laws, regulations and self-regulatory organization rules that authorize regulatory bodies to block or reduce the flow of funds to the parent

Critical Accounting Policies.

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the U.S., which require the Company to make estimates and assumptions (see Note 1 to the consolidated financial statements). The Company believes that of its significant accounting policies (see Note 2 to the consolidated financial statements), the following involve a higher degree of judgment and complexity.

Fair Value.

Financial Instruments Measured at Fair Value. A significant number of the Company's financial instruments are carried at fair value. The Company makes estimates regarding valuation of assets and liabilities measured at fair value in preparing the consolidated financial statements. These assets and liabilities include but are not limited to:

- Financial instruments owned and Financial instruments sold, not yet purchased;
- Securities available for sale;
- Securities received as collateral and Obligation to return securities received as collateral;
- Certain Commercial paper and other short-term borrowings, including structured notes;
- Certain Deposits;
- Certain Securities sold under agreements to repurchase;
- Certain Other secured financings; and
- Certain Long-term borrowings, including structured notes.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (*i.e.*, the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. A hierarchy for inputs is used in measuring fair value that maximizes the use of observable prices and inputs and minimizes the use of unobservable prices and inputs by requiring that the relevant observable inputs be used when available. The hierarchy is broken down into three levels, wherein Level 1 uses observable prices in active markets, and Level 3 consists of valuation techniques that incorporate significant unobservable inputs, and, therefore require the greatest use of judgment. In periods of market disruption, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or Level 2 to Level 3. In addition, a downturn in market conditions could lead to declines in the valuation of many instruments. For further information on the fair value definition, Level 1, Level 2, Level 3 and related valuation techniques, see Notes 2 and 4 to the consolidated financial statements.

Level 3 Assets and Liabilities. The Company's Level 3 assets before the impact of cash collateral and counterparty netting across the levels of the fair value hierarchy were $34.9 billion and $43.4 billion at December 31, 2010 and December 31, 2009, respectively, and represented approximately 10% and 14% at December 31, 2010 and December 31, 2009, respectively, of the assets measured at fair value (4% and 6% of total assets at December 31, 2010 and December 31, 2009, respectively). Level 3 liabilities before the impact of cash collateral and counterparty netting across the levels of the fair value hierarchy were $8.5 billion and $15.4 billion at December 31, 2010 and December 31, 2009, respectively, and represented approximately 4% and 9%, respectively, of the Company's liabilities measured at fair value.

Transfers In/Out of Level 3 during 2010. During 2010, the Company reclassified approximately $3.5 billion of certain Corporate and other debt, primarily loans and hybrid contracts, from Level 3 to Level 2. The Company reclassified these loans and hybrid contracts as external prices and/or spread inputs became observable, and the remaining unobservable inputs were deemed insignificant to the overall measurement.

The Company also reclassified approximately $0.9 billion of certain Corporate and other debt from Level 2 to Level 3. The reclassifications were primarily related to corporate loans and were generally due to a reduction in market price quotations for these or comparable instruments, or a lack of available broker quotes, such that unobservable inputs had to be utilized for the fair value measurement of these instruments.

During 2010, the Company reclassified approximately $1.2 billion of certain Net derivative contracts from Level 3 to Level 2. These reclassifications were related to certain tranched bespoke basket credit default swaps and single name credit default swaps for which unobservable inputs became insignificant.

During 2010, the Company reclassified approximately $1 billion of certain Investments from Level 3 to Level 2. The reclassifications were primarily related to principal investments for which external prices became observable.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis. Certain of the Company's assets were measured at fair value on a non-recurring basis, primarily relating to loans, other investments, goodwill and intangible assets. The Company incurs losses or gains for any adjustments of these assets to fair value. A downturn in market conditions could result in impairment charges in future periods.

For assets and liabilities measured at fair value on a non-recurring basis, fair value is determined by using various valuation approaches. The same hierarchy as described above, which maximizes the use of observable inputs and minimizes the use of unobservable inputs by generally requiring that the observable inputs be used when available, is used in measuring fair value for these items.

For further information on financial assets and liabilities that are measured at fair value on a non-recurring basis, see Note 4 to the consolidated financial statements.

