

UNITED STATES OF AMERICA
BEFORE THE
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 52145 / July 28, 2005

ORDER REGARDING ALTERNATIVE NET CAPITAL COMPUTATION FOR
MORGAN STANLEY & CO., WHICH HAS ELECTED TO BE SUPERVISED ON A
CONSOLIDATED BASIS

Morgan Stanley & Co. (“MS”), a broker-dealer registered with the Securities and Exchange Commission (“Commission”), and its ultimate holding company, Morgan Stanley (“MSGroup”), have indicated their desire to be supervised by the Commission as a consolidated supervised entity (“CSE”). MS, therefore, has submitted an application to the Commission for authorization to use the alternative method of computing net capital contained in Appendix E to Rule 15c3-1 (17 CFR 240.15c3-1e) to the Securities Exchange Act of 1934 (“Exchange Act”).

Based on a review of the application that MS submitted, the Commission has determined that the application meets the requirements of Appendix E. The Commission also has determined that MSGroup is in compliance with the terms of its undertakings, as provided to the Commission under Appendix E. The Commission, therefore, finds that approval of the application is necessary or appropriate in the public interest or for the protection of investors.

Accordingly,

IT IS ORDERED, under paragraph (a)(7) of Rule 15c3-1 (17 CFR 240.15c3-1) to the Exchange Act, that MS may calculate net capital using the market risk standards of Appendix E to compute a deduction for market risk on some or all of its positions, instead of the provisions of paragraphs (c)(2)(vi) and (c)(2)(vii) of Rule 15c3-1, and

using the credit risk standards of Appendix E to compute a deduction for credit risk on certain credit exposures arising from transactions in derivatives instruments, instead of the provision of paragraph (c)(2)(iv) of Rule 15c3-1.

By the Commission.

Margaret H. McFarland
Deputy Secretary