Fair Value Control Processes. The Company employs control processes to validate the fair value of its financial instruments, including those derived from pricing models. These control processes are designed to assure that the values used for financial reporting are based on observable inputs wherever possible. In the event that observable inputs are not available, the control processes are designed to assure that the valuation approach utilized is appropriate and consistently applied and that the assumptions are reasonable. These control processes include reviews of the pricing model's theoretical soundness and appropriateness by Company personnel with relevant expertise who are independent from the trading desks. Additionally, groups independent from the trading divisions within the Financial Control Group, Market Risk Department and Credit Risk Management Department participate in the review and validation of the fair values generated from pricing models, as appropriate. Where a pricing model is used to determine fair value, recently executed comparable transactions and other observable market data are considered for purposes of validating assumptions underlying the model.

Consistent with market practice, the Company has individually negotiated agreements with certain counterparties to exchange collateral ("margining") based on the level of fair values of the derivative contracts they have executed. Through this margining process, one party or each party to a derivative contract provides the other party with information about the fair value of the derivative contract to calculate the amount of collateral required. This sharing of fair value information provides additional support of the Company's recorded fair value for the relevant OTC derivative products. For certain OTC derivative products, the Company, along with other market participants, contributes derivative pricing information to aggregation services that synthesize the data and make it accessible to subscribers. This information is then used to evaluate the fair value of these OTC derivative products. For more information regarding the Company's risk management practices, see "Quantitative and Qualitative Disclosures about Market Risk—Risk Management" in Part II, Item 7A herein.

Goodwill and Intangible Assets.

Goodwill. The Company tests goodwill for impairment on an annual basis and on an interim basis when certain events or circumstances exist. The Company tests for impairment at the reporting unit level, which is generally at the level of or one level below its business segments. Goodwill no longer retains its association with a particular acquisition once it has been assigned to a reporting unit. As such, all of the activities of a reporting unit, whether

Liquidity and Capital Resources.

The Company's senior management establishes the liquidity and capital policies of the Company. Through various risk and control committees, the Company's senior management reviews business performance relative to these policies, monitors the availability of alternative sources of financing, and oversees the liquidity and interest rate and currency sensitivity of the Company's asset and liability position. The Company's Treasury Department, Firm Risk Committee ("FRC"), Asset and Liability Management Committee ("ALCO") and other control groups assist in evaluating, monitoring and controlling the impact that the Company's business activities have on its consolidated statements of financial condition, liquidity and capital structure. Liquidity and capital matters are reported regularly to the Board's Risk Committee.

The Balance Sheet.

The Company actively monitors and evaluates the composition and size of its balance sheet. A substantial portion of the Company's total assets consists of liquid marketable securities and short-term receivables arising principally from sales and trading activities in the Institutional Securities business segment. The liquid nature of these assets provides the Company with flexibility in managing the size of its balance sheet. The Company's total assets increased to $807,698 million at December 31, 2010 from $771,462 million at December 31, 2009. The increase in total assets was primarily due to higher interest bearing deposits with banks and financial instruments owned, partially offset by lower securities borrowed.

The Company's assets and liabilities are primarily related to transactions attributable to sales and trading and securities financing activities. At December 31, 2010, securities financing assets and liabilities were $358 billion and $321 billion, respectively. At December 31, 2009, securities financing assets and liabilities were $376 billion and $316 billion, respectively. Securities financing transactions include repurchase and resale agreements, securities borrowed and loaned transactions, securities received as collateral and obligation to return securities received. Securities borrowed or purchased under agreements to resell and securities loaned or sold under agreements to repurchase are treated as collateralized financings (see Note 2 to the consolidated financial statements). Securities sold under agreements to repurchase and Securities loaned were $177 billion at December 31, 2010 and averaged $211 billion during 2010, respectively. The period-end balance was lower than the annual average, primarily due to the seasonal maturity of client financing activity on December 31, 2010. Securities purchased under agreements to resell and Securities borrowed were $287 billion at December 31, 2010 and averaged $306 billion during 2010, respectively.

Securities financing assets and liabilities also include matched book transactions with minimal market, credit and/or liquidity risk. Matched book transactions accommodate customers, as well as obtain securities for the settlement and financing of inventory positions. The customer receivable portion of the securities financing transactions includes customer margin loans, collateralized by customer owned securities, and customer cash, which is segregated according to regulatory requirements. The customer payable portion of the securities financing transactions primarily includes customer payables to the Company's prime brokerage clients. The Company's risk exposure on these transactions is mitigated by collateral maintenance policies that limit the Company's credit exposure to customers. Included within securities financing assets were $17 billion and $14 billion at December 31, 2010 and December 31, 2009, respectively, recorded in accordance with accounting guidance for the transfer of financial assets that represented equal and offsetting assets and liabilities for fully collateralized non-cash loan transactions.

The Company uses the Tier 1 leverage ratio, risk-based capital ratios (see "Regulatory Requirements" herein), Tier 1 common ratio and the balance sheet leverage ratio as indicators of capital adequacy when viewed in the context of the Company's overall liquidity and capital policies. These ratios are commonly used measures to assess capital adequacy and frequently referred to by investors.

Tier 1 capital and common equity attribution to the business segments is based on capital usage calculated by Required Capital. In principle, each business segment is capitalized as if it were an independent operating entity with limited diversification benefit between the business segments. Required Capital is assessed at each business segment and further attributed to product lines. This process is intended to align capital with the risks in each business segment in order to allow senior management to evaluate returns on a risk-adjusted basis. The Required Capital framework will evolve over time in response to changes in the business and regulatory environment, including Basel III, and to incorporate enhancements in modeling techniques (see "Regulatory Requirements" herein for further information on Basel III).

For a further discussion of the Company's Tier 1 capital, see "Regulatory Requirements" herein.

The following table presents the Company's and business segments' average Tier 1 capital and average common equity for 2010.

	2010	
	Average Tier 1 Capital(1)	Average Common Equity(1)
	(dollars in billions)	
Institutional Securities	$26.0	$17.7
Global Wealth Management Group	2.9	6.8
Asset Management	1.9	2.1
Parent capital	20.7	15.5
Total from continuing operations	51.5	42.1
Discontinued operations	0.1	0.3
Total	$51.6	$42.4

(1) The computation of Average common equity and Tier 1 capital is determined using the Company's Required Capital Framework. Business segment capital prior to 2010 was computed under a previous framework and has not been restated under the Required Capital Framework. As a result, the business segment Tier 1 Capital and average common equity prior to 2010 is not directly comparable. The Required Capital framework will evolve over time in response to changes in the business and regulatory environment and to incorporate enhancements in modeling techniques.

Capital Covenants.

In October 2006 and April 2007, the Company executed replacement capital covenants in connection with offerings by Morgan Stanley Capital Trust VII and Morgan Stanley Capital Trust VIII (the "Capital Securities"), which become effective after the scheduled redemption date in 2046. Under the terms of the replacement capital covenants, the Company has agreed, for the benefit of certain specified holders of debt, to limitations on its ability to redeem or repurchase any of the Capital Securities for specified periods of time. For a complete description of the Capital Securities and the terms of the replacement capital covenants, see the Company's Current Reports on Form 8-K dated October 12, 2006 and April 26, 2007.

Liquidity and Funding Management Policies.

The primary goal of the Company's liquidity management and funding activities is to ensure adequate funding over a wide range of market conditions. Given the mix of the Company's business activities, funding requirements are fulfilled through a diversified range of secured and unsecured financing.

The Company's liquidity and funding risk management framework, including policies and governance structure, helps mitigate the potential risk that the Company may not have access to adequate financing. The framework is designed to help ensure that the Company fulfills its financial obligations and to support the execution of the

Company's business strategies. The principal elements of the Company's liquidity and funding risk management framework are the Contingency Funding Plan and the Global Liquidity Reserve that support the target liquidity profile (see "Contingency Funding Plan" and "Global Liquidity Reserve" herein).

Contingency Funding Plan.

The Contingency Funding Plan ("CFP") is the Company's primary liquidity and funding risk management tool. The CFP outlines the Company's response to liquidity stress in the markets and incorporates stress testing to identify potential liquidity risk. Liquidity stress tests model multiple scenarios related to idiosyncratic, systemic or a combination of both types of events across various time horizons. Based on the results of stress testing, the CFP sets forth a course of action to effectively manage through a stressed liquidity event.

The Company's CFP incorporates a number of assumptions, including, but not limited to, the following:

- No government support;
- No access to unsecured debt markets;
- Repayment of all unsecured debt maturing within one year;
- Higher haircuts and significantly lower availability of secured funding;
- Additional collateral that would be required by trading counterparties and certain exchanges and clearing organizations related to multi-notch credit rating downgrades;
- Discretionary unsecured debt buybacks;
- Drawdowns on unfunded commitments provided to third parties;
- Client cash withdrawals;
- Limited access to the foreign exchange swap markets;
- Return of securities borrowed on an uncollateralized basis; and
- Maturity roll-off of outstanding letters of credit with no further issuance.

The CFP is produced at the Parent and major operating subsidiary levels, as well as at major currency levels, to capture specific cash requirements and cash availability across the Company. The CFP assumes the subsidiaries will use their own liquidity first to fund their obligations before drawing liquidity from the Parent company. The CFP also assumes that the Parent will support its subsidiaries and will not have access to their liquidity reserves due to regulatory, legal or tax constraints.

At December 31, 2010, the Company maintained sufficient liquidity to meet funding and contingent obligations as modeled in its liquidity stress tests.

Global Liquidity Reserve.

The Company maintains sufficient liquidity reserves ("Global Liquidity Reserve") to cover daily funding needs and meet strategic liquidity targets sized by the CFP. The Global Liquidity Reserve is held within the Parent company and major operating subsidiaries. It is comprised of cash and cash equivalents, securities that have been reversed or borrowed by the Company primarily on an overnight basis (predominantly consisting of U.S. and European government bonds and U.S. agency and agency mortgage-backed securities) and pools of Federal Reserve-eligible (eligible to be pledged to the Federal Reserve's Discount Window) securities (see table below). The assets that make up the Global Liquidity Reserve are all unencumbered and are not pledged as collateral on either a mandatory or a voluntary basis. They do not include other unencumbered assets that are available to the Company for additional monetization.

Global Liquidity Reserve by Type of Investment

The table below summarizes the Company's Global Liquidity Reserve by type of investment:

	At December 31, 2010
	(dollars in billions)
Cash and cash equivalents	$ 42
Securities purchased under agreements to resell/Securities borrowed	88
Federal Reserve-eligible securities	41
Global Liquidity Reserve	$171

The vast majority of the assets held in the Global Liquidity Reserve can be monetized on a next-day basis in a stressed environment given the highly liquid and diversified nature of the reserves. The remainder of the assets can be monetized within two to five business days.

The currency composition of the Global Liquidity Reserve is consistent with the CFP on a currency level. The Company's funding requirements and target liquidity reserves may vary based on changes to the level and composition of its balance sheet, subsidiary funding needs, timing of specific transactions, client financing activity, market conditions and seasonal factors.

Global Liquidity Reserve Held by the Parent and Subsidiaries

The table below summarizes the Global Liquidity Reserve held by the Parent and subsidiaries:

	At December 31, 2010	At December 31, 2009	Average Balance(1)	
			2010	2009
	(dollars in billions)			
Parent	$ 68	$ 64	$ 65	$ 61
Non-bank subsidiaries	35	40	31	35
Bank subsidiaries	68	59	63	58
Total	$171	$163	$159	$154

(1) The Company calculates the average global liquidity reserve based upon weekly amounts.

The Company is exposed to intra-day settlement risk in connection with liquidity provided to its major broker-dealer subsidiaries for intra-day clearing and settlement of its securities and financing activity.

Funding Management Policies.

The Company's funding management policies are designed to provide for financings that are executed in a manner that reduces the risk of disruption to the Company's operations. The Company pursues a strategy of diversification of secured and unsecured funding sources (by product, by investor and by region) and attempts to ensure that the tenor of the Company's liabilities equals or exceeds the expected holding period of the assets being financed. Maturities of financings are designed to manage exposure to refinancing risk in any one period.

The Company funds its balance sheet on a global basis through diverse sources. These sources may include the Company's equity capital, long-term debt, repurchase agreements, securities lending, deposits, commercial paper, letters of credit and lines of credit. The Company has active financing programs for both standard and structured products targeting global investors and currencies such as the U.S. dollar, euro, British pound, Australian dollar and Japanese yen.

Secured Financing. A substantial portion of the Company's total assets consists of liquid marketable securities and short-term collateralized receivables arising principally from its Institutional Securities sales and trading activities. The liquid nature of these assets provides the Company with flexibility in financing these assets with collateralized borrowings.

(4) Amounts include guarantees issued by consolidated real estate funds sponsored by the Company of approximately $465 million. These guarantees relate to obligations of the fund's investee entities, including guarantees related to capital expenditures and principal and interest debt payments. Accrued losses under these guarantees of approximately $161 million are reflected as a reduction of the carrying value of the related fund investments, which are reflected in Financial instruments owned—Investments on the consolidated statement of financial condition.

In the ordinary course of business, the Company guarantees the debt and/or certain trading obligations (including obligations associated with derivatives, foreign exchange contracts and the settlement of physical commodities) of certain subsidiaries. These guarantees generally are entity or product specific and are required by investors or trading counterparties. The activities of the subsidiaries covered by these guarantees (including any related debt or trading obligations) are included in the Company's consolidated financial statements.

See Note 13 to the consolidated financial statements for information on other guarantees and indemnities.

Commitments and Contractual Obligations.

The Company's commitments associated with outstanding letters of credit and other financial guarantees obtained to satisfy collateral requirements, investment activities, corporate lending and financing arrangements, mortgage lending and margin lending at December 31, 2010 are summarized below by period of expiration. Since commitments associated with these instruments may expire unused, the amounts shown do not necessarily reflect the actual future cash funding requirements:

	Years to Maturity				Total at December 31, 2010
	Less than 1	1-3	3-5	Over 5	
	(dollars in millions)				
Letters of credit and other financial guarantees obtained to satisfy collateral requirements	$ 1,701	$ 8	$ 11	$ 1	$ 1,721
Investment activities	1,146	587	103	78	1,914
Primary lending commitments—investment grade(1)(2)	8,104	28,291	7,885	219	44,499
Primary lending commitments—non-investment grade(1)	990	5,448	5,361	2,134	13,933
Secondary lending commitments(1)	39	116	173	39	367
Commitments for secured lending transactions	346	621	2	—	969
Forward starting reverse repurchase agreements(3)	53,037	—	—	—	53,037
Commercial and residential mortgage-related commitments	1,131	10	68	634	1,843
Underwriting commitments	128	—	—	—	128
Other commitments	198	62	3	—	263
Total	$66,820	$35,143	$13,606	$3,105	$118,674

(1) These commitments are recorded at fair value within Financial instruments owned and Financial instruments sold, not yet purchased in the consolidated statements of financial condition (see Note 4 to the consolidated financial statements).

(2) This amount includes commitments to asset-backed commercial paper conduits of $275 million at December 31, 2010, of which $138 million have maturities of less than one year and $137 million of which have maturities of one to three years.

(3) The Company enters into forward starting securities purchased under agreements to resell (agreements that have a trade date at or prior to December 31, 2010 and settle subsequent to period-end) that are primarily secured by collateral from U.S. government agency securities and other sovereign government obligations. These agreements primarily settle within three business days and at December 31, 2010, $45.2 billion of the $53.0 billion settled within three business days.

conditions. Furthermore, the model does not reflect the Company's expectations regarding the movement of interest rates in the near term nor the actual effect on Income from continuing operations before income taxes if such changes were to occur.

Investments.

The Company makes investments in both public and private companies, primarily in its Institutional Securities and Asset Management business segments. These investments are predominantly equity positions with long investment horizons, the majority of which are for business facilitation purposes. The market risk related to these investments is measured by estimating the potential reduction in net revenues associated with a 10% decline in asset values as shown in the table below.

Investments	10% Sensitivity December 31, 2010 (dollars in millions)
Investments related to merchant banking activities:	
Real estate funds	$108
Private equity and infrastructure funds	115
Other investments:	
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	$179
Asset Management hedge fund investments	169
Other firm investments	344

Credit Risk.

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations. The Company incurs credit risk exposure to institutions and sophisticated investors through the Institutional Securities business segment. This risk may arise from a variety of business activities, including, but not limited to, entering into swap or other derivative contracts under which counterparties have obligations to make payments to us; extending credit to clients through various lending commitments; providing short- or long-term funding that is secured by physical or financial collateral whose value may at times be insufficient to fully cover the loan repayment amount; and posting margin and/or collateral to clearing houses, clearing agencies, exchanges, banks, securities firms and other financial counterparties. We incur credit risk in traded securities and loan pools, whereby the value of these assets may fluctuate based on realized or expected defaults on the underlying obligations or loans. The Company incurs credit risk in the Global Wealth Management Group business segment lending to individual investors, including margin and non-purpose loans collateralized by securities and through single-family residential prime mortgage loans in conforming, nonconforming or home equity lines of credit ("HELOC") form.

The Company has structured its credit risk management framework to reflect that each of its businesses generates unique credit risks, and the Credit Risk Management Department establishes company-wide practices to evaluate, monitor and control credit risk exposure both within and across business segments. The Company employs a comprehensive and global Credit Limits Framework as one of the primary tools used to evaluate and manage credit risk levels across the Company. The Credit Limits Framework is calibrated within the Company's risk tolerance and includes single name limits and portfolio concentration limits by country, industry and product type. The Credit Risk Management Department is responsible for ensuring transparency of material credit risks, ensuring compliance with established limits, approving material extensions of credit, and escalating risk concentrations to appropriate senior management. Credit risk exposure is managed by credit professionals and committees within the Credit Risk Management Department and through various risk committees, whose membership includes the Credit Risk Management Department. The Credit Risk Management Department also works closely with the Market Risk Department and applicable business units to monitor risk exposures, including margin loans, mortgage loans, and credit sensitive, higher risk transactions.

See Note 8 to the consolidated financial statements for additional information on the credit quality of the Company's financing receivables.

Institutional Securities Activities.

Corporate Lending. In connection with certain of its Institutional Securities business segment activities, the Company provides loans or lending commitments (including bridge financing) to selected corporate clients. Such loans and lending commitments can generally be classified as either "relationship-driven" or "event-driven."

"Relationship-driven" loans and lending commitments are generally made to expand business relationships with select clients. Commitments associated with "relationship-driven" activities may not be indicative of the Company's actual funding requirements, as the commitment may expire unused or the borrower may not fully utilize the commitment. The Company may hedge its exposures in connection with "relationship-driven" transactions, and commitments may be subject to conditions, including financial covenants.

"Event-driven" loans and lending commitments refer to activities associated with a particular event or transaction, such as to support client merger, acquisition or recapitalization activities. Commitments associated with these "event-driven" activities may not be indicative of the Company's actual funding requirements since funding is contingent upon a proposed transaction being completed. In addition, the borrower may not fully utilize the commitment or the Company's portion of the commitment may be reduced through the syndication process. The borrower's ability to draw on the commitment is also subject to certain terms and conditions, among other factors. The Company risk manages its exposures in connection with "event-driven" transactions through various means, including syndication, distribution and/or hedging.

Securitizations. The Company may extend short- or long-term funding to clients through loans and lending commitments that are secured by assets of the borrower and generally provide for over-collateralization, including commercial real estate, loans secured by loan pools, commercial and industrial company loans, and secured lines of revolving credit. Credit risk with respect to these loans and lending commitments arises from the failure of a borrower to perform according to the terms of the loan agreement or a decline in the underlying collateral value.

Derivative Contracts. In the normal course of business, the Company enters into a variety of derivative contracts related to financial instruments and commodities. The Company uses these instruments for trading and hedging purposes, as well as for asset and liability management. These instruments generally represent future commitments to swap interest payment streams, exchange currencies, or purchase or sell commodities and other financial instruments on specific terms at specified future dates. Many of these products have maturities that do not extend beyond one year, although swaps, options and equity warrants typically have longer maturities.

The Company incurs credit risk as a dealer in OTC derivatives. Credit risk with respect to derivative instruments arises from the failure of a counterparty to perform according to the terms of the contract. The Company's exposure to credit risk at any point in time is represented by the fair value of the derivative contracts reported as assets, net of cash collateral received. The fair value of derivatives represents the amount at which the derivative could be exchanged in an orderly transaction between market participants and is further described in Note 2 to the consolidated financial statements. Future changes in interest rates, foreign currency exchange rates, or the fair values of the financial instruments, commodities or indices underlying these contracts ultimately may result in cash settlements exceeding fair value amounts recognized in the consolidated statements of financial condition. In addition to measuring and managing credit exposures referenced to the current fair value of derivative instruments, the Company also measures and manages credit exposures referenced to potential exposure. Potential exposure is an estimate of exposure, within a specified confidence level, that could be outstanding over time based on market movements.

Other. In addition to the activities noted above, there are other credit risks managed by the Credit Risk Management Department and various business areas within the Institutional Securities business segment. The Company incurs credit risk through margin and collateral transactions with clearing houses, clearing agencies, exchanges, banks, securities firms and other financial counterparties. Certain risk management activities as they pertain to establishing appropriate collateral amounts for the Company's prime brokerage and securitized product businesses are primarily monitored within those respective areas in that they determine the appropriate collateral level for each strategy or position. In addition, a collateral management group monitors collateral levels against requirements and oversees the administration of the collateral function.

Analyzing Credit Risk. Credit risk management takes place at the transaction, obligor and portfolio levels. In order to protect the Company from losses resulting from these activities, the Credit Risk Management Department ensures lending transactions and derivative exposures are analyzed, that the creditworthiness of the Company's counterparties and borrowers is reviewed regularly and that credit exposure is actively monitored and managed. The Credit Risk Management Department assigns obligor credit ratings to the Company's counterparties and borrowers, which reflect an assessment of an obligor's probability of default. Additionally, the Credit Risk Management Department evaluates the relative position of the Company's particular obligation in the borrower's capital structure and relative recovery prospects, as well as collateral (if applicable) and other structural elements of the particular transaction.

Risk Mitigation. The Company may seek to mitigate credit risk from its lending and derivatives transactions in multiple ways. At the transaction level, the Company seeks to mitigate risk through management of key risk elements such as size, tenor, financial covenants, seniority and collateral. The Company actively hedges its lending and derivatives exposure through various financial instruments that may include single name, portfolio and structured credit derivatives. Additionally, the Company may sell, assign or sub-participate funded loans and lending commitments to other financial institutions in the primary and secondary loan market. In connection with its derivatives trading activities, the Company generally enters into master netting agreements and collateral arrangements with counterparties. These agreements provide the Company with the ability to offset a counterparty's rights and obligations, request additional collateral when necessary or liquidate the collateral in the event of counterparty default.

Credit Exposure—Corporate Lending. The following tables present information about the Company's corporate funded loans and lending commitments carried at fair value at December 31, 2010 and December 31, 2009. The "total corporate lending exposure" column includes both lending commitments and funded loans. Fair value of corporate lending exposure represents the fair value of loans that have been drawn by the borrower and lending commitments that were outstanding at December 31, 2010 and December 31, 2009. Lending commitments represent legally binding obligations to provide funding to clients at December 31, 2010 and December 31, 2009 for both "relationship-driven" and "event-driven" lending transactions. As discussed above, these loans and lending commitments have varying terms, may be senior or subordinated, may be secured or unsecured, are generally contingent upon representations, warranties and contractual conditions applicable to the borrower, and may be syndicated, traded or hedged by the Company.

At December 31, 2010 and December 31, 2009, the aggregate amount of investment grade loans was $3.9 billion and $6.5 billion, respectively, and the aggregate amount of non-investment grade loans was $6.8 billion and $9.5 billion, respectively. In connection with these corporate lending activities (which include corporate funded loans and lending commitments), the Company had hedges (which include "single name," "sector" and "index" hedges) with a notional amount of $21.0 billion and $25.8 billion related to the total corporate lending exposure of $69.2 billion and $64.0 billion at December 31, 2010 and December 31, 2009, respectively